Corporación Inmobiliaria Vesta, S. A. B. de C. V. and Subsidiaries

Condensed Consolidated Interim Financial Statements unaudited for the six-month period ended June 30, 2020 and 2019

Corporación Inmobiliaria Vesta, S. A. B. de C. V. and Subsidiaries

Condensed Consolidated Interim Statements of Financial Position

As of June 30, 2020 and December 31, 2019
(In US dollars)

	Notes	30/06/2020 (Unaudited)	31/12/2019
Assets			
Current assets:			
Cash, cash equivalents and restricted cash	5	$ 143,983,306	$ 75,063,593
Financial assets held for trading	6	582,471	804,967
Recoverable taxes	7	23,056,049	10,365,121
Operating lease receivables	8	8,798,741	8,272,093
Prepaid expenses		2,570,056	1,267,893
Total current assets		178,990,623	95,773,667
Non-current assets:			
Investment property	9	2,035,134,222	1,989,131,091
Office furniture – Net		2,497,852	3,063,650
Right-of-use asset	10	877,677	1,104,036
Derivative financial instruments	17	-	163,530
Guarantee deposits made and restricted cash		4,424,694	4,461,865
Total non-current assets		2,042,934,445	1,997,924,172
Total assets		$ 2,221,925,068	$ 2,093,697,839
Liabilities and stockholders' equity			
Current liabilities:			
Current portion of long-term debt	11	$ 818,151	$ 794,905
Finance leases payable - short term	10	437,083	435,177
Accrued interest		3,244,995	2,996,611
Accounts payable and client advances		4,160,211	2,539,117
Taxes payable, mainly income taxes		508,066	1,458,209
Accrued expenses		2,872,746	4,452,725
Total current liabilities		12,041,252	12,676,744
Non-current liabilities:			
Long-term debt	11	838,793,475	713,632,678
Finance leases payable- long term	10	512,893	729,069
Derivative financial instruments	17	4,671,580	-
Guarantee deposits received		13,467,253	13,255,463
Dividends payable	12.4	40,603,663	13,371,920
Deferred income taxes	14.3	284,252,289	228,906,984
Total non-current liabilities		1,182,301,153	969,896,114
Total liabilities		1,194,342,405	982,572,858
Litigation and other contingencies	18		
Stockholders' equity:			
Capital stock	12.1	422,437,615	426,300,951
Capital premium	12.3	297,064,471	303,741,438
Retained earnings		356,768,983	416,230,463
Share-based payments reserve	16	5,494,616	7,828,591
Foreign currency translation		(50,912,916)	(43,090,933)
Valuation of derivative financial instruments	17	(3,270,106)	114,471
Total stockholders' equity		1,027,582,663	1,111,124,981
Total liabilities and stockholders' equity		$ 2,221,925,068	$ 2,093,697,839

See accompanying notes to condensed consolidated interim financial statements.

Corporación Inmobiliaria Vesta, S. A. B. de C. V. and Subsidiaries

Unaudited Condensed Consolidated Interim Statements of Profit or Loss and Comprehensive Income

For the six and three months ended June 30, 2020 and 2019
(In US dollars)

	Notes	Six Months ended 30/06/2020	Six Months ended 30/06/2019	Three Months ended 30/06/2020	Three Months ended 30/06/2019
Revenues:					
Rental income		$ 74,235,661	$ 72,218,319	$ 36,538,805	$ 35,928,051
Management fee		129,682	10,681	112,015	10,681
		74,365,343	72,229,000	36,650,820	35,938,732
Property operating costs:					
Related to properties that generate rental income	13.1	(4,865,132)	(3,027,018)	(2,589,607)	(1,689,009)
Related to properties that do not generate rental income	13.1	(527,595)	(314,984)	(285,434)	(92,850)
Gross profit		68,972,616	68,886,998	33,775,778	34,156,872
Administration expenses	13.2	(8,634,415)	(8,732,991)	(3,962,524)	(4,597,505)
Depreciation		(792,095)	(649,083)	(299,754)	(337,236)
Other income and expenses:					
Interest income		214,912	35,943	204,945	16,533
Other income (expense) – net		178,569	(2,404)	98,649	-
Interest expense		(19,461,316)	(21,019,807)	(10,191,399)	(11,210,785)
Exchange (loss) gain – net		(7,369,718)	1,931,064	1,734,790	690,787
Gain in sale of investment property		-	16,017,448	-	16,017,448
Gain on revaluation of investment property	9	28,182,311	44,397,289	14,282,625	32,442,363
Total other income and expenses		1,744,758	41,359,533	6,129,610	37,956,346
Profit before income taxes		61,290,864	100,864,457	35,643,110	67,178,477
Income tax expense	14.1				
Current income tax		(5,065,388)	(23,440,552)	(3,213,610)	(12,273,515)
Deferred income tax		(61,548,738)	(6,368,837)	(13,361,460)	(5,571,251)
(Loss) profit for the period		(5,323,262)	71,055,068	19,068,040	49,333,711
Other comprehensive loss – net of tax:					
Items that may be reclassified subsequently to profit:					
- Fair value losses from derivative financial instruments		(3,384,577)	(1,666,605)	(477,777)	(1,005,431)
- Exchange differences on translating other functional currency operations		(7,821,983)	2,125,160	(9,216,587)	3,078,610
Total other comprehensive (loss) income		(11,206,560)	458,555	(9,694,364)	2,073,179
Total comprehensive (loss) income for the period		$ (16,529,822)	$ 71,513,623	$ 9,373,676	$ 51,406,890
Basic and diluted (losses) earnings per share	12.5	$ (0.0076)	$ 0.119	$ 0.0334	$ 0.0828

See accompanying notes to condensed consolidated interim financial statements.

Corporación Inmobiliaria Vesta, S. A. B. de C. V. and Subsidiaries

Unaudited Condensed Consolidated Interim Statements of Changes in Stockholders' Equity

For the six months ended June 30, 2020 and 2019
(In US dollars)

	Capital stock	Additional paid-in capital	Retained earnings	Share-based payments reserve	Foreign currency translation	Valuation of derivate financial investment	Total stockholders' equity
Balances as of January 1, 2019	$ 435,613,239	$ 321,021,039	$ 333,833,754	$ 5,507,719	$ (43,938,783)	$ 1,666,605	$ 1,053,703,573
Dividends declared	-	-	(52,636,140)	-	-	-	(52,636,140)
Vested shares	507,967	803,095	-	(1,311,062)	-	-	-
Share-based payments	-	-	-	1,400,944	-	-	1,400,944
Repurchase of shares	(7,310,500)	(13,366,613)	-	-	-	-	(20,677,113)
Comprehensive income (loss)	-	-	71,055,068	-	2,125,160	(1,666,605)	71,513,623
Balances as of June 30, 2019	$ 428,810,706	$ 308,457,521	$ 352,252,682	$ 5,597,601	$ (41,813,623)	$ -	$ 1,053,304,887
Balances as of January 1, 2020	$ 426,300,951	$ 303,741,438	$ 416,230,463	$ 7,828,591	$ (43,090,933)	$ 114,471	$ 1,111,124,981
Dividends declared	-	-	(54,138,218)	-	-	-	(54,138,218)
Vested shares	1,238,891	3,016,698	-	(4,255,589)	-	-	-
Share-based payments	-	-	-	1,921,614	-	-	1,921,614
Repurchase of shares	(5,102,227)	(9,693,665)	-	-	-	-	(14,795,892)
Comprehensive (loss) income	-	-	(5,323,262)	-	(7,821,983)	(3,384,577)	(16,529,822)
Balances as of June 30, 2020	$ 422,437,615	$ 297,064,471	$ 356,768,983	$ 5,494,616	$ (50,912,916)	$ (3,270,106)	$ 1,027,582,663

See accompanying notes to condensed consolidated interim financial statements.

Corporación Inmobiliaria Vesta, S. A. B. de C. V. and Subsidiaries

Unaudited Condensed Consolidated Interim Statements of Cash Flows

For the six months ended June 30, 2020 and 2019
(In US dollars)

	30/06/2020	30/06/2019
Cash flows from operating activities:		
Profit before income taxes	$ 61,290,864	$ 100,864,457
Adjustments:		
Depreciation	565,735	421,490
Depreciation of right-of-use assets	226,360	229,620
Gain on revaluation of investment property	(28,182,311)	(44,397,289)
Unrealized effect of foreign exchange rates	7,369,718	(1,931,064)
Interest income	(214,912)	(35,943)
Interest expense	19,461,316	21,019,807
Expense recognized in respect of share-based payments	1,921,614	1,400,944
Gain in sale of investment property	-	(16,017,448)
Working capital adjustments:		
(Increase) decrease in:		
Operating lease receivables – Net	(526,648)	(1,349,164)
Recoverable taxes	(12,690,928)	5,768,707
Prepaid expenses	(1,302,163)	(1,545,180)
Increase (decrease) in:		
Accounts payable and client advances	1,621,094	2,119,884
Accrued expenses	(1,579,979)	(783,876)
Income taxes paid	(8,979,423)	(14,050,758)
Net cash generated by operating activities	38,982,337	51,714,187
Cash flows from investing activities:		
Purchases of investment property	(33,663,822)	(38,135,309)
Sale of investment property	-	109,260,000
Financial assets held for trading	222,496	-
Interest received	214,912	35,943
Net cash (used in) generated by investing activities	(33,226,414)	71,160,634
Cash flows from financing activities:		
Guarantee deposits made	37,171	(53,306)
Guarantee deposits collected	211,790	283,078
Interest paid	(18,774,019)	(19,788,550
Loans obtained	125,000,000	145,000,000
Costs paid for debt issuance	-	3,260,647
Repayments of borrowings	(198,232)	(150,503,356)
Dividends paid	(26,906,475)	(13,196,980)
Repurchase of treasury shares	(14,795,892)	(20,677,113)
Repayments of financial leases	(270,908)	(271,154)
Net cash generated by (used in) financing activities	64,303,435	(55,946,734)
Effects of exchange rates changes on cash	(1,139,645)	(357,282)
Net increase in cash, cash equivalents and restricted cash	68,919,713	66,570,805
Cash, cash equivalents and restricted cash at the beginning of the period – Note 5	75,798,905	65,218,707
Cash, cash equivalents and restricted cash at the end of the period – Note 5	$ 144,718,618	$ 131,789,512

See accompanying notes to condensed consolidated interim financial statements.

Notes to Unaudited Condensed Consolidated Interim Financial Statements unaudited

For the six months ended June 30, 2020 and 2019
(In US dollars)

1. General information

Corporación Inmobiliaria Vesta, S. A. B. de C. V. ("Vesta") is a corporation incorporated in Mexico. The address of its registered office and principal place of business is Paseo de los Tamarindos 90, 28th floor, Mexico City.

Vesta and subsidiaries (collectively, the "Entity") are engaged in the development, acquisition and operation of industrial buildings and distribution facilities that are rented to corporations in eleven states throughout Mexico.

2. Application of new and revised International Financial Reporting Standards (IFRS)

In the current period, the Entity has applied a number of amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2019

IFRS 10 e IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate o Joint Venture
Amendments to IFRS 3	Definition of a business
Amendments to IAS 1 e IAS 8	Definition of material
Conceptual Framework	Conceptual Framework Amendments to References to the Conceptual Framework in IFRS Standards

At the date of authorization of these financial statements, the Entity has not applied the following new and revised IFRS Standard that has been issued but is not yet effective:

IFRS 17	Insurance Contracts

Management do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

3. Significant accounting policies

a. ***Statement of compliance***

The unaudited consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

b. ***Basis of preparation***

The unaudited consolidated interim financial statements have been prepared on the historical cost basis except for investment properties and financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

i. Historical cost

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

ii. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these condensed consolidated interim financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of International Financial Reporting Standard ("IFRS") 2, *Share-based Payments*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

c. ***Interim financial condensed statements***

The accompanying condensed consolidated interim financial statements as of June 30, 2020 and 2019 have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, and have not been audited. In the opinion of Entity management, all adjustments (consisting mainly of ordinary, recurring adjustments) necessary for a fair presentation of the accompanying condensed consolidated interim financial statements are included. The results of the periods are not necessarily indicative of the results for the full year. These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual consolidated financial statements of the Entity and their respective notes for the year ended December 31, 2019.

The accounting policies and methods of computation are consistent with the audited consolidated financial statements for the year ended December 31, 2019, except for the mentioned in Note 3.

d. ***Basis of consolidation***

The condensed consolidated interim financial statements incorporate the financial statements of Vesta and entities (including structured entities) controlled by Vesta and its subsidiaries. Control is achieved when the Entity:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Entity obtains control over the subsidiary and ceases when the Entity loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Entity gains control until the date when the Entity ceases to control the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Entity's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Entity are eliminated in full on consolidation.

	Ownership percentage		
Subsidiary/entity	**30/06/2020 (Unaudited)**	**31/12/2019**	**Activity**
QVC, S. de R.L. de C.V.	99.99%	99.99%	Holds investment properties
QVC II, S. de R.L. de C.V.	99.99%	99.99%	Holds investment properties
WTN Desarrollos Inmobiliarios de México, S. de R.L. de C.V.	99.99%	99.99%	Holds investment properties
Vesta Baja California, S. de R.L. de C.V.	99.99%	99.99%	Holds investment properties
Vesta Bajío, S. de R.L. de C.V.	99.99%	99.99%	Holds investment properties
Vesta Querétaro, S. de R.L. de C.V.	99.99%	99.99%	Holds investment properties
Proyectos Aeroespaciales, S. de R.L. de C.V.	99.99%	99.99%	Holds investment properties
Vesta DSP, S. de R. L. de C.V.	99.99%	99.99%	Holds investment properties
Vesta Management, S. de R.L. de C.V.	99.99%	99.99%	Provides administrative services to the Entity
Servicio de Administración y Mantenimiento Vesta S. de R.L. de C.V.	99.99%	99.99%	Provides administrative services to the Entity
EnerVesta S. de R.L. de C.V.	99.99%	99.99%	Provides administrative services to the Entity
Trust CIB 2962	(1)	(1)	Vehicle to distribute shares of employees under the Long Term Incentive Plan

(1) Employee share trust established in conjunction with the 20-20 Long Term Incentive Plan over which the Entity exercise control.

e. ***Financial instruments***

Financial assets and financial liabilities are recognized in Vesta's statement of financial position when the Entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

f. ***Financial assets***

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Entity may make the following irrevocable election / designation at initial recognition of a financial asset:

- the Entity may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Entity may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the ‘other income (expenses) - Net’ line item.

