

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

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

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

Consolidated Financial Statements

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December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board members of Acosta Verde, S. A.
B. 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, 2021, 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, 2021, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as 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 Professional Code of Ethics of the Mexican Institute of Public Accountants (Instituto Mexicano de Contadores Públicos, A.C.), and 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
<p>Recovery of Deferred Income Tax Asset</p> <p>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, collections management, and specialized professional services provided to related parties, which are eliminated in the consolidation process.</p> <p>We focused on this matter in the course of our audit, mainly due to the following reasons: 1) the</p>	<p>As part of our audit, we performed the following procedures:</p> <ul style="list-style-type: none">• We analyzed whether Management applied its previously defined internal process to prepare projections, and whether they are consistent with historical trends and the plans previously approved by Management.• Regarding lease income, we compared the actual results of the current year with the figures budgeted for this year in the previous fiscal year, in order to evaluate whether the related assumptions included in the projections could be considered highly optimistic.• We compared projected lease income with that considered in the process of valuation of the pertinent investment property. We evaluated income from the services of administration of lease agreements, collections management and 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.

significance of the amount of tax loss carryforwards (\$670,264 at December 31, 2021) and 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.

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) lease income, 2) 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, and 3) increases in fees for other specialized professional services provided to related parties.

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 4.

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 for \$13,702 million, representing 75% of total assets, and the fact that this is the asset from which the Company's main business activity derives and 2) the assumptions used in estimating fair value involve applying significant judgments by Management.

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: discount rate, terminal capitalization rate, direct capitalization rate and rental prices, lease term and square meters.

- 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 experience in implementing growth plans and with market trends.
- We compared the increases in fees for other specialized professional services provided to related parties with the amount considered as taxable income of the subsidiary when determining its current income tax, and evaluated its tax treatment.
- 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.

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.
- 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 profit 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.

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.

Other Information

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.

When we read the Other Information not yet received, we will issue the report required by the CNBV and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if required, describe the issue in our report.

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 consolidated 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 during our audit.

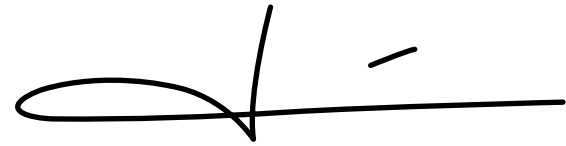
We also provide those charged with governance with a statement on our fulfillment of relevant ethical requirements regarding independence and communicate any relationship and other matters that might reasonably affect our independence and, when applicable, the pertinent actions taken to reduce threats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

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

the public interest benefits of such communication.

The audit engagement partner is who signs this report.

PricewaterhouseCoopers, S.C.



Certified Public Accountant Felipe Córdova Otero
Audit Partner

Monterrey, N. L., March 18, 2022

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

Amounts expressed in thousands of Mexican pesos

December 31,

	Note	2021	2020
Assets			
CURRENT ASSETS:			
Cash and cash equivalents	6	\$ 3,554,467	\$ 3,301,792
Accounts receivable, net	7	29,341	70,667
Related parties	8	4,830	5,042
Other accounts receivable	10	3,180	4,555
Advance payments	11	1,348	5,087
Incentives to lessees not yet accrued	1	45,557	56,378
Recoverable taxes	12	166,502	299,111
Land inventory	14	-	8,800
Total current assets		3,805,225	3,751,432
NON-CURRENT ASSETS:			
Construction in progress	15	49,852	520,727
Investment properties	15	13,702,500	12,757,221
Property and equipment, net	16	116,593	121,350
Restricted cash	17	133,865	119,581
Incentives to lessees not yet accrued	1	68,726	63,891
Guarantee deposits	13	23,449	22,418
Intangible assets	19	3,862	3,949
Right-of-use asset	20	134,927	141,609
Derivative financial instruments	18	62,689	173
Investments in joint ventures	9	193,617	199,054
Deferred Income Tax	26	20,320	2,842
Total non-current assets		14,510,400	13,952,815
Total assets		\$18,315,625	\$17,704,247
Liabilities and Stockholders' Equity			
CURRENT LIABILITIES:			
Current debt	21	\$ 260,093	\$ 233,881
Accounts payable and deferred income	22	232,500	325,363
Lease liabilities	20	17,780	16,859
Related parties	8	6,440	-
Derivative financial instruments	18	-	4,128
Income taxes	30	30,309	684
Total current liabilities		547,122	580,915

December 31,

	Note	2021	2020
NON-CURRENT LIABILITIES:			
Non-current debt	21	5,417,919	5,596,855
Non-current lease liabilities	20	144,214	143,057
Non-current deferred income		28,944	27,389
Derivative financial instruments	18	42,725	104,219
Deferred Income Tax	26	1,678,370	1,633,936
Employee benefits	23	4,119	5,373
Total non-current liabilities		7,316,291	7,510,829
Total liabilities		7,863,413	8,091,744
STOCKHOLDERS' EQUITY:			
Controlling interest:			
Capital stock	24 y 25	5,925,603	5,925,603
Premium on issuance of stocks		37,904	37,904
Retained earnings		3,418,014	2,740,502
Other equity accounts		(114,943)	(114,943)
Other comprehensive income		(2,094)	(2,090)
Total controlling interest		9,264,484	8,586,976
Non-controlling interest		1,187,728	1,025,527
Total stockholders' equity		10,452,212	9,612,503
Total liabilities and stockholders' equity		\$ 18,315,625	\$ 17,704,247

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year ended December 31, 2021 and 2020
Amounts expressed in thousands of Mexican pesos

