

Acosta Verde, S. A. B. de C. V. and subsidiaries

(formerly Valores Integrales Inmobiliarios, S. A. de C. V.)

Consolidated Financial Statements

December 31, 2020 and 2019

Contents	Page
Independent Auditors' Report	24 to 27
Consolidated Financial Statements:	
Statements of Financial Position	28
Statements of Comprehensive Income	29
Statements of Changes in Equity	30
Statements of Cash Flows.....	31
Notes to the Consolidated Financial Statements	32 to 60

Independent Auditors' Report Translated from Spanish

To the Stockholders and Board members of Acosta Verde, S. A. B. de C. V. (formerly Valores Integrales Inmobiliarios, S. A. de C. V.)

Opinion

We have audited the accompanying consolidated financial statements of Acosta Verde, S. A. B. de C. V. and subsidiaries (the Company), which comprise the consolidated statement of financial position at December 31, 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position the Company at December 31, 2020, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

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 "Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent from the Company in accordance with the Ethics Code of the Mexican Institute of Public Accountants (*Instituto Mexicano de Contadores Públicos, A.C.*), together with other ethical requirements applicable to our audits of consolidated financial statements in Mexico. We have fulfilled our other ethical responsibilities in accordance with those requirements and that 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 consolidated financial statements for the current year. These matters were considered in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; therefore we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Impact of COVID-19 on the Company's Operations

As described in Note 1 to the consolidated financial statements, in March 2020 the World Health Organization (WHO) declared the outbreak of Coronavirus 2019 disease ("COVID-19") a pandemic. The shopping centers operated by the Company were partially closed (upon decision of the federal, state or municipal authorities) as from April, and the reopening process started gradually in the second week of June and continued in compliance with the guidelines issued by the federal and state governments. The Company's Management has developed plans to address this contingency, the most significant effects of which are disclosed in Note 1.

We focused on this matter in the course of our audit, mainly due to the impact it may have on the business and operations of the Company, its liquidity to face its financial commitments and its capacity to continue as a going concern, all aspects whose assessment required significant judgment by Management.

In particular, we focused our audit efforts on assessing the Company's plans to face this contingency, especially on the financial scenarios prepared by Management to estimate the impact of this event, and on the following key assumptions considered by the Company in the determination of the projected cash flows for each scenario: 1) economic recovery curves with direct impact on shopping centers occupancy rate, 2) the probability of occurrence assigned by Management to each scenario to define a weighted scenario, 3) period over which the Company's shopping centers remained or will intermittently be closed, 4) periods of discount granted to tenants, and 5) payment terms for financial debts based on the contracts and waivers received.

Recovery of Deferred Income Tax Asset

As mentioned in Notes 4 and 26 to the consolidated financial statements, the Company records deferred income tax assets on tax loss carryforwards generated by some subsidiaries; therefore, it tested their recoverability before recognizing them in the financial statements and during the closing and financial reporting process. The subsidiary that mostly records these tax losses generates an important portion of its income through the services of shopping center development, administration of lease agreements and collections management provided to related parties, which are eliminated in the consolidation process.

We focused on this matter in the course of our audit, mainly due to the following reasons: 1) the significance of the amount of tax loss carryforwards (\$548,255 thousand at December 31, 2020), 2) the estimate of the recoverable value of deferred assets involves applying significant judgments by the Company's Management in determining income, projections and future tax results expected by the Company, and 3) that, as described above and in Note 4, in view of the COVID-19 contingency, Management prepared different financial projection scenarios to capture the effect of uncertainty as to the length of the interruption of operations and the expected recovery curve, which originated the application of additional significant judgments to estimate the impact that this situation will have on its projections and expected future tax results.

In particular, we focused our audit efforts on the following key assumptions considered by the Company's Management in estimating future financial and tax projections to assess the recoverability of deferred income tax assets on tax losses: 1) economic recovery curves with direct impact on shopping centers occupancy rate, 2) the probability of occurrence assigned by Management to each scenario to define a weighted scenario, 3) number of shopping centers to be built in the next years, from which derive the amount of revenue from development services and the increase in income from administration of lease agreements and collections management, 4) lease income, 5) increases in fees for other administrative services provided to related parties, and 6) the period over which the Company's shopping centers remained or will intermittently be closed, as well as the periods of discount granted to tenants.

As part of our audit, we performed the following procedures:

- We understood and considered the process followed by Management in preparing the financial projection scenarios and its relation to historical performance, and in estimating the probability of occurrence for each scenario, to finally define the weighted scenario.
- We compared the probability of occurrence assigned by Management to each scenario, as well as the economic recovery curves with direct impact on occupancy rates, with current public official information on economic forecasts for Mexico.
- We compared the period of discount granted to tenants and the period over which the shopping centers would remain closed with real evolution in 2020 and actual discounts granted.
- We compared projected lease income with that considered in the process of valuation of the pertinent investment property.
- We read the financial debt restructuring agreements and the clauses with positive and negative covenants, as well as the clauses on financial ratios to be complied with in the financial debt contracts executed by the Company and evaluated the Company's analysis regarding those clauses that could give rise to a future noncompliance situation.
- We obtained a copy of the waivers granted by banking institutions disclosed in Note 21 and checked the payment terms considered by Management against the contracts and the waivers.
- In addition, we assessed the consistency of the information disclosed in notes to the financial statements with the information described above.

As part of our audit, we performed the following procedures:

- We evaluated and considered future financial and tax projections prepared by Management, as well as the processes followed to prepare them and their relation to historical performance.
- We considered whether Management applied its previously defined internal process to prepare the financial and tax projections, devising various scenarios and estimating the probability of occurrence for each of them, to finally define the weighted scenario.
- We compared the probability of occurrence assigned by Management to each scenario, as well as the economic recovery curves with direct impact on occupancy rates, with current public official information on economic forecasts for Mexico.
- We compared projected lease income with that considered in the process of valuation of the pertinent investment property.
- We evaluated income from administration of lease agreements and collections management and from the development of new shopping centers for the Group based on the percentages and fees agreed upon between related parties and on the new developments projected as per the plans approved by Management.
- We evaluated and considered Company's Management statements in relation to the number of shopping centers to be built in the next years and compared them with the organic growth expected at group level over the next years, with the Company's installed capacity resources, with its past experience in implementing growth plans and with market trends.
- We compared the increases in fees for other administrative services provided to related parties with the amount considered as taxable income of the subsidiary in the determination of current income tax and evaluated its tax treatment.
- We compared the period of discount granted to tenants and the period over which the shopping centers will remain closed with real evolution in 2020 and actual discounts granted.
- Also, we verified that tax loss carryforwards are still valid and most expire in a long term.
- For the purpose of evaluating the disclosures made by the Company on these assumptions, we discussed the sensitivity analysis with Management and estimated to what extent the assumptions should be modified for additional impairment to be applicable.

Fair Value of Investment Properties

As mentioned in Notes 4 and 15 consolidated financial statements, the Company records its investment properties at fair value in the consolidated statement of financial position. Year-to-year variations in fair value are recorded as profit or loss in the consolidated statement of income. The relevant assumptions and the pertinent valuation method are disclosed in Note 15.

We focused on this matter in the course of our audit, due to the following reasons: 1) the significance of the value of investment properties (\$12,757 million), representing 72% of total assets, and the fact that this is the asset from which the Company's core business activity derives, 2) the assumptions used in estimating fair value involve applying significant judgments by Management; and 3) as described above, in view of the COVID-19 contingency, Management prepared different financial projection scenarios to capture the effect of uncertainty as to the length of the interruption of operations and the expected recovery curve, which originated the application of additional significant judgments to estimate the fair value of these investments.

In particular, we focused on the process to determine the cash flows and on the following key assumptions considered by the Company when estimating fair values: economic recovery curves with direct impact on shopping centers occupancy rate, the probability of occurrence assigned by Management to each scenario to define a weighted scenario, discount rate, terminal capitalization rate, direct capitalization rate and rental prices, lease term, square meters and period over which the Company's shopping centers remained or will intermittently be closed, as well as the periods of discount granted to tenants.

As part of our audit, we performed the following procedures:

- We understood and evaluated the design and operation of the controls implemented by Management in the process of investment properties' valuation.
- We compared the model applied in the determination of the fair value of investment properties with methods used and acknowledged in the industry for the valuation of assets with similar characteristics.
- As to the financial projections that Management provides to the independent appraisers responsible for determining fair values jointly with our valuation specialists, we understood and considered the process followed by Management in preparing the financial projection scenarios and its relation to historical performance, and in estimating the probability of occurrence for each scenario, to finally define the weighted scenario; and we compared the probability of occurrence assigned by Management to each scenario, as well as the economic recovery curves with direct impact on occupancy rates, with current public official information on economic forecasts for Mexico.
- With the assistance of our valuation specialists, we compared the discount rate, terminal capitalization rate and direct capitalization rate with comparable market rates for the investment properties portfolio.
- We compared with the prior year the fair value for the year, the net operating income for the base year of the financial projection, and the occupancy rate of investment property.
- We checked the revenues (rental prices) for current and future years, lease terms and square meters, considered to prepare the cash flows projections, against the terms of the agreements in effect, including consideration of the inflation adjustment.
- We compared the period of discount granted to tenants and the period over which the shopping centers will remain closed with real evolution in 2020 and actual discounts granted.
- In addition, we assessed the consistency of the information disclosed in notes to the financial statements with the information provided by the Company's Management, as described above.

The Company's Management is responsible for the Other Information presented. The Other Information comprises the Annual Report submitted to the National Securities and Banking Commission (CNBV) (but does not include the consolidated financial statements or this Independent Auditors' Report), which will be issued after the date of this report.

The Other Information is not covered by this opinion on the consolidated financial statements and we do not express any audit conclusion on it.

However, in connection with our audit of the consolidated financial statements of the Company, our responsibility is to read the Other Information when it is available and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to contain a material misstatement.

Upon reading the Other Information — not yet received —, we shall issue the declaration on the Annual Report required by the CNBV and, should we detect that it contains a material misstatement, we must communicate it to those charged with the Company's governance and mention it on our report, if applicable.

Responsibilities of Management and those charged with Governance for the Consolidated Financial Statements

The Management of the Company and subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS 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 Company's ability to continue as a going concern, disclosing as applicable, matters relating to going concern issues and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements taken 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 it 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 consolidated 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 to prepare the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists relating 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 auditors' report to the related disclosures in the consolidated 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 auditors' 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 consolidated financial statements, including the disclosures in the notes, and whether the financial statements fairly present the underlying transactions and events.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. 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 in the course of our audit.

We also provide those charged with governance with a statement on our fulfillment of relevant ethical requirements regarding independence and communicate any relationship and other matters that might reasonably affect our independence and, when applicable, the pertinent actions taken to reduce threats or the related safeguards.

Among the matters that have been communicated to those charged with the Company's governance, we determine those of most significance in the audit of the consolidated financial statements for the current year, which are, consequently, the key audit matters. We describe these matters in this audit report, except for those legal or regulatory provisions that prohibit the public disclosure of the matter or if, in extremely rare circumstances, we determine that a matter should not be disclosed in our report because it is reasonable to expect that the adverse consequences of doing so would outweigh the public interest benefits thereof.

The audit engagement partner is who signs this report.

PricewaterhouseCoopers, S.C.

[Spanish original version signed by:]

CPA Felipe Córdova Otero

Audit Partner

Monterrey, N. L., March 19, 2021

Acosta Verde, S. A. B. de C. V. and subsidiaries
(formerly Valores Integrales Inmobiliarios, S. A. de C. V.)
Consolidated Statements of Financial Position
December 31, 2020 and 2019
(Amounts expressed in thousands of Mexican pesos)

	Note	2020	2019
Assets			
CURRENT ASSETS:			
Cash and cash equivalents	6	\$ 3,301,792	\$ 555,103
Accounts receivable	7	70,667	35,668
Related parties	8	5,042	23,876
Other accounts receivable	10	4,555	2,919
Advance payments	11	5,087	8,206
Incentives to lessees not yet accrued	1	56,378	-
Recoverable taxes	12	299,111	334,570
Land inventory	14	8,800	43,355
Derivative financial instruments	18	-	2,641
Total current assets		<u>3,751,432</u>	<u>1,006,338</u>
NON-CURRENT ASSETS:			
Construction in progress	15	520,727	114,656
Investment properties	15	12,757,221	13,406,521
Property and equipment, net	16	121,350	106,156
Restricted cash	17	119,581	140,319
Incentives to lessees not yet accrued	1	63,891	-
Guarantee deposits	13	22,418	21,408
Intangible assets	19	3,949	3,611
Right-of-use asset	20	141,609	147,447
Derivative financial instruments	18	173	201
Investments in joint ventures	9	199,054	202,511
Deferred Income Tax	26	2,842	-
Total non-current assets		<u>13,952,815</u>	<u>14,142,830</u>
Total assets		<u>\$ 17,704,247</u>	<u>\$ 15,149,168</u>

	Note	2020	2019
Liabilities and Stockholders' Equity			
CURRENT LIABILITIES:			
Current debt	21	\$ 233,881	\$ 430,687
Accounts payable and deferred income	22	325,363	317,384
Lease liabilities	20	16,859	15,441
Related parties	8	-	474,357
Derivative financial instruments	18	4,128	3,415
Taxes on profits	30	684	3,136
Total current liabilities		<u>580,915</u>	<u>1,244,420</u>
NON-CURRENT LIABILITIES:			
Non-current debt	21	5,596,855	5,394,294
Non-current lease liabilities	20	143,057	141,206
Non-current deferred income		27,389	28,214
Derivative financial instruments	18	104,219	39,125
Deferred Income Tax	26	1,633,936	1,835,104
Employee benefits	23	5,373	3,787
Total non-current liabilities		<u>7,510,829</u>	<u>7,441,730</u>
Total liabilities		<u>8,091,744</u>	<u>8,686,150</u>
STOCKHOLDERS' EQUITY:			
Controlling interest:			
Capital stock	24 and 25	5,925,603	2,216,268
Premium on issuance of stocks		37,904	37,904
Retained earnings		2,740,502	3,019,893
Other equity accounts		(114,943)	(6,579)
Other comprehensive income		(2,090)	(1,364)
Total controlling interest		<u>8,586,976</u>	<u>5,266,122</u>
Non-controlling interest		<u>1,025,527</u>	<u>1,196,896</u>
Total stockholders' equity		<u>9,612,503</u>	<u>6,463,018</u>
Total liabilities and stockholders' equity		<u>\$ 17,704,247</u>	<u>\$ 15,149,168</u>

The accompanying notes are an integral part of these consolidated Financial Statements.

Lic. Jesús Adrián Acosta Castellanos
Chief Executive Officer

Ing. Edgar René Maldonado de los Reyes
Chief Financial Officer

Lic. Rosalinda Fernández Castillón
Controller

Acosta Verde, S. A. B. de C. V. and subsidiaries
 Consolidated Statements of Comprehensive Income
 Year ended December 31, 2020 and 2019
 (Amounts expressed in thousands of Mexican pesos)
 (Note 30)

	Note	2020	2019
Income from:			
Lease of property	2w	\$ 954,892	\$ 1,088,447
Sale of property	2w	-	21,815
Administrative services	2w	113,840	110,432
		<u>1,068,732</u>	<u>1,220,694</u>
Operating expenses	27	(580,420)	(461,988)
Cost of investment property sold	27	-	(11,500)
Valuation of investment properties	15	(649,300)	715,176
Other income (expenses), net	28	2,561	(35,358)
Operating (loss) income		<u>(158,427)</u>	<u>1,427,024</u>
Financial income	29	1,059,156	191,412
Financial expenses	29	(1,412,960)	(850,653)
		<u>(353,804)</u>	<u>(659,241)</u>
Impairment of investment in associates	9	-	(38,692)
Share of profits from joint ventures and associates	9	8,854	22,612
(Loss) income before income taxes		<u>(503,377)</u>	<u>751,703</u>
Income taxes	30	100,191	(217,194)
Net (loss) income for the year		<u>(403,186)</u>	<u>534,509</u>
Other comprehensive income items			
Items that will not be reclassified to income:			
Remeasurement of labor obligations	23	(726)	(782)
Comprehensive income for the year		<u>\$ (403,912)</u>	<u>\$ 533,727</u>
Comprehensive income attributable to:			
Controlling interest		\$ (276,561)	\$ 428,390
Non-controlling interest		<u>(127,351)</u>	<u>105,337</u>
		<u>\$ (403,912)</u>	<u>\$ 533,727</u>
Basic (loss) earnings per share (Mexican pesos)	2y and 30	\$ (5.04)	\$ 7.12
Diluted (loss) earnings per share (Mexican pesos)	2y and 30	\$ (3.92)	\$ 7.12

The accompanying notes are an integral part of these consolidated Financial Statements.

Lic. Jesús Adrián Acosta Castellanos
 Chief Executive Officer

Ing. Edgar René Maldonado de los Reyes
 Chief Financial Officer

Lic. Rosalinda Fernández Castellón
 Controller



Acosta Verde, S. A. B. de C. V. and subsidiaries
Consolidated Statements of Changes in Equity
Year ended December 31, 2020 and 2019
(Amounts expressed in thousands of Mexican pesos)
(Notes 30)

	Note	Capital stock	Premium on issuance of stocks	Retained earnings	Other equity accounts	Other equity accounts Other equity	Total controlling interest	Non-controlling interest	Total
Balances at January 1, 2019		\$ 2,270,771	\$ 37,904	\$ 2,590,721	\$ (6,579)	\$ (582)	\$ 4,892,235	\$ 839,553	\$ 5,731,788
Decrease in capital stock	24	(54,503)	-	-	-	-	(54,503)	-	(54,503)
Contributions from non-controlling interest	1	-	-	-	-	-	-	292,734	292,734
Distribution of profits	24	-	-	-	-	-	-	(40,728)	(40,728)
Comprehensive income for the year	2u	-	-	429,172	-	(782)	428,390	105,337	533,727
Balances at December 31, 2019		2,216,268	37,904	3,019,893	(6,579)	(1,364)	5,266,122	1,196,896	6,463,018
Capital increase and transaction costs	24	3,724,920	-	-	(107,213)	-	3,617,707	-	3,617,707
Decrease in capital stock	24	(15,585)	-	(10,000)	-	-	(25,585)	-	(25,585)
Returns to non-controlling interest, net of contributions	24	-	-	-	-	-	-	(28,213)	(28,213)
Distribution of profits	24	-	-	-	-	-	-	(15,751)	(15,751)
Changes in controlling interest		-	-	-	-	-	-	(54)	(54)
Effects of merger	25	-	-	6,444	(1,151)	-	5,293	-	5,293
Comprehensive income for the year	2u	-	-	(275,835)	-	(726)	(276,561)	(127,351)	(403,912)
Balances at December 31, 2020		\$ 5,925,603	\$ 37,904	\$ 2,740,502	\$ (114,943)	\$ (2,090)	\$ 8,586,976	\$ 1,025,527	\$ 9,612,503

The accompanying notes are an integral part of these consolidated Financial Statements.