Impairment of financial assets

The Entity always recognizes lifetime ECL for operating lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Entity’s historical credit loss experience, adjusted for factors that are specific to the debtors.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Write-off policy

The Entity writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner.

g. ***Financial liabilities***

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Entity, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.
- A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of an Entity of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Entity that are designated by the Entity as at FVTPL are recognized in profit or loss.

Financial liabilities measured subsequently at amortized cost

Financial liabilities (including borrowings) that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and expenses paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Entity derecognizes financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

h. ***Derivative financial instruments***

The Entity enters into a variety of derivative financial instruments to manage its exposure to interest and foreign exchange rate risk, including interest rate swaps. Further details of derivative financial instruments are disclosed in Note 17.

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the financial statements unless the Entity has both legal right and intention to offset. The impact of the Master Netting Agreements on the Entity's financial position is disclosed in Note 17. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

i. ***Hedge accounting***

The Entity designates certain hedging instruments, which include derivatives in respect of interest rate risk as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Entity documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other income (expenses) - Net' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

j. ***Cash and cash equivalents***

Cash and cash equivalents consist mainly of bank deposits in checking accounts and short-term investments, highly liquid and easily convertible into cash, maturing within three months as of their acquisition date, which are subject to immaterial value change risks. Cash is carried at nominal value and cash equivalents are valued at fair value; any fluctuations in value are recognized in interest income of the period. Cash equivalents are represented mainly by investments in treasury certificates (CETES) and money market funds.

k. ***Office furniture***

Office furniture is stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. An item of office furniture is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of the asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in profit or loss.

l. ***Restricted cash***

Restricted cash represents cash and cash equivalents balances held by the Entity that are only available for use under certain conditions pursuant to the long-term debt agreements entered into by the Entity (as discussed in Note 11). These restrictions are classified according to their restriction period: less than 12 months and over one year, considering the period of time in which such restrictions are fulfilled, whereby the short-term restricted cash balance was classified within current assets under cash and cash equivalents and the long-term restricted cash was classified within guarantee deposits made.

m. ***Investment property***

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognized upon sale or when the investment property is permanently withdrawn from use and no future economic benefits are expected to be received from such investment property. Any gain or loss arising on derecognition of the property (calculated as the difference between the net sale proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

n. ***Impairment of long-lived assets other than goodwill***

At the end of each reporting period, the Entity reviews the carrying amounts of its long-lived assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

o. ***Leases***

1) The Entity as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

2) The Entity as lessee

The Entity assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Entity recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

p. ***Foreign currencies***

The U.S. dollar is the functional currency of Vesta and all of its subsidiaries except for WTN Desarrollos Inmobiliarios de México, S. de R. L. de C. V. ("WTN") and Vesta Management, S. de R.L. de C.V. (VM), which consider the Mexican peso to be their functional currency and are considered to be "foreign operations" under IFRS. However, Vesta and its subsidiaries keep their accounting records in Mexican pesos. In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the exchange rates in effect on the dates of each transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates in effect at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the exchange rates in effect on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of WTN and VM are translated into U.S. dollars using the exchange rates in effect on the last business day of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates in effect on the dates of the transactions are used. Exchange differences arising, if any, are recorded in other comprehensive income.

q. ***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

r. ***Employee benefits***

Employee benefits for termination

Employee benefits for termination are recorded in the results of the year in which they are incurred.

Short-term and other long-term employee benefits and statutory employee profit sharing ("PTU")

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Entity in respect of services provided by employees up to the reporting date.

Statutory employee profit sharing ("PTU")

PTU is recorded in the results of the year in which it is incurred and is presented in administration expenses line item in the consolidated statement of profit (loss) and other comprehensive income.

As result of the 2014 Income Tax Law, as of June 30,2020 and 2019, PTU is determined based on taxable income, according to Section I of Article 9 of the that Law.

s. ***Share-based payment arrangements***

Share-based payment transactions of the Entity

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 16.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Entity's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Entity revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity settled employee benefits reserve.

t. ***Income taxes***

Income tax expense represents the sum of the tax currently payable and deferred tax.

1. Current tax

Current income tax ("ISR") is recognized in the results of the year in which is incurred.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Entity's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Entity supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

2. Deferred income tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

u. ***Provisions***

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, when it is probable that the Entity will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties associated with the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Entity's accounting policies, which are described in Note 3, management of the Entity is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

– ***Valuation of investment properties***

As described in Note 9, the Entity uses external appraisers in order to determine the fair value of its investment properties. Such appraisers use several valuation methodologies that include assumptions that are not directly observable in the market to estimate the fair value of its investment properties. Note 9 provides detailed information about the key assumptions used in the determination of the fair value of the investment properties.

In estimating the fair value of an asset or a liability, the Entity uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Entity engages third party qualified valuation experts. The valuation committee works closely with the qualified external valuation experts to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation committee's findings to the board of directors of the Entity every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 9 and 17.

The Entity's management believes that the chosen valuation methodologies and assumptions used are appropriate in determining the fair value of the Entity's investment properties.

5. Cash, cash equivalents and restricted cash

For purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, including restricted cash. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statements of financial position as follows:

	30/06/2020 (Unaudited)	31/12/2019
Cash and bank balances	$ 143,877,468	$ 75,031,869
Restricted cash	105,838	31,724
	143,983,306	75,063,593
Non-current restricted cash	735,312	735,312
Total	$ 144,718,618	$ 75,798,905

Restricted cash represents balances held by the Entity that are only available for use under certain conditions pursuant to the loan agreements entered into by the Entity. Such conditions include payment of monthly debt service and compliance with certain covenants set forth in the loan agreement. These restrictions are classified according to their restriction period: less than 12 months and over one year, considering the period of time in which such restrictions are expected to be fulfilled. Non-current restricted cash was classified within guarantee deposits made in the accompanying consolidated statements of financial positon.

6. Financial assets held for trading

The portfolio of financial assets that the Entity has classified as held for trading relates to investments used by the Entity to manage its cash surplus. Such financial assets were acquired in active markets and are principally comprised of investment funds with no maturity date and which mainly invest in AAA debt instruments, such as government bonds; they are classified as level 1 in the IFRS fair value hierarchy.

7. Recoverable taxes

	30/06/2020 (Unaudited)	31/12/2019
Recoverable value-added tax ("VAT")	$ 951,287	$ 1,958,949
Recoverable income taxes	15,584,294	7,855,714
Recoverable dividend tax	6,119,066	109,781
Other receivables	401,402	440,677
	$ 23,056,049	$ 10,365,121

8. Operating lease receivables

i. The aging profile of operating lease receivables as of the dates indicated below are as follows:

	30/06/2020 (Unaudited)	31/12/2019
0-30 days	$ 7,728,624	$ 7,438,454
30-60 days	755,158	313,014
60-90 days	282,827	259,434
Over 90 days	32,132	261,191
Total	$ $8,798,741	$ 8,272,093

Pursuant to the lease agreements, rental payments should be received within 30 days following their due date; thereafter the payment is considered past due. As shown in the table above, 88% and 90% of all operating lease receivables are current as of June 30, 2020 and December 31, 2019, respectively.