		January 1 to December 31	
	Note	2021	2020
Income from:			
Lease of property	2w	\$ 976,208	\$ 954,892
Sale of property	2w	92,400	-
Administrative and selling services	2w	94,115	113,840
		1,162,723	1,068,732
Property lease expenses	27	(369,585)	(507,380)
Administrative and selling expenses	27	(49,408)	(73,040)
Cost of property sold	27	(114,300)	-
Valuation of investment properties	15	587,087	(649,300)
Other (expenses) income, net	28	(7,408)	2,561
Operating income (loss)		1,209,109	(158,427)
Financial income	29	582,581	1,059,156
Financial expenses	29	(803,059)	(1,412,960)
		(220,478)	(353,804)
Share of profits from joint ventures and associates	9	1,639	8,854
Income (loss) before income taxes		990,270	(503,377)
Income taxes	30	(120,370)	100,191
Net income (loss) for the year		869,900	(403,186)
Other comprehensive income items			
Items that will not be reclassified to income:			
Remeasurement of labor obligations	23	(4)	(726)
Comprehensive income for the year		\$ 869,896	\$ (403,912)

		January 1 to December 31	
	Note	2021	2020
Comprehensive income attributable to:			
Controlling interest		\$ 677,508	\$ (276,561)
Non-controlling interest		192,388	(127,351)
		\$ 869,896	\$ (403,912)
Basic earnings per share (Mexican pesos)	2y and 24	\$ 11.29	\$ (5.04)
Diluted earnings per share (Mexican pesos)	2y and 24	\$ 8.85	\$ (3.92)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2021 and 2020
Amounts expressed in thousands of Mexican pesos

	Note	Capital stock	Premium on issuance of stocks	Retained Earnings	Other equity accounts	Other comprehensive income	Total controlling interest	Non-controlling interest	Total
Balances at January 1, 2020	24	\$ 2,216,268	\$ 37,904	\$ 3,019,893	\$ (6,579)	\$ (1,364)	\$ 5,266,122	\$ 1,196,896	\$ 6,463,018
Increase in capital stock	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,	24	-	-	-	-	-	-	(28,213)	(28,213)
Distribution of profits	24	-	-	-	-	-	-	(15,751)	(15,751)
Changes in controlling interest	25	-	-	-	-	-	-	(54)	(54)
Effects of merger		-	-	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
Distribution of profits	24	-	-	-	-	-	-	(30,187)	(30,187)
Comprehensive income for the year	2u	-	-	677,512	-	(4)	677,508	192,388	869,896
Balances at December 31, 2021		\$5,925,603	\$37,904	\$3,418,014	\$(114,943)	\$(2,094)	\$9,264,484	\$1,187,728	\$10,452,212

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

CONSOLIDATED STATEMENTS OF CASH FLOWS - INDIRECT METHOD

Year ended December 31, 2021 and 2020

Amounts expressed in thousands of Mexican pesos

	Note	2021	2020
Cash flows from operating activities:			
Consolidated income (loss), net		\$ 869,896	\$ (403,912)
Adjustments:			
Depreciation and amortization	27	28,523	28,595
Impairment of receivables from customers	7 y 27	(24,988)	44,028
Net loss on land sold		21,900	-
Impairment of construction in progress	28	17,376	-
Income taxes	30	120,370	(100,191)
(Increase) decrease in fair value of investment properties	15	(587,087)	649,300
Share in profits/losses of associated companies and trusts	9	(1,639)	(8,854)
Employee benefits		(1,255)	1,586
Effects of merger	25	-	5,293
Valuation of financial instruments	18	(126,007)	139,699
Interest earned	29	(27,937)	(76,825)
Interest and commission charges	29	471,701	478,153
Subtotal		760,853	756,872
Changes in:			
Accounts receivable, net		66,316	(79,028)
Other accounts receivable		1,545	(1,635)
Incentives to lessees not yet accrued		5,987	(120,269)
Related parties		6,653	8,834
Advance payments		3,740	3,119
Recoverable taxes		132,495	53,989
Guarantee deposits		(1,031)	(1,010)
Accounts payable and deferred income		(91,197)	7,090
Income taxes		(63,789)	(78,541)
Net cash flows from operating activities		821,572	549,421

	Note	2021	2020
Investment activities			
Acquisition of investment properties		(10,193)	-
Interest and profits collected	29	27,937	60,170
Profits received from joint venture	9	8,184	12,311
Sale of property	14 y 15	92,400	-
Construction in progress	15	-	(406,071)
Acquisitions of property and equipment and intangibles	16 y 19	(13,347)	(33,190)
Investment in joint venture interests		(1,107)	-
Net cash flows provided by (used in) investment activities		103,874	(366,780)
Financing activities			
Contributions from non-controlling interest	24	-	6,289
Distribution of profits to Trustors-Trustees	24	(30,187)	(15,752)
Loans received from financial institutions	21	294,089	463,504
Payment of bank loans	21	(319,952)	(372,314)
Payment of other loans		(1,721)	(1,723)
Payment of stock certificates	21	(126,330)	(85,527)
Interest and commissions paid	29	(433,476)	(460,899)
Payment of loans from related parties	8	-	(453,735)
Payment of interest to related parties	8	-	(3,969)
Principal payments on leases	20	(17,359)	(17,237)
Premium on derivative financial instruments		(2,190)	(47,466)
Interest paid on derivative financial instruments	29	(21,361)	(23,756)
Capital contributions, net of issuance expenses	24	-	3,571,447
Decrease in capital stock	24	-	(15,585)
Restricted cash	7	(14,284)	20,738
Net cash flows (used in) provided by financing activities		(672,771)	2,564,015
Increase in cash and cash equivalents, net		252,675	2,746,656
Cash and cash equivