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

Consolidated Financial Statements for the Years Ended December 31, 2018, 2017 and 2016, and Independent Auditors' Report Dated February 14, 2019

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

Independent Auditors' Report and Consolidated Financial Statements for 2018, 2017 and 2016

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

Opinion

We have audited the 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, 2018, 2017 and 2016, and the consolidated statements of profit and other comprehensive income (loss), consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Entity as of December 31, 2018, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Mexico, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have concluded that the following Key Audit Matters should be communicated in our report.

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Investment properties

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. The Entity uses external appraisers in order to determine the fair value for all of its investment properties. The independent appraisers 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 net operating income, inflation rates, absorption periods and market rents. The audit procedures performed to test investment properties were significant for our audit, for which reason, in order to test the reasonableness of the fair value of the investment properties, we involved an internal expert in valuation. As a result, our audit procedures included among others: i) testing the Entity's internal controls related to the approval of construction of new investment properties as well as cash disbursements related to such construction, ii) performing detail substantive testing of the additions in investment properties made during the year; iii) performing physical inspection of some of the Entity's investment properties; iv) using the work of our internal expert on valuation to test the fair value as determined by the Entity's expert of a sample of investment properties; v) performing an analytical substantive test of the fair value of the investment properties. Our procedures also included reviewing the appropriateness of the Entity's disclosures regarding the assumptions and accounting policies for the recognition of investment properties, which are included in the Note 9 to the consolidated financial statements.

Information other than the Financial Statements and Auditor's Report

Management is responsible for the other information. The other information comprises two documents, the Entity's Annual Report and the information that will be incorporated in the Annual Report which the Entity is required to prepare in accordance with Article 33Ib) of Title Four, Chapter One, of the General Provisions Applicable to Issuers of Securities and Other Participants in the Securities Market in Mexico. As of the date of our auditor's report we have not yet obtained these documents and they will be available only after the issuance of this Audit Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance 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, as issued by the IASB, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

C. P. C. Pedro Luis Castañeda Herrera

February 14, 2019

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

Consolidated Statements of Financial Position

As of December 31, 2018, 2017 and 2016
(In US dollars)

Assets	Notes	31/12/2018	31/12/2017	31/12/2016
Current assets:				
Cash, cash equivalents and restricted cash	5	$ 64,483,395	$ 91,001,709	$ 50,720,751
Financial Assets held for trading	6	724,399	677,828	613,015
Recoverable taxes	7	26,340,810	26,678,697	21,794,481
Operating lease receivables	8	8,130,553	5,221,517	7,028,975
Prepaid expenses		537,428	369,675	37,191
Total current assets		100,216,585	123,949,426	80,194,413
Non-current assets:				
Investment property	9	1,884,621,430	1,701,006,371	1,415,714,762
Office furniture - Net		2,490,902	1,868,778	1,965,192
Derivative financial instruments	14.8	2,380,863	827,251	-
Guarantee deposits made and restricted cash		4,376,105	4,440,163	2,920,475
Total non-current assets		1,893,869,300	1,708,142,563	1,420,600,429
Total assets		$ 1,994,085,885	$ 1,832,091,989	$ 1,500,794,842
Liabilities and stockholders' equity				
Current liabilities:				
Current portion of long-term debt	10	$ 4,513,388	$ -	$ -
Accrued interest		5,315,332	3,772,187	1,609,233
Accounts payable and client advances		2,788,387	4,082,166	1,795,748
Taxes payable, mainly income taxes		412,853	344,599	550,557
Accrued expenses		3,663,962	3,821,201	1,981,263
Total current liabilities		16,693,922	12,020,153	5,936,801
Non-current liabilities:				
Long-term debt	10	695,284,034	581,994,879	340,871,417
Guarantee deposits received		13,053,383	11,539,472	8,868,661
Deferred income taxes	13.3	215,350,973	204,205,361	185,733,064
Total non-current liabilities		923,688,390	797,739,712	535,473,142
Total liabilities		940,382,312	809,759,865	541,409,943
Litigation and other contingencies	17			
Stockholders' equity:				
Capital stock	11	435,613,239	439,843,107	450,880,150
Additional paid-in capital		321,021,039	327,270,539	343,037,228
Retained earnings		333,833,754	288,671,405	201,751,251
Share-based payments reserve		5,507,719	3,300,560	1,973,372
Foreign currency translation		(43,938,783)	(37,332,563)	(38,257,102)
Valuation of derivative financial instruments	14.8	1,666,605	579,076	-
Total stockholders' equity		1,053,703,573	1,022,332,124	959,384,899
Total liabilities and stockholders' equity		$ 1,994,085,885	$ 1,832,091,989	$ 1,500,794,842

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 (Loss)

For the years ended December 31, 2018, 2017 and 2016
(In US dollars)