Lic. Jesús Adrián Acosta Castellanos
Chief Executive Officer

Ing. Edgar René Maldonado de los Reyes
Chief Financial Officer

Lic. Rosalinda Fernández Castellón
Controller

Acosta Verde, S. A. B. de C. V. and subsidiaries
Consolidated Statements of Cash Flows - Indirect Method
Year ended December 31, 2020 and 2019
(Amounts expressed in thousands of Mexican pesos)
(Note 30)

	Note	2020	2019
Cash flows from operating activities:			
Consolidated (loss) income, net		\$ (403,912)	\$ 533,727
Adjustments:			
Depreciation and amortization	27	28,595	34,969
Impairment of receivables from customers	7	44,028	4,698
Income taxes	30	(100,191)	155,377
Decrease (Increase) in fair value of investment properties	15	649,300	(715,176)
Share in profits/losses of associated companies and trusts	9	(8,854)	(22,612)
Employee benefits		1,586	1,317
Effects of merger	25	5,293	-
Valuation of financial instruments	18	139,699	70,871
Interest earned	29	(76,825)	(39,611)
Interest and commission charges	29	478,153	632,054
Subtotal		756,872	655,614
Changes in:			
Accounts receivable, net		(79,028)	(10,534)
Other accounts receivable		(1,635)	2,026
Incentives to lessees not yet accrued		(120,269)	-
Related parties		8,834	84,727
Advance payments		3,119	1,436
Recoverable taxes		53,989	129,297
Guarantee deposits		(1,010)	(498)
Accounts payable and deferred income		7,090	(21,270)
Income taxes		(78,541)	(489)
Net cash flows from operating activities		549,421	840,309

	Note	2020	2019
Investment activities			
Acquisition of investment properties		-	(373,421)
Interest and profits collected	29	60,170	39,611
Contributions in joint ventures		-	1,972
Profits received from joint venture	9	12,311	9,915
Sale of investment properties		-	11,500
Construction in progress	15	(406,071)	(114,656)
Acquisitions of property and equipment and intangibles	16 y 19	(33,190)	(12,456)
Sale of investment in associates		-	35,995
Net cash flows used in investment activities		(366,780)	(401,540)
Financing activities			
Contributions from non-controlling interest	24	6,289	292,734
Distribution of profits to Trustors-Trustees	24	(15,752)	(40,728)
Loans received from financial institutions	21	463,504	200,041
Payment of bank loans	21	(372,314)	(230,473)
Payment of other loans		(1,723)	(17,878)
Payment of stock certificates	21	(85,527)	(71,910)
Interest and commissions paid	21	(460,899)	(567,425)
Payment of loans from related parties	8	(453,735)	-
Payment of interest to related parties	8	(3,969)	(70,381)
Principal payments on leases	20	(17,237)	(16,711)
Premium on derivative financial instruments		(47,466)	(2,786)
Interest paid on derivative financial instruments	29	(23,756)	-
Capital contributions, net of issuance expenses	24	3,571,447	-
Decrease in capital stock	24	(15,585)	(54,503)
Restricted cash	7	20,738	(9,564)
Net cash flows used in financing activities		2,564,015	(589,584)
Increase in cash and cash equivalents, net		2,746,656	(150,815)
Cash and cash equivalents at the beginning of year		555,103	705,918
From the merger		33	-
Cash and cash equivalents at the end of year		\$ 3,301,792	\$ 555,103
Financing activities not involving use of cash:			
Return in kind to Trustors-Trustees	24	\$ 34,555	\$ -

Restated statement of cash flows (see Note 31 for more details).

The accompanying notes are an integral part of these consolidated Financial Statements.

Lic. Jesús Adrián Acosta Castellanos
Chief Executive Officer

Ing. Edgar René Maldonado de los Reyes
Chief Financial Officer

Lic. Rosalinda Fernández Castillón
Controller

Acosta Verde, S. A. B. de C. V. and subsidiaries
(formerly Valores Integrales Inmobiliarios, S. A. de C. V.)

Notes to the Consolidated Financial Statements December 31, 2020 and 2019
(Amounts expressed in thousands of Mexican pesos and US dollars, except for exchange rates)

Note 1 - General information:

Acosta Verde, S. A. B. de C. V., formerly Valores Integrales Inmobiliarios, S. A. de C. V. (“the Company” or “AV”), is the holding of the group of companies identified as Grupo Acosta Verde. The Company is mainly engaged in holding a majority of stocks in other companies, the main activity of which is to develop, promote, buy and sell, lease, sublease, construct and manage all kinds of real estate, mainly those related to shopping centers.

The Company performs its activities through its subsidiaries and their subsidiaries thereof, as follows:

	% of ownership	
	2020	2019
AV Promotora, S. de R. L. de C. V.	100	100
Desarrolladora Jarachinas, S. de R. L. de C. V.	100	100
Desarrolladora Río Tijuana, S. de R. L. de C. V.	100	100
Desarrolladora San Roque, S. de R. L. de C. V.	100	100
Espacios Comerciales Veracruz, S. A. de C. V.	100	100
Servicios Corporativos AV, S. A. de C. V.	100	100
Espacios Comerciales Talamás, S. de R. L. de C. V.	100	100
Espacios Comerciales Villahermosa, S. A. de C. V.	100	100
Espacios Comerciales Acapulco, S. A. de C. V.	100	100
Espacios Comerciales Apodaca, S. de R. L. de C. V.	100	100
Espacios Comerciales Fundadores, S. A. de C. V.	100	100
Promotora Inmobiliaria San Luis, S. de R. L. de C. V.	100	100
Desarrolladora de Espacios Comerciales, S. de R. L. de C. V.	100	100
Espacios Comerciales Juárez, S. de R. L. de C. V.	100	100
Promavace, S. A. de C. V.	100	100
Espacios Comerciales Los Cabos, S. A. de C. V.	100	100
Plaza Comercial Villahermosa, S. A. de C. V.	100	100
Espacios Comerciales Tijuana, S. A. de C. V.	100	100
Nomcor, S. de R. L. de C. V.	100	100
Centros Comerciales Eficientes, S. A. de C. V.	100	100
Eje Empresarial, S. de R. L. de C. V.	100	100
Corporativo AV, S. de R. L. de C. V.	100	100
Irrevocable Trust CIB/2364	56.90	56.90
Irrevocable Trust CIB/2368	75.26	75.26
Irrevocable Trust CIB/2369	56.90	56.90
Irrevocable Trust CIB/2370	75.60	75.60
Irrevocable Trust CIB/2499	75.61	75.61
Irrevocable Trust CIB/2629	75.61	75.61
Irrevocable Trust CIB/2799	100	100
Irrevocable Trust CIB/3271	40	40
Irrevocable Trust CIB/3401	100	100

At December 31, 2020 the most relevant transactions were as follows:

- On February 7, 2020 the Company decided to increase its capital in its variable portion by \$3,724,920, through the issuance of 22,800,915 Series C, Class II ordinary, registered stocks, with no face value stated. This contribution was made by Promecap Acquisition Company, S. A. B. de C. V. (PAC), in cash (see Notes 24 and 25).
- On January 28, 2020 the Company drew down \$150,000 on the line of credit granted by Banco Mercantil del Norte, S. A. Institución de Banca Múltiple, accruing monthly interest for \$854 at TIIE rate plus 2.5%.
- On February 10, 2020, the Company repaid the loan obtained from El AV Fund L.P. (stockholder) for \$449,230 plus interest for \$11,605, corresponding to the last accrued period; the pertinent tax withholding was made for an amount of \$180 (see Note 8).
- On February 25, 2020 the Company fully repaid the loan from Banco Invex, S. A. Institución de Banca Múltiple for \$175,051; the payment included interest for \$424 accrued to the date of payment (see Note 21).
- On February 28, 2020, the Company repaid the loan for \$51,402 agreed upon with Banco Sabadell, S.A. Institución de Banca Múltiple on June 4, 2018; the payment included interest for \$150 accrued to the date of payment (see Note 21).
- On February 28, 2020 the Company repaid the loan from Banco Bancrea, S. A., Institución de Banca Múltiple, for a total of \$37,058 of principal and interest (see Note 21).
- On March 6, 2020 the Company repaid the loan from Banco Bancrea, S. A., Institución de Banca Múltiple for a total amount of \$47,227 paid on February 28, 2020 and March 6, 2020 (see Note 21).
- By means of resolutions adopted outside the Company Extraordinary Stockholders' Meeting on July 8, 2020, it was approved to reduce the variable portion of capital in the amount of \$15,585 (see Note 24).
- By means of unanimous resolutions adopted outside the Company Ordinary and Extraordinary Stockholders' Meeting on September 23, 2020, the following items, among other, were decided: (i) the adoption by the Company of the legal entity type of a Stock Exchange Corporation of Variable Capital (Sociedad Anónima Bursátil de Capital Variable), (ii) the comprehensive amendment to its by-laws, (iii) the change of corporate name from Compañía de Valores Integrales Inmobiliarios, S. A. de C. V. to Acosta Verde, S. A. B de C. V., (iv) the merger by absorption agreement entered into between Acosta Verde, S. A. B de C. V., as merging and surviving company and Promecap Acquisition Company, S. A. B. de C. V., as merged, now extinct company. This last transaction was evaluated jointly with the issuance of new capital performed by the Company in February 2020, for the investment made by PAC as mentioned in paragraph a. above, who then became a stockholder of the Company pursuant to the agreements entered into. The effects of the merger and the exchange of stocks are shown in Note 25.
- On September 29, 2020, (i) the Mexican Stock Exchange issued a favorable opinion on the trading of Acosta Verde, S. A. B. de C. V. stocks on the Mexican Stock Exchange, without public offering, in connection with 75,701,604 stocks, of which 75,699,999 are Series A and 1,605 are Series B; and (ii) the National Securities and Banking Commission, through official note No. 153/12731/2020, authorized the registration of the stocks representing the capital of Acosta Verde, S. A. B. de C. V. with the National Securities Registry. As a result, as from September 30, 2020 the stocks representing the capital of Acosta Verde, S. A. B. de C. V. are listed on the Mexican Stock Exchange under the stock code “GAV”.

COVID-19

In March 2020, the World Health Organization declared the outbreak of Coronavirus SARS-CoV-2 disease ("COVID-19") a pandemic. Since March 2020, all the shopping centers operated by the Company have been adapting and reducing their activities to comply with the health measures imposed by federal, state and local authorities.

As a result of the mobility restrictions mandated by the Federal Government, during 2020, the shopping centers operated as described below:

- April to May: partially closed, with only essential stores operating, i.e. supermarkets, department stores, bank branches and restaurants (delivery only).
- June to December: shopping centers operated with both essential and non-essential stores open but with restrictions as to capacity, opening hours and/or for vulnerable groups, except for the states of Chihuahua, México and Nuevo León, where operation was as follows:
- In October, the Chihuahua state government restricted non-essential activities, a measure that affected the 3 shopping centers that the Company has in this state for 6 weeks.
- During December, the shopping centers located in Ixtapaluca and Toluca, state of México, were allowed to operate only with the essential stores.
- In December, restrictions set by the Nuevo León state government during 3 weeks did not allow shopping centers to open on Saturdays and Sundays; from the fourth week of December to Sunday, February 21, 2021, they were closed on Sundays only.

Attendance of visitors to shopping centers was considerably affected, with the annual flow of customers decreasing by approximately 40%.

In the fiscal year ended December 31, 2020, the Company performed the following activities to address the contingency and set policies in support of the tenants, as summarized below:

- Support to tenants of shopping centers with discounts in fixed rent charges, as from April 2020. See further details in Note 2, paragraph w.
- The Company's purpose is to recover the overdue credit portfolio generated in the period of the health contingency by 2021 at the latest.
- It was decided to reduce expenses incurred by the Corporate Office, such as fees, commissions, travel expenses, administrative and project expenses.
- As a consequence of periodic interruptions in construction activities, the opening of these projects were postponed: Sendero Santa Catarina and Sendero Ensenada, currently under development (see Note 15).

At December 31, 2020 the shopping centers were operating as described below and the average occupancy rate of the total portfolio in operation was 92.3% (95.7% in fiscal year 2019).

Shopping Center Plaza Sendero	COVID-19 Traffic-Light Monitoring System	Operative status at March 19, 2021
Escobedo	Red	Essential businesses and non-essential with restrictions* - Sundays closed
Las Torres	Red	Essential businesses and non-essential with restrictions*
Periférico	Orange	Essential businesses and non-essential with restrictions*
Ixtapaluca	Red	Essential businesses only
San Luis	Orange	Essential businesses and non-essential with restrictions*
Toluca	Red	Essential businesses only
San Roque	Red	Essential businesses and non-essential with restrictions* - Sundays closed
Apodaca	Red	Essential businesses and non-essential with restrictions* - Sundays closed
Juárez	Red	Essential businesses and non-essential with restrictions*
Chihuahua	Red	Essential businesses and non-essential with restrictions*
Los Mochis	Yellow	Essential businesses and non-essential with restrictions*
Tijuana	Red	Essential businesses and non-essential with restrictions*
Sur	Orange	Essential businesses and non-essential with restrictions*
Obregón	Orange	Essential businesses and non-essential with restrictions*
Culiacán	Yellow	Essential businesses and non-essential with restrictions*
Mexicali	Red	Essential businesses and non-essential with restrictions*

* Restrictions may refer to opening hours, capacity or vulnerable groups

Management has prepared financial projection scenarios for the purpose of estimating future impact on the Company's operations in the short term. Based on these scenarios, Management considers that the Company's income will regain prior-pandemic levels; therefore, at the date of issuing these financial statements, this health contingency is not considered to raise doubts on the Company's ability to continue as a going concern, indications of impairment or the possibility of facing liquidity constraints or noncompliance with financial commitments.

Note 21 describes the actions for renegotiating terms and financial ratios taken by the Company to ensure compliance with its financial obligations.

The most significant effects of the health contingency at December 31, 2020 are listed below:

- Decrease in the fair value of investment properties by \$649,300 (see Notes 4 and 15).
- The estimate of expected credit losses increased by \$38,507.
- Discounts in fixed rent charges granted during the year, for \$172,166.
- Early termination of derivative financial instruments for \$38,098.

Authorization of the Financial Statements:

The accompanying Financial Statements and their notes were authorized for issuance on March 19, 2021, by the officers whose signatures appear at the end of the separate Financial Statements and their Notes.

Note 2 – Summary of significant accounting policies:

The most significant accounting policies followed by the Company are summarized below, which have been consistently applied in preparing the financial information in the reporting periods, unless otherwise specified.

a. Basis of preparation

The accompanying consolidated Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). IFRS include all International Accounting Standards (IAS) in effect, as well as all interpretations issued by the IFRS Interpretations Committee (IFRIC-IC), including those IFRS previously issued by the Standard Interpretations Committee (SIC).

The preparation of consolidated financial statements in accordance with IFRS requires that certain critical accounting estimates be made. Also, Management's judgment is required in the process of applying the Company's accounting policies. Items involving a higher degree of complexity or judgment, as well as areas where assumptions and estimates are significant for the financial statements, are described in Note 4.

Costs and expenses shown in the Company's consolidated statements of comprehensive income were classified based on its function. Note 27 discloses costs and expenses by their nature. The operating income is included since it shows an objective assessment of the business efficiency, considering the sector in which the Company operates.

Operating income comprises ordinary income and operating costs and expenses. The Company decided to present this item since it is a significant indicator in the assessment of results.

The Company opted for the presentation of a single consolidated statement of comprehensive income.

The Company's consolidated statement of cash flows is shown using the indirect method.

b. Changes in accounting policies and disclosures

i. New standards and changes adopted by the Company

The Company first applied the following standards and amendments for the annual reporting period commenced on January 1, 2020:

- Amendments to definition of materiality (Amendments to IAS 1 and IAS 8).
- Conceptual Framework for Financial Reporting, revised

These modifications have had no impact on the figures recorded in prior periods and are not expected to materially affect current or future periods.

ii. New published standards and amendments that have not been early adopted

Certain new standards and interpretations have been published which have not yet come into force for reporting periods as of December 31, 2020 and have not been early adopted by the Company. These standards are not expected to have a material impact for the Company in current or future reporting periods or on foreseeable future transactions, except for the amendment to IAS 1 - Classification of Liabilities as Current or Non-current, which the Company will analyze upon adoption.

iii. Changes in accounting policies

Effective September 30, 2020, the Company changed its accounting policy for the presentation of the cash flow statement, changing from the direct method to the indirect method also established in IAS 7 - Statement of Cash Flows, as explained in Note 31.

c. Consolidation

Subsidiaries

Subsidiaries are all entities over which the Company has direct or indirect control. Control is achieved when, among other things, the Company is exposed or entitled to variations in profits from its participation in the controlled entity and has the power to affect profits through its control over the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company. They are deconsolidated from the date on which control ceases.