All rental payments past due are monitored by the Entity; for receivables outstanding from 30 to 90 days, efforts are made to collect payment from the respective client. Operating lease receivables outstanding for more than 30 days but less than 60 days represent 9% and 4% of all operating lease receivables as of June 30, 2020 and December 31, 2019, respectively. Operating lease receivables outstanding for more than 60 and less than 90 days represent 3% and 3% of all operating lease receivable as of June 30, 2020 and December 31, 2019. Operating lease receivables outstanding greater than 90 days represent 0.4% and 3% of all operating lease receivable as of June 30, 2020 and December 31, 2019

ii. Movement in the allowance for doubtful accounts receivable

The Entity recognizes lifetime ECL for operating lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Entity's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of the operating lease receivable. The balance as of June 30, 2020 and December 31, 2019 are $2,904,846 (unaudited) and $908,699, respectively.

iii. Client concentration risk

As of June 30, 2020 and December 31, 2019, one of the Entity's client accounts for 22% or $1,967,741 (Unaudited) and 36% or $2,997,680, respectively, of the operating lease receivables balance. The same client accounted for 6% and 6% (Unaudited) of the total rental income of Entity for the six months periods ended June 30, 2020 and 2019, respectively. No other client accounted for more than 10% of the total rental income of the Entity for the six months ended June 30, 2020 and 2019.

iv. Leasing agreements

Operating leases relate to non-cancellable lease agreements over the investment properties owned by the Entity, which generally have terms ranging between 5 to15 years, with options to extend the term up to a total term of 20 years. Rents are customarily payable on a monthly basis, and are adjusted annually according to applicable inflation indices (US and Mexican inflation indices). Security deposits are typically equal to one or two months' rent. Obtaining property insurance (third party liability) and operating maintenance are obligations of the tenants. All lease agreements include a rescission clause that entitles the Entity to collect all unpaid rents during the remaining term of the lease agreement in the event that the client defaults in its rental payments, vacates the properties, terminates the lease agreement or enters into bankruptcy or insolvency proceedings. All lease agreements are classified as operating leases and do not include purchase options, except for two lease agreements which contain a purchase option at market conditions at the end of the lease term.

v. Non-cancellable operating lease receivables

Future minimum lease payments receivable under non-cancellable operating lease agreements are as follows:

	30/06/2020 (Unaudited)	31/12/2019
Not later than 1 year	$ 135,801,753	$ 135,776,309
Later than 1 year and not later than 3 years	235,429,398	236,689,312
Later than 3 year and not later than 5 years	207,684,228	215,670,367
Later than 5 years	100,848,257	113,092,864
	$ 679,763,636	$ 701,228,852

9. Investment property

The Entity uses external appraisers in order to determine the fair value for all of its investment properties. The independent appraisers, who hold recognized and relevant professional qualifications and have vast experience in the types of investment properties, owned by the Entity, use valuation techniques such as the discounted cash flows approach, replacement cost approach and income cap rate approach. The techniques used include assumptions, the majority of which are not directly observable in the market, to estimate the fair value of the Entity's investment property such as discount rates, long-term NOI, inflation rates, absorption periods and market rents.

The values, determined by the external appraisers annually, are recognized as the fair value of the Entity's investment property at the end of each reporting period. The appraisers use a discounted cash flow approach to determine the fair value of land and buildings (using the expected net operating income ("NOI") of the investment property) and a market approach to determine the fair value of land reserves. Gains or losses arising from changes in the fair values are included in the consolidated statements of profit and comprehensive income in the period in which they arise.

The Entity's investment properties are located in México and they are classified as Level 3 in the IFRS fair value hierarchy. The following table provides information about how the fair values of the investment properties are determined (in particular, the valuation technique(s) and inputs used).

Property	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Value/range (Unaudited)	Relationship of unobservable inputs to fair value
Buildings and land	Level 3	Discounted cash flows	Discount rate	Q2 2020: 8.25% to 11.75% 2019: 9.20% to 10.15%	The higher the discount rate, the lower the fair value.
			Exit cap rate	Q2 2020: 8.75% to 9.5% 2019: 8.56% to 8.7%	The higher the exit cap rate, the lower the fair value
			Long-term NO	Based on contractual rent and then on market related rents	The higher the NOI, the higher the fair value.
			Inflation rates	Mexico: Q2 2020: 3.47% to 3.5% 2019: 4% to 4.1% U.S.: Q2 2020: 2.1% to 2.5% 2019: 2.2% to 2.3%	The higher the inflation rate, the higher the fair value.
			Absorption period	12 months on average	The shorter the absorption period, the higher the fair value.
			Market Related rents	Depending on the park/state	The higher the market rent, the higher the fair value
			Exchange rate - Mexican pesos per $1	Q2 2020: 22.0 to 23.11 2019: 19.5 to 20.48	The higher the exchange rate, the lower the fair value
Land reserves	Level 3	Market value	Price per acre	Weighted average price per acre Q2 2020: $135,731 2019: $141,819	The higher the price, the higher the fair value.

The table below sets forth the aggregate values of the Entity's investment properties for the years indicated:

	30/06/2020 (Unaudited)	31/12/2019
Buildings and land	$ 1,912,069,500	$ 1,841,395,000
Land improvements	32,101,755	23,743,778
Land reserves	130,258,000	142,979,000
	2,074,429,255	2,008,117,778
Less: Cost to complete construction in-progress	(39,295,033)	(18,986,687)
Balance at end of year	$ 2,035,134,222	$ 1,989,131,091

The reconciliation of investment property is as follows:

	30/06/2020 (Unaudited)	31/12/2019
Balance at beginning of year	$ 1,989,131,091	$ 1,841,621,430
Additions	33,663,822	105,442,835
Foreign currency translation effect	(15,843,002)	4,343,996
Disposal of investment property	-	(91,339,283)
Gain on revaluation of investment property	28,182,311	86,062,112
Balance at end of year	$ 2,035,134,222	$ 1,989,131,091

During 2019, the Entity reached an agreement to sell eight industrial properties located in Queretaro and Toluca totaling 1.6 million square feet for $109,260,000, the cost associated with the sale was $91,339,283, generating a gain in sale of investment property of $17,920,717.

During 2007, the Entity entered into an agreement to build the Querétaro Aerospace Park, which consists of a trust created by the Government of the State of Querétaro, as grantor (*fideicomitente)*, Aeropuerto Intercontinental de Querétaro, S. A. de C. V., as a participant for the purposes of granting its consent, Bombardier Aerospace México, S.A. de C.V., as beneficiary (*fideicomisario*), and BBVA Bancomer, S.A., as trustee (*fiduciario*), to which the Entity, through its subsidiary, Proyectos Aeroespaciales, S. de R. L. de C. V. (PAE), adhered as grantee and beneficiary. The Government of the State of Queretaro contributed certain rights to the trust, including rights to use the land and the infrastructure built by the state of Queretaro, allowing PAE to build and lease buildings for a total period equivalent to the term of the concession granted to the Aerospace Park; the remaining term is approximately 35 years as of December 31, 2019.

