

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

Consolidated Financial Statements for
the Years Ended December 31, 2013,
and 2012, and Independent Auditors'
Report Dated February 17, 2014

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

**Independent Auditors' Report and Consolidated
Financial Statements for 2013 and 2012**

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Independent Auditors' Report to the Board of Directors and Stockholders of Corporación Inmobiliaria Vesta, S. A. B. de C.V.

We have audited the accompanying consolidated financial statements of Corporación Inmobiliaria Vesta, S. A. B. de C. V. and subsidiaries (the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the consolidated statements of profit and other comprehensive income, consolidated statements of changes in their stockholders' equity and consolidated statements of cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Corporación Inmobiliaria Vesta, S. A. B. de C. V. and subsidiaries as of December 31, 2013 and 2012 and of their financial performance and cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited



C. P. C. Erick J. Calvillo Rello

February 17, 2014

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

Consolidated Statements of Financial Position

As of December 31, 2013 and 2012

(In US dollars)

Assets	Notes	31/12/2013	31/12/2012
Current assets:			
Cash and cash equivalents	4	\$ 8,297,797	\$ 36,947,094
Financial assets held for trading	5	233,052,020	120,345,021
Recoverable taxes	6	16,546,275	10,412,489
Operating lease receivables – Net	7	6,706,759	4,285,002
Prepaid expenses		<u>323,987</u>	<u>-</u>
Total current assets		264,926,838	171,989,606
Non-current assets:			
Investment property	8	951,884,585	744,761,666
Office furniture – Net		344,540	297,840
Guarantee deposits made		<u>2,967,835</u>	<u>2,773,832</u>
Total non-current assets		<u>955,196,960</u>	<u>747,833,338</u>
Total assets		<u>\$ 1,220,123,798</u>	<u>\$ 919,822,944</u>
Liabilities and stockholders' equity			
Current liabilities:			
Current portion of long-term debt	9	\$ 8,222,341	\$ 9,834,497
Accrued interest		3,170,268	3,371,482
Accounts payable		9,484,863	1,037,044
Taxes payable, mainly income taxes		1,145,743	2,429,104
Accrued expenses		<u>1,668,000</u>	<u>300,518</u>
Total current liabilities		23,691,215	16,972,645
Non-current liabilities:			
Long-term debt	9	309,805,405	318,027,750
Guarantee deposits received		5,523,169	5,077,934
Deferred income taxes	13.3	<u>91,518,603</u>	<u>62,516,445</u>
Total non-current liabilities		<u>406,847,177</u>	<u>385,622,129</u>
Total liabilities		<u>430,538,392</u>	<u>402,594,774</u>
Litigation and other contingencies	16		
Stockholders' equity:			
Capital stock	10	370,368,712	286,868,218
Additional paid-in capital		211,869,157	101,900,964
Retained earnings		204,265,028	125,299,684
Foreign currency translation		<u>3,082,509</u>	<u>3,159,304</u>
Total stockholders' equity		<u>789,585,406</u>	<u>517,228,170</u>
Total liabilities and stockholders' equity		<u>\$ 1,220,123,798</u>	<u>\$ 919,822,944</u>

See accompanying notes to consolidated financial statements.

Corporación Inmobiliaria Vesta, S. A. B. de C. V. and Subsidiaries
Consolidated Statements of Profit and Other
Comprehensive Income

For the years ended December 31, 2013 and 2012
(In US dollars)

	Notes	31/12/2013	31/12/2012
Revenues:			
Rental income		\$ 58,522,064	\$ 51,863,597
Property operating costs:			
Related to properties that generate rental income	12.1	(2,540,720)	(3,498,435)
Related to properties that did not generate rental income	12.1	<u>(910,616)</u>	<u>(608,506)</u>
Gross profit		55,070,728	47,756,656
Administration expenses	12.2	(6,799,948)	(6,641,419)
Depreciation		(78,485)	(56,328)
Other Income and Expenses:			
Interest income		6,951,568	3,446,005
Other (expense) income		(62,365)	35,382
Interest expense		(23,441,300)	(24,955,266)
Exchange gain (loss)		1,187,010	7,289,073
Gain on revaluation of investment property		<u>95,054,246</u>	<u>21,835,292</u>
Total other income (expenses)		<u>79,689,158</u>	<u>7,650,486</u>
Profit before income taxes		127,881,454	48,709,395
Income tax expense	13.1	<u>(38,447,937)</u>	<u>(7,865,552)</u>
Profit for the year		<u>89,433,517</u>	<u>40,843,843</u>
Other comprehensive gain:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
- Exchange differences on translating other functional currency operations		<u>(76,795)</u>	<u>822,167</u>
Total comprehensive income for the year		<u>\$ 89,356,722</u>	<u>\$ 41,666,010</u>
Basic and diluted earnings per share	11	<u>\$ 0.20</u>	<u>\$ 0.14</u>

See accompanying notes to consolidated financial statements.