	Notes	31/12/2018	31/12/2017	31/12/2016
Revenues:				
Rental income		$ 132,669,266	$ 109,427,282	$ 90,511,822
Property operating costs:				
Related to properties that generated rental income	12.1	(4,848,618)	(4,106,403)	(3,384,389)
Related to properties that did not generate rental income	12.1	(828,082)	(886,688)	(992,057)
Gross profit		126,992,566	104,434,191	86,135,376
Administration expenses	12.2	(16,094,364)	(13,911,938)	(11,236,676)
Depreciation		(573,177)	(356,727)	(322,627)
Other Income and Expenses:				
Interest income		434,427	55,171	3,368,382
Other income (expense)- net		476,240	449,193	722,439
Transaction costs on debt issuance		(139,062)	(395,559)	(947,875)
Interest expense		(35,156,825)	(19,668,274)	(19,862,673)
Exchange gain (loss)- net		(719,007)	2,897,256	(24,781,506)
Gain on revaluation of investment property		52,822,802	84,058,105	67,004,611
Total other income and expenses		17,718,575	67,395,892	25,503,378
Profit before income taxes		128,043,600	157,561,418	100,079,451
Income tax expense	13.1	(34,983,270)	(31,531,237)	(54,996,658)
Profit for the year		93,060,330	126,030,181	45,082,793
Other comprehensive income (loss) - net of tax:				
Items that may be reclassified subsequently to profit –				
Fair value gains on derivative instruments	14.8	1,087,529	579,076	-
Exchange differences on translating other functional currency operations		(6,606,220)	924,539	(20,860,067)
Total other comprehensive income (loss)		(5,518,691)	1,503,615	(20,860,067)
Total comprehensive income for the year		$ 87,541,639	$ 127,533,796	$ 24,222,726
Basic and diluted earnings per share	11	$ 0.155	$ 0.207	$ 0.072

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, 2018, 2017 and 2016
(In US dollars)

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Share-Based Payments Reserve	Foreign Currency Translation	Valuation of Derivative financial instruments	Total Stockholders' Equity
Balances as of January 1, 2016	$ 455,741,735	$ 349,557,056	$ 185,494,148	$ 1,391,080	$ (17,397,035)	$ -	$ 974,786,984
Share-based payments	-	-	-	860,125	-	-	860,125
Vested shares	104,640	173,193	-	(277,833)	-	-	-
Dividends declared	-	-	(28,825,690)	-	-	-	(28,825,690)
Repurchase of shares	(4,966,225)	(6,693,021)	-	-	-	-	(11,659,246)
Comprehensive income (loss)	-	-	45,082,793	-	(20,860,067)	-	24,222,726
Balances as of December 31, 2016	450,880,150	343,037,228	201,751,251	1,973,372	(38,257,102)	-	959,384,899
Share-based payments	-	-	-	1,477,158	-	-	1,477,158
Vested shares	58,201	91,769	-	(149,970)	-	-	-
Dividends declared	-	-	(39,110,027)	-	-	-	(39,110,027)
Repurchase of shares	(11,095,244)	(15,858,458)	-	-	-	-	(26,953,702)
Comprehensive income	-	-	126,030,181	-	924,539	579,076	127,533,796
Balances as of December 31, 2017	439,843,107	327,270,539	288,671,405	3,300,560	(37,332,563)	579,076	1,022,332,124
Share-based payments	-	-	-	2,984,358	-	-	2,984,358
Vested shares	297,786	479,413	-	(777,199)	-	-	-
Dividends declared	-	-	(47,897,981)	-	-	-	(47,897,981)
Repurchase of shares	(4,527,654)	(6,728,913)	-	-	-	-	(11,256,567)
Comprehensive income (loss)	-	-	93,060,330	-	(6,606,220)	1,087,529	87,541,639
Balances as of December 31, 2018	$ 435,613,239	$ 321,021,039	$ 333,833,754	$ 5,507,719	$ (43,938,783)	$ 1,666,605	$ 1,053,703,573

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, 2018, 2017 and 2016
(In US dollars)

	31/12/2018	31/12/2017	31/12/2016
Cash flows from operating activities:			
Profit before income taxes	$ 128,043,600	$ 157,561,418	$ 100,079,451
Adjustments:			
Depreciation	573,177	356,727	322,627
Gain on revaluation of investment property	(52,822,802)	(84,058,105)	(67,004,611)
Unrealized effect of foreign exchange rates	719,007	(2,897,256)	24,781,506
Interest income	(434,427)	(55,171)	(3,368,382)
Interest expense	35,156,825	19,668,274	19,862,673
Expense recognized in respect of share-based payments	1,942,810	1,477,158	860,125
Working capital adjustments:			
(Increase) decrease in:			
Operating lease receivables - Net	(2,909,036)	1,807,458	(2,880,866)
Recoverable taxes	(8,943,673)	(14,325,040)	(6,147,505)
Prepaid expenses	(167,753)	(332,484)	468,259
Increase (decrease) in:			
Accounts payable and client advances	(2,227,350)	3,363,652	(190,045)
Guarantee deposits received	-	-	1,662,683
Accrued expenses	884,309	1,839,939	553,705
Income taxes paid	(12,542,218)	(2,242,043)	(722,775)
Net cash generated by operating activities	87,272,469	82,164,527	68,276,845
Cash flows from investing activities:			
Purchases of investment property	(137,897,718)	(196,210,053)	(157,437,522)
Acquisition of office furniture	(1,195,300)	(260,314)	(716,203)
Financial assets held for trading	(46,571)	(64,813)	178,168,504
Interest received	434,427	55,171	3,368,382
Net cash (used in) generated by investing activities	(138,705,162)	(196,480,009)	23,383,161
Cash flows from financing activities:			
Guarantee deposits made	64,058	(1,519,688)	(1,672,342)
Guarantee deposits collected	1,513,911	2,670,811	2,750,579
Interest paid	(33,613,680)	(15,907,052)	(21,455,480)
Repayments of borrowings	(123,019)	-	(298,069,960)
Dividends paid	(47,897,981)	(39,110,027)	(28,825,690)
Repurchase of treasury shares	(11,256,567)	(26,953,702)	(11,659,246)
Proceeds from borrowings	116,600,000	243,000,000	300,000,000
Debt issuance costs	1,325,562	(3,474,806)	(5,817,632)
Net cash generated by (used in) financing activities	26,612,284	158,705,536	(64,749,771)
Effects of exchange rates changes on cash	(1,697,905)	(4,109,096)	(3,896,537)
Net increase in cash, cash equivalents and restricted cash	(26,518,314)	40,280,958	23,013,698
Cash, cash equivalents and restricted cash at the beginning of year	91,737,021	51,456,063	28,442,365
Cash, cash equivalents and restricted cash at the end of year - Note 5	$ 65,218,707	$ 91,737,021	$ 51,456,063