PAE is the only designated real estate developer and was granted the right to use the land and infrastructure to develop industrial facilities thereon, lease such industrial facilities to companies in the aerospace and related industries and to collect the rents derived from the lease of the industrial facilities, for a period of time equivalent to the remaining term of the airport concession (approximately 35 years as of December 31, 2019). With respect to such rights, all construction, addition and improvements made by PAE to the contributed land (including without limitation, the industrial facilities) will revert in favor of the Government of the State of Queretaro at the end of the term of the trust, for zero consideration.

During 2013, the Entity entered into an agreement with Nissan Mexicana, S.A. de C.V. ("Nissan") to build and lease to Nissan the Douki Seisan Park ("DSP Park") located in Aguascalientes, Mexico. The land where the DSP Park is located is owned by Nissan. On July 5, 2012, Nissan created a trust (trust No. F/1704 with Deutsche Bank México, S.A. as trustee) to which the Entity (through one of its subsidiaries, Vesta DSP, S. de R.L. de C.V), is beneficiary and was granted the use of the land for a period of 40 years. The infrastructure and all the related improvements were built by and are managed by the Entity.

As of June 30, 2020 and December 31, 2019, the Entity's investment properties have a gross leasable area (unaudited) of 29,794,420 square feet (or 2,767,992 square meters) and 29,792,047 square feet (or 2,767,772 square meters), respectively and they were 93.4% and 91.7% occupied by tenants (unaudited), respectively. As of June 30, 2020 and December 31, 2019, investment properties with a gross leasable area (unaudited) of 1,762,243 square feet (or 163,718 square meters) and 884,655 square feet (or 82,188 square meters), respectively, were under construction, representing an additional 5.9% and 3.0% of the Entity's total leasable area.

Most of the Entity's investment properties have been pledged as collateral to secure its long-term debt.

10. Entity as lessee

1. ***Rights to use:***

Rights to use	January 1, 2020	Additions	Disposals	June 30, 2020 (Unaudited)
Property	$ 1,260,626	$ -	$ -	$ 1,260,626
Vehicles and office equipment	302,650	-	-	302,650
Cost of rights to use	1,563,276	-	-	1,563,276
Depreciation of rights to use				
Property	$ (365,208)	$ (179,344)	$ -	$ (544,552)
Vehicles and office equipment	(94,032)	(47,016)	-	(141,048)
Accumulated depreciation	(459,240)	(114,810)	-	(685,600)
Total	$ 1,104,036	$ (226,360)	$ -	$ 877,676

Rights to use	January 1, 2019	Additions	Disposals	December 31, 2019
Property	$ 1,260,626	$ -	$ -	$ 1,260,626
Vehicles and office equipment	302,650	-	-	302,650
Cost of rights to use	1,563,276	-	-	1,563,276
Depreciation of rights to use				
Property	$ -	$ (365,208)	$ -	$ (365,208)
Vehicles and office equipment	-	(94,032)	-	(94,032)
Accumulated depreciation	-	(459,240)	-	(459,240)
Total	$ 1,563,276	$ (459,240)	$ -	$ 1,104,036

2. ***Lease obligations:***

	January 1, 2020	Additions	Disposals	Interests paid	Repayments	June 30, 2020 (Unaudited)
Lease liabilities	$1,164,246	$ -	$ -	$ 56,646	$ (270,908)	$ 949,976

	January 1, 2019	Additions	Disposals	Interests paid	Repayments	December 31, 2019
Lease liabilities	$1,563,276	$ -	$ -	$ 146,018	$ (545,048)	$1,164,246

3. ***Analysis of maturity of liabilities by lease:***

Finance lease liabilities	30/06/2020 (Unaudited)	31/12/2019
Not later than 1 year	$ 516,227	$ 534,924
Later than 1 year and not later than 5 years	551,918	804,131
Later than 5 years	-	-
	1,068,145	1,339,055
Less: future finance cost	(118,168)	(174,809)
Total lease liability	$ 949,976	$ 1,164,246
Finance lease - short term	437,083	435,177
Finance lease - long term	512,893	729,069
Total lease liability	$ 949,976	$ 1,164,246

11. Long-term debt

On August 2, 2019, the Entity entered into a new five-year unsecured credit agreement with various financial institutions for an aggregated amount of $80,000,000, and a revolving credit line of $125,000,000. This loan bears quarterly interest at a rate of LIBOR plus 2.15 percentage points. The proceeds were received on the same date, as of December 31, 2019 the revolving credit line have not been used. ("Syndicated Loan"). On March 23, 2020 and April 7, 2020, the Entity disposed $85,000,000 and $40,000,000, respectively, out of the revolving credit line, bearing quarterly interest at a rate of LIBOR plus 1.85 percentage points.

On June 25, 2019, the Entity entered into a 10-year senior notes series RC and 12-year senior notes series RD with various financial institutions, for and aggregated amounts of $70,000,000 and $15,000,000, respectively. Each Series RC notes and Series RD notes bear interest on the unpaid balance at the rates of 5.18% and 5.28%, respectively.

On May 31, 2018 the Entity entered into an agreement for the issuance and sale of Series A Senior Notes of $45,000,000 due on May 31, 2025, and Series B Senior Notes of $45,000,000 due on May 31, 2028. Each Series A Note and Series B Note bear interest on the unpaid balance at the rates of 5.50% and 5.85%, respectively.

On November 1, 2017, the Entity entered into a loan agreement with Metropolitan Life Insurance Company for $118,000,000 due on December 1, 2027. This loan bears monthly interest at a rate of 4.75%.

On September 22, 2017, the Entity entered into an agreement for an issuance and sale Series A Senior Notes of $65,000,000 due on September 22, 2024, and Series B Senior Notes of $60,000,000 due on September 22, 2027. Each Series A Note and Series B Note bear interest on the unpaid balance of such Series A Note and Series B Note at the rates of 5.03% and 5.31%, respectively, per annum payable semiannually on the September 22 and March 22 of each year.

On July 27, 2016, the Entity entered into a 10-year loan agreement with Metropolitan Life Insurance Company ("MetLife") for a total amount of $150,000,000 due on August 2026. The proceeds of both of the aforementioned credit facilities were used to settle the Entity's debt with Blackstone which matured on August 1, 2016.