Corporación Inmobiliaria Vesta, S. A. B. de C. V. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2013 and 2012
(In US dollars)

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Foreign Currency Translation	Total Stockholders' Equity
Balances as of January 1, 2012	\$ 167,975,675	\$ -	\$ 94,251,285	\$ 2,337,137	\$ 264,564,097
Equity issuance	118,892,543	101,900,964	-	-	220,793,507
Dividends declared	-	-	(9,795,444)	-	(9,795,444)
Comprehensive income	-	-	40,843,843	822,167	41,666,010
Balances as of December 31, 2012	286,868,218	101,900,964	125,299,684	3,159,304	517,228,170
Equity issuance	83,500,494	109,968,193	-	-	193,468,687
Dividends declared	-	-	(10,468,173)	-	(10,468,173)
Comprehensive income (loss)	-	-	89,433,517	(76,795)	89,356,722
Balances as of December 31, 2013	\$ 370,368,712	\$ 211,869,157	\$ 204,265,028	\$ 3,082,509	\$ 789,585,406

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2013 and 2012
(In US dollars)

	31/12/2013	31/12/2012
Cash flows from operating activities:		
Profit before income taxes	\$ 127,881,454	\$ 48,709,395
Adjustments:		
Depreciation	78,485	56,328
Gain on revaluation of investment property	(95,054,246)	(21,835,292)
Effect of foreign exchange rates	(114,297)	(3,160,314)
Interest income	(6,951,568)	(3,446,005)
Interest expense	23,441,300	24,955,266
Working capital adjustments:		
(Increase) decrease in:		
Operating lease receivables – Net	(2,421,757)	1,584,596
Recoverable taxes	(10,650,158)	(7,189,717)
Prepaid expenses	(323,987)	-
Guarantee deposits made	(194,003)	(1,717)
Increase (decrease) in:		
Due from/to related parties	-	(1,049,578)
Accounts payable	(684,684)	83,584
Guarantee deposits received	445,234	311,788
Accrued expenses	1,367,482	124,086
Income taxes paid	(4,295,313)	(3,346,385)
Net cash generated by operating activities	<u>32,523,942</u>	<u>35,796,035</u>
Cash flows from investing activities:		
Purchases of investment property	(102,936,169)	(65,279,020)
Acquisition of office furniture	(125,185)	(275,410)
Financial assets held for trading	(112,706,999)	(116,099,545)
Interest received	6,951,568	2,866,734
Net cash used in investing activities	<u>(208,816,785)</u>	<u>(178,787,241)</u>
Cash flows from financing activities:		
Proceeds from equity issuance	191,551,233	217,979,483
Proceeds from borrowings	-	17,795,063
Interest paid	(23,642,514)	(25,049,330)
Repayments of borrowings	(9,834,501)	(25,077,212)
Dividends paid	(10,468,173)	(10,874,330)
Net cash generated by financing activities	<u>147,606,045</u>	<u>174,773,674</u>
Effects of exchange rates changes on cash	<u>37,501</u>	<u>316,376</u>
Net (decrease) increase in cash and cash equivalents	(28,649,297)	32,098,844
Cash and cash equivalents at the beginning of year	<u>36,947,094</u>	<u>4,848,250</u>
Cash and cash equivalents at the end of year	<u>\$ 8,297,797</u>	<u>\$ 36,947,094</u>

See accompanying notes to consolidated financial statements.

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(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 Bosques de Ciruelos 304, 7th 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. The Entity does not have employees and receives all its administrative services from a related party.

On June 25, 2013, the Entity issued equity through a follow-on public offering of shares in the Mexican stock market for a total number of shares of 114,573,661.

On July 25, 2012, the Entity issued equity through an initial public offering of shares in the Mexican stock market becoming a listed corporation (*sociedad anónima bursátil*), under the Mexican Securities Law, such that its denomination became Corporación Inmobiliaria Vesta, Sociedad Anónima Bursátil de Capital Variable, (S. A. B. de C. V.).

On August 1, 2012, the Entity's newly incorporated subsidiary, Vesta Management S.C., hired all of the former employees and executives of Desarrolladora Vesta, S. de R.L. de C.V., a related party, that until such date provided management services to Vesta. This subsidiary will incur employee benefits, other employee related expenses and employee retirement and postemployment obligations that were formerly paid to Desarrolladora Vesta by the Entity.

2. Significant accounting policies

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

2.2 Basis of preparation

The consolidated 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. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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 consolidated financial statements is determined on such a basis.

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.

2.3 Basis of consolidation

The consolidated 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.