See accompanying notes to consolidated financial statements.

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.

On April 21, 2017, the Entity renewed, in advance, the Nestle and Nestle related Cereal Partners Worldwide lease agreements for a combined leasable area of 1,713,600 square feet. The leases were extended for 7 and 8 years, beginning on January 1, 2017 to December 31, 2023 and December 31, 2024, respectively. The lease agreements will remain indexed to Mexican investment units (UDIS for its acronym in Spanish) having monthly rent increases according to the increase in the value of UDIS. The new lease conditions had an impact on the value of the Entity's investment properties as they are valued at their fair value using the income approach as described in Note 9 which was recognized in the current period.

2. Adoption of new and revised International Financial Reporting Standards

Application of new and revised International Financial Reporting Standards ("IFRS" or "IAS") that are mandatorily effective for the current year

In the current year, 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, 2018.

New and amended IFRS Standards that are effective for the current year

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Entity has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives.

Additionally, the Entity adopted consequential amendments to IFRS 7 *Financial Instruments*: Disclosures that were applied to the disclosures about 2018 and to the comparative period.
IFRS 9 introduced new requirements for:

1. The classification and measurement of financial assets and financial liabilities,
2. Impairment of financial assets, and
3. General hedge accounting.

Details of these new requirements as well as their impact on the Entity's consolidated financial statements are described below.

a) **Classification and measurement of financial assets**

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments 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 amount outstanding, are measured subsequently at amortized cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the aforegoing, 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 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination in other comprehensive income; 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.

In the current year, the Entity has not designated any debt investments that meet the amortized cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortized cost or at FVTOCI are subject to impairment. See (b) below. The Entity reviewed and assessed its existing financial assets as at January 1, 2018 and concluded that based on the facts and circumstances that existed at that date, the initial application of IFRS 9 has had no material impact on the Entity's financial assets as regards their classification and measurement.

b) **Impairment of financial assets**

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Specifically, IFRS 9 requires the Entity to recognize a loss allowance for expected credit losses on:

(1) Debt investments measured subsequently at amortized cost or at FVTOCI,
(2) Lease receivables,
(3) Trade receivables and contract assets, and
(4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Entity to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Entity is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The application of IFRS 9 did not have a material impact on the Entity´s consolidated financial statements with respect to impairment.

c) **Classification and measurement of financial liabilities**

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be 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, but are instead transferred to retained earnings when the financial liability is derecognized. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 has had no a material impact on the classification and measurement of the Entity's financial liabilities.

d) **General hedge accounting**

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Entity's risk management activities have also been introduced.

In accordance with IFRS 9's transition provisions for hedge accounting, the Entity has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application on 1 January 2018. The Entity's qualifying hedging relationships in place as at 1 January 2018 also qualify for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on 1 January 2018. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. The Entity has also not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39.

IFRS 9 requires hedging gains and losses to be recognized as an adjustment to the initial carrying amount of non-financial hedged items (basis adjustment). In addition, transfers from the hedging reserve to the initial carrying amount of the hedged item are not reclassification adjustments under IAS 1 Presentation of Financial Statements and hence they do not affect other comprehensive income. Hedging gains and losses subject to basis adjustments are categorized as amounts that will not be subsequently reclassified to profit or loss in other comprehensive income. This is consistent with the Entity's practice prior to the adoption of IFRS 9.

The application of the IFRS 9 hedge accounting requirements has had no material impact on the results and financial position of the Entity for the current and/or prior years.

Impact of application of IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Entity recognizes revenue from rental income, from lease contracts, which are not within the scope of IFRS 15. Additionally, revenues from non-lease components are not considered material to the Entity's consolidated financial information. Therefore, the application of IFRS 15 did not have a material impact on the amounts reported and disclosures made in its consolidated financial statements.

Impact of application of Other amendments to IFRS Standards and Interpretations

In the current year, the Entity has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRS 2 (amendments) *Classification and Measurement of Share-based Payment Transactions*

The Entity has adopted the amendments to IFRS 2 for the first time in the current year. The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
   (i) the original liability is derecognized;
   (ii) the equity-settled share-based payment is recognized at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
   (iii) any difference between the carrying amount of the liability at the modification date and the amount recognized in equity should be recognized in profit or loss immediately.