When there are business combinations through acquisitions under common control, the Company initially recognizes the assets transferred and the liabilities incurred at the previous carrying values of the selling company at the transaction date, including adjustments at fair value and goodwill from prior business combinations. Any difference between interests issued by the Company or consideration paid and prior values are recorded directly in equity. Costs related to the acquisition under common control are recorded as expenses when incurred.

The Company uses the purchase method of accounting for business combinations. The consideration transferred for the acquisition of an independent entity is the fair value of the assets transferred, the liabilities incurred, and the interests issued by the Company. The consideration transferred includes the fair value of any asset or liability as a result of a contingent consideration agreement.

When payment of any portion of the cash consideration is deferred, the amounts payable in the future are discounted at present value at the transaction date. The discount rate used is the incremental rate on the Company's debt, and this rate is similar to the one that would be obtained in a debt of independent financing sources under comparable terms and conditions, according to their characteristics. The contingent consideration is classified either as capital or as a financial liability. The amounts classified as financial liabilities are subsequently revalued at fair value through consolidated profit or loss.

Costs related to the acquisition are recorded as expenses when incurred. The identifiable acquired assets and liabilities and contingent liabilities assumed in a business combination are initially recognized at fair value on the acquisition date. The Company recognizes any non-controlling interest in the acquiree at fair value or in proportion to the non-controlling interest in the net assets of the acquiree, as it decides in each case. The excess of the transferred consideration, the amount of any non-controlling interest in the acquiree and the fair value at the acquisition date of any prior interest in the acquiree over the fair value of the identifiable net assets acquired are recognized as goodwill. If the total consideration transferred, the minority interest recognized and the interest previously measured are lower than the fair value of net assets of the acquired subsidiary, in the case of a purchase for a price lower than market price, the difference is directly recognized in the statement of income.

Intercompany transactions, balances and unrealized profits from intercompany transactions are eliminated during the consolidation process. Unrealized losses are also eliminated. The accounting policies of subsidiaries are harmonized and approved when it has been necessary to ensure consistency with the policies adopted by the Company.

Note 1 to the consolidated Financial Statements lists all significant subsidiaries controlled by the Company at December 31, 2020 and 2019.

Changes in the interests in subsidiaries without loss of control

Transactions with the non-controlling interest that do not result in a loss of control are recognized in equity as transactions, that is, as transactions with the stockholders as such. The difference between the fair value of the consideration paid and the acquired interest in the carrying value of the subsidiary's net assets is recorded in equity. Profits or losses from the sale of the non-controlling interest are also recorded in equity.

Sale or disposal of subsidiaries

When the Company no longer exerts control, any interest retained at the Company is revalued at fair value, and the change in the carrying value is recognized in income for the year. Fair value is the initial carrying value for subsequent accounting purposes of the retained interest in the associate, joint venture or financial asset. Any amount previously recognized in comprehensive income in relation to that entity is accounted for as if the Company would have directly disposed of the related assets and liabilities. This means that the amounts previously recognized in comprehensive income will be reclassified to income for the year.

Joint ventures

The Company has applied IFRS 11 to all its joint arrangements. Under IFRS 11, investments in joint arrangements are classified as a joint operation or joint venture, according to the contractual rights and obligations of each investor.

When the Company holds rights over the assets and obligations for the liabilities related to the joint arrangement, the latter is classified as a joint operation. When the Company has rights over the net assets of the joint arrangement, the latter is classified as a joint venture. The Company has assessed the nature of its joint arrangement and determined that it qualifies as a joint venture. Joint ventures are accounted for using the equity method applied to an investment in associates.

Associates

Associates are all entities over which the Company has significant influence but not control. This is generally the case where the Company holds between 20% and 50% of the voting rights in the associate. The existence and impact of potential voting rights are considered at the time of evaluating whether the Company controls another entity. Additionally, the Company assesses the existence of control in those cases where it has no more than 50% of the voting rights but has the capacity to direct the financial and operating policies. Costs related to acquisitions are charged to income when incurred.

Investments in associates are initially recorded at historical cost and subsequently accounted for using the equity method, which consists in adjusting the investment value in proportion to the profits or losses and the distribution of profits from capital reimbursements subsequent to the acquisition date.

The Company evaluates at each reporting date if there is objective evidence that the investment in the associate is impaired. If so, the Company calculates the amount of impairment as the difference between the recoverable value of the associate and its carrying value and records the amount in "share of profits/losses of associates" recognized in the statement of income under the equity method.

Unrealized profits in transactions between the Company and its associates are eliminated, based on the interest held in them. Unrealized losses are also eliminated, unless the transaction shows evidence that the asset transferred is impaired. The accounting policies of the associates have been changed to ensure consistency with the policies adopted by the Company. When the Company ceases to have significant influence in the associate, any difference between the fair value of the retained investment, including any consideration received from the disposal of a portion of the interest and the carrying value of the investment, is recognized in the statement of income.

d. Cash and cash equivalents

Cash and cash equivalents include cash on hand, sight deposits in banks and other short-term, highly liquid investments originally falling due within three months or less and subject to low material risk of changes in value.

e. Restricted cash

Cash, the contractual restrictions of which causes it not to fall under the cash definition described above, is presented in a separate item in the statement of financial position and is excluded from the cash item in the statement of cash flows.

In accordance with Trust 2284 contract (see Note 21) entered into on February 24, 2015, a restricted cash amount is established to cover any shortage of resources for the payment of interest accrued at a specific payment date, in this case the 15th day of each month. This shall be maintained until the settlement date; in the event that at any given payment date the resources are insufficient, the trustee may discount the amount required to cover such payment from the restricted cash.

f. Trade receivables

Trade receivables are amounts owed by customers for income falling due, goods sold, or services rendered in the ordinary course of business. Accounts receivable are generally settled within a 30-day term and are therefore classified as current. Trade receivables are recognized initially at the amount of the unconditional consideration, unless they involve significant financing components, in which case they are recognized at fair value. The Company holds trade receivables in order to collect its contractual cash flows, and, therefore, measures them subsequently at amortized cost using the effective interest method.

The bad debt allowance is based on assumptions regarding the risk of default and expected loss rates. The Company applies the simplified approach allowed by IFRS 9, which requires expected losses over the life of the instrument to be recognized from the time of initial recognition of accounts receivable, and applies the judgment of realizing those assumptions and selecting data to calculate impairment based on the Company's historical information, the existing market conditions, and future estimates at the end of each reporting period.

The expected loss rates are based on the profiles for rent payments in a 12-month period prior to December 31, 2020 or December 31, 2019, respectively, and on historical credit losses experienced within that period. The Company considered the whole reasonable and sustainable information available that is relevant to estimate expected credit losses without the need for any disproportionate effort or cost. Historical loss rates are adjusted to reflect current and prospective information on macroeconomic factors affecting customer capacity to settle accounts receivable. The Company has found that GDP and the unemployment rate in the country are the most relevant factors, and therefore, it adjusts historical loss rates on the basis of expected changes in those factors.

g. Advance payments

Advance payments consist mainly of the rights of use in flight hours, advance payments to suppliers, software licenses, and insurance. These amounts are recorded based on the value of the contract and are carried forward to income every month, during their effective period. The pertinent amount is recorded within the following twelve months and presented in current assets.

e. Inventories

Inventories are classified as such when there is a change in the use of investment properties as evidenced by the development of a property with the intention of selling it in the normal course of business, in which case the properties are reclassified at cost corresponding to the fair value of the property at the time of reclassification. Inventories are calculated at the lowest between cost and net realization value. The net realization value is the estimated sales price in the ordinary course of business, minus the applicable variable sales expenses.

i. Financial instruments

Financial assets

i. Classification

The Company classifies its financial assets into the measurement categories described below:

- those subsequently measured at fair value (whether through other comprehensive income or profit or loss), and
- those measured at amortized cost.

The classification depends on the business model of the Company used to manage its financial assets and the contractual features of cash flows.

For assets measured at fair value, profits and losses are recorded in income or in other comprehensive income (OCI).

The Company reclassifies debt instruments when, and only when, it changes its business model for managing those assets.

ii. Recognition and disposal

Regular purchases and sales of financial assets are recognized at the transaction date, which is the date on which the Company commits to purchase or sell the asset. Financial assets are no longer recognized when the rights to receive cash flows from financial assets have expired or been transferred and the Company has transferred substantially all the risks and benefits arising from ownership.

iii. Measurement

At initial recognition, financial assets are measured at fair value plus, in the case of a financial asset other than at fair value through profit or loss (VR-income), transaction costs directly attributable to the acquisition of the financial asset. The transaction costs of financial assets at fair value through profit or loss are recorded in income.

Financial assets with implicit derivatives are entirely considered when determining whether cash flows are merely payments of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow features of the asset. There are three measurement categories which the Company uses to classify its debt instruments:

- Amortized cost: Assets held for the collection of contractual cash flows when said cash flows represent merely the payment of principal and interest are measured at amortized cost. Income from those financial assets is included in financial income applying the effective interest method. Any profit or loss arising from the disposal of accounts is recorded directly in income and shown under income and financial costs. Impairment losses are shown as a separate item in the statement of income.
- VR-OCI: Assets held for the collection of contractual cash flows and for the sale of financial assets, when cash flows from assets represent only the payment of principal and interest, are measured at fair value through other comprehensive income (VR-OCI). Movements in carrying value are recorded through OCI, except for recognition of impairment profits or losses, interest income and profits or losses arising from exchange rates, which are recorded in income. At the time the financial asset is disposed of, the accrued profit or loss previously recorded in OCI is reclassified from capital to income and recorded in other income (expenses). Interest income from these financial assets is included in financial income by applying the effective interest rate method. Exchange profits and losses are shown under financial income and costs, and impairment expenses are shown as a separate item in the statement of income.

- VR-income: Assets that fail to comply with criteria for amortized cost or VR-OCI are measured at fair value through profit or loss. Any profit or loss from a debt instrument that is subsequently measured at fair value through profit or loss is recorded in income and shown in net terms in other income (expenses) in the period in which it arises.

Impairment

The Company evaluates expected credit losses associated with its debt instruments at amortized cost and VR-OCI. The impairment methodology applied depends on whether or not a significant increase in credit risk has arisen.

ii. Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount is shown in the statement of financial position when the right to offset amounts recognized is legally binding and there is the intention to settle them on net bases or to simultaneously realize the asset and pay off the liability. The legal right should not be contingent upon future events and must be executable in the regular course of business operations as well as in the event of noncompliance, insolvency or bankruptcy of the Company or the counterparty. At December 31, 2020 and 2019, there has been no offsetting of financial assets and liabilities.

j. Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the contract date and are subsequently remeasured at fair value at the end of each reporting period. Recognition of changes in fair value depends on whether derivatives are designated as a hedge instrument and, if so, the nature of the item being hedged.

The derivative instruments of the Company do not qualify for hedge accounting. Changes in the fair value of any derivative instrument not qualifying for hedge accounting are immediately recognized in income and included in financial income/ (expenses).

k. Property and equipment

Property and equipment are recorded at cost less cumulative depreciation and the amount of accumulated impairment losses. The cost includes expenditures directly attributable to the acquisition of assets.

Land is recognized at acquisition cost, plus transaction costs related to acquisition.

After initial recognition, land is valued at fair value. Fair values are determined by the Company with the assistance of independent appraisers and are recorded in the following moments:

- when identifying a factor that affects the value of land; and
- at least once every 12 months starting from land acquisition.

Fair value gains and losses are recorded in other comprehensive income when incurred.

A plot of land is derecognized upon disposal thereof. Any gains or losses arising from derecognition of land (calculated as the difference between net income and the carrying value of land) are included in profit or loss in the period in which land is derecognized.

Subsequent costs are included in the carrying value of assets or recorded as separate assets, as appropriate, only when it is probable that the Company will obtain future economic benefits from those assets and the cost of the element can be reliably calculated.

The carrying value of the replaced part is written off. Repairs and maintenance are recorded in the statement of comprehensive income during the year in which they are incurred. Significant improvements are depreciated over the remaining useful life of the related assets.

Depreciation is calculated using the straight-line method, considering each of its components separately, except for land that is not subject to depreciation. The average useful life of the group of assets is shown below:

Building	70 years
Furniture and equipment	10 years
Transportation equipment	4 years
Computer equipment	3.3 years
Parking equipment	10 years

Buildings under financial leases are depreciated using the straight-line method considering the estimated useful life or the lease term when the latter is shorter.

Assets classified as property and equipment are subject to impairment tests when there are facts or circumstances indicating that the carrying value of assets might not be recovered. An impairment loss is recorded for the amount of the carrying value of the asset exceeding its recoverable value. The recoverable value is the higher of the fair value less the costs of sale and its value in use.

If the carrying value of assets is higher than the estimated recoverable value, the carrying value is written down and the assets are immediately recorded at recoverable value.

The residual value and the useful life of assets are reviewed, at least, at the end of each reporting period. If expectations differ from previous estimates, the changes will be accounted for as a change in an accounting estimate.

Gains and losses from disposal of assets are calculated by comparing the sale price with the carrying value and are recorded in other income or expenses in the statement of comprehensive income.

i. Investment properties

Investment properties are recorded as assets when and only when:

- a. it is probable that the future economic benefits associated with those investment properties flow to the Company; and
- b. the cost of investment properties can be reasonably measured.

Investment properties are defined as assets held in the long term to obtain revenues from rents or generate goodwill. Investment properties are transferred to inventories if there is a change in use when the asset is destined for sale in the ordinary course of business.

Investment properties are initially recorded at cost plus the transaction costs. After initial recognition, investment properties are measured at fair value. Investment properties under construction are valued at fair value considering that the latter can be reliably estimated.

In the event that the fair value of investment properties cannot be reliably estimated, the properties are valued at cost until the fair value can be reliably measured. The Company's investment properties are measured at fair value.

The fair value of investment properties is based on their market value, or on the estimated amount at which an investment property can be exchanged at its valuation date, among parties duly informed in an arm's length transaction. Fair value measurements are made for each individual shopping center by independent experts. These measurements consider the specific characteristics of each property and are the basis for the carrying value of each property in the financial statements.

The fair value of investment properties shows, among other things, the revenues from rents of current agreements and assumptions on future revenues from rents according to prevailing market conditions. The revenue approach is used mainly to measure the fair value of investment properties, which consists in the projection of future discounted rents at a rate that reflects the economic and market conditions prevailing for each property at measurement date.

Gains or losses derived from a change in fair value of investment properties are included in income for the period in which they are incurred.

General and specific borrowing costs directly associated with the acquisition, construction or production of qualifying assets, i.e. those that require a substantial period of time (9 months or longer), are capitalized as part of the cost of those qualifying assets until the moment they are ready for their intended use.

Disposals

Investment properties are written off upon their disposal or when they are permanently retired from use and are not expected to generate future economic benefits. Any gain or loss derived from the sale of a property is recorded in the statement of comprehensive income.

m. Intangible assets

Intangible assets are recognized when they meet the following characteristics: they are identifiable, provide future economic benefits and there is control over such benefits.

Intangible assets are classified as follows:

- i. Assets with a definite useful life: assets whose expectations of generating future economic benefits are limited by any legal or economic condition and are amortized by the straight-line method based on their estimated useful life; assets undergo annual impairment tests, when there is an indication that the asset may be impaired.
- i. Assets with an indefinite useful life are not amortized and undergo impairment tests on an annual basis.

Intangible assets acquired or developed are stated as follows: i) at historical cost since January 1, 2008, and ii) at index-adjusted values until December 31, 2007, determined by application of the National Consumer Price Index (INPC) to their acquisition or development cost until that date. Therefore, these assets are stated at modified historical cost, net of the respective accumulated amortization and impairment losses, if any. See Note 19.

Intangible assets held by the Company include goodwill for an indefinite useful life and software licenses, which are amortized over the contract term.

n. Leases

The Company as lessor

Leases in which a significant portion of the risks and rewards of the leased property are retained by the lessor were classified as operating leases. Note 2w describes the policy for recognizing lease income.

The Company as lessee

Contracts granting the Company control over an identified asset are recognized as a lease liability and a right-of-use asset.

Lease liabilities are initially measured at present value of minimum lease payments; and the following payments are considered:

- fixed payments
- payments that are expected for exercising an extension of time, if there is a reasonable certainty of exercising said extension
- variable lease payments depending on an index or rate
- amounts expected to be paid as guarantees of residual value
- the price agreed for exercising a purchase option, if there is a reasonable certainty of exercising said option
- penalties agreed for exercising an early termination option, if there is a reasonable certainty of exercising said option.

Lease payments are distributed among financial expenses and the reduction of lease obligations to reach a constant basis over the remaining liability balance.

The right-of-use asset for leased property is initially calculated at cost, and the following items are considered:

- initial measurement of the lease liability
- incentives received
- initial direct costs
- lease payments made on or before the commencement date of the lease

The Company may choose to account for lease payments as an expense on a straight-line basis over the lease term, for contracts for a term of 12 months or less, which do not contain purchase options (this choice is made by type of asset), and for contracts where the underlying assets have a value that is not deemed significant when they are new (this choice is made individually for each lease contract).

o. Debt

Debt is initially recognized at fair value, net of transaction costs incurred. Debt is subsequently recorded at amortized cost. Any difference between the amounts received (net of transaction costs) and the settlement value is recognized in the statement of income over the term of the loan, using the effective interest rate method.

Loans are written off in the statement of financial position when the obligation specified in the contract is discharged or cancelled or expires. The difference between the carrying value of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recorded in income/loss as Other financial income or expenses.

Derecognition of financial liabilities

When the Company exchanges a debt instrument with an existing lender, it performs a qualitative analysis of the factors that were modified and an assessment of whether the terms are substantially different. Acosta Verde considers that the original liability is extinguished and recognizes a new liability when there are relevant changes in the qualitative factors analyzed and the terms of the existing liability are substantially modified. The terms are assumed to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If the qualitative factors have not changed significantly and their modification is not substantial, the difference between 1) the carrying value of the debt instrument prior to the modification, and 2) the present value of the remaining cash flows, is recorded in income/loss as a profit or loss from modification, within comprehensive financing result.