Subsidiary/entity	Ownership percentage		Activity
	31/12/13	31/12/12	
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 Queretaro, 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
CIV Infraestructura, S. de R.L. de C.V.	99.99%	99.99%	Holds investment properties
Vesta Management, S.C. (1)	99.99%	99.99%	Provides administrative services to the Entity
Vesta DSP, S. de R. L. de C.V.- (2)	99.99%	-	Provides administrative services to the Entity

- (1) Vesta Management, S.C. is a direct subsidiary of the Entity, which was incorporated on August 1, 2012 and provides administrative services to the Entity.
- (2) Vesta DSP, S. de R. L. de C. V. was incorporated as a subsidiary of the Entity as of January 1, 2013.

2.4 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”), which considers the Mexican peso to be its functional currency and is considered to be a “foreign operation” 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 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.

2.5 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.

2.6 Financial instruments

Financial assets and financial liabilities are recognized when Vesta or its subsidiaries become a party to the contract governing such financial instruments.

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.

2.6.1 Effective interest method on financial assets

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows expected to be received (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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

2.6.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed payments or payments that may be determined and are not quoted in an active market. Loans and receivables (including operating lease receivables and others) are measured at amortized cost using the effective interest method, less any impairment.

2.6.3 Financial assets at fair value through profit of loss (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured 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 includes any dividend or interest earned on the financial asset and is included in the 'interest income' line item. Financial assets at FVTPL consist mainly of holdings in investment funds. The Entity has not designated any asset as at FVTPL.

2.6.4 Derecognition of financial assets

The Entity derecognizes a financial asset only when the contract granting the Entity the right to receive cash flows from the asset expires, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.7 *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.

2.8 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.

2.9 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.

2.10 Financial liabilities and equity instruments

2.10.1 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss (“at FVTPL”) or other financial liabilities.

2.10.2 Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured 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.

2.10.3 Derecognition of financial liabilities

The Entity derecognizes financial liabilities only when its obligations are discharged or cancelled or when they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Deferred tax assets and liabilities 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.

The Mexican income tax law does not provide different tax bases or tax rates with respect to the use of investment properties (i.e. whether investment properties are used to generate rental income or are whether they are held to recover their value through sale).

2.14.3 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.

2.15 *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.

2.16 *Earnings per share*

Basic earnings per common share are calculated by dividing net income of the controlling interest by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are determined by adjusting consolidated net income and common shares on the assumption that the Entity's commitments to issue or exchange its own shares would be fulfilled. However, as the Entity does not have any dilutive instruments, basic and diluted earnings per share are the same.

2.17 *Application of new and revised International Financial Reporting Standards (IFRSs)*

2.17.1 New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements

In the current year, the Entity has applied a number of a new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2013.

Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Entity has applied the amendments to IFRS 7, *Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The application of the amendments did not have any impact on the consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, comprising IFRS 10, *Consolidated Financial Statements*, IFRS 11, *Joint Arrangements*, IFRS 12, *Disclosure of Interests in Other Entities*, IAS 27 (as revised in 2011), *Separate Financial Statements* and IAS 28 (as revised in 2011), *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

Key requirements of these five standards are described below:

IFRS 10 replaces the parts of IAS 27, *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC-12, *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of IFRS 10. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

IFRS 11 replaces IAS 31, *Interests in Joint Ventures*, and the guidance contained in a related interpretation, SIC-13, *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognizes its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

IFRS 13 Fair Value Measurement

The Entity has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realizable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Entity has applied the amendments which introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

IAS 1 - The Entity has applied the amendments to IAS 1 as part of the Annual Improvements to IFRSs 2009-2011. IAS 1 requires when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. This amendment did not have any impact on the Entity's consolidated financial statements

IAS 19 Employee Benefits (as revised in 2011)

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes did not have a material impact on the amounts recognized in profit or loss and other comprehensive income in prior years. In addition IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

2.17.2 New and revised IFRSs issued but not yet effective

The Entity has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 Amendments to IFRS 9 and IFRS 7	Financial Instruments (3) Mandatory Effective Date of IFRS 9 and transition disclosures (2)
Amendments to IFRS 10, IFRS 12 and IAS 27 Amendments to IAS 32	Investment Entities (1) Offsetting Financial Assets and Financial Liabilities (1)

- (1) Effective for annual periods beginning on or after January 1, 2014, with earlier application permitted.
- (2) Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.
- (3) Effective for annual periods beginning on or after 1 January 1, 2016, with earlier application permitted.

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39, *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that 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 presented 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. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services.

- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realization and settlement’.

At the date of these consolidated financial statements, the Entity has not fully assessed the effects of adopting these new standards on its financial information but management believes that their adoption will not have a material impact on its financial position or the results of its operations.

3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Entity’s accounting policies, which are described in Note 2, management 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.

3.1 Valuation of investment properties

As described in Note 8, 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 8 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 values to perform the valuation. The valuation committee works closely with the qualified external values 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 8 and 14.

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.