IAS 40 (amendments)Transfers of Investment Property	The Entity has adopted the amendments to IAS 40 Investment Property for the first time in the current year. The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).
IFRIC 22 Foreign Currency Transactions and Advance Consideration	IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue). The Interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

New and revised IFRSs in issue but not yet effective

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

IFRS 16	*Leases*
IFRS 17	*Insurance Contracts*
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
Annual Improvements to IFRS Standards 2015–2017 Cycle	*Amendments to* IFRS 3 *Business Combinations,* IFRS 11 *Joint Arrangements,* IAS 12 *Income Taxes and* IAS 23 *Borrowing Costs*
Amendments to IAS 19 *Employee Benefits*	*Plan Amendment, Curtailment or Settlement*
IFRS 10 *Consolidated Financial Statements* and IAS 28 (amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
IFRIC 23	*Uncertainty over Income Tax Treatments*

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Entity in future periods, except as noted below:

IFRS 16 Leases

General impact of application of IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after January 1, 2019. The date of initial application of IFRS 16 for the Entity will be 1 January 2019.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

Impact of the new definition of a lease

The Entity will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Entity will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Entity has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Entity.

Impact on Lessee Accounting

Operating leases

IFRS 16 will change how the Entity accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), the Entity will:

a) Recognize right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
b) Recognize depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognize a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Entity will opt to recognize a lease expense on a straight-line basis as permitted by IFRS 16.

As of December 31, 2018, the Entity has non-cancellable operating lease commitments of $ 1,142,700. The Entity is in the process of determining the potential impacts that will derive from the adoption of this standard in its consolidated financial statements, although by the nature of its operations it would not expect significant impacts.

Impact on Lessor Accounting

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

The Entity does not anticipate that the application of the amendments in the future will have an impact on the Entity's consolidated financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

The *Annual Improvements* include amendments for the following Standards:

IAS 12 *Income Taxes*

The amendments clarify that an entity should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted.

The Entity does not anticipate that the application of the amendments in the future will have an impact on the Entity's consolidated financial statements.

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The Entity does not anticipate that the application of these amendments may have an impact on the Entity's consolidated financial statements in future periods should such transactions arise.

IFRIC 23 ***Uncertainty over Income Tax Treatments***

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as an entity; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
    - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
    - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The Entity does not anticipate that the application of the amendments in the future will have an impact on the Entity's consolidated financial statements.

3. Significant accounting policies

a. *Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

b. *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.

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 consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of 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. *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 (loss) and other comprehensive income from the date the Entity gains control until the date when the Entity ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Entity and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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 2018	2017	2016	Activity
QVC, S. de R.L. de C.V.	99.99%	99.99%	99.99%	Holds investment properties
QVC II, S. de R.L. de C.V.	99.99%	99.99%	99.99%	Holds investment properties
WTN Desarrollos Inmobiliarios de México, S. de R.L. de C.V.	99.99%	99.99%	99.99%	Holds investment properties
Vesta Baja California, S. de R.L. de C.V.	99.99%	99.99%	99.99%	Holds investment properties
Vesta Bajio, S. de R.L. de C.V.	99.99%	99.99%	99.99%	Holds investment properties
Vesta Queretaro, S. de R.L. de C.V.	99.99%	99.99%	99.99%	Holds investment properties
Proyectos Aeroespaciales, S. de R.L. de C.V.	99.99%	99.99%	99.99%	Holds investment properties
CIV Infraestructura, S. de R.L. de C.V.	(1)	99.99%	99.99%	Holds investment properties
Vesta DSP, S. de R. L. de C.V.	99.99%	99.99%	99.99%	Holds investment properties
Vesta Management, S. de R.L. de C.V.	99.99%	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%	99.99%	Provides administrative services to the Entity
Trust CIB 2962	(2)			Vehicle to distribute shares to employees under the Long Term Incentive plan.

(1) On April 26th, 2018, the board of directors of the Entity, unanimously approved the merger of CIV Infraestructura, S. de R. L. de C. V., with Proyectos Aeroespaciales, S. de R. L. of C. V., as a merged company.

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

d. ***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.

e. ***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.

f. ***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.

g. ***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 14.

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 14.8. 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.

h. ***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.

i. ***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.

j. ***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.

k. ***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 10). 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.

l. ***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.

m. ***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.

n. ***Leases***

Leases are classified as finance leases whenever the terms of the lease agreement transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating 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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

o. ***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.

p. ***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.

q. ***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 December 31, 2018 and 2017, PTU is determined based on taxable income, according to Section I of Article 9 of the that Law.

r. ***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.

s. ***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 Company 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.

t. *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 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.

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:

	2018	2017	2016
Cash and cash equivalents	$ 64,434,016	$ 90,415,448	$ 48,054,432
Current restricted cash	49,379	586,261	2,666,319
	64,483,395	91,001,709	50,720,751
Non-current restricted cash	735,312	735,312	735,312
Total	$ 65,218,707	$ 91,737,021	$ 51,456,063

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 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. These are classified as at fair value through profit (loss).