The long-term debt is comprised by the following notes:

Loan	Amount	Annual interest rate	Monthly amortization	Maturity	30/06/2020 (Unaudited)	31/12/2019
MetLife 10-year	$ 150,000,000	4.55%	(1)	August 2026	$ 150,000,000	$ 150,000,000
MetLife 7-year	47,500,000	4.35%	(2)	April 2022	46,153,088	46,551,737
Series A Senior Note	65,000,000	5.03%	(4)	September 2024	65,000,000	65,000,000
Series B Senior Note	60,000,000	5.31%	(4)	September 2027	60,000,000	60,000,000
Series A Senior Note	45,000,000	5.50%	(4)	May 2025	45,000,000	45,000,000
Series B Senior Note	45,000,000	5.85%	(4)	May 2028	45,000,000	45,000,000
MetLife 10-year	118,000,000	4.75%	(3)	December 2027	118,000,000	118,000,000
MetLife 8-year	26,600,000	4.75%	(1)	August 2026	26,600,000	26,600,000
Series RC Senior Note	70,000,000	5.18%	(5)	June 2029	70,000,000	70,000,000
Series RD Senior Note	15,000,000	5.28%	(6)	June 2031	15,000,000	15,000,000
Syndicated Loan	80,000,000	Variable rate plus margin	(7)	August 2024	80,000,000	80,000,000
Syndicated Loan – revolving credit line	125,000,000	Variable rate plus margin	(8)	August 2022	125,000,000	-
					845,753,085	721,151,737
Less: Current portion					(818,150)	(794,905)
Less: Direct issuance cost					(6,141,460)	(6,724,154)
Total Long-term debt					$ 838,793,475	$ 713,632,678

(1) On July 22, 2016, the Entity entered into a 10-year loan agreement with MetLife, interest on this loan is paid on a monthly basis and calculated using an annual fixed rate of 4.55%. On March 2019, under this credit facility, an additional loan was contracted for $26,600,000 bearing interest on a monthly basis at an annual fixed rate of 4.75%. Principal amortization over the two loans will commence on September 1, 2023. This credit facility is guaranteed with 48 of the Entity's properties, which expires on August 1, 2026.

(2) On March 9, 2015, the Entity entered into a 7-year loan with MetLife, interest on this loan is paid on a monthly basis and calculated using an annual rate of 4.35%. The loan has monthly interest only payments for 42 months and thereafter monthly amortizations of principal and interest until it matures on April 1, 2022. The loan is secured by 6 of the Entity's investment properties.

(3) On November 1, 2017, the Entity entered into a 10-year loan agreement with Metlife, interest on this loan is paid on a monthly basis and calculated using an annual rate of 4.75%. The loan bears monthly interest only for 60 months and thereafter monthly amortizations of principal and interest until it matures on December 1, 2027. The loan is secured by 21 of the Entity's investment properties.

(4) Series A Senior Notes and Series B Senior Notes are not secured by investment properties of the Entity. The interest on these notes are paid on a monthly basis and calculated using an annual rates established in the table above.

(5) On June 25, 2019, the Entity entered into a 10-year senior notes series RC to financial institutions, interest on these loans are paid on a semiannual basis and calculated using an annual rate of 5.18%. The loan bears semiannual interest only beginning December 14, 2019. The notes payable matures on June 14, 2029. Five of its subsidiaries are joint obligators under these notes payable.

(6) On June 25, 2019, the Entity entered into a 12-year notes payable to financial institutions, interest on these loans are paid on a semiannual basis and calculated using an annual rate of 5.28%. The loan bears semiannual interest only beginning December 14, 2019. The notes payable matures on June 14, 2031. Five of its subsidiaries are joint obligators under these notes payable

(7) Five-year Syndicated Loan, interest is paid on a quarterly basis and calculated using LIBOR (London interbank offered rate) plus an applicable margin. The applicable margin varies depending on the Entity's leverage ratio (higher or lower than 40%) and the number of months that the Syndicated Loan has been outstanding. Currently the applicable margin is 215 basis points. Principal amortization will commence payable on August 2, 2024 (maturity date).

(8) Under the Syndicated Loan revolving credit line, interest is paid on a quarterly basis and calculated using LIBOR (London interbank offered rate) plus an applicable margin. The applicable margin varies depending on the Entity's leverage ratio (higher or lower than 40%) and the number of months that the Syndicated Loan has been outstanding. Currently the applicable margin is 185 basis points. Principal amortization will commence payable on August 2, 2022 (maturity date).

These credit agreements require the Entity to maintain certain financial ratios (such as Cash-on-Cash and debt service coverage ratios) and to comply with certain affirmative and negative covenants. The Entity is in compliance with these covenants as of June 30, 2020.

The credit agreements also entitle MetLife to withhold certain amounts deposited by the Entity in a separate fund as guarantee deposits for the debt service and tenants guarantee deposits of the Entity's investment properties pledged as collateral. Such amounts are presented as guarantee deposit assets in the statement of financial position.

Scheduled maturities and periodic amortization of long-term debt are as follows:

As of June 2021	$ 818,150
As of June 2022	47,792,483
As of June 2023	128,830,120
As of June 2024	4,697,090
Thereafter	663,629,206
Less: direct issuance cost	(6,155,423)
Total long-term debt	$ 839,611,626

12. Capital stock

1. Capital stock as of June 30, 2020 and December 31, 2019 is as follows:

	30/06/2020 (Unaudited)		31/12/2019	
	Number of shares	Amount	Number of shares	Amount
Fixed capital				
Series A	5,000	$ 3,696	5,000	$ 3,696
Variable capital				
Series B	564,209,433	422,433,919	573,449,946	426,297,255
Total	564,214,433	$ 422,437,615	573,454,946	$ 426,300,951

2. Shares in treasury

As of June 30, 2020 and December 31, 2019 total shares in treasury area as follows:

	30/06/2020 (unaudited)	31/12/2019
Shares in treasury (1)	34,880,880	27,735,920
Shares in long term incentive plan trust (2)	7,361,766	5,626,212
Total share in treasury	42,242,646	33,002,132

(1) The Board of Directors approved on October 25, 2018 the cancellation of 25,269,045 shares that had been repurchased by the Entity under the stock repurchase program. On December 10, 2018, the Entity filed the request with the National Banking and Exchange Commission (CNBV) to update the number of shares issued in the National Securities Records.

(2) An employee share trust was established in 2018, in conjunction with the 20-20 Long Term Incentive Plan. Such trust was created by the Entity as a vehicle to distribute shares to employees under the mentioned incentive plan (see Note 16) and is consolidated by the Entity. The shares granted to the eligible executives and deposited in the trust accrue dividends any time the ordinary shareholders receive dividends and those dividends do not need to be returned to the Entity if the executive forfeits the granted shares.

3. Fully paid ordinary shares

	Number of shares	Amount	Additional paid-in capital
Balance as of December 31, 2018	591,414,572	$ 435,613,239	$ 321,021,039
Vested shares	976,400	507,966	803,095
Repurchase of shares	(18,936,025)	(9,820,254)	(18,082,696)
Balance as of December 31, 2019	573,454,947	426,300,951	303,741,438
Vested shares	2,330,601	1,238,891	3,016,698
Repurchase of shares	(11,571,114)	(5,102,227)	(9,693,665)
Balance as of June 30, 2020	564,214,433	$ 422,437,615	$ 297,064,471

4. Dividend payments

Pursuant to a resolution of the general ordinary stockholders meeting on March 13, 2020, the Entity declared a dividend of $54,138,218, approximately $0.094 per share. The dividend will be paid in four equal installments of $13,534,555 due on April 15, 2020, July 15, 2020, October 15, 2020 and January 15, 2021. As of June 30, 2020, the unpaid dividends are $40,603,663.

Pursuant to a resolution of the general ordinary stockholders meeting on March 15, 2019, the Entity declared a dividend of $1,007,986,049 Mexican pesos, approximately $0.089 per share, equivalent to $52,214,000. The dividend will be paid in four equal installments of $251,996,512 Mexican pesos due on April 15, 2019, July 15, 2019, October 15, 2019 and January 15, 2020 in cash. As of December 31, 2019, the unpaid dividends are $13,371,920.