4. Cash and cash equivalents

For purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. 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:

	31/12/2013	31/12/2012
Cash and bank balances	\$ 3,766,015	\$ 3,972,805
Cash equivalents	-	26,208,428
Restricted cash	<u>4,531,782</u>	<u>6,765,861</u>
	<u>\$ 8,297,797</u>	<u>\$ 36,947,094</u>

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.

5. 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.

6. Recoverable taxes

	31/12/2013	31/12/2012
Recoverable value-added tax ("VAT")	\$ 14,899,233	\$ 8,233,933
Recoverable taxes other than VAT	1,591,518	1,752,885
Other receivables	<u>55,524</u>	<u>425,671</u>
	<u>\$ 16,546,275</u>	<u>\$ 10,412,489</u>

7. Operating lease receivables

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

	31/12/2013	31/12/2012
0-30 days	\$ 6,580,998	\$ 3,960,900
30-60 days	103,202	263,738
60-90 days	22,559	58,549
Over 90 days	<u>-</u>	<u>1,815</u>
Total	<u>\$ 6,706,759</u>	<u>\$ 4,285,002</u>

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, 98% and 92% of all operating lease receivables are current at December 31, 2013 and 2012, respectively.

All rental payments past due from 30 to 90 days are monitored by the Entity and efforts are made to collect payment from the respective client. Operating lease receivables past due for more than 30 days but less than 60 days represent 1.5% and 6% of all operating lease receivables at December 31, 2013 and 2012, respectively. Operating lease receivables past due for more than 60 and less than 90 days represent .5% and 1% of all operating lease receivable at December 31, 2013 and 2012.

When rental payments are past due for more than 90 days, the Entity normally initiates legal action to recover such amounts from its clients. Amounts due over 90 days represent 1% of all lease receivables at December 31, 2012.

7.2 Movement in the allowance for doubtful accounts receivable

	31/12/2012
Balance at beginning of the year	\$ (832,986)
Amounts written off during the year as uncollectible	<u>832,986</u>
Balance at end of the year	<u>\$ -</u>

The Entity individually reviews each of its operating lease receivables and according to the aging report determines the need to create an allowance for the recoverability of such receivables. During 2013 there were no increases to the allowance for doubtful accounts.

7.3 Client concentration risk

As of December 31, 2013 and 2012, one of the Entity's client accounts for 89% or \$5,991,674 and 67% or \$2,901,894, respectively, of the operating lease receivables balance. The same client accounted for 20% and 21% of the total rental income of Entity for the years ended December 31, 2013 and 2012, respectively.

7.4 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 to 15 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.

7.5 Non-cancellable operating lease receivables

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

	31/12/2013
Not later than 1 year	\$ 67,282,095
Later than 1 year and not later than 3 years	118,549,785
Later than 3 year and not later than 5 years	117,861,367
Later than 5 years	<u>120,904,109</u>
	<u>\$ 424,597,356</u>

8. 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, capitalization rates and occupancy rates.

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 other 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	Relationship of unobservable inputs to fair value
Buildings and land	Level 3	Discounted cash flows	Discount rate Long-term NOI Inflation rates Absorption period	9.75% Based on contractual rent and then on market related rents Mexico: 3.5% U.S.: 2.2% From 3 to 9 months	The higher the discount rate, the lower the fair value. The higher the NOI, the higher the fair value. The higher the inflation rate, the higher the fair value. The shorter the absorption period, the higher the fair value.
Land reserves	Level 3	Market value	Price per acre	Weighted average price per acre \$313,127	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:

	31/12/2013	31/12/2012
Buildings and land	\$ 928,935,606	\$ 712,000,000
Land reserves	<u>57,990,000</u>	<u>50,220,000</u>
	986,925,606	762,220,000
Less: Cost to complete construction in-progress	<u>(35,041,021)</u>	<u>(17,458,334)</u>
Balance at end of year	<u>\$ 951,884,585</u>	<u>\$ 744,761,666</u>

The reconciliation of investment property is as follows:

	31/12/2013	31/12/2012
Balance at beginning of year	\$ 744,761,666	\$ 658,900,000
Additions	112,068,673	64,026,374
Gain on revaluation of investment property	<u>95,054,246</u>	<u>21,835,292</u>
Balance at end of year	<u>\$ 951,884,585</u>	<u>\$ 744,761,666</u>

A total of \$9,132,503 additions to investment property, which were acquired from a third party, were not paid as of December 31, 2013. As of December 31, 2012, all investment property additions, including those which were outstanding as of December 31, 2011, have been fully paid.

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, 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 Proyectos Aeroespaciales 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 45 year as of December 31, 2013.

Proyectos Aeroespaciales 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 45 years as of December 31, 2013). With respect to such rights, all construction, addition and improvements made by Proyectos Aeroespaciales 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 Company 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 Company (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 Company.