Financial liabilities are derecognized only when the Company's obligations are discharged or cancelled or expire. The difference between the carrying value of the derecognized financial liability and the consideration paid or payable is recorded in income/loss.

p. Provisions

Provisions represent a present legal obligation, or an obligation assumed as a result of past events when disbursements of funds to meet the obligation are probable and their amount has been reliably estimated.

Provisions are not recognized for future operating losses. Provisions are measured at present value of the amount necessary to settle the obligation at the date of the financial statements and are recorded based on the best estimate made by Management.

q. Income taxes

The current and deferred tax is recognized as an expense in the income/loss for the year, except when it arises from a transaction or event that is recognized outside the year's profit or loss as other comprehensive income or an item directly recognized in equity.

Deferred income tax is determined applying the asset-liability method consisting in recognizing a deferred tax for all temporary differences between the carrying values and the taxable amounts of assets and liabilities that are expected to materialize in the future (such as tax losses, provisions, estimates, differences in depreciation rates, etc.) at the rates set by current tax regulations at the date of the financial statements.

Deferred income tax identified with other comprehensive items that have not been identified as realized items, continues to be disclosed in equity and will be reclassified to income for the year as it is realized. The Company recognizes in current and deferred income tax the effect of the uncertainties of its uncertain tax positions when they affect the determination of the tax profit or loss, tax bases, unused tax losses, unused tax credits and tax rates, under the following assumptions:

a) if the Company concludes that it is unlikely that the tax authorities will accept an uncertain tax position, it reflects the effect of the uncertainty when determining the tax profit or loss, tax bases, unused tax losses, unused tax credits and tax rates (in this case, the Company reflects the effect of the uncertainty for each uncertain tax position using the method that best predicts the uncertainty resolution: i) the most likely amount, corresponding to the only most probable amount within a range of possible results; ii) the expected value, corresponding to the sum of the amounts weighted by their likelihood within a range of results) or

b) if the Company concludes that it is likely that the tax authorities will accept an uncertain tax position, it determines the tax profit or loss, tax bases, unused tax losses, unused tax credits and tax rates in accordance with the treatment provided for by tax legislation.

Deferred income tax on temporary differences arising from investments in subsidiaries and associates is recognized, except when the period of reversal of temporary differences is controlled by the Company and temporary differences might not be reversed in the near future.

Deferred tax assets are recognized only when future taxable profits are probable, against which deductions for temporary differences may be offset.

Deferred tax assets and liabilities are offset when there is a legal right and when taxes are collected by the same tax authority.

r. Employee benefits

Defined benefit plans

A defined benefit plan is the one that an employee will receive at retirement, usually depending on one or more factors such as employee's age, years of service and remuneration. The liability recognized in the statement of financial position regarding the defined benefit plans is the present value of the defined benefit obligation at the end of accounting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unitary credit method. The present value of defined benefit obligations is determined by discounting the future estimated cash flows using Government bonds rates in accordance with IAS 19 for no deep markets, which have maturity terms similar to the obligation terms. Remeasurements of liabilities from defined benefits arising from adjustments from experience and changes in actuarial assumptions are charged or credited to the equity in the comprehensive income for the period in which they are produced. Cost of past services are immediately recognized in income.

Termination benefits

Termination benefits are paid when employment is terminated before the normal retirement date, or when an employee accepts voluntary termination in exchange for these benefits. The Company recognizes termination benefits at the earliest of the following dates: a) when the Company is committed to put an end to the employment relationship of its employees under a formal detailed plan, without being able to avoid its obligation, and (b) at the time the Company recognizes costs for a restructuring involving the payment of termination benefits, as established by IAS 37. In the case of an offer of voluntary termination, termination benefits are valued based on the expected number of employees who will accept the offer. Benefits maturing 12 months after the reporting date are discounted at present value.

Short-term benefits

The Company provides short-term employee benefits, including wages, salaries, annual compensation and bonuses payable over the next 12 months. The Company recognizes an undiscounted provision when it is contractually obliged or when past practices have created an obligation.

Employee statutory profit-sharing

The Company records a liability and an expense from employees' statutory profit sharing (ESPS) when it has a legal or assumed obligation to pay these benefits and determines the amount to be recorded based on the income for the year after certain adjustments.

s. Employee benefits - long-term bonus

The Company grants long-term benefits to employees, which may include long-term incentives payable in a period exceeding 12 months, only if the employees continue working for the Company during a certain period of time and the market/performance conditions defined in the plans are satisfied, which are accounted for in accordance with IFRS 2 - Share-based Payments.

t. Capital stock

Common stocks of the Company are classified as capital within equity. Incremental costs attributed directly to the issuance of new stocks are included in capital as a deduction of the contribution received, net of taxes.

Classification of financial instruments issued by the Company as debt or equity

Instruments are classified as financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

For this purpose, the rights, options or warrants to acquire the entity's own equity instruments are classified as financial liabilities and measured at fair value through profit or loss, because their exercise is contingent at a price based on a foreign currency other than the Company's functional currency, and this implies an obligation for the Company to issue its own stocks if the agreed-upon conditions are satisfied and enables holders to receive a variable number of the Company ordinary stocks when the options are exercised. Determining the appropriate fair value model and calculating the fair value of warrants requires Management to apply critical judgment when making the estimates. A modification in

the estimates used may produce a change in the determination of fair value. The estimated volatility of the Company ordinary stocks at the reporting date is based on historical fluctuations in the price of the Company stocks.

u. Comprehensive income

Comprehensive income comprises the net income or loss and items specifically required by IFRS to be included in equity, other than capital contributions, reductions or distributions.

v. Segment financial information

Segment reporting is disclosed in a manner consistent with internal reports provided to the General Director, who is the highest authority in operational decision-making, allocation of resources and assessment of operating segments performance.

w. Revenue recognition

The Company recognizes income as follows.

- i. Income from leases of commercial locales and leasing rights
- ii. Income from sales of property classified as inventory
- iii. Income from project management services
- iv. Income from portfolio management services
- v. Revenue from marketing services

Income from leasing of property is recognized by the straight-line method over the term of the lease. When lessees are given incentives, they are recognized over the term of the lease on the straight-line basis as a reduction in lease income.

As from April 2020, as a result of the health contingency, the Company has given support to tenants of shopping centers, granting discounts in fixed rent charges. These discounts are considered amendments to the lease agreements; therefore, those revenues from rents to be recorded over the remaining term of the lease are remeasured to recognize the effect of the discounts by the straight-line method. At December 31, 2020 the effect of these amendments is included under the caption Incentives to lessees not yet accrued, in the statement of financial position. At December 31, 2019 no incentives of this kind had been recorded.

Income from leasing rights is recognized in property lease income in the statement of comprehensive income. For the years ended on December 31, 2020 and 2019, the leases amounted to \$17,560 and \$13,772, respectively.

Income from sales of properties is recognized when control over those properties is transferred, i.e., when the Company has no further implications associated to ownership nor retains effective control over the goods sold, the amount of income can be measured fairly, it is highly likely that the Company will receive future economic benefits associated to the transaction, and any costs incurred or to be incurred in connection with the transaction can be fairly measured, this recognition is considered as a moment in time when the buyer takes possession of properties.

Income from project management services is recognized over time and arises from the development of a shopping center; this includes finding the proper land, with regard to both the surface and the socioeconomic targeted area, as well as the executive project and preliminary studies necessary to verify that the land is feasible for development, and the execution, management and control of the construction process.

Fees related to portfolio management service income, which are recognized over time and arise from agreements executed with the owners of shopping centers and with related parties and third parties, are calculated applying the 3% rate to the lease income of each shopping center.

Marketing service income is recognized over time and arises from collection of 5% of the value of lease agreement with shopping center clients, both new clients and renewals.

Service revenue from management of shopping centers, which is recognized over time, arises from agreements with third parties and is recognized applying a 2.5% margin on the total amount of operating costs incurred.

This income arises from agreements entered into and is recognized over time when income arising from the services rendered can be fairly measured; it is likely for the Company to receive future economic benefits associated to the service; the degree of termination of the transaction at the end of the reporting period and the costs incurred in rendering the services can be measured fairly, as well as those not yet incurred, until the date of completion.

x. Foreign currency

Functional and reporting currency

Amounts included in the Company's Financial Statements must be measured using the currency of the main economic environment where the entity operates ("the functional currency"). The financial statements are presented in Mexican pesos, which is the Company's functional, reporting and presentation currency.

Transactions and balances

Transactions in foreign currency are translated into the functional currency at the exchange rate prevailing at the transaction date or valuation date, when items are revalued. Exchange gains and losses resulting from the settlement of these transactions and the translation of monetary assets and liabilities denominated in foreign currency to the exchange rates at closing are recognized as exchange gains or losses in the income for the period in the comprehensive income.

y. Earnings per share

Basic earnings per share are computed dividing the net profit attributable to the controlling interest and the weighted average of outstanding common shares during the year.

Amounts used in the determination of basic earnings per share are adjusted by the diluted earnings to consider the weighted average of the number of additional shares that would have been outstanding assuming the conversion of all ordinary shares that could potentially be diluted.

If the number of ordinary or potential outstanding stocks increases as a result of a split, the calculation of basic and diluted earnings per share for all the period disclosed is adjusted retrospectively.

Note 3 - Financial risk management:

The main risks associated with the Company's financial instruments are as follows.

- a. Market risk
- b. Exchange rate risk
- c. Credit risk
- d. Liquidity risk

a. Market risk: interest rate

The Company is exposed to the market risk mainly due to the volatility of interest rates. This volatility may unfavorably affect the Company's results by increasing its financial expenses and affecting its liquidity and capacity to face its principal and interest payment obligations. The exposure to risk lies mainly in the changes that can be generated by the 28-day TIIE reference rate (Interbank Equilibrium Interest Rate).

The interest rate risk arises from long-term loans of the Company. The loans issued at variable rates expose the Company to an interest rate risk in cash flows that are partially offset by cash invested at market rates.

The Company analyses its interest rate risk exposure on a dynamic basis. Various scenarios are simulated, considering refinancing, renewal of existing positions, financing and alternative hedging. Based on these scenarios, the Company calculates the impact on the annual result of a change in the interest rate defined for each simulation, using the same interest rate change for all currencies.

The scenarios are staged only for liabilities representing the main positions bearing the highest interest.

The terms and conditions of Company's obligations at December 31, 2020 and 2019, including interest rates and maturities, are detailed in Note 21.

If TIIE had increased 100 basis points (1.00%) at December 31, 2020 and 2019, and all other risk factors had remained constant, comprehensive income would have been negatively affected in the amounts of \$37,457 and \$34,673, respectively.

The Company has entered into contracts for derivative financial instruments to hedge its exposure to the risk of increase in interest rates.

Currently available swaps give coverage to approximately 81% (83% in 2019) of variable rate loans pending payment. Swap fixed interest rates range from 5.40% to 7.73% (7.32% to 7.88% in 2019) and loan variable rates are between 2.25% and 2.50% above 28-day TIIE, which at the end of the year was 4.48% (7.56% in 2019).

b. Exchange rate risk

The exchange rate risk is related to the risk that the fair value of future cash flows from a financial instruments might change due to exchange rate fluctuations. The Company is exposed to exchange rate risks associated with the loan in US dollars held by the Company with EI AV Fund, L.P., as disclosed in Note 8, therefore, the Company's higher exposure to exchange rate risks is the variation in the Mexican peso/US dollar exchange rate. This exposure ended on February 10, 2020, when that loan was fully repaid.

As a result of the capital increase mentioned in Note 24, at December 31, 2020 the Company has cash in banks for US\$154,581, which creates exposure to exchange rate risk resulting from the variation in the Mexican peso/US dollar exchange rate.

If at December 31, 2020 and 2019 the exchange rate of the Mexican peso against the US dollar had depreciated/appreciated by \$1 per US dollar, and all other risk factors had remained constant, comprehensive income would have been favorably/negatively affected in the amounts of \$154,581 and \$16,935, respectively.

c. Credit risk

The Company is responsible for managing and analyzing the credit risk of each one of its new clients before establishing the payment terms and conditions. The credit risk is generated from the exposure of credit to customers, including accounts receivable. If there is no independent rating, the Company assesses the credit risk of customers, considering the financial position, past experience and other factors, such as historical lows, net recoveries and an analysis of the earliest accounts receivable balances with reserves that are generally increased as the account receivable gets older.

The accounts receivable balance represents less than 1% of total assets at December 31, 2020 and 2019.

The Company has a limited credit risk since the accounts receivable are collected within a term not to exceed 90 days. The credit limits were not exceeded during the reporting period, and Management does not expect significant losses due to clients non-performance. Concentrations of credit risk in relation to accounts receivable are limited since the Company's client base is big and unrelated.

The Company determines its impairment provision of accounts receivable considering the recovery probability based on past experiences, taking into consideration the current collection trends, as well as general economic factors, including bankruptcy rates. Accounts receivable are completely reserved when there are specific collection problems; based on past experiences. Furthermore, collection problems, such as bankruptcy or catastrophes are also considered. The analysis of accounts receivable is performed on a monthly basis and the impairment provision of accounts receivable is adjusted in income.

The Company continually assesses the credit conditions of its clients. The Company carries out several different actions to recover overdue accounts, including the use of electronic mail, collection letters sent to clients and direct calls.

The Company assesses the economic efforts necessary to start legal proceedings to recover overdue balances.

At December 31, 2020 and 2019, the impairment provision was \$48,239 and \$9,732, respectively. The Company considers this reserve sufficient to cover a probable loss on accounts receivable; however, it cannot assure that it will not be required to increase the amount of this reserve. The increase in the impairment provision is due to the effects of the COVID-19 pandemic; to mitigate these (see Note 7), the Company has granted discounts to tenants, as mentioned in Notes 1 and 2w.

Cash and securities

An analysis of the credit ratings of financial institutions where the Company has cash and cash equivalents at the end of each period is shown below:

	December 31,	
	2020	2019
Cash:		
Institution with A3 rating		
Banco Mercantil del Norte, S. A.	\$ 95,004	\$ 109,505
Institution with A2 rating		
BBVA Bancomer, S. A.	3,083,455	319,056
Banco Nacional de México, S. A.	-	13
Banco Santander, S. A.	-	3
Institution with MX-A2 rating		
Banco Invex, S. A.	123,319	126,122
Banco Sabadell, S. A., Institución de Banca Múltiple.	1	391
Cash	13	13
Total	<u>\$ 3,301,792</u>	<u>\$ 555,103</u>
Restricted cash:		
Institution with MX-A2 rating		
Banco Invex, S. A.	\$ 119,579	\$ 129,307
Banco Sabadell, S. A., Institución de Banca Múltiple.	2	11,012
Total	<u>\$ 119,581</u>	<u>\$ 140,319</u>

Liquidity risk

The Company's finance department constantly oversees the cash flow projections and liquidity requirements of the Company, which enables it to have enough immediately available cash and investment to meet the operating needs, as well as to maintain flexibility through unused and committed open credit lines. The Company regularly monitors and makes decisions in compliance with the limits and clauses established in the debt agreements. Projections consider the financing plans of the Company, the compliance with clauses, the minimum liquidity rates and legal and regulatory internal requirements.

Below are the projected cash flows and capital disbursements of debt with the different credit institutions included in the statement of financial position, as long as the interest are at variable rates, the undiscounted amount is derived from the interest rate curves at the end of the reporting period. The contractual maturity is based on date by which the Company has to make the payment:

Maturities					
At December 31, 2020	3 months	6 months	1 year	2-3 years	More than 3 years
Accounts payable and deferred income	\$ 325,363				
Financial debt	114,943	\$ 63,519	\$ 129,256	\$ 682,363	\$ 3,692,642
Lease liabilities	4,497	4,473	8,879	33,760	625,372
Derivative financial instruments	2,116	2,012	-	-	104,219
Stock certificates	91,950	81,568	167,966	782,528	3,037,177
	<u>\$ 538,869</u>	<u>\$ 151,572</u>	<u>\$ 306,101</u>	<u>\$ 1,498,651</u>	<u>\$ 7,459,410</u>

Maturities					
At December 31, 2019	3 months	6 months	1 year	2-3 years	More than 3 years
Accounts payable and deferred income	\$ 317,384				
Financial debt	256,183	\$ 84,603	\$ 211,035	\$ 651,603	\$ 2,748,178
Related parties	13,229	15,498	470,777	-	-
Lease liabilities	4,320	4,258	8,644	33,672	641,605
Instrumentos financieros derivados	3,415	-	-	12,313	26,812
Certificados bursátiles fiduciarios	86,918	79,387	162,760	663,916	3,471,986
	<u>\$ 681,449</u>	<u>\$ 183,746</u>	<u>\$ 853,216</u>	<u>\$ 1,361,504</u>	<u>\$ 6,888,581</u>

Capital management

The Company's capital structure includes cash and cash equivalents and equity, including the capital and retained earnings net of reserves. Historically, the Company has invested substantial resources in capital goods to expand its operations through the reinvestment of profits. The Company has not established a policy to declare dividends.

The Company's Management reviews the capital structure annually when it presents the budget before the Board of Directors. The Company's objectives regarding the risk of capital management are to safeguard the Company's capacity to continue as a going concern, provide profits to the stockholders as well as benefits to other interested parties, and maintain an optimal capital structure to reduce its cost.

In order to maintain or adjust the capital structure, the Company may vary the amount of dividends to be paid to the stockholders, make a capital reduction, issue new stocks or sell assets and reduce its debt.

In the same way as other entities in the industry, the Company monitors its capital structure based on the leverage ratio. This ratio is calculated dividing net debt by total capital. The net debt includes total current and non-current loans recognized in the consolidated balance sheet less cash and cash equivalents. Total capital includes equity, according to the consolidated balance sheet plus net debt.