The first installment due during the second quarter was paid for approximately $0.425 Mexican pesos per share, for a total dividend of $13,466,408.

The second installment due during the third quarter was paid for approximately $0.429 Mexican pesos per share, for a total dividend of $13,100,942.

The third installment due during the fourth quarter was paid for approximately $0.435 Mexican pesos per share, for a total dividend of $12,877,398.

The fourth installment due during the first quarter was paid for approximately $0.435 Mexican pesos per share, for a total dividend of $13,371,920.

Stockholders' equity, except restated common stock and tax-retained earnings, will incur income tax payable by the Entity at the rate in effect at the time of its distribution. Any tax paid on such distribution may be credited against income for the year in which the dividend tax is paid and, in the subsequent two years, against tax for the year and the related estimated payments.

Dividends paid from tax profits generated from January 1, 2014 to residents in Mexico and to nonresident stockholders may be subject to an additional tax of up to 10%, which will be withheld by the Entity.

Pursuant temporary provisions of the Income Tax Law of 2016, a tax benefit was granted to individual taxpayers that are subjects to 10% withholding tax on dividends received from legal entities, which come from earnings generated in 2014, 2015 and 2016, subject to compliance with specific requirements. The tax benefit consists in a tax credit equivalent to 5% of the distributed dividend (applicable only to dividends distributed in 2019 and onwards). Such tax credit will be credited only against the aforementioned 10% withholding tax.

Retained earnings that may be subject to withholding of up to 10% on distributed dividends is as follows:

Period	**Amount**	**Reinvested earnings**	**Distributed earnings (1)**	**Amount that may be subject to withholding**	**Amount not subject to withholding**
Retained earnings through December 31, 2013	$ 204,265,028	$ 204,265,028	$ 155,001,403	$ 49,263625	$ -
2014	24,221,997	24,221,997	24,221,997	-	-
2016	45,082,793	45,082,793	28,848,957	16,233,836	-
2017	126,030,181	126,030,181	-	126,030,181	-
2018	93,060,330	93,060,330	-	93,060,330	-

(1) Dividend paid in 2019, were distributed form earnings generated in 2014 and 2016, which were reinvested until the days in which the dividends were paid.

5. (Losses) earnings per share

The amounts used to determine (losses) earnings per share are as follows:

	30/06/2020	**31/12/2019**
Basic (Losses) earnings per shares:		
(Losses) earnings attributable to ordinary share to outstanding (1)	$ (4,332,547)	$ 133,320,977
Weighted average number of ordinary shares outstanding	569,019,691	581,587,442
Basic (Losses) earnings per share	$ (0.0076)	$ 0.2290

	30/06/2020	31/12/2019
Diluted (Losses) earnings per shares:		
(Losses) earnings attributable to ordinary shares outstanding and shares in Incentive Plan Trust (1)	$ (4,388,600)	$ 134,610,709
Weighted average number of ordinary shares plus shares in Incentive Plan trust	576,381,457	587,213,654
Diluted (losses) earnings per share	$ (0.0076)	$ 0.229
(1) Total (losses) earnings	$ (4,388,600)	$ 134,610,709
Less: (Losses) earnings attributable to shares in Incentive Plan trust	(56,053)	1,289,732
(Losses) earnings attributable to ordinary shares outstanding	$ (4,332,547)	$ 133,320,977

Shares held in the Incentive Plan trust accrue dividends which are irrevocable, regardless if the employee forfeits the granted shares. Earnings used for basic and diluted EPS are adjusted for such dividends.

13. Property operating costs and administration expenses

1. Property operating costs consist of the following:

a. Direct property operating costs from investment properties that generate rental income during the year:

	Six Months ended 30/06/2020 (Unaudited)	Six Months ended 30/06/2019 (Unaudited)	Three Months ended 30/06/2020 (Unaudited)	Three Months ended 30/06/2019 (Unaudited)
Real estate tax	$ 870,508	$ 818,276	$ 391,465	$ 460,967
Insurance	195,954	203,583	87,405	101,450
Maintenance	521,071	489,168	310,817	258,106
Structural maintenance accrual	52,326	53,348	25,774	37,040
Other property related expenses	3,225,273	1,462,643	1,774,146	831,446
	$ 4,865,132	$ 3,027,018	$ 2,589,607	$ 1,689,009

b. Direct property operating costs from investment property that do not generate rental income during the year:

	Six Months ended 30/06/2020 (Unaudited)	Six Months ended 30/06/2019 (Unaudited)	Three Months ended 30/06/2020 (Unaudited)	Three Months ended 30/06/2019 (Unaudited)
Real estate tax	$ 155,217	$ 123,138	$ 49,937	$ 24,091
Insurance	12,693	15,419	6,178	7,210
Maintenance	38,136	32,711	22,439	20,934
Other property related expenses	321,549	143,716	206,880	40,615
	527,595	314,984	285,434	92,850
Total property operating costs	$ 5,392,727	$ 3,342,002	$ 2,875,042	$ 1,781,860

2. Administration expenses consist of the following:

	Six Months ended 30/06/2020 (Unaudited)	Six Months ended 30/06/2019 (Unaudited)	Three Months ended 30/06/2020 (Unaudited)	Three Months ended 30/06/2019 (Unaudited)
Marketing expenses	$ 237,160	$ 432,273	$ 116,984	$ 290,103
Auditing, legal and consulting expenses	675,553	729,668	179,403	395,816
Property appraisal and other fees	458,392	240,244	243,424	47,158
Direct employee benefits and other benefits	5,384,046	5,607,429	2,537,319	3,015,832
Other administrative expenses	69,565	326,932	17,279	145,163
	6,824,716	7,336,546	3,094,409	3,894,072
Long-term incentive - Note 16.3	1,809,699	1,396,445	868,115	703,433
	$ 8,634,415	$ 8,732,991	$ 3,962,524	$ 4,597,505

14. Income taxes

The Entity is subject to ISR. The rate of current income was 30%.

14.1 Income taxes are as follows:

	Six Months ended 30/06/2019 (Unaudited)	Six Months ended 30/06/2019 (Unaudited)	Three Months ended 30/06/2019 (Unaudited)	Three Months ended 30/06/2019 (Unaudited)
ISR expense:				
Current	$ 5,065,388	$ 23,440,552	$ 3,213,610	$ 12,273,515
Deferred	61,548,738	6,368,837	13,361,460	5,571,251
Total income taxes	$ 66,614,126	$ 29,809,289	$ 16,575,070	$ 17,844,766

14.2 The main items originating the deferred ISR liability are:

	30/06/2020 (Unaudited)	31/12/2019
Deferred ISR liability:		
Investment properties	$ (307,217,062)	$ (229,597,974)
Effects of tax loss carryforwards	22,133,115	-
Other provisions and prepaid expenses	831,658	690,990
Deferred income taxes – Net	$ (284,252,289)	$ (228,906,984)

To determine deferred ISR, the Entity applied the applicable tax rates to temporary differences based on their estimated reversal dates. The effective rate differs from the statutory rate mainly due to the impact of the appreciation of the Peso during the period as compared to the dollar which had an impact on the tax basis of the Entity's assets which for tax purposes are peso denominated.