As of December, 2013 and 2012, the Entity’s investment properties have a gross leasable area of 14,378,670 square feet (1,335,822 square meters) and 12,047,896 square feet (1,119,286 square meters), respectively and they were 91% and 89% occupied by tenants, respectively. As of December 31, 2013 investment properties with a gross leasable area of 2,060,958 square feet (or 191,469 square meters) were under construction, representing an additional 14.33% 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.

9. Long-term debt

Long-term debt is represented by the following notes payable to GE Real Estate de México, S. de R. L. de C. V. ("GERE"):

Issue date	Original amount	Annual interest rate	Monthly amortization	Maturity	31/12/2013	31/12/2012
September 2003	7,637,927	7.17%	\$ 10,883	August 2016	\$ 5,268,740	\$ 5,496,401
April 2005	2,000,000	7.17%	3,043	August 2016	1,470,949	1,535,945
August 2005	6,300,000	7.17%	9,682	August 2016	4,685,269	4,890,702
August 2005	14,500,000	7.17%	22,391	August 2016	10,820,214	11,283,874
November 2005	32,000,000	7.17%	252,787*	August 2016	22,336,748	23,589,935
March 2006	15,000,000	7.17%	23,494	August 2016	11,434,933	11,899,735
July 2006	50,000,000	7.17%	92,695	August 2016	49,629,220	50,000,000
July 2006	12,000,000	7.17%	22,247	August 2016	11,179,306	11,511,709
September 2006	10,800,000	7.17%	18,498	August 2016	9,435,138	9,664,650
October 2006	8,300,000	7.17%	14,216	August 2016	7,251,078	7,427,462
November 2006	12,200,000	7.17%	37,075	August 2016	8,591,656	9,012,060
November 2006	28,091,497	7.17%	23,400	August 2016	11,942,061	12,230,262
May 2007	6,540,004	7.17%	11,297	August 2016	5,764,612	5,903,976
September 2007	8,204,039	7.17%	14,243	August 2016	7,269,509	7,444,616
April 2008	32,811,066	6.47%	69,032	August 2016	30,055,305	30,861,183
April 2008	867,704	6.47%	3,511	August 2016	1,528,529	1,569,514
April 2008 *	7,339,899	6.62%	171,138*	August 2016	12,451,855	12,782,938
August 2008	3,372,467	6.47%	11,158	August 2016	4,858,416	4,988,675
August 2008	6,286,453	6.47%	13,262	August 2016	5,774,105	5,928,923
April 2009	19,912,680	7.17%	33,788	August 2016	17,031,879	17,521,377
December 2009	30,000,000	7.17%	52,605	August 2016	25,517,873	26,610,383
July 2012 (1)	19,768,365	7.17%	36,649	August 2016	17,716,254	18,498,688
July 2012 (1)	27,960,333	7.17%	51,836	August 2016	25,719,248	26,602,959
July 2012	5,000,000	6.15%	12,363	August 2016	4,678,376	4,821,580
March 2013	5,918,171	5.80%	14,153	August 2016	5,616,473	5,784,700
					318,027,746	327,862,247
					(8,222,341)	(9,834,497)
					\$ 309,805,405	\$ 318,027,750

Less: Current portion

* These notes payable have bi-annual amortization.

Most of the Entity's investment properties and rental payments derived from the lease agreements relating to such investment properties have been pledged as collateral to secure the loans under the Entity's credit agreement with GERE. Additionally, without the written consent of GERE, the Entity may not directly or indirectly, sell, convey, mortgage, pledge or assign all or part of the rights it has on the whole or any part of its existing properties.

The GERE credit agreement requires 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 was in compliance with covenants under the GERE credit agreement as of December 31, 2013.

The credit agreement also entitles GERE to withhold certain amounts deposited by the Entity in a separate fund as guarantee deposits for the debt service and maintenance of the Entity's investment properties. 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:

2015	\$ 8,629,108
2016	<u>301,176,297</u>
	<u>\$ 309,805,405</u>

(1) These documents payable were re-negotiated therefore; their settlement or issuance did not require or generate cash flows.

During the year ended December 31, 2012, the Entity obtained additional borrowings which were re-paid during the year.

10. Capital stock

10.1 Capital stock as of December 31, 2013 and 2012 is as follows:

	2013		2012	
	Number of shares	Amount	Number of shares	Amount
Fixed capital				
Series A	5,000	\$ 3,696	5,000	\$ 3,696
Variable capital				
Series B	<u>507,447,012</u>	<u>370,365,016</u>	<u>392,873,351</u>	<u>286,864,522</u>
Total	<u>507,452,012</u>	<u>\$ 370,368,712</u>	<u>392,878,351</u>	<u>\$ 286,868,218</u>

Stockholders' equity, except restated paid-in capital and tax retained earnings will be subject to ISR payable by the Entity at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated income taxes of the year in which the tax on dividends is paid and the following two fiscal years.