The leverage ratio at December 31, 2020 and 2019 was as follows:

	Note	2020	2019
Total loans	21	\$ 3,138,200	\$ 3,049,984
Debt Trust 2284	21	2,692,536	2,774,997
Less: Restricted cash	17	(119,581)	(140,319)
Less: Cash and cash equivalents	6	<u>(3,301,792)</u>	<u>(555,103)</u>
Net debt		2,409,363	5,129,559
Total stockholders' equity		<u>9,612,503</u>	<u>6,463,018</u>
Total equity and debt		<u>\$ 12,021,866</u>	<u>\$ 11,592,577</u>
Leverage ratio		<u>20%</u>	<u>44%</u>

Note 4 - Critical accounting estimates and judgments:

In applying the accounting policies the Company makes judgments, estimates and assumptions on some amounts of assets and liabilities in the financial statements. The associated estimates and assumptions are based on experience and other factors considered relevant. Actual results may differ from these estimates.

Underlying accounting estimates and assumptions are reviewed on a regular basis. The reviews of accounting estimates are recognized in the period of the review and future periods if the review affects the current period, as well as subsequent periods.

Critical judgments and key uncertainty sources when applying the estimates made at the date of the financial statements, which pose a significant risk of leading to an adjustment in the carrying value of assets and liabilities during the following financial period, are as follows:

Fair value of investment properties

The fair value of investment properties at December 31, 2020 and 2019 was determined with the assistance of qualified independent appraisers unrelated to the Company. Estimates of the fair value of properties considered that the highest and best use of the properties is its current use. Based on the type of properties that are part of the portfolio, Management has chosen the income approach as the most appropriate method for determining fair value, which consists of discounting to present value the future cash flows expected to be generated through the leasing of the properties.

At December 31, 2020 and 2019, fair value estimates of investment properties were made applying the income approach, discounting to present value the future cash flows expected to be generated through the leasing of the properties. Additionally, for fiscal year 2020 the Company used economic recovery curves with direct impact on shopping centers occupancy rate, as well as the probability of occurrence assigned by Management to each scenario to define a weighted scenario, in addition to using assumptions as direct capitalization rate, lease term, square meters and the period over which the Company's shopping centers remained or will continue closed; the main assumptions used are as follows:

	Ranges			
	2020		2019	
Discount rate	11.98%	12.83%	8.87%	12.68%
Average rent per square meter	81	3,369	74	3,259

At December 31, 2020 and 2019:

- The valuation model is predominantly under the income approach, projecting the operating cash flows from each shopping center based on the rent charges of the shops.
- The discount rate was obtained from considering the location, age, quality, use and type of property and lease terms, quality of tenants, open market prices and competitive with similar properties in terms of use and type, and country risk.
- The average monthly rent per square meter is obtained from the use of the property, taking into consideration the available useful area for rent.
- The terminal capitalization rate was obtained based on market capitalization rates from information providers such as RC Analytics or Capright. Methodologically, this capitalization rate is adjusted between +/- 0.15% and 0.25% considering several items: stabilization phase, market profits, existence of recession, location, uncertainty. Information gathering and the calculation of adjustments are tasks performed by the independent expert appraiser.
- Land is revalued based on a market comparables methodology.

Sensitivity analysis – Discount rate

At December 31, 2020 and 2019, a change of +/- 50 basis points in the discount rates used for the valuation of properties would generate a (decrease)/increase in investment properties of approximately (\$42.8) million pesos and \$42.8 million pesos, in 2020, and (\$23.7) million pesos and \$23.7 million pesos in 2019. For the sensitivity analysis, the Company used its base scenario, which is the one with the highest weight.

Sensitivity analysis – Rent

An increase in the value per square meter for average monthly rent would result in an increase in the fair value of investment properties, whereas a decrease would have the opposite effect. An increase or change of +/- 5% in the lease agreements of the shopping centers would cause a (decrease)/increase in the fair value of investment properties of approximately (\$40.3) million pesos and \$45.1 million pesos for the year 2020 and (\$39.1) million pesos and approximately \$51.3 million pesos for the year 2019. For the sensitivity analysis, the Company used its base scenario, which is the one with the highest weight.

At December 31, 2020, the quantification of the impact of COVID-19, which caused a partial shutdown of shopping centers, has resulted in a decrease of their fair value by \$649,300. The COVID-19 pandemic is a situation under way, and its effects on financial and real estate markets are yet to be known. The impact mentioned above will be subject to the dimension and the length of the pandemic. The effects reported arise from the information available at the valuation date.

The valuation of the investment properties was conducted by independent expert appraisers. The methodology used is based on more updated collection rights, already considering the effects of the outbreak of COVID-19.

Certain variables of the properties such as occupancy rate, rental prices and projections of income were shared with the expert appraiser, which will serve as a basis for the related/pertinent analysis. The expert appraiser reviewed the most recent situation of the real estate market at each location, regarding both inventory rental prices in the area and land plots available for development; in addition, macroeconomic variables such as capitalization rates and inflation rates were updated, taking into account the latest expectations of investors and economy specialists.

Income taxes

The Company is subject to income taxes in Mexico. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax asset

As mentioned in Note 26, the Company records deferred income tax assets for \$548,255 on tax loss carryforwards generated by some subsidiaries; therefore, it tests their recoverability before recognizing them in the financial statements and during the closing and financial reporting process. The subsidiary that mostly records these tax losses generates an important portion of its income through the services of shopping center development, administration of lease agreements and collections management provided to related parties, which are eliminated in the consolidation process.

The most significant assumption considered by the Company when estimating future financial and tax projections to assess the recoverability of deferred income tax assets on this subsidiary's tax losses is the number of shopping centers to be built in the next years, from which derive the amount of revenue from development services and the increase in income from administration of lease agreements and collections management.

The Company's estimation is to build an average of three new shopping centers in 2022 and four each year from 2023 to 2029. If in the period 2023-2029 the Company were unable to keep this pace of revenue generation from the development of new shopping centers and the average development were less than 2 shopping centers per year, deferred income tax asset could decrease by \$17.7 million.

The Company considers that it will be capable of complying with this shopping center building program, based on its growth plan, level of capitalization, skilled personnel and current structure.

Note 5 - Segment reporting:

The Chief Executive Officer allocates the resources and assesses the financial performance of the operating segments of the Company.

The Company discloses information in the consolidated statements of financial position, comprehensive income and cash flows regarding the only reportable segment of the Company consisting of its portfolio of shopping centers in Mexico.

The CEO assesses the performance of each of the shopping centers (operating segments), which have been added as the only reportable segment because they share similar economic characteristics and show similar performance indicators in the long term. The financial information analyzed by the CEO, which comprises the operating profit and cash flows, is consistent with the information disclosed in the financial statements.

Note 6 - Cash and cash equivalents:

At December 31, 2020 and 2019, the caption Cash and cash equivalents is made up as follows:

	December 31,	
	2020	2019
Cash	\$ 13	\$ 13
Banks	130,597	138,726
Short-term investments (less than three months)	3,171,182	416,364
Total cash and cash equivalents	\$ 3,301,792	\$ 555,103

Note 7 - Accounts receivable:

a. At December 31, 2020 and 2019, the balances of trade receivables and other accounts receivable are made up as follows:

	December 31,	
	2020	2019
Customers:		
Receivables from customers	\$ 118,906	\$ 45,400
Provision from impairment of receivables from customers	(48,239)	(9,732)
Total accounts receivable	\$ 70,667	\$ 35,668

At December 31, 2020 and 2019, no Company customer accounts for more than 10% of income, either individually or in the aggregate.

Accounts receivable are denominated in Mexican pesos.

Impairment of trade receivables

The provision for losses at December 31, 2020 and 2019 was determined as follows for accounts receivable:

December 31, 2020	Current	More than 30 days due	More than 60 days due	More than 90 days due	Total
Expected loss rate	26.07%	27.11%	26.55%	67.09%	
Gross amount recorded of accounts receivable	\$ 48,150	\$ 15,930	\$ 13,359	\$ 41,467	\$ 118,906
Provision for losses	\$ 12,554	\$ 4,319	\$ 3,547	\$ 27,819	\$ 48,239

December 31, 2019	Current	More than 30 days due	More than 60 days due	More than 90 days due	Total
Expected loss rate	1.05%	1.76%	1.97%	74.13%	
Gross amount recorded of accounts receivable	\$ 25,955	\$ 3,910	\$ 2,946	\$ 12,589	\$ 45,400
Provision for losses	\$ 273	\$ 69	\$ 58	\$ 9,332	\$ 9,732

The final balances of the provisions for expected losses for accounts receivable at December 31, 2020 and 2019 are in line with the provisions for initial losses, as shown below:

	Provision for impairment December 31,	
	2020	2019
Opening balance (January 1):	\$ 9,732	\$ 7,615
Increase in the provision for impairment of receivables from customers	44,028	5,255
Receivables written off in the fiscal year as bad debts	(5,521)	(2,581)
Unused amount, reversed	-	(557)
Closing balance (December 31)	\$ 48,239	\$ 9,732

Accounts receivable are canceled when there is no reasonable expectation of recovery. Indicators showing that there is no reasonable expectation of recovery include the fact that the debtor suggests no payment plan to the Company and the impossibility of making contractual payments over a period of more than 180 days past due.

Losses from impairment of accounts receivable are shown as net impairment losses under operating income. Subsequent recovery of amounts previously canceled is credited to the same line.

Note 8 - Related parties:

Following are the balances and transactions held with related parties during the years ended December 31, 2020 and 2019. These transactions were held as if conditions were equivalent to comparable transactions held with independent third parties.

At December 31, 2020 and 2019, balances receivable from and payable to related parties are as follows:

	December 31, 2020		December 31, 2019	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Current related parties				
Affiliates:				
Trust CIB 2715	\$ 4,032	\$ -	\$ 3,876	\$ -
Stockholders	1,010	-	20,000 ^{b)}	474,357 ^{a)}
Total current	<u>\$ 5,042</u>	<u>\$ -</u>	<u>\$ 23,876</u>	<u>\$ 474,357</u>

- a) On August 30, 2018, the Company received an unsecured loan from EI AV Fund, L.P. for USD 24,068 (US dollars) at the exchange rate of \$18.9354, which was documented through a promissory note maturing on August 30, 2020. The loan bears 15% annual interest, payable quarterly. This loan was settled on February 10, 2020.
- b) For loans granted to stockholders, for a term of one year and bearing interest at an annual rate of 9.00%.

At December 31, 2020 and 2019, income and expenses from related-party interest were as follows:

	December 31,	
	2020	2019
Interest earned		
Trust CIB 2715	\$ 135	\$ 135
Interest paid		
EI AV Fund, L. P.	<u>\$ 8,967</u>	<u>\$ 45,379</u>

The Company declares that it had no significant transactions with related parties or conflicts of interest to disclose.

Note 9 - Investments in joint ventures and associates:

The percentage and amounts of investment in stock of joint ventures and associates are as follows:

Joint venture	At December 31,			
	%	2020	%	2019
Trust CIB 2715 ^{a)}	50	<u>\$ 199,054</u>	50	<u>\$ 202,511</u>

- a) The Company (Trustee - Trustor A) jointly with Inversiones e Inmuebles Control, S. A. de C. V. (Trustee - Trustor B), entered into an agreement for the creation of a property and lease management trust identified with number CIB2715, the objective of which is to receive the necessary cash contributions from the Trustors for the acquisition of certain property and/or commercial property for its commercial exploitation. The percentages of share in the Trust were 50% for each Trustee. All decisions are jointly taken.

Following is a reconciliation of the movements in the investment in joint ventures and associated companies:

	December 31,	
	2020	2019
Investments at the beginning of the year	\$ 202,511	\$ 291,647
Returns of capital contributions	-	(1,972)
Interest in the results of the associated entities	8,854	22,612
Profits received from joint venture	(12,311)	(9,915)
Sale of investments (a)	-	(61,169)
Impairment of investment in associate (a)	-	(38,692)
Investments at the end of the year	<u>\$ 199,054</u>	<u>\$ 202,511</u>

- a) The Company held the following investments in associates, which it decided to derecognize in 2019 as explained below:
- > The Company, jointly with Dadín, S. A. de C. V. (Dadín), Inmobiliaria Riouclare, S. A. de C. V. (Riouclare) and Norante, S. A. P. I. de C. V. (Norante), entered into an agreement to create a non-corporate management trust identified with number 2064 (Trust 2064). The objective of this Trust is to receive the necessary cash contributions from the Trustors for the acquisition of a property and subsequently the construction of a shopping center in the city of Coatzacoalcos, Veracruz. The percentages of share in the Trust were as follows: Dadín 27%, Riouclare 36%, Norante 27% and AVP 10%.

An agreement was signed on November 24, 2018 amending the non-corporate Management Trust agreement (Trust 2064) whereby an additional contribution is requested to meet the purpose and objects of the trust; the Company decided to make no contributions and consequently diluted its interest, with the following percentages resulting: Dadín 27.18% of the total equity, Riouclare 36.24%, Norante 27.18% and AVP 9.40%.

In the fiscal year ended December 31, 2019, the Company decided to sell its interest in Trust 2064 for a total amount of \$13,825; the cost of sale for this transaction was \$33,486.

- > The Company jointly with Dadín, S. A. de C. V., Inmobiliaria Riouclare, S. A. de C. V. and Norante, S. A. P. I. de C. V. entered into an agreement for the creation of a non-corporate management trust identified with number 2065 (Trust 2065), the objective of which is to receive the necessary cash contributions from the Trustors for the acquisition of a property and subsequently the construction of a shopping center in the city of Mazatlán, Sinaloa. The percentages of share in the Trust were as follows: Dadín 27% of the total equity, Riouclare 36%, Norante 27% and AVP 10%. An agreement was signed on November 24, 2018 amending the non-corporate Management Trust agreement (Trust 2065) whereby an additional contribution is requested to meet the purpose and objects of the trust; the Company decided to make no contributions and consequently diluted its interest, with the following percentages resulting: Dadín 27.18% of the total equity, Riouclare 36.24%, Norante 27.18% and AVP 9.40%. In the fiscal year ended on December 31, 2019 the Company decided to sell its interest in Trust 2065 for a total amount of \$19,027; the cost of sale for this transaction was \$27,665.

- On July 30, 2015, the Company, jointly with Invex Construcciones, S. A. P. I. de C. V. and GP Concesiones de México, S. A. de C. V., incorporated a Corporation Promoter of Investment of Variable Capital named "Proyectos de Infraestructura Chapultepec", the objective of which is to build, operate, supervise, develop, use, lease and sublease real estate projects.

The fixed minimum capital is \$50 and is represented by 50 thousand nominative stocks, distributed as follows: AV Promotora, 20,000 stocks, representing 40% of the total stocks; Invex Construcciones, 20,000 stocks, representing 40% and GP Concesiones, 10,000 stocks, representing 20%. In 2016, the interest of AV Promotora (subsidiary) was diluted to 36%.

In the fiscal year ended on December 31, 2019 the Company determined that it was necessary to record an impairment loss for the total amount of the investment, due to the fact that the project continuity was not viable.

- On March 25, 2015, AV Promotora jointly with Dadín, S. A. de C. V., Inmobiliaria Riouclare, S. A. de C. V. and Norante, S. A. P. I. de C. V. incorporated a Corporation Promoter of Investment of Variable Capital denominated "Renta de Espacios Mazcoa", the objective of which is to manage, operate, supervise, develop, use, lease, and sublease condominium regimes. Through a mandate agreement, Renta de Espacios Mazcoa issues tenants, on behalf of the trustors, the invoices for the leasing of plazas Sendero Coatzacoalcos and Sendero Mazatlán.

The fixed minimum capital is \$50 and is represented by 50 thousand nominative stocks, distributed as follows: Dadín, 13,500 stocks, representing 27% of the total stocks; Riouclare, 18,000 stocks, representing 36%; Norante, 13,500 stocks, representing 27%, and AV Promotora, 5,000 stocks, representing 10%.

In the fiscal year ended on December 31, 2019 the Company decided to derecognize its investment in Renta de Espacios Mazcoa; the total amount of the investment was \$17.

Note 10 - Other accounts receivable

At December 31, 2020 and 2019, Other accounts receivable are made up as follows:

	December 31,	
	2020	2019
Other debtors	\$ 4,508	\$ 2,423
Loans to employees	47	496
Total Other accounts receivable	\$ 4,555	\$ 2,919

Note 11 - Advance payments:

At December 31, 2020 and 2019, the caption Advance payments is made up as follows:

	December 31,	
	2020	2019
Flight hours use service	\$ 62	\$ 1,464
Advance payments to suppliers	3,577	4,948
Insurance	1,419	1,731
Fiduciary fees and other prepaid expenses	29	63
Total advance payments	\$ 5,087	\$ 8,206

Note 12 - Recoverable taxes

At December 31, 2020 and 2019, the caption Recoverable taxes is made up as follows:

	December 31,	
	2020	2019
Value Added Tax (VAT)	\$ 274,964	\$ 328,953
Income Tax (ISR)	24,147	5,617
Total recoverable taxes	\$ 299,111	\$ 334,570

Note 13 - Guarantee deposits:

At December 31, 2020 and 2019, the balances of guarantee deposits are \$22,418, and \$21,408, respectively.

On June 18, 2008 the Company signed a lease agreement on a land plot with Arrendadora Maga, S. A. de C. V. through which, among other things, it was agreed to open a current account in favor of Arrendadora Maga, S. A. de C. V. as a reserve to guarantee the rents agreed in an amount equal to six months of the consideration agreed and that after two years; this will increase to equal nine months of rents. This fund will, in turn, be restated in accordance with the consumer price index each year during the effective period of the agreement. The balances of these accounts at December 31, 2020 and 2019 are \$13,248 and \$12,435, respectively, and are part of the Company's guarantee deposits.

Note 14 - Land inventory:

At December 31, 2020 and 2019, this caption is made up as follows:

Property	At December 31, 2019	Transfers	Acquisitions (Disposals)	At December 31, 2020
Plot in Santa Catarina	\$ 34,555	\$ -	\$ (34,555)	\$ -
Plot in Saltillo	8,800	-	-	8,800
Total	\$ 43,355	\$ -	\$ (34,555)	\$ 8,800

Property	At December 31, 2018	Transfers	Acquisitions (Disposals)	At December 31, 2019
Plot in Santa Catarina	\$ -	\$ -	\$ 34,555	\$ 34,555
Plot in Saltillo	-	8,800 ^{a)}	-	8,800
Total	\$ -	\$ 8,800	\$ 34,555	\$ 43,355

- a. On February 18, 2019 the Company entered into a purchase and sale commitment with SI Operaciones S. A. de C. V., whereby it promised to sell the real property adjacent to the shopping center, with an area of 2,000 m², for a price set by the parties in the amount of \$15,000.