7. **Recoverable taxes**

	2018	2017	2016
Recoverable value-added tax ("VAT")	$ 11,008,204	$ 15,100,478	$ 10,438,157
Recoverable income taxes	7,000,756	425,808	1,116,871
Recoverable dividend tax	8,202,066	10,719,907	10,203,349
Other receivables	129,784	432,504	36,104
	$ 26,340,810	$ 26,678,697	$ 21,794,481

8. **Operating lease receivables**

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

	2018	2017	2016
0-30 days	$ 6,944,766	$ 4,508,045	$ 4,541,467
30-60 days	373,514	223,456	1,588,869
60-90 days	229,724	229,591	551,533
Over 90 days	582,549	260,425	347,106
Total	$ 8,130,553	$ 5,221,517	$ 7,028,975

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, 86 %, 86% and 65% of all operating lease receivables are current at December 31, 2018, 2017 and 2016, 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 5%, 4% and 23% of all operating lease receivables at December 31, 2018, 2017 and 2016, respectively. Operating lease receivables outstanding for more than 60 and less than 90 days represent 3%, 4% and 8% of all operating lease receivable at December 31, 2018, 2017 and 2016. Operating lease receivables outstanding greater than 90 days represent 7%, 5% and 5% as of December 31, 2018, 2017 and 2016, respectively.

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 December 31, 2018, 2017 and 2016 is $350,314, $283,538 and $41,314, respectively.

iii. Client concentration risk

As of December 31, 2018, 2017 and 2016 one of the Entity's clients account for 23% or $1,883,826, 40% or $2,093,433 and 29% or $2,040,061, respectively, of the operating lease receivables balance. The same client accounted for 6%, 7% and 11% of the total rental income of Entity for the years ended December 31, 2018, 2017 and 2016, respectively.

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.

v. Non-cancellable operating lease receivables

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

	2018	2017	2016
Not later than 1 year	$ 131,017,926	$ 126,991,489	$ 100,997,236
Later than 1 year and not later than 3 years	230,133,415	226,252,896	170,779,851
Later than 3 year and not later than 5 years	239,526,395	266,140,992	191,181,511
Later than 5 years	128,475,873	161,262,379	159,893,939
	$ 729,153,609	$ 780,647,757	$ 622,852,537

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 or loss and other comprehensive (loss) 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	2018: 9.35 % 2017: 9.35% 2016: 9.75%	The higher the discount rate, the lower the fair value.
			Exit cap rate	2018: 8.25 % 2017: 8.75 % 2016: 9.00 %	The higher the exit cap rate, the lower the fair value.
			Long-term NOI	Based on contractual rent and then on market related rents	The higher the NOI, the higher the fair value.
			Inflation rates	Mexico: 4.00 % in 2018, 4.10% in 2017 and 3.5% in 2016 U.S.:2.2% in 2018,2.1% in 2017 and 2.2% in 2016	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	2018: 20.35 2017: 18.80 2016: 20.00	The higher the exchange rate the lower the fair value
Land reserves	Level 3	Market value	Price per acre	Weighted average price per acre in 2018 $107,599 and $111,786 in 2017.	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:

	2018	2017	2016
Buildings and land	$ 1,817,308,000	$ 1,679,059,000	$ 1,393,000,000
Land improvements	28,193,736	18,815,371	9,652,444
Land reserves	92,523,000	87,631,000	79,377,000
	1,938,024,736	1,785,505,371	1,482,029,444
Less: Cost to complete construction in-progress	(53,403,306)	(84,499,000)	(66,314,682)
Balance at end of year	$ 1,884,621,430	$ 1,701,006,371	$ 1,415,714,762

The reconciliation of investment property is as follows:

	2018	2017	2016
Balance at beginning of year	$ 1,701,006,371	$ 1,415,714,762	$ 1,214,930,005
Additions	138,831,289	195,132,819	158,013,760
Foreign currency translation effect	(8,039,032)	6,100,685	(24,233,614)
Gain on revaluation of investment property	52,822,802	84,058,105	67,004,611
Balance at end of year	$ 1,884,621,430	$ 1,701,006,371	$ 1,415,714,762

A total of $933,571 additions to investment property related to land reserves and new buildings which were acquired from third parties, were not paid as of December 31, 2018 and were therefore excluded from the consolidated statements of cash flows for that year. A total of $1,077,234 additions to investment property related to land reserves and new buildings which were acquired from third parties, were not paid as of December 31, 2016 and were therefore excluded from the consolidated statements of cash flows for that year. Such additions were paid during 2017 and were included in the 2017 consolidated statement of cash flows, no other unpaid amounts existed as of December 31, 2017.

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 36 years as of December 31, 2018.

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 36 years as of December 31, 2018). 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 31, 2018, 2017 and 2016, the Entity's investment properties have a gross leasable area (unaudited) of 29,867,577 square feet (or 2,77,4,789 square meters), 26,721,171 square feet (or 2,482,478 square meters) and 22,569,585 square feet (or 2,096,783 square meters), respectively, and they were 91.8%, 92.3% and 89.2% occupied by tenants (unaudited), respectively. As of December 31, 2018, 2017 and 2016, investment properties with a gross leasable area (unaudited) of 1,041,753 square feet (or 96,782 square meters), 2,330,549 square feet (or 216,515 square meters) and 2,008,397 square feet (or 186,586 square meters), respectively, were under construction, representing an additional 3.4%, 8.7% and 8.9% 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. Long-term debt