On June 25, 2013, the Entity issued a total of 114,573,661 shares through a follow-on public offering of shares in the Mexican Stock Exchange. The net proceeds of this offering were \$193,468,687 (net of direct issuance costs of \$4,474,060, net of tax) of consisting of an increase in capital stock of \$83,500,494 and an increase in additional paid-in capital of \$109,968,193.

Pursuant to a resolution of the general extraordinary stockholders meeting on July 17, 2012, variable capital stock was increased by 7,762,761 shares equivalent to \$581,702.

On July 25, 2012, the Entity listed its shares on the Mexican Stock Exchange through an initial public offering. At the same time, the Entity issued a total of 139,355,000 ordinary shares, equivalent to \$190,279,885 (net of direct issuance costs of \$6,566,057, net of tax).

On August 21, 2012, the Entity issued, pursuant to an overallotment option, a total of 21,506,034 shares equivalent to \$29,931,920.

Pursuant to a resolution at the general extraordinary stockholders meeting held on September 25, 2012, \$101,900,964 of the aforementioned capital increase was reclassified to additional paid-in capital.

10.2 Fully paid ordinary shares

	Number of shares	Amount	Additional paid-in capital
Balance as of January 1, 2012	224,254,556	\$ 167,975,675	-
Capital stock increase of July 17, 2012	7,762,761	581,702	-
IPO issuance of July 25, 2012	139,355,000	196,845,942	-
Direct equity issuance costs	-	(9,380,081)	-
Income taxes related to direct equity issuance costs	-	2,814,024	-
Capital stock increase of August 21, 2012	21,506,034	29,931,920	-
Creation of additional paid-in capital account	-	(101,900,964)	101,900,964
Balance as of December 31, 2012	392,878,351	286,868,218	101,900,964
Capital stock increase of June 25, 2013	114,573,661	87,974,554	109,968,193
Direct equity issuance costs	-	(6,391,514)	-
Income taxes related to direct equity issuance costs	-	1,917,454	-
Balance as of December 31, 2013	<u>507,452,012</u>	<u>\$ 370,368,712</u>	<u>\$ 211,869,157</u>

10.3 Dividend payments

Pursuant to a resolution of the general ordinary stockholders' meeting on March 19, 2013, the Entity declared a dividend of \$0.027 per share for a total dividend of \$10,468,173 which was paid via cash distributions on April 1, 2013. The payment was applied against the Entity's net tax income account.

Pursuant to a resolution of the general ordinary stockholders' meeting on September 25, 2012 the Entity declared a dividend of \$0.025 per share, a total dividend of \$9,795,444 which was paid via cash distributions. The payment was applied against the Entity's net tax income account.

11. **Earnings per share**

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

	2013		
	Earnings	Weighted-average number of shares	Dollars per share
Profit for the year	<u>\$ 89,433,517</u>	<u>452,368,521</u>	<u>\$ 0.20</u>
	2012		
	Earnings	Weighted-average number of shares	Dollars per share
Profit for the year	<u>\$ 40,843,843</u>	<u>296,289,138</u>	<u>\$ 0.14</u>

12. Property operating costs and administration expenses

12.1 Property operating costs consist of the following:

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

	31/12/2013	31/12/2012
Real estate tax	\$ 810,893	\$ 942,922
Insurance	301,997	249,740
Maintenance	382,576	435,585
Other property related expenses	1,045,254	1,118,783
Property management fee	-	751,405
	<u>\$ 2,540,720</u>	<u>\$ 3,498,435</u>

12.1.2 Direct property operating costs from investment property that did not generate rental income during the year:

	31/12/2013	31/12/2012
Real estate tax	\$ 286,687	\$ 113,700
Insurance	44,211	32,070
Maintenance	56,007	55,936
Other property related expenses	523,711	406,800
	<u>910,616</u>	<u>608,506</u>
Total property operating costs	<u>\$ 3,451,336</u>	<u>\$ 4,106,941</u>

12.2. Administration expenses consist of the following:

	31/12/2013	31/12/2012
Marketing expenses	\$ 61,344	\$ 68,244
Auditing and legal expenses	723,108	651,359
Property acquisition fees	195,001	199,990
Asset management fees	-	765,388
Direct employee benefits and other	5,630,566	2,390,207
Indirect equity issuance and trading costs	187,609	2,559,671
Other	2,320	6,560
	<u>\$ 6,799,948</u>	<u>\$ 6,641,419</u>

13. Income taxes

The Entity is subject to ISR and through December 31, 2013, to ISR and IETU.

ISR -The rate was 30% in 2013 and 2012 and as a result of the new 2014 ISR law (2014Tax Law), the rate will continue at 30% in 2014 and thereafter.

IETU – IETU was eliminated as of 2014; therefore, up to December 31, 2013, this tax was incurred both on revenues and deductions and certain tax credits based on cash flows from each year. The respective rate was 17.5%.

The current income tax is the greater of ISR and IETU up to 2013.