Note 15 - Construction in progress and investment property:

At December 31, 2020 and 2019, there were two shopping centers under development, which will be investment properties —Sendero Santa Catarina and Sendero Ensenada. Sendero Santa Catarina was completed at the beginning of 2021; its opening took place on March 11, 2021. Sendero Ensenada is under construction and the period for conclusion is approximately 9 months. The breakdown of constructions in progress is as follows:

	2020	2019
Trust 3271 "Sendero Santa Catarina"	\$ 453,499	\$ 114,656
Trust 3401 "Sendero Ensenada"	67,228	-
Total construction in progress	\$ 520,727	\$ 114,656

At December 31, 2020 and 2019, investment property is made up as follows:

Shopping center	At December 31, 2019	Transfers	Acquisitions (Disposals)	Changes in fair value	At December 31, 2020
Sendero Toluca ^(a)	\$ 1,140,200	\$ -	\$ -	\$ (23,100)	\$ 1,117,100
Sendero San Luis ^(a)	998,680	-	-	(8,580)	990,100
Sendero Juárez ^(a)	640,000	-	-	(39,100)	600,900
Sendero Las Torres ^(a)	854,000	-	-	(36,400)	817,600
Sendero Ixtapaluca ^(a)	873,900	-	-	(27,700)	846,200
Sendero Escobedo ^(a)	704,200	-	-	400	704,600
Sendero Apodaca ^(a)	853,200	-	-	(18,700)	834,500
Sendero Periférico ^(a)	587,000	-	-	(62,500)	524,500
Sendero San Roque	144,300	-	-	(16,700)	127,600
Trust 2364	825,700	-	-	(27,500)	798,200
Trust 2368	840,100	-	-	20,800	860,900
Trust 2369	734,700	-	-	(104,300)	630,400
Trust 2370	1,014,300	-	-	3,700	1,018,000
Trust 2499	832,000	-	-	(152,300) ⁽²⁾	679,700
Trust 2629	758,200	-	-	(146,700) ⁽²⁾	611,500
Trust 2799	838,000	-	-	(10,400)	827,600
Trust 3271	242,845	-	-	-	242,845
Trust 3401	130,576	-	-	-	130,576
Plot in Cd. Juárez ^(b)	101,100	-	-	4,300	105,400
Plot in Reynosa ^(c)	246,000	-	-	(5,000)	241,000
Plot in Matamoros ^(d)	22,040	-	-	(340)	21,700
Plot in Santa Catarina ^(e)	25,480	-	-	820	26,300
Net value	\$ 13,406,521	\$ -	\$ -	\$ (649,300) ⁽¹⁾	\$ 12,757,221

(1) The key assumptions used in the valuation model at December 31, 2020 are defined in Note 4.

- (2) At December 31, 2020, the quantification of the impact of COVID-19, which caused a partial shutdown of shopping centers, has produced a decrease of their fair value by \$649,300. The COVID-19 pandemic is a situation under way, and its effects on financial and real estate markets are yet to be known, as they will be subject to the dimension and length of the pandemic. The effects reported are based on the information available at the valuation date. The variables that most impacted on the decrease of fair value of properties are those mentioned in Note 4. The shopping centers that were mainly affected were those located in the cities of Saltillo and Obregón, where the fair value was also affected by a decrease in the occupancy rates and in market profits per square meter, which in the Company's estimate will have a slow recovery over a long term.

Shopping center	At December 31, 2018	Transfers	Acquisitions (Disposals)	Changes in fair value	At December 31, 2019
Sendero Toluca ^(a)	\$ 1,079,800	\$ -	\$ -	\$ 60,400	\$ 1,140,200
Sendero San Luis ^(a)	959,760	-	-	38,920	998,680
Sendero Juárez ^(a)	637,300	-	-	2,700	640,000
Sendero Las Torres ^(a)	792,000	-	-	62,000	854,000
Sendero Ixtapaluca ^(a)	826,000	-	-	47,900	873,900
Sendero Escobedo ^(a)	682,800	-	-	21,400	704,200
Sendero Apodaca ^(a)	788,100	-	-	65,100	853,200
Sendero Periférico ^(a)	542,000	-	-	45,000	587,000
Sendero San Roque	142,500	-	-	1,800	144,300
Trust 2364	817,000	-	-	8,700	825,700
Trust 2368	793,690	-	-	46,410	840,100
Trust 2369	687,200	-	-	47,500	734,700
Trust 2370	928,300	-	(11,500)	97,500	1,014,300
Trust 2499	837,800	(8,800)	-	3,000	832,000
Trust 2629	651,000	-	-	107,200	758,200
Trust 2799	806,000	-	-	32,000	838,000
Trust 3271	-	-	242,845	-	242,845
Trust 3401	-	-	130,576	-	130,576
Plot in Cd. Juárez ^(b)	97,400	-	-	3,700	101,100
Plot in Reynosa ^(c)	241,000	-	-	5,000	246,000
Plot in Matamoros ^(d)	-	4,004	-	18,036	22,040
Plot in Santa Catarina ^(e)	-	24,570	-	910	25,480
Net value	\$ 12,309,650	\$ 19,774	\$ 361,921	\$ 715,176	\$ 13,406,521

(a) On February 26, 2015, the Company granted to Trust 2284, as part of the guarantee for the issuance of stock certificates, the premises that form part of the investment properties, as well as the collection rights derived from lease agreements of those premises, which will expire on February 15, 2035.

(b) The Company has a land plot of 140,787 square meters located at Av. San Isidro, no number, Col. San Isidro, Cd. Juárez, Chihuahua.

- (c) The Company has a land plot of 50,000 square meters located at Libramiento Sur Reynosa and Ave. Tecnológico. Col. Jarachinas, 88730, Reynosa, Tamaulipas.
- (d) The Company has a land plot of 1,536 square meters located to the north of Ave. Marte R. Gómez, at Sendero street, Fraccionamiento Estancias Residencial, municipality of Matamoros, Tamaulipas.
- (e) The Company has a land plot of 183,327 square meters located to the south of Ave. Capitán Lucas García, at Valle de Los Pinos street, municipality of Sta. Catarina, Nuevo León.

The Company normally enters into operating lease agreements with its customers for terms that range from 3 to 5 years.

The Company estimates minimum payments to be received from future rents receivable in relation to operating lease agreements effective at December 31, 2020 and 2019, which are not cancelable, as integrated below:

	December 31,	
	2020	2019
Effective terms not exceeding 1 year	\$ 733,333	\$ 764,642
Effective terms exceeding 1 year	848,210	1,182,966
Effective terms exceeding 3 years	1,498,185	1,556,374

Note 16 - Property and equipment:

At December 31, 2020 and 2019, the caption Property and equipment is made up as follows:

	At December 31, 2019	(Transfers)	Acquisitions (Disposals)	Depreciation	At December 31, 2020
Building ^{a)}	\$ 74,848	-	\$ -	\$ (1,193)	\$ 73,655
Computer equipment	5,690	-	1,329	(3,399)	3,620
Furniture and equipment	1,098	-	278	(160)	1,216
Parking equipment	24,520	-	21,963	(3,624)	42,859
Net value	\$ 106,156	\$ -	\$ 23,570	\$ (8,376)	\$ 121,350

	At December 31, 2018	(Transfers)	Acquisitions (Disposals)	Depreciation	At December 31, 2019
Land	\$ 28,574	\$ (28,574)	\$ -	\$ -	\$ -
Building ^{a)}	-	76,041	-	(1,193)	74,848
Computer equipment	6,251	-	2,362	(2,923)	5,690
Furniture and equipment	895	-	333	(130)	1,098
Parking equipment	27,494	-	-	(2,974)	24,520
Net value	\$ 63,214	\$ 47,467	\$ 2,695	\$ (7,220)	\$ 106,156

- a) The Company has entered into non-cancelable financial lease agreements as a lessee with CHG El Camino, S. A. P. I. de C. V., the net carrying value of which is \$74,848 at December 31, 2020, determined at a cost of \$83,496 less cumulative depreciation of \$9,841, maturing in June 2019; the Company retains ownership of the assets.

The depreciation expense for the years ended December 31, 2020 and 2019 amounted to \$8,376 and \$7,220, respectively, which was recorded in an operating expense item within the statement of comprehensive income.

Note 17 - Restricted cash:

At December 31, 2020 and 2019, restricted cash represents cash set aside as a reserve for interest payments on the issuance of stock certificates, as described in Note 21:

	December 31,	
	2020	2019
Reserve for interest payments	\$ 119,581	\$ 140,319

Note 18 - Financial instruments:

This note provides information on the Company's financial instruments, including a summary of all financial instruments held, specific information on each type of financial instrument and information on the determination of the fair value of instruments.

The Company holds the following financial instruments:

	December 31, 2020		
	Current	Non Current	Total
Financial assets:			
Financial assets at amortized cost			
Cash	\$ 3,301,792	\$ -	\$ 3,301,792
Accounts receivable	70,667	-	70,667
Related parties	5,042	-	5,042
Other accounts receivable	4,555	-	4,555
Restricted cash	-	119,581	119,581
Derivative financial instruments	-	173	173
	<u>\$ 3,382,056</u>	<u>\$ 119,754</u>	<u>\$ 3,501,810</u>
Financial liabilities:			
Liabilities at amortized cost			
Debt	\$ 233,881	\$ 5,596,855	\$ 5,830,736
Accounts payable	325,363	-	325,363
Derivative financial instruments	4,128	104,219	108,347
	<u>\$ 563,372</u>	<u>\$ 5,701,074</u>	<u>\$ 6,264,446</u>

	December 31, 2019		
	Current	Non Current	Total
Financial assets:			
Financial assets at amortized cost			
Cash	\$ 555,103	\$ -	\$ 555,103
Accounts receivable	35,668	-	35,668
Related parties	23,876	-	23,876
Other accounts receivable	2,919	-	2,919
Restricted cash	-	140,319	140,319
Derivative financial instruments	2,641	201	2,842
	<u>\$ 620,207</u>	<u>\$ 140,520</u>	<u>\$ 760,727</u>
Financial liabilities:			
Liabilities at amortized cost			
Debt	\$ 430,687	\$ 5,394,294	\$ 5,824,981
Related parties	474,357	-	474,357
Accounts payable	317,384	-	317,384
Derivative financial instruments	3,415	39,125	42,540
	<u>\$ 1,225,843</u>	<u>\$ 5,433,419</u>	<u>\$ 6,659,262</u>

Additional information concerning loans to related parties is contained in Note 8.

i. Fair value of financial assets and liabilities

Because cash, accounts receivable, related parties, other accounts receivable, restricted cash, derivative financial instruments, debt, related parties payable and accounts payable are all short-term, their carrying value is considered to be the same as their fair value. For most non-current accounts receivable and payable, fair value does not significantly differ from carrying value.

ii. Impairment and exposure to risk

Information on the impairment of financial assets and on the Company's exposure to credit risk is to be found in Note 7.

iii. Fair value hierarchy

The Company applies the three-level hierarchy method to measure and disclose fair value. Classification of an instrument within the fair value hierarchy is based on the lowest value of significant data used in the valuation. The three hierarchy levels are described below:

- Level 1 - Prices quoted for identical instruments on active markets.

The fair value of financial instruments traded in active markets is based on prices quoted in the markets at the date of the statement of financial position. A market is considered to be active if quoted prices are clearly and regularly available through a stock exchange, trader, broker, industry group, price setting service or regulatory body, and those prices currently and regularly reflect market transactions in conditions of independence.

- Level 2 - Prices quoted for similar instruments on active markets; prices quoted for identical or similar instruments on non-active markets; and valuations through models where all significant data are observable on active markets.

The fair value of financial instruments not traded in an active market is determined via valuation methods. Those valuation techniques maximize the use of observable market information in cases where it is available and depends as little as possible on the Company's specific estimations. If all significant data required to measure an instrument at fair value are observable, the instrument is classified as Level 2.

- Level 3 - Valuations performed through techniques whereby one or more of the significant data are not observable.

This hierarchy requires the use of observable market data when available. Company valuations consider relevant and observable market data, to the extent possible.

If one or more relevant variables is/are not based on observable market information, the instrument is included in Level 3.

iv. Determination of fair value

The Company generally uses, when available, quotations of market prices to determine the fair value and classifies said data as Level 1. If market quotations are not available, fair value is determined using standard valuation models.

When applicable, those models project future cash flows and discount future amounts at figures observable at present value, including interest rates, exchange rates, volatilities, etc. Items valued using said data are classified according to the lowest level of data that is significant for the valuation. Therefore, an item can be classified as Level 3, even when some of the significant data are observable. Additionally, the Company considers assumptions for its own credit risk, as well as for the risk of its counterparty.

v. Measurement

Assets and liabilities measured at fair value are summarized below:

	Level 2	
	December 31, 2020	December 31, 2019
Assets:		
Derivative financial instruments	\$ 173	\$ 2,842
Liabilities:		
Derivative financial instruments	\$ (108,347)	\$ (42,540)

No transfers were made in the reporting years between Levels 1 and 2, nor between Levels 2 and 3.

vi. Derivative financial instruments

The derivative financial operations under the Trust have been privately entered into with a number of financial institutions whose financial soundness is supported by high ratings assigned by the securities and credit risk rating agencies. The documentation used to formalize operations is common documentation, as specified in

the following contracts: Master Agreement For Derivative Financial Operations or ISDA Master Agreement, drawn up by the "International Swaps & Derivatives Association" (ISDA), accompanied by accessory documents used in this type of operation, generally known as "Schedule", "Credit Support Annex" and "Confirmation".

Classification of derivatives

Derivatives are only used for economic hedging purposes and not for speculation investments. However, when derivatives fail to meet the hedge accounting criteria, they are classified as "held for trading" for accounting purposes and are recorded at fair value through profit or loss. They are shown as current assets or liabilities provided that they are expected to be settled in the 12 months following the end of the reporting period.

The Company holds the following derivative financial instruments:

Interest rate options

The notional amount of interest rate options agreements in effect at December 31, 2020 and 2019 is \$1,693,018 and \$2,688,026, respectively. For the fiscal years ended December 31, 2020 and 2019 the net loss recorded in the comprehensive statement of income for \$138,584 (which includes \$38,098 derived from the early termination of the derivative instruments mentioned in Note 1) and \$70,871, respectively, results from the measurement of interest rate options agreements.

Warrants

Warrants will be measured at fair value through profit or loss. This valuation is performed by obtaining the observable market price of the warrant (Mexican Stock Exchange), categorized as Level-2 hierarchy.

Following are the carrying values of financial assets and liabilities and their fair values.

	December 31, 2020		December 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Cash	\$ 3,301,792	\$ 3,301,792	\$ 555,103	\$ 555,103
Accounts receivable	70,667	70,667	35,668	35,668
Related parties	5,042	5,042	23,876	23,876
Other accounts receivable	4,555	4,555	2,919	2,919
Derivative financial instruments, short term	-	-	2,641	2,641
Restricted cash	119,581	119,581	140,319	140,319
Derivative financial instruments, long term	173	173	201	201
Financial liabilities:				
Current debt	\$ 233,881	\$ 233,881	\$ 430,687	\$ 430,687
Accounts payable	325,363	325,363	317,384	317,384
Related parties	-	-	474,357	498,494
Derivative financial instruments, short term	4,128	4,128	3,415	3,415
Non-current debt	5,596,855	6,248,628	5,394,294	5,851,146
Derivative financial instruments, long term	104,219	104,219	39,125	39,125

At December 31, 2019, loans with related parties are measured at fair value through profit or loss. This valuation is performed by obtaining the observable market price, categorized as Level-2 hierarchy.

The estimated fair values for the purpose of disclosing the debt balances, except for stock certificates, were estimated on the basis of discounted cash flows through a Level-3 hierarchy model. Those fair values consider the non-current portion of financial assets and liabilities, as the current portion approximates fair value.

Level 3 fair values were calculated by restating at present value all payments of interest and principal, without considering the derivatives contracted, using the TIIE rate curve at December 31, 2020 and 2019.

The fair value of stock certificates was estimated based on their market price (Level-1 data).

Note 19 - Intangible assets:

At December 31, 2020 and 2019, this caption is made up as follows:

	At December 31, 2019		At December 31, 2020	
		Acquisitions	Amortization	
Goodwill	\$ 372	\$ -	\$ -	\$ 372
Software licenses	3,239	9,741	(9,403)	3,577
Total	\$ 3,611	\$ 9,741	\$ (9,403)	\$ 3,949

	At December 31, 2018		At December 31, 2019	
		Acquisitions	Amortization	
Goodwill	\$ 372	\$ -	\$ -	\$ 372
Software licenses	3,160	9,750	(9,671)	3,239
Total	\$ 3,532	\$ 9,750	\$ (9,671)	\$ 3,611

Note 20 - Leases:

This Note provides information on leases where the Company acts as lessee.

i. Amounts recorded in the statement of financial position

	December 31,	
	2020	2019
<u>Right-of-use assets</u>		
Land (1)	\$ 147,304	\$ 147,304
Transportation equipment	9,127	7,520
	\$ 156,431	\$ 154,824
Accumulated depreciation on rights of use	(14,822)	(7,377)
Right-of-use assets, net	\$ 141,609	\$ 147,447

(1) Corresponds to a land plot in Apodaca, Nuevo León, for a term of 40 years with rents adjusted on an annual basis by the National Consumer Price Index, from 2008 to 2048. The Company has a preemptive right to purchase, if lessor decides to sell the property.