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 22, 2016, the Entity entered into a new five-year credit agreement with various financial institutions for an aggregated amount of $150,000,000; the proceeds were received on the same date (the "Syndicated Loan"). The Syndicated Loan also includes a revolving credit facility up to $100,000,000 which as of December 31, 2018, 2017 and 2016 has not been utilized. 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. 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	31/12/2018	31/12/2017	31/12/2016
Syndicated Loan	$ 150,000,000	Variable rate plus margin (1)	(1)	July 2021	$ 150,000,000	$ 150,000,000	$ 150,000,000
MetLife 10-year	150,000,000	4.55%	(2)	August 2026	150,000,000	150,000,000	150,000,000
MetLife 7-year	47,500,000	4.35%	(3)	April 2022	47,376,981	47,500,000	47,500,000
Series A Senior Note	65,000,000	5.03%	(5)	September 2024	65,000,000	65,000,000	-
Series B Senior Note	60,000,000	5.31%	(5)	September 2027	60,000,000	60,000,000	-
Series A Senior Note	45,000,000	5.50%	(5)	May 2025	45,000,000	-	-
Series B Senior Note	45,000,000	5.85%	(5)	May 2028	45,000,000	-	-
MetLife 7-year	118,000,000	4.75%	(4)	December 2027	118,000,000	118,000,000	-
MetLife 8-year	26,600,000	4.75%	(2)	August 2028	26,600,000	-	-
					706,976,981	590,500,000	347,500,000
Less: Current portion					(4,513,388)		
Less: Direct issuance cost					(7,179,559)	(8,505,121)	(6,628,583)
Total Long-term debt					$ 695,284,034	$ 581,994,879	$ 340,871,417

(1) 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 200 basis points; if leverage ratio is higher than 40% the margin would increase to 225 basis points. Principal amortization will commence on July 22, 2019; thereafter the Syndicated Loan will have quarterly principal payments equal to 1.25% of the loan amount.

(2) 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%. Principal amortization will commence on September 1, 2023.This loan is guaranteed with 48 of the Entity's properties. On March 2018, an additional credit line was contracted for 26,600,000, which expires on August 1, 2026 accruing interest at an annual rate of 4.75%.

(3) 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.

(4) 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.

(5) 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.

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 December 31, 2018.

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 December 2020	$ 8,291,939
As of December 2021	140,460,254
As of December 2022	47,725,175
As of December 2023	4,608,725
Thereafter	501,377,500
Less: direct issuance cost	(7,179,559)
Total long-term debt	$ 695,284,034

11. Capital stock

1. Capital stock as of December 31, 2018, 2017 and 2016 is as follows:

	2018		2017		2016	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Fixed capital						
Series A	5,000	$ 3,696	5,000	$ 3,696	5,000	$ 3,696
Variable capital						
Series B	591,409,572	435,609,543	600,262,388	439,839,411	621,092,663	450,876,454
Total	591,414,572	$435,613,239	600,267,388	$439,843,107	621,097,663	$450,880,150

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.

2. Shares in treasury

As of December 31, 2018, 2017 and 2016 total shares in treasury area as follows:

	2018	2017	2016
Shares in treasury (1)	37,831,460	31,458,735	10,628,460
Shares in long term incentive plan trust (2)	2,480,091	-	-
Total share in treasury	40,311,551	31,458,735	10,628,460

(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 a request with the National Banking and Exchange Commission (CNBV) to update the number of shares issued in the National Securities Records, such request is currently in process.

(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, 2015	631,137,923	$ 455,741,735	$ 349,557,056
Vested shares	163,089	104,640	173,193
Repurchase of shares	(10,203,349)	(4,944,225)	(6,693,021)
Balance as of December 31, 2016	621,097,663	$ 450,880,150	$ 343,037,228
Vested shares	118,670	58,201	91,769
Repurchase of shares	(20,948,945)	(11,095,244)	(15,858,458)
Balance as of December 31, 2017	600,267,388	439,843,107	327,270,539
Vested shares	567,788	297,786	479,413
Repurchase of shares	(9,420,604)	(4,527,654)	(6,728,913)
Balance as of December 31, 2018	591,414,572	$ 435,613,239	$ 321,021,039

4. Dividend payments

Pursuant to a resolution of the general ordinary stockholders' meeting on March 21, 2018, the Entity declared a dividend of approximately $0.079 per share, for a total dividend of $47,897,981. The dividend was paid on April 13, 2018 in cash.

Pursuant to a resolution of the general ordinary stockholders' meeting on March 2, 2017, the Entity declared a dividend of approximately $0.064 per share, for a total dividend of $39,110,027. The dividend was paid on March 30, 2017 in cash.

Pursuant to a resolution of the general ordinary stockholders' meeting on April 4, 2016, the Entity declared a dividend of approximately $0.046 per share, for a total dividend of $28,825,690. The dividend was paid on April 19, 2016 in cash.