Based on its financial projections, the Entity determined that it will essentially pay ISR. Therefore, it only recognizes deferred ISR.

13.1 Income taxes are as follows:

	31/12/2013	31/12/2012
ISR expense:		
Current	\$ 6,947,623	\$ 5,564,057
Expired ISR credit on dividends	580,701	-
Deferred	<u>30,919,613</u>	<u>1,729,683</u>
	38,447,937	7,293,740
IETU expense:		
Current	<u>-</u>	<u>571,812</u>
Total income taxes	<u>\$ 38,447,937</u>	<u>\$ 7,865,552</u>

13.2 The effective ISR rate for fiscal 2013 and 2012 differ from the statutory rate as follows:

	31/12/2013	31/12/2012
Statutory rate	30%	30%
Effects of exchange rates on tax balances	(1)%	(9)%
Effects of inflation	(4)%	(6)%
IETU expense	-	1%
Effects of change in ISR rate (2014 Tax Law)	3%	-
Other	<u>2%</u>	<u>-</u>
Effective rate	<u>30%</u>	<u>16%</u>

13.3 The main items originating the deferred ISR liability are:

	31/12/2013	31/12/2012
Deferred ISR assets (liabilities):		
Investment property	\$ (107,817,334)	\$ (74,464,893)
Effect of tax loss carryforwards	15,398,333	11,830,926
Other provisions and prepaids	<u>900,398</u>	<u>117,522</u>
Deferred income taxes – Net	<u>\$ (91,518,603)</u>	<u>\$ (62,516,445)</u>

To determine deferred ISR the Entity applied the applicable tax rates to temporary differences based on their estimated reversal dates.

13.4 The benefits of restated tax loss carryforwards for which the deferred ISR asset has been recognized can be recovered subject to certain conditions. Restated amounts as of December 31, 2013 and expiration dates are:

Year of Expiration	Tax Loss Carryforwards
2018	\$ 11,548,876
2020	2,190,109
2021	16,389,208
2022	9,480,707
2023	<u>11,718,875</u>
	<u>\$ 51,327,776</u>

14. Financial instruments

14.1 Capital management

The Entity manages its capital to ensure that the Entity will be able to continue as a going concern while maximizing the return to partners through the optimization of the debt and equity balance.

The capital structure of the Entity consists of net debt (borrowings as detailed in Note 9 offset by cash and bank balances) and equity of the Entity (comprising issued capital, additional paid-in capital, retained earnings and other comprehensive income as detailed in Note 10).

The Entity is not subject to any externally imposed capital requirements.

14.2 Leverage ratio

The Board reviews the capital structure of the Entity on a regular basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital.

The leverage ratio at end of following reporting periods was as follows:

	31/12/2013	31/12/2012
Debt	\$ 318,027,746	\$ 327,862,243
Cash and bank balances	(8,297,797)	(36,947,094)
Financial assets held for trading	(233,052,020)	(120,345,021)
Net debt	<u>76,677,929</u>	<u>170,570,128</u>
Equity	<u>789,585,406</u>	<u>517,228,170</u>
Net debt to equity ratio	<u>10%</u>	<u>33%</u>

Debt includes long-term debt plus its current portion. Equity includes capital stock, additional paid-in capital, retained earnings and other comprehensive income of the Entity.

14.3 Categories of financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the consolidated financial statements.

The Entity's principal financial assets are bank balances, cash equivalents and restricted cash as disclosed in Note 4, recoverable taxes and operating lease receivables as disclosed in Notes 6 and 7, respectively and financial assets held for trading in Note 5. The Entity's principal financial liability is long-term debt as disclosed in Note 9.

14.4 Financial risk management objectives

The Entity seeks to minimize the effects of market risk (including fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk (although currently the Entity only has fixed rate debt instruments with varying maturity profiles). No significant interest rate hedges or trading financial instruments were entered into during the period of the accompanying consolidated financial statements.

14.5 Market risk

The Entity's activities expose it primarily to the financial risks of changes in interest rates (see 14.8 and 14.9 below) and foreign currency exchange rates (see 14.6 and 14.7 below). The Entity may enter into derivative financial instruments to manage its exposure to foreign currency risk. There has been no change to the Entity's exposure to market risks or the manner in which these risks are managed and measured.

14.6 Foreign currency risk management

The Entity is exposed to foreign exchange risk, primarily with respect to the Mexican peso and to the US dollar in respect of one of its subsidiaries whose functional currency is the Mexican peso. Foreign exchange risk arises from future commercial transactions and recognized monetary assets and liabilities.