	December 31,	
	2020	2019
<u>Lease liabilities</u>		
Current	\$ 16,859	\$ 15,441
Non current	143,057	141,206
	\$ 159,916	\$ 156,647

ii. Amounts recorded in the statement of income

The statement of income shows the following amounts in connection with leases.

	2020	2019
<u>Depreciation charge on right-of-use asset</u>		
Land	\$ 5,008	\$ 5,008
Transportation equipment	2,437	2,369
	\$ 7,445	\$ 7,377
Interest expense	\$ 18,809	\$ 18,536

Note 21 - Debt:

At December 31, 2020 and 2019, debt in Mexican pesos is made up as follows:

	2020	2019
Issuance of Stock Certificates, Trust 2284, Trustee Banco Invex, S. A., accrues gross interest at an annual rate of 8.00%, which will continue to be fixed during the effective period of the issuance, maturing on February 15, 2035; the premises forming part of the investment properties were granted as part of the issuance guarantee, as well as the collection rights derived from the lease agreements related to such premises. ^{a)}	\$ 2,692,536	\$ 2,774,996
Loan with Banco Mercantil del Norte, S. A., Institución de Banca Múltiple, Grupo Financiero Banorte (Banco Banorte), interest payable on the unpaid principal of each drawdown in the period in which this occurs, at the date of each drawdown and up to the respective maturity date, subject to annual interest equal to the sum of the TIIE rate plus 2.5 percentage points. Principal and interest are payable monthly and the loan matures in August 2031.	2,676,273	2,273,759
Unsecured loan agreement with Inversiones e Inmuebles Control, S. A. de C. V., signed on October 19, 2017 and maturing in October 2027, at an annual interest rate equal to the sum of the 28-day TIIE rate plus 2.5 percentage points.	56,240	55,056
Unsecured loan agreement with Inversiones e Inmuebles Control, S. A. de C. V., signed on December 18, 2018 and maturing on December 20, 2023, at an annual interest rate equal to the sum of the 28-day TIIE rate plus 2.5 percentage points.	3,613	4,244
Unsecured loan agreement with Bancrea, S. A. Institución de Banca Múltiple, signed on August 24, 2018 and maturing in 5 years, at an annual interest rate equal to 28-day TIIE (Interbank Equilibrium Interest Rate). ^{b)}	-	47,893
Unsecured loan agreement with Bancrea, S. A. Institución de Banca Múltiple, signed on August 24, 2018 and maturing on February 14, 2023, at an annual 28-day TIIE (Interbank Equilibrium Interest Rate); the disbursement of this loan was made on March 12, 2019. ^{c)}	-	37,581
Loan agreement with Banco Sabadell, S. A., Institución de Banca Múltiple, signed on June 4, 2018, bearing regular interest payable on the unpaid principal of each drawdown in the period in which this occurs, at the date of each drawdown and up to the respective maturity date, subject to annual interest equal to the sum of the TIIE rate plus the applicable margin; the principal and interest are payable monthly and the loan matures in April 2025.	402,074	456,110
Unsecured loan agreement with Banco Invex, S. A., signed on March 29, 2019 at 28-day TIIE rate. ^{d)}	-	175,342
Total debt	5,830,736	5,824,981
Current portion of debt	(233,881)	(430,687)
Non-current debt	\$ 5,596,855	\$ 5,394,294

- (a) On February 24, 2015, AV Promotora, S. de R. L. de C. V., Desarrolladora e Inmobiliaria Las Torres, S. de R. L. de C. V., Desarrolladora Jarachinas, S. de R. L. de C. V., Desarrolladora Río Tijuana, S. de R. L. de C. V., Promotora Inmobiliaria San Luis, S. de R. L. de C. V., Desarrolladora de Espacios Comerciales, S. de R. L. de C. V., Espacios Comerciales Juárez, S. de R. L. de C. V. and Espacios Comerciales Apodaca, S. de R. L. de C. V., all subsidiaries of AV and part of Grupo Acosta Verde, entered into an agreement for jointly setting up an Irrevocable Trust for the issuance of Trust 2284 Stock Certificates (CBFs), designating Banco Invex, S. A. as Trustee. On February 26, 2015 the first issuance of CBFs was made, identified as "ACOSTCB15", in the amount of \$ 3,000,000, which as of the issuance will accrue monthly interest over the unpaid balance of principal at an annual gross interest rate of 8.00%, which will continue to be fixed during the effective period of the issuance. The amortization of principal of CBFs will be made in full at the maturity date, February 15, 2035; without prejudice of the above, the issuance considers the possibility of making advance amortizations as of the first date of payment.

The subsidiaries setting up the Trust for the issuance of CBFs participated in the debt percentages and amounts shown below:

	% of debt	Amount of the debt
AV Promotora, S. de R. L. de C. V.	8%	\$ 240,000
Desarrolladora Jarachinas, S. de R. L. de C. V.	10%	300,000
Desarrolladora Río Tijuana, S. de R. L. de C. V.	16%	480,000
Promotora Inmobiliaria San Luis, S. de R. L. de C. V.	15%	450,000
Desarrolladora de Espacios Comerciales, S. de R. L. de C. V.	22%	660,000
Espacios Comerciales Juárez, S. de R. L. de C. V.	19%	570,000
Espacios Comerciales Apodaca, S. de R. L. de C. V.	10%	300,000
	100%	3,000,000

- (b) On August 24, 2017, by means of public deed number 24634, AV Promotora, S. de R. L. de C. V. and Banco Bancrea, S. A., Institución de Banca Múltiple entered into a joint and several senior mortgage loan agreement with assignment of remainder derived from the irrevocable trust 2284 of guarantee issuance, management and payment for an amount of up to \$100,000, for 5 years, starting as from the first drawdown, at an annual interest rate of 3.5 percentage points plus 28-day TIIE.

On March 6, 2020 the Company repaid the loan from Banco Bancrea, S. A., Institución de Banca Múltiple, with a payment of \$46,349 made on February 28, 2020 and \$25 on March 6, 2020; the interest paid on this loan was \$853.

- (c) On August 24, 2018, by means of public deed number 26859, AV Promotora, S. de R. L. de C. V. and Banco Bancrea, S. A., Institución de Banca Múltiple, entered into a joint and several mortgage loan agreement with assignment of remainder derived from the irrevocable trust 2284 of guarantee issuance, management and payment, for an amount of up to \$43,450, for 5 years, starting as from the first drawdown, at an annual interest rate of 3.5 percentage points plus 28-day TIIE.

On February 28, 2020 the Company repaid the loan from Banco Bancrea, S. A., Institución de Banca Múltiple, for a total of \$36,389; the interest paid on this loan was \$669.

A current account loan agreement was entered into on March 29, 2019 with Banco Invex, S. A. Institución de Banca Múltiple, Invex Grupo Financiero, in the amount of \$250,000, for a term of 60 (sixty) months starting on the date the agreement was signed. The Company will pay regular annual interest on unpaid balances at

the 28-day TIIE, plus the number of percentage points agreed in the promissory note that documents each use, which in no case may exceed 10 (ten) percentage points. The Company drew down \$23,127 on this loan on April 2, 2019, paying interest of \$1,869.

The Company drew down \$151,500 on this loan on December 18, 2019, paying interest of \$619.

On February 25, 2020 the Company fully repaid the loan from Banco Invex, S. A. Institución de Banca Múltiple for \$175,051; the payment includes interest for \$424 accrued at the date of payment.

Loan agreements establish certain positive and negative covenants regarding the sale of assets, capital investment, additional financing and debt prepayment, as well as the obligation to maintain certain specific monthly financial ratios (financial leverage and interest coverage ratios), which if not complied with or remedied within a specific period of time, may lead to the accelerated maturity of the loan. At December 31, 2020 and 2019, the Company has fulfilled these conditions, except for what is mentioned below.

Impact of COVID-19 on debt

Below is a detail of the structure of the Company's debts and financial commitments:

Trust 2284 Stock Certificates (AcostCB15) are secured by the 8 shopping centers and their structure includes a reserve fund for interest adequate to meet the needs for funds of up to 3 months, and their cash flows structure is designed to face situations in which income flow is not enough.

Trust 2284 agreement considers the possibility of target amortizations (advanced), i.e. amortizations of principal that can be made on any payment date in the "target amortization of principal" schedule; accordingly, in case of insufficient resources, they can be deferred without incurring in noncompliance. In addition, if the 3-month reserve fund for interest is exhausted and still the Company has not enough cash flows, it has the possibility of completing the payment of interest with another source, to avoid noncompliance. The Company's financial projections do not indicate any future event of impossibility to pay interest with resources from the trustors.

Regarding the remaining financial debt, the Company has also enough reserve funds to meet these needs for the next three months.

In fiscal year 2020, the Company entered into the following negotiations with Banco Banorte:

- 1) In the second quarter of 2020, it received waivers of considering as breach or cause for accelerated maturity the noncompliance with the debt service coverage ratio, calculated on a monthly basis, for the next 12 months as from May 15, 2020, as well as a waiver of considering as breach or cause for accelerated maturity the period over which the shopping centers are not in operation upon decision of the pertinent authorities; further, Trust CIB/3271 obtained an extension of the term for opening the shopping center, so that the opening will take place on March 31, 2021, without this giving rise to cause for advanced maturity.
- 2) In the fourth quarter of 2020 it conducted negotiations and obtained the following benefits:
 - Deferred payment of interest with own resources and with availability of new loans.
 - Refinancing of financial derivatives used as hedge instruments for interest rates.
 - A change to the loan amortization schedule was agreed upon, whereby as from November 2020 the amortization table starts with low amortization values for the first years, which increase over subsequent years. The maturity terms of the loans were not modified.

- As from November 2020 and for the next 3 years, it was agreed to maintain a debt coverage ratio lower than those determined in the initial agreements.

The Company's financial projections for the 12 months after the date of the financial statements do not indicate any future events of noncompliance under these new conditions with Banco Banorte, including the debt service coverage financial ratios.

At December 31, 2020 the Company engaged in negotiations with Banco Sabadell and received waivers of considering as breach or cause for accelerated maturity the noncompliance with the debt service coverage ratio, calculated on a monthly basis, from June 12, 2020 to May 14, 2021, a waiver of considering as breach or cause for accelerated maturity the shutdown of the shopping centers due to the health contingency, from June 12, 2020 to May 14, 2021 and for setting up surplus, principal and interest, and capital expenditure reserves until May 14, 2021; in addition, it will have 12-month period to release remaining balances, even upon noncompliance with the debt service coverage ratio.

The Company's financial projections for the 12 months after the date of the financial statements do not indicate any future events of noncompliance with Banco Sabadell, including the debt service coverage financial ratio.

Following is the reconciliation of the net debt:

	Cash	Restricted cash	Loans	Issuance Trust 2284	Issuance expenses	Net debt
Closing balance at December 31, 2019	\$ 555,103	\$ 140,319	\$ (3,049,984)	\$ (2,800,274)	\$ 25,278	\$ (5,129,558)
Loans obtained	-	-	(463,504)	-	-	(463,504)
Payment of loans	-	-	374,034	85,527	-	459,561
Flow for the year	2,556,550	21,154	-	-	-	2,577,704
Exchange rate variation	190,106	-	-	-	-	190,106
Cash provided by the merger	33	-	-	-	-	33
Other changes (a)	-	(41,892)	1,254	304	(3,371)	(43,705)
Closing balance at December 31, 2020	\$ 3,301,792	\$ 119,581	\$ (3,138,200)	\$ (2,714,443)	\$ 21,907	\$ (2,409,363)

	Cash	Restricted cash	Loans	Issuance Trust 2284	Issuance expenses	Net debt
Opening balance at December 31, 2018	\$ 705,918	\$ 130,755	\$ (3,098,311)	\$ (2,872,440)	\$ 28,743	\$ (5,105,335)
Loans obtained	-	-	(200,041)	-	-	(200,041)
Payment of loans	-	-	251,425	71,910	-	323,335
Flow for the year	(131,148)	(4,179)	-	-	-	(135,327)
Exchange rate variation	(19,667)	-	-	-	-	(19,667)
Other changes (a)	-	13,743	(3,057)	256	(3,466)	7,476
Closing balance at December 31, 2019	\$ 555,103	\$ 140,319	\$ (3,049,984)	\$ (2,800,274)	\$ 25,277	\$ (5,129,559)

(a) Other changes include movements not involving cash flows.

The long-term portion of debt at December 31, 2020, has the following maturities:

2022	\$ 238,708
2023	353,339
2024 onwards	5,004,808
	<u>\$ 5,596,855</u>

Note 22 - Accounts payable and deferred income:

At December 31, 2020 and 2019, Accounts payable and deferred income is made up as follows:

	December 31,	
	2020	2019
Suppliers	\$ 11,098	\$ 10,240
Other accounts payable	132,490	145,822
Value added tax payable	168,565	147,082
Deferred income from leasing rights	13,210	14,240
Total	<u>\$ 325,363</u>	<u>\$ 317,384</u>

Note 23 - Employees' benefits:

The defined benefit obligation represents the present value of the total benefits accrued in accordance with the years of services rendered that the entity expects to pay the employees or their beneficiaries, in accordance with the retirement benefit plans and termination for causes other than restructuring.

Amounts recorded in the statement of financial position are comprised as follows:

	December 31,	
	2020	2019
Defined benefit obligation:		
Seniority premium	<u>\$ 5,373</u>	<u>\$ 3,787</u>

The components of the net cost of the period for the years ended December 31, 2020 and 2019 are comprised as follows:

	2020	2019
Labor cost	\$ 521	\$ 557
Financial cost	252	203
Total	<u>\$ 773</u>	<u>\$ 760</u>

The changes in defined benefit obligations (DBO) during the year are as follows:

	2020	2019
Present value of DBO at January 1	\$ 3,787	\$ 2,470
Labor cost of current service	521	557
Financial cost	252	203
Actuarial losses	1,037	1,117
Paid benefits	(224)	(560)
Present value of DBO at December 31	<u>\$ 5,373</u>	<u>\$ 3,787</u>

The total recorded in other items of comprehensive income is described below:

	2020	2019
Cumulative balance at beginning of year	\$ 1,364	\$ 582
Actuarial losses during the year (net of deferred Income Tax)	726	782
Cumulative balance at end of year	<u>\$ 2,090</u>	<u>\$ 1,364</u>

The main actuarial assumptions are shown below:

	December 31,	
	2020	2019
Discount rate	6.00%	7.10%
Increase in salaries	7.50%	7.50%
Increase in minimum salary	7.75%	7.75%
Long-term inflation rate	4.00%	4.00%

Note 24 - Stockholders' equity:

During fiscal year 2020 the Company's equity recorded the following changes, both in the number of stocks and in the amount of capital:

- 1) Through minutes of Stockholders' Meeting held on February 7, 2020 the following changes were approved:
 - i. Conversion of the 31,550 Series A stocks to the same number of Series A, Class I stocks;
 - ii. Conversion of the 31,550 Series AA stocks to the same number of Series A, Class II stocks;
 - iii. Conversion of 31,424 Series B stocks and 7,550 Series C stocks to the same number of Series B, Class I stocks; and iv. conversion of 31,423 Series BB stocks and 7,550 Series C stocks to the same number of Series B, Class II stocks.

In addition, it was decided to divide (split) the total number of stocks of Company's capital, into 263.983083652967 new stocks per each outstanding stock (there were 141,047 stocks); as a result, the capital of the Company is now represented by a total number of 37,234,022 ordinary, registered stocks, with no face value stated.

Further, it was decided the conversion of 8,327,947 Series A, Class I stocks to the same number of Series A, Class II stocks; and the conversion of 10,287,590 Series B, Class I stocks to the same number of Series B, Class II stocks.

Further, on February 7, 2020 it was agreed to increase the Company's capital in its variable portion by \$3,724,920, through the issuance of 22,800,915 Series C, Class II ordinary, registered stocks, with no face value.

During the capital increase process it was necessary to pay for the fees of legal and financial advisors; these expenses are classified as transaction costs attributable to an equity transaction and were recognized by decreasing equity in the amount of \$107,213 net of the income tax for the year ended December 31, 2020.

- 2) By means of resolutions adopted outside the Company Extraordinary Stockholders' Meeting on July 8, 2020, it was approved to reduce the Company's capital in its variable portion by \$15,585, held by the stockholder EI AV Fund L.P., through an electronic funds transfer.

In July 2020 a receivable with a stockholder of the Acosta Verde family was derecognized, in the amount of \$10,000.

- 3) By means of unanimous resolutions adopted outside the Company Ordinary and Extraordinary Stockholders' Meeting on September 23, 2020, the following items, among other, were decided: (i) the adoption by the Company of the legal entity type of a Stock Exchange Corporation of Variable Capital (Sociedad Anónima Bursátil de Capital Variable), (ii) the comprehensive amendment to its by-laws, (iii) the change of corporate name from Compañía de Valores Integrales Inmobiliarios, S. A. de C. V. to Acosta Verde, S. A. B de C. V., (iv) the merger by absorption between Acosta Verde, S. A. B de C. V., as merging and surviving company and Promecap Acquisition Company, S. A. B. de C. V., as merged, now extinct company; this last transaction was evaluated jointly with the issuance of new capital performed by the Company on February 7, 2020, for the investment made by PAC, who then became a stockholder of the Company pursuant to the agreements entered into (see Note 25 for further details of the effect of the merger).

As a consequence of the merger, for all applicable legal purposes the Company becomes the successor of PAC, and therefore will assume all its rights and obligations pertaining to PAC warrants and will keep in treasury the number of stocks relating to PAC warrants, in the proportion of 1 new Acosta Verde stock per 3 PAC warrants. The Company issued 47,000,000 warrants and at the date of the merger it recognized a liability and a charge to financial expenses for \$42.3 million (see Note 29).