5. Earnings per share

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

	2018	2017	2016
Basic Earnings per shares			
Earnings attributable to ordinary share to outstanding (1)	$ 92,675,577	$ 126,030,181	$ 45,082,793
Weighted average number of ordinary shares outstanding	597,380,020	609,850,516	630,259,650
Basic Earnings per share	0.155	0.207	0.072

	2018	2017	2016
Diluted Earnings per shares			
Earnings attributable to ordinary shares outstanding and shares in Incentive Plan Trust (1)	$ 93,060,330	$ 126,030,181	$ 45,082,793
Weighted average number of ordinary shares plus shares in Incentive Plan trust	599,860,111	609,850,516	630,259,650
Diluted earnings per share	0.155	0.207	0.072

(1) Total earnings	$ 93,060,330
Less: Earnings attributable to shares in Incentive Plan trust	384,753
Earnings attributable to ordinary shares outstanding	$ 92,675,577

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.

12. Property operating costs and administration expenses

1. Property operating costs consist of the following:

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

	2018	2017	2016
Real estate tax	$ 1,322,097	$ 1,285,697	$ 1,090,743
Insurance	392,293	366,613	302,400
Maintenance	1,030,590	873,367	748,043
Structural maintenance accrual	167,253	168,502	-
Other property related expenses	1,936,385	1,412,224	1,243,203
	$ 4,848,618	$ 4,106,403	$ 3,384,389

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

	2018	2017	2016
Real estate tax	$ 302,280	$ 268,448	$ 293,602
Insurance	48,972	53,731	51,280
Maintenance	111,412	100,440	148,689
Other property related expenses	365,418	464,069	498,486
	828,082	886,688	992,057
Total property operating	$ 5,676,700	$ 4,993,091	$ 4,376,446

2. Administration expenses consist of the following:

	2018	2017	2016
Employee direct benefits	$ 8,798,898	$ 7,849,558	$ 6,270,379
Auditing, legal and consulting expenses	1,957,828	1,282,256	1,212,794
Property appraisal and other fees	448,965	359,832	352,357
Indirect equity issuance and trading costs	109,592	209,168	181,309
Marketing expenses	1,020,523	1,328,200	1,136,642
Other	1,815,748	1,405,893	1,223,070
	14,151,554	12,434,907	10,376,551
Long-term incentive - Note 16	1,942,810	1,477,031	860,125
Total	$ 16,094,364	$ 13,911,938	$ 11,236,676

13. Income taxes

The Entity is subject to ISR. The statutory ISR rate is 30%.

13.1 Income taxes are as follows:

	2018	2017	2016
ISR expense:			
Current	$ 21,892,031	$ 15,137,320	$ 6,134,040
Deferred	13,091,239	16,393,917	48,862,618
Total income taxes	$ 34,983,270	$ 31,531,237	$ 54,996,658

13.2 The effective ISR rates for fiscal 2018, 2017 and 2016 differ from the statutory rate as follows:

	2018	2017	2016
Statutory rate	30%	30%	30%
Effects of exchange rates on tax balances	(1)%	(6)%	27%
Effects of inflation	(2)%	(5)%	(4)%
Other	-	1%	2%
Effective rate	27%	20%	55%

13.3 The main items originating the deferred ISR liability are:

	2018	2017	2016
Deferred ISR assets (liabilities):			
Investment property	$ (215,221,274)	$ (207,074,235)	$ (199,134,089)
Effect of tax loss carryforwards	598,913	4,097,337	14,205,287
Other provisions and prepaid expenses	(728,612)	(1,228,463)	(804,262)
Deferred income taxes - Net	$ (215,350,973)	$ (204,205,361)	$ (185,733,064)

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

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

	2018	2017	2016
Deferred tax liability at the beginning of the period	$ (204,205,361)	$ (185,733,064)	$ (144,140,530)
Movement included in profit or loss	(11,145,612)	(16,393,916)	(48,862,618)
Movement included in other comprehensive income	1,945,627	(2,078,381)	7,270,084
Deferred tax liability at the end of the year	$ (215,350,973)	$ (204,205,361)	$ (185,733,064)

13.5 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, 2018 and expiration dates are:

Year of Expiration	Tax Loss Carryforwards
2026	$ 1,996,377
	$ 1,996,377

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 (total borrowings, including the current portion, as detailed in Note 10 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 11). 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:

	2018	2017	2016
Debt	$ 699,797,422	$ 581,994,879	$ 340,871,417
Cash, cash equivalents and restricted cash	(64,483,395)	(91,001,709)	(50,720,751)
Financial assets held for trading	(724,399)	(677,828)	(613,015)
Net debt	634,589,628	490,315,342	289,537,651
Equity	1,053,703,573	1,022,332,124	959,384,899
Net debt to equity ratio	60%	48%	30%

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 5, operating lease receivables as disclosed in Note 8, derivate financial instruments disclosed within this note, and financial assets held for trading in the note 6. The Entity's principal financial liability is long-term debt as disclosed in Note 10.

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. The use of financial derivatives is governed by the Entity's policies approved by the board of directors. The Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

14.5 Market risk

The Entity's activities expose it primarily to the financial risks of changes in interest rates (see 14.8 below) and foreign currency exchange rates (see 14.7 below). The Entity enters into an interest rate swaps to mitigate the risk of rising interest rates.

Market risk exposures are measured using value-at-risk (VaR) supplemented by sensitivity analysis.