The carrying amounts of the Entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	31/12/2013	31/12/2012
Monetary assets		
Mexican pesos	3,354,707,083	2,060,405,495
US dollars	\$ 261,858	\$ 264,977
Monetary liabilities		
Mexican pesos	16,307,237	1,052,321
US dollars	\$ 40,874,151	\$ 41,361,548

14.7 Foreign currency sensitivity analysis

The following table details the Entity's sensitivity to a 10% appreciation or depreciation in the US dollar against the Mexican peso. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel, and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency exchange rates. A positive number below indicates an increase in profit or equity where the US dollar appreciates 10% against the relevant currency. For a 10% depreciation of the US dollar against the Mexican peso, there would be a comparable impact on the profit or equity, and the balances below would be negative.

	31/12/2013
Profit or loss impact	
Mexican peso – 10% appreciation – gain	\$ (23,208,878)
Mexican peso – 10% depreciation – loss	28,366,407
U.S. dollar - 10% appreciation – loss	4,061,229
U.S. dollar - 10% depreciation – gain	(4,061,229)

14.8 Interest rate risk management

The Entity minimizes its exposure to interest rate risk by borrowing funds at fixed rates, because investment properties owned by the Entity generate a fixed income in the form of rental income which is indexed to inflation.

14.9 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Entity. The Entity has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Entity's exposure and the credit ratings of its counterparties are monitored, and the transactions consummated are entered into with approved counterparties.

The Entity's clients operate in a variety of industries. Its real estate portfolio is primarily concentrated in the food and beverage, automotive, aerospace, medical, logistics and plastics industries. The Entity's exposure to these industries subjects it to the risk of economic downturns in such industrial sectors to a greater extent than if its properties were more diversified across other industries.

The Entity currently leases two distribution facilities to a single customer, which represent 24% of its total portfolio's gross leasable area, and 89% and 67% of its operating lease receivable balance and its annualized rents as of and for the year ended December 31, 2013, respectively. If this customer were to terminate its lease agreements with the Entity, the Entity may experience a material loss with respect to future rental income.

14.10 Liquidity risk management

If the Entity is unable to raise additional debt or equity, its results of operations could suffer. The Entity closely monitors the maturity of its liabilities and the cash needs of its operations. It prepares and provides a detailed cash flow analysis on a quarterly basis and presents it to its board of directors. Decisions are made to obtain new financing or limit cash investments in order to maintain a healthy projected cash balance.

The maturity of the long-term, its current portion and the accrued interest at December 31, 2013 is as follows:

	Weighted average interest rate %	Less than 1 month	1-3 months	3 months to 1 year	1-2 years	Total
Long-term debt	7.02	\$ 601,520	\$ 2,232,195	\$ 8,324,839	\$306,869,192	\$318,027,746
Accrued interest		<u>1,712,584</u>	<u>6,190,830</u>	<u>22,211,969</u>	<u>34,016,175</u>	<u>64,131,558</u>
		<u>\$ 2,314,104</u>	<u>\$ 8,423,025</u>	<u>\$ 30,536,808</u>	<u>\$340,885,367</u>	<u>\$382,159,304</u>

14.11 Fair value of financial instruments

14.11.1 Fair value of financial assets that are measured at fair value on a recurring basis

The Entity's financial assets held for trading are classified as level 1 in the IFRS 13 fair value hierarchy since they are traded in an active market.

14.11.2 Fair value of financial instruments carried at amortized cost

The fair value of long-term debt and its related current portion as of December 31, 2013 and 2012 is \$325,471,021 and \$328,637,868, respectively. Management considers that the carrying amounts of financial assets and other financial liabilities recognized in the consolidated financial statements approximate their fair values. This measurement is classified as level two since management uses an adjusted observable discount rate to determine its fair value.

15. **Transactions and balances with related parties**

15.1 Transactions with related parties

Transactions with related parties carried out in the ordinary course of business, were as follows:

	31/12/2013	31/12/2012
<i>Desarrolladora Vesta, S. de R.L. de C.V. (affiliated Entity):</i>		
Property management fees	\$ -	\$ 751,405
Brokerage fees	-	541,965
Asset management fees	-	765,388
Renewal fee	-	1,369,208
Equity issuance related expenses	-	1,000,000
Development commission	-	287,207
Acquisition of office furniture	-	58,472

31/12/2013

31/12/2012

Servicios de Construcción Vesta, S. de R.L. de C.V.
(affiliated Entity):

Development services	\$	-	\$	130,765
Construction services		-		6,805,354

16. Litigation, other contingencies and commitments

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.

As mentioned in Note 8, all rights to construction, improvements and infrastructure built by the Entity in the Queretaro Aerospace Park automatically revert back to the government of the State of Queretaro at the end of the concession, which is approximately in 45 years.

17. Financial statements issuance authorization

On February 17, 2014 the issuance of the consolidated financial statements was authorized by Juan Sottit, the Entity's Chief Financial Officer; consequently, they do not reflect events occurred after that date. These consolidated financial statements are subject to approval at the General Ordinary Shareholders' Meeting, where the stockholders may decide to modify such consolidated financial statements according to the Mexican General Corporate Law.