The table below shows the stock holding of Acosta Verde, S. A. B. de C. V. prior to the merger:

Series	Number of stocks	Amount
A Class I	718	
B Class I	887	
A Class II	16,656,614	\$ 63
B Class II	20,575,803	2,200,620
C Class II	22,800,915	3,724,920
	<u>60,034,937</u>	<u>\$ 5,925,603</u>

The stock holding after the merger, when Series A, Class I and II stocks and Series B, Class I and II stocks were substituted, comprises the following structure and rights:

Series	Number of stocks	Amount
A (Representing the variable portion of capital)	60,033,332	\$ 5,925,508
B (Representing the fixed portion of capital)	1,605	95
Total	<u>60,034,937</u>	<u>\$ 5,925,603</u>

The rights granted by each Series of stocks are as follows:

Series A stocks are ordinary, registered stocks, with no face value stated, conferring equal economic and corporate rights and equal obligations to their holders. Series A stocks shall be subscribed and paid in by Mexican or foreign individuals or legal entities, with or without legal capacity.

Series B stocks are ordinary, registered stocks, with no face value stated, conferring equal economic and corporate rights to their holders, without right of withdrawal.

- 4) As a result of the merger, at December 31, 2020, 15,666,667 Series A stocks are kept in the Company's treasury for later subscription and delivery to those warrant holders exercising their rights; these stocks are free of any preemptive or similar rights.

After these transactions and changes in equity at December 31, 2020, the Company's capital structure is as follows:

Series	Number of stocks issued
A (Representing the variable portion of capital) (1)	75,699,999
B (Representing the fixed portion of capital)	1,605
Total	<u>75,701,604</u>

- (1) Includes the 15,666,667 stocks issued and kept in treasury.

For the years ended on December 31, 2020 and 2019, the Company distributed profits to the Trustors-Trustees in the amounts of \$15,751 and \$40,728, respectively, in cash.

At December 31, 2020 the Company received contributions from the Trustors-Trustees for \$6,342 and it also made reimbursements for \$34,555, paid in kind (land); at December 31, 2019 it received contributions for \$292,734.

Under current regulations, at least 5% of net income for each year should be appropriated to the legal reserve until such legal reserve equals 20% of the amount of the capital stock paid.

On November 27, 2019, the General Stockholders' Meeting decided to reduce the variable portion of Company's capital in the amount of \$54,503.

As required by IAS 33, when there is a stock split the calculation of basic and diluted earnings per share for all the reporting years is adjusted retrospectively. Following are the components used in the calculation of basic and diluted earnings per share for the year ended December 31, 2019:

	December 31,	
	2020	2019
Net income for the year	\$ (276,561)	\$ 428,390
Number of stocks after the Split	55,043,780	55,043,780

Note 25 - Merger:

As mentioned in Note 24, on September 23, 2020, the resolutions adopted outside the Company Ordinary and Extraordinary Stockholders' Meeting were notarized by means of public deed No. 91,247 granted before Mr. Roberto Núñez y Bandera, Notary Public number 1 of Mexico City; these resolutions decided, among other matters, the merger by absorption between Acosta Verde, S. A. B de C. V., as merging and surviving company and Promecap Acquisition Company, S. A. B. de C. V., as merged, now extinct company.

Promecap Acquisition Company, S. A. B. de C. V. was a Stock Exchange Corporation of Variable Capital incorporated under the law of Mexico on November 24, 2017, as a special-purpose acquisition company set up for the purpose of effecting a merger, asset acquisition, stock purchase, stock exchange, participation or interest purchase, combination, consolidation, corporate reorganization or other similar business combination, and its corporate purpose was to: (i) acquire any kind of assets, stocks, participations or interests in any type of commercial or civil companies, associations, partnerships, trusts or any kinds of entities; (ii) participate as a partner, stockholder or investor in all types of business or commercial or civil companies, associations, partnerships, trusts or any kinds of entities; (iii) issue and place stocks representing the capital of the Company, either publicly or privately, in local or foreign markets; (iv) issue and place warrants related to stocks representing capital or to whatsoever other securities, in local or foreign markets; and (v) issue and place credit securities, debt instruments or any other instrument, either publicly or privately, in local or foreign markets.

The condensed balance sheet of Promecap Acquisition Company, S. A. B. de C. V., at August 31, 2020 is included below:

Assets	
Current assets	\$ 5,533
Non-current assets	3,723,861
Total assets	\$ 3,729,394
Liabilities and Stockholders' Equity	
Total stockholders' equity	\$ 3,729,394
Total liabilities and stockholders' equity	\$ 3,729,394

This merger is considered outside the scope of IFRS 3 - Business Combination due to the fact that the merged entity, PAC, which for accounting purposes would be the one acquired and extinguished, does not configure a business in the terms defined by this standard. As mentioned in Note 24, the merger was evaluated jointly with the issuance of capital performed by the Company on February 7, 2020, for the investment made by PAC, and recorded at fair value. Through this capital increase, PAC became a stockholder of the Company pursuant to the agreements entered into (see Note 24). As a result of the merger, PAC's non-current assets were offset against its capital stock.

Note 26 - Deferred income tax:

The main differences that created deferred tax assets/liabilities, which are estimated to be recovered in a period exceeding 12 months, are as follows:

	December 31,	
	2020	2019
Deferred tax assets:		
Property and equipment	\$ 9,445	\$ 9,533
Customers' advanced payments	15,792	14,793
Suppliers	139,929	12,288
ESPS payable	1,312	1,253
Employee benefits	5,373	3,787
Other accounts payable	123,955	45,305
Lease liabilities	18,245	9,200
Other assets	73,750	22,213
Deductible interest	42,437	-
Tax loss carryforwards	1,827,515	1,925,598
	<u>2,257,753</u>	<u>2,043,970</u>
Deferred tax liabilities:		
Investment properties	(7,473,922)	(8,064,796)
Intangible assets	(73,610)	(64,545)
Advance payments	(26,932)	(31,642)
Incentives for customers	(120,269)	-
	<u>(7,694,733)</u>	<u>(8,160,983)</u>
Total net differences on deferred income tax	(5,436,980)	(6,117,013)
Statutory tax rate	30%	30%
Deferred income tax liability	(1,631,094)	(1,835,104)
Valuation allowance in subsidiaries	-	-
Deferred income tax liability	<u>\$ (1,631,094)</u>	<u>\$ (1,835,104)</u>

Changes in temporary differences during the year are as follows:

	Balance at December 31, 2019	Recorded in income/loss	Recorded in other comprehensive income	Balance at December 31, 2020
Employee benefits	\$ 1,136	\$ 165	\$ 311	\$ 1,612
Tax loss carryforwards	577,679	(12,509)		565,170
ESPS payable	376	18		394
Deductible interest	-	12,731		12,731
Allowances and others	68,710	63,167	-	131,877
	<u>647,901</u>	<u>63,572</u>	<u>311</u>	<u>711,784</u>
Property and equipment, net	(2,418,307)	178,637		(2,239,670)
Intangible assets	(19,364)	(2,719)		(22,083)
Prepaid expenses	(53,727)	(28,315)		(82,042)
Other	8,393	(7,476)	-	917
	<u>(2,483,005)</u>	<u>140,127</u>	<u>-</u>	<u>(2,342,878)</u>
Deferred tax liabilities	<u>\$ (1,835,104)</u>	<u>\$ 203,699</u>	<u>\$ 311</u>	<u>\$ (1,631,094)</u>

	Balance at December 31, 2018	Recorded in income/loss	Recorded in other comprehensive income	Balance at December 31, 2019
Employee benefits	\$ 741	\$ 60	\$ 335	\$ 1,136
Tax loss carryforwards	580,854	(3,175)		577,679
ESPS payable	576	(200)		376
Allowances and others	25,661	43,049	-	68,710
	<u>607,832</u>	<u>39,734</u>	<u>335</u>	<u>647,901</u>
Property and equipment, net	(2,196,112)	(222,195)		(2,418,307)
Intangible assets	(53,149)	33,785		(19,364)
Prepaid expenses	(26,747)	(26,980)		(53,727)
Other	(11,551)	19,944	-	8,393
	<u>(2,287,559)</u>	<u>(195,446)</u>	<u>-</u>	<u>(2,483,005)</u>
Deferred tax liabilities	<u>\$ (1,679,727)</u>	<u>\$ (155,712)</u>	<u>\$ 335</u>	<u>\$ (1,835,104)</u>

The gross activity recorded in the deferred income tax account for the years ended December 31, 2020 and 2019

is as follows:

	2020	2019
At January 1	\$ (1,835,104)	\$ (1,679,727)
Credit to income	157,750	(155,712)
Credit to other comprehensive income	311	335
Credit to other equity accounts	45,949	-
At December 31	<u>\$ (1,631,094)</u>	<u>\$ (1,835,104)</u>

Deferred tax assets recognized at December 31, 2020, which include significant amounts of tax loss carryforwards, are based on projection scenarios of future tax profits. In the event of changes in these assumptions on future tax profits, the assets recognized could be adjusted.

The Company has assessed the recoverability of tax losses at December 31, 2020 considering these tax projections, it has determined the need to derecognize deferred tax assets for \$16,916, relating to the tax losses that the Company, based on the projections, estimates that it will be unable to recover.

The average effective annual rate of income tax applied for the twelve-month period ended December 31, 2020 is 27% and includes the effect of the derecognition described above in the first quarter of the year.

At December 31, 2020, the Company has not recognized deferred tax liabilities for temporary differences for approximately \$9,135 million, derived from the difference between the tax cost of the stocks of its subsidiaries and the value of consolidated net assets; this difference is mainly attributable to profits pending distribution, among others, because based on the applicable exception the Company considers that it will not sell its investments in subsidiaries in the near future and its policy is to distribute the dividends from its subsidiaries only up to the amounts previously taxed.

Note 27 - Operating expenses:

Operating expenses classified by their nature for the years ended on December 31, 2020 and 2019 are made up as follows:

	2020	2019
Cost of investment properties:		
Cost of land sold	\$ -	\$ 11,500
Operating expenses:		
Employee benefits expense	331,699	240,756
Fees, advisory and administrative services	71,091	76,867
Leases	5,873	8,246
Depreciation and amortization	28,596	27,744
Construction projects	17,938	20,434
Maintenance	58,015	60,402
Office expenses	7,321	6,848
Taxes and rights	493	286
Fines and surcharges	-	25
Other expenses	11,173	5,351
Personnel expenses	1,925	2,981
Travel expenses	2,268	7,351
Impairment of accounts receivable	44,028	4,698
Total	\$ 473,489	\$ 473,489

In February 2020 the Company made the payment of a long-term incentive bonus to certain executives for an amount of \$90,825, following the plan known as "Long term incentive plan", which consisted in a bonus measured according to market value conditions and payable based on a liquidity event, for which the Company took into account the capital increase explained in Note 24. This expense is shown under the caption Employee benefits expense for the year ended December 31, 2020.

Note 28 - Other income and expenses:

For the years ended December 31, 2020 and 2019, the caption Other income and expenses is made up as follows:

	2020	2019
Other income:		
Expenses reimbursement	\$ 4,025	\$ 1,386
Balance offset	619	2,293
Climate recovery	2,986	4,243
Tax cleanup	12,474	14,026
Reversal of overstated provisions	-	3,613
Penalties	5,025	-
Advances for store premises	-	55,332
Collection of common area expenses	634	-
Sale of property and equipment	364	-
	<u>26,127</u>	<u>80,893</u>
Other expenses:		
Tax cleanup	(250)	(2,673)
Climate supply	(5,999)	(6,450)
Water supply	(12,509)	-
Loss on sale of interest in associates	-	(53,357)
Write-off of balances receivable from stockholders	(3,872)	(53,391)
Estimate of bad debts	-	(173)
Cost of property and equipment sold	(187)	-
Other expenses	(749)	(207)
	<u>(23,566)</u>	<u>(116,251)</u>
Other income (expenses), net	\$ 2,561	\$ (35,358)

Note 29 - Financial income and expense:

For the years ended December 31, 2020 and 2019, the caption Financial income and expense is made up as follows:

	2020	2019
Financial expense:		
Interest expense over debt	\$ (454,973)	\$ (554,140)
Interest paid to legal entities	(2,677)	(10,512)
Interest paid to related parties	(7,687)	(45,379)
Financial instruments	(72,528)	(87,513)
Interest on financial instruments	(26,331)	-
Warrants	(42,300)	-
Bank commissions	(1,694)	(8,704)
Interest on right-of-use assets	(18,809)	(18,535)
Foreign exchange loss	(785,961)	(125,870)
Total financial expense	<u>(1,412,960)</u>	<u>(850,653)</u>
Financial income:		
Interest collected from related parties	135	135
Interest revenue	1,596	2,025
Bank interest	58,441	37,452
Financial instruments	2,575	22,843
Fair value of interest paid to related parties	16,653	-
Foreign exchange gain	979,756	128,957
Total financial income	<u>1,059,156</u>	<u>191,412</u>
Financial expense, net	<u>\$ (353,804)</u>	<u>\$ (659,241)</u>

Note 30 - Income taxes

Income tax for the years ended on December 31, 2020 and 2019 is made up as follows:

	2020	2019
Current tax (Income Tax)	\$ (57,559)	\$ (61,482)
Deferred tax (Income Tax)	157,750	(155,712)
Income tax	<u>\$ 100,191</u>	<u>\$ (217,194)</u>

The reconciliation between the statutory and effective income tax rates for the years ended December 31, 2020 and 2019 is shown below:

	2020	2019
(Loss) income before taxes	\$ (503,377)	\$ 751,703
Less: non-controlling interest in Trusts (1)	<u>(127,351)</u>	<u>105,337</u>
	(376,026)	646,366
Tax rate	<u>30%</u>	<u>30%</u>
Tax on corporate profits at statutory rate	(112,808)	193,910
Plus (less) effect of tax on corporate profits on:		
Tax inflationary effect	11,256	34,366
Non-deductible expenses	4,869	43,741
Non-cumulative income	1,493	1,421
Restatement of assets value for tax purposes	(38,010)	(36,995)
Other items	17,250	(6,053)
Tax revenue due to transfer pricing adjustment	16,858	-
Restatement of tax losses	(18,015)	(13,196)
Impairment of tax losses	<u>16,916</u>	<u>-</u>
Total tax on corporate profits	<u>\$ (100,191)</u>	<u>\$ 217,194</u>
Effective Income Tax rate	<u>27%</u>	<u>34%</u>

(1) Those Trusts in which the Company does not have a controlling interest are non-corporate trusts, considered transparent for Income Tax Law purposes; in this case, the Trustors are the ones to accrue income and deduct expenses for tax purposes, in the adequate proportion according to their participation percentage in trustee rights.

Tax income differs from accounting income mainly in those items which are accumulated over time and deducted differently for accounting and tax purposes, in the recognition of the effects of inflation for tax purposes, as well as in those items which only affect the accounting or tax income.

At December 31, 2020 restated Capital Contribution Account (CUCA) and Net Tax Income Account (CUFIN) amount to \$8,528,644 and \$1,077,099, respectively.

At December 31, 2020, the Company and its subsidiaries had tax loss carryforwards for a total of \$2,004,621, expiring as shown below:

Year of generation of tax losses	Year of expiration	Montos actualizados al 31 de diciembre de 2020
2011	2021	\$ 79,376
2012	2022	101,707
2013	2023	122,737
2014	2024	141,420
2015	2025	212,819
2016	2026	717,565
2017	2027	415,578
2018	2028	69,861
2019	2029	133,328
2020	2030	10,230
Total tax losses		\$ 2,004,621 ^{a)}

a) This amount includes \$177,107, which has not been recognized as there is no certainty of future taxable income against which to apply deductions from temporary differences.

Note 31 - Changes in accounting policies:

Cash flow

Effective September 30, 2020, the Company changed its accounting policy for the presentation of the cash flow statement, changing from the direct method to the indirect method also established in IAS 7 - Statement of Cash Flows. Pursuant to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, the Company has also restated the comparative statement of cash flow for the period ended December 31, 2019.

The Company has decided to change its accounting policy because it has become an Issuer listed on the Mexican Stock Exchange, as the reporting formats allow only to apply the indirect method and it is considered that this method enables users of the consolidated financial statements to perform a better analysis of cash flows, prepared on a basis comparable with public information available through the Mexican Stock Exchange.

Note 32 - Subsequent events:

In the preparation of the financial statements, the Company has assessed the events and transactions for their recognition or subsequent disclosure at December 31, 2020 and up to March 19, 2021 (date of issuance of the financial statements) and has concluded that there are no subsequent events affecting these.

On February 11, 2021 additional loans were received for an amount of \$35,998 for the payment of derivative financial instruments. These loans accrue interest at a rate of 6.89% and 6.97%, effective April 15, 2021.

COVID-19

At March 19, 2021 the shopping centers were operating as described below and the occupancy rate of the total portfolio in operation was 92.07%:

Shopping Center Plaza Sendero	COVID-19 Traffic-Light Monitoring System	Operative status at March 19, 2021
Escobedo	Orange	Essential businesses and non-essential with restrictions*
Las Torres	Yellow	Essential businesses and non-essential with restrictions*
Periférico	Yellow	Essential businesses and non-essential with restrictions*
Ixtapaluca	Orange	Essential businesses and non-essential with restrictions*
San Luis	Orange	Essential businesses and non-essential with restrictions*
Toluca	Orange	Essential businesses and non-essential with restrictions*
San Roque	Orange	Essential businesses and non-essential with restrictions*
Apodaca	Orange	Essential businesses and non-essential with restrictions*
Juárez	Yellow	Essential businesses and non-essential with restrictions*
Chihuahua	Yellow	Essential businesses and non-essential with restrictions*
Los Mochis	Yellow	Essential businesses and non-essential with restrictions*
Tijuana	Yellow	Essential businesses and non-essential with restrictions*
Sur	Yellow	Essential businesses and non-essential with restrictions*
Obregón	Yellow	Essential businesses and non-essential with restrictions*
Culiacán	Yellow	Essential businesses and non-essential with restrictions*
Mexicali	Yellow	Essential businesses and non-essential with restrictions*

* Restrictions may refer to opening hours, capacity or vulnerable groups

Jesús Adrián Acosta Castellanos	Edgar René Maldonado de los Reyes	Rosalinda Fernández Castillón
Chief Executive Officer	Chief Financial Officer	Controller