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 as well as the relevant exchange rates are as follows:

	2018	2017	2016
Exchange rates:			
Mexican pesos per US dollar at the end of the period	19.6829	19.7354	20.6640
Mexican pesos per US dollar average during the year	19.2371	18.9302	18.6567
Monetary assets:			
Mexican pesos	$ 592,340,267	$ 651,151,481	$ 515,823,400
US dollars	347,594	445,751	361,656
Monetary liabilities:			
Mexican pesos	$ 25,320,881	$ 51,171,796	$ 22,097,747
US dollars	31,782,583	26,992,726	38,691,165

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:

	2018	2017	2016
Profit or loss impact:			
Mexican peso - 10% appreciation - gain	$ (2,618,883)	$ (2,763,745)	$ (2,654,782)
Mexican peso - 10% depreciation - loss	3,200,857	3,377,910	2,172,094
U.S. dollar - 10% appreciation – loss	(61,873,174)	(52,391,517)	(33,932,951)
U.S. dollar - 10% depreciation - gain	61,873,174	52,391,517	33,932,951

14.8 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 detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period.

Cash flow hedges

	Contracted fixed interest rate 2018	Notional principal value 2018	Fair value assets (liabilities) 2018
Outstanding receive floating pay fixed contracts	1.944	$ 150,000,000	$ 2,380,863

	Contracted fixed interest rate 2017	Notional principal value 2017	Fair value assets (liabilities) 2017
Outstanding receive floating pay fixed contracts	1.944	$ 150,000,000	$ 827,251

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 maximum credit risk is the total of its financial assets included in its statement of financial position.

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 9% of its total portfolio's gross leasable area (unaudited), and 23%, 40% and 29% of its operating lease receivable balance and 6%, 7% and 11% its annualized rents as of and for the years ended December 31, 2018, 2017 and 2016, 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, 2018 is as follows:

	Weighted average interest rate %	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Long-term debt		$ 194,778	$ 4,318,610	$ 205,878,337	$ 496,585,256	$ 706,976,981
Accrued interest	4.92%	11,034,950	24,603,263	145,442,871	50,500,303	231,581,387
		$ 11,229,728	$ 28,921,873	$ 351,321,208	$ 547,085,559	$ 938,558,368

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 investments are classified as level 1 in the IFRS 13 fair value hierarchy since they are traded in an active market.

The interest rate swap held by the Entity is classified as level 2 in the IFRS 13 fair value hierarchy as it derives from market inputs and prices. Other disclosures required by the standards are not deemed material.

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, 2018, 2017 and 2016 is $707,100,000, $590,500,000 and $347,500,000, respectively. This measurement is classified as level 2, since management uses an adjusted observable discount rate to determine fair value of debt.

Management considers that the carrying amounts of all other financial assets and other financial liabilities recognized in the consolidated financial statements approximate their fair values.

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:

		2018		2017		2016
Short-term benefits	$	4,955,056	$	3,804,628	$	4,244,325
Share-based compensation expense		1,942,810		1,477,031		860,125
	$	6,897,866	$	5,281,659	$	5,104,450

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 or LTI), 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. The granted shares are 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 (15 executives during 2018). The actual grant ranges from a minimum threshold level, an expected amount and a maximum potential grant. The actual grant is determined based on these levels are determined at the beginning of each fiscal year by the Corporate Practice Committee.

				Plan Parameters		
Grant Year	Shares granted in LTI Trust	Exercised Shares	Shares granted	MIN	TARGET	MAX
2015	-	-	-	-	1,738,037	2,600,000
2016	1,347,325	(449,108)	898,217	695,215	1,738,037	2,607,056
2017	1,581,874		1,581,874	695,215	1,738,037	2,607,056
2018	-	-	-	1,000,000	2,500,000	3,750,000
Total	2,929,199	(449,108)	2,480,091			

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, if the Entity's shares perform at peak performance compared to other publicly traded entities in each year. Plan parameters change for 2018, as shown in ii above.

iv. Under the 2014 Long-term Incentive Plan (the 2014 Incentive Plan), the Entity has a share-based plan for 12 top executives of the Entity. In accordance with the terms of the plan, as approved by the board of directors, based on certain performance metrics, the Entity executed a long-term incentive plan that will be settled by the Entity with its own shares which have been repurchased in the market. Under this plan, eligible executives will receive compensation, based on their performance during 2014, settled in shares and delivered over a three-year period. For this plan shares are kept in treasury and may be placed in a trust; they will be delivered to the executives 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.

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 years ended December 31, 2018, 2017 and 2016, the shares granted were 3,379,720, 637,200 and 863,499, respectively.

ii. 2014 Incentive Plan - The fair value of the share awards granted under the 2014 Plan, was determined based on a fixed amount of cash determined as per the Entity's plan. It is assumed that executives will receive the awards after vesting date. The expense under this plan affects the cash position of the Entity.

16.3 Compensation expense recognized

The long-term incentive expense for the years ended December 31, 2018, 2017 and 2016 was as follows:

	2018	2017	2016
Vesta 20-20 Incentive Plan	$ 1,933,246	$ 1,430,143	$ 840,985
2014 Incentive Plan	9,564	46,888	19,140
Total long-term incentive expense	$ 1,942,810	$ 1,477,031	$ 860,125

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 December 31, 2018, there are 2,480,091 shares outstanding with a weighted average remaining contractual life of 13 months.

17. 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 36 years, respectively.

18. Financial statements issuance authorization

On February 14, 2019 the issuance of the consolidated financial statements was authorized by the Board of Directors, 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.

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