14.3 A reconciliation of the changes in the deferred tax liability balance is presented as follows:

	30/06/2020 (Unaudited)	31/12/2019
Deferred tax liability at the beginning of the period	$ (228,906,984)	$ (215,350,973)
Movement included in profit or loss	(61,548,738)	(12,918,014)
Movement included in other comprehensive income	6,203,433	(637,997)
Deferred tax liability at the end of the period	$ (284,252,289)	$ (228,906,984)

15. Transactions and balances with related parties

15.1 Compensation of key management personnel

The remuneration of Entity's management and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends. The remuneration of members of key management personnel during the year was as follows:

	Six Months ended 30/06/2020 (Unaudited)	Six Months ended 30/06/2019 (Unaudited)	Three Months ended 30/06/2020 (Unaudited)	Three Months ended 30/06/2019 (Unaudited)
Short-term benefits	$ 2,038,545	$ 2,433,507	$ 1,031,939	$ 1,305,422
Share-based compensation expense	1,809,699	1,396,445	868,115	703,433
	$ 3,848,245	$ 3,829,952	$ 1,900,054	$ 2,008,855

16. Share-based payments

16.1 Details of the share-based plans of the Entity

The Entity has granted shares to its executives and employees under two different plans as follows:

i. Under the Vesta 20-20 Long-term Incentive Plan (the Vesta 20-20 Incentive Plan), as approved by the Board of Directors, the Entity will use a "Relative Total Return" methodology to calculate the total number of shares to be granted. The shares granted each year will vest over the three years following the grant date.

ii. The total number of shares to be granted during the six-year period is 10,428,222 shares at the expected performance, the shares to be used to settle this plan were issued by the Entity during January 2015; no awards will be paid in cash and the shares will be contributed to a trust and delivered in three equal settlement dates to the executives after 24, 36 and 48 months from the grant date, provided that the eligible executives remain in the employment of the Entity.

From 2015 to 2020 the plan consists on awarding the eligible executives of the company (14 executives during 2019). The actual grant ranges from a minimum threshold level, an expected amount and a maximum potential grant, these levels are determined at the beginning of each fiscal year by the Corporate Practice Committee.

Grant Year	Shares granted in LTI Trust	Cumulative Exercised Shares	Shares granted	Plan Parameters MIN	TARGET	MAX
2015	-	-	-	-	1,738,037	2,600,000
2016	1,347,325	(1,347,325)	-	695,215	1,738,037	2,607,056
2017	1,581,874	(1,070,581)	511,293	695,215	1,738,037	2,607,056
2018	4,176,478	(1,392,159)	2,784,319	1,000,000	2,500,000	3,750,000
2019	4,066,155	-	4,066,155	1,000,000	2,500,000	3,750,000
Total	11,171,832	(3,810,065)	7,361,766			

iii. The total number of shares to be granted in each of the six years' ranges from 695,215 to 1,738,037 shares, at the expected performance level, to a maximum of 2,607,055 shares, plan parameters changed beginning 2018 to ranges from 1,000,000 to 2,500,000 shares, to a maximum of 3,750,000 shares, if the Entity's shares perform at peak performance compared to other publicly traded entities in each year

16.2 Fair value of share options granted in the year

i. Vesta 20-20 Incentive plan - Based on the performance of the Entity's shares for the year ended December 31, 2019, the shares granted were 3,550,449.

16.3 Compensation expense recognized

The long-term incentive expense for the three months ended June 30, 2020 and 2019 was as follows:

	Six Months ended 30/06/2020 (Unaudited)	Six Months ended 30/06/2019 (Unaudited)	Three Months ended 30/06/2020 (Unaudited)	Three Months ended 30/06/2019 (Unaudited)
Vesta 20-20 Incentive Plan	$ 1,809,699	$ 1,396,445	$ 868,115	$ 703,433

Compensation expense related to these plans will continue to be accrued through the end of the service period.

16.4 Share awards outstanding at the end of the year

As of June 30, 2020 and December 31, 2019, there are 7,361,766 (Unaudited) and 5,680,169 shares outstanding with a weighted average remaining contractual life of 13 months.

17. Interest rate risk management

The Entity minimizes its exposure to interest rate risk by borrowing funds at fixed rates, or entering into interest rate swap contracts where funds are borrowed at floating rates. This minimizes interest rate risk together with the fact that properties owned by the Entity generate a fixed income in the form of rental income which is indexed to inflation.

Interest rate swap contracts

Under interest rate swap contracts, the Entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Entity to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the reporting period.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period.

	Contracted fixed interest rate 30/06/2020	Notional principal value 30/06/2020	Fair value assets (liabilities) 30/06/2020
Outstanding received floating pay fixed contracts	1.645	$ 80,000,000	$ (4,671,580)

	Contracted fixed interest rate 31/12/2019	Notional principal value 31/12/2019	Fair value assets (liabilities) 31/12/2019
Outstanding received floating pay fixed contracts	1.645	$ 80,000,000	$ 163,530

18. Litigation, other contingencies and commitments

Litigation

In the ordinary course of business, the Entity is party to various legal proceedings. The Entity is not involved in any litigation or arbitration proceeding for which the Entity believes it is not adequately insured or indemnified, or which, if determined adversely, would have a material adverse effect on the Entity or its financial position, results of operations or cash flows.

Commitments

As mentioned in Note 9, all rights to construction, improvements and infrastructure built by the Entity in the Queretaro Aerospace Park and in the DSP Park automatically revert back to the government of the State of Queretaro and to Nissan at the end of the concessions, which is approximately in 42 and 35 years, respectively.

19. Subsequent event

At the end of December 2019, an outbreak of a new strain of coronavirus (COVID-19) emerged worldwide. On March 11, 2020, the World Health Organization declared the spread of COVID-19 as a pandemic; because of this, there have been mandates from federal, state and local authorities that require the required closure of businesses dedicated to non-essential activities. Due to the importance of the subject, the Entity prioritizes the health and safety of its employees, clients and the community in which it operates and complies with all the regulations and measures defined by the authorities.

The financial and operational measures that are being implemented by the Entity to mitigate the negative effects that COVID-19 brings and to preserve the Entity's financial flexibility are described below. No accounting estimate is being calculated due to the impossibility of reliably evaluating or estimating all the potential future effects that this emergency could generate due to the short time elapsed and the numerous uncertainties derived from this extraordinary health emergency situation; however, regarding the determination of the recoverable value of the assets and on business going concern, the Entity does not foresee any problem going forward since the aforementioned situation expects that only affect this year and does not affect the rest of the projections for the following years. The following measures have been implemented:

- During the closing period, expenses are reduced to the minimum necessary.
- Non-essential third party contracts will be re-evaluated.
- Negotiations of term in accounts receivables with the most strategic clients in order to obtain significant increase on the payment term of fixed rents.

With these aforementioned measures and with constant monitoring of the financial resources used, the Entity expects a sustained recovery as soon as the emergency ends.

20. Unaudited condensed consolidated interim financial statements issuance authorization

On July 20, 2020 the issuance of the accompanying unaudited condensed consolidated interim financial statements was authorized the Board of Directors and consequently do not reflect events after this date.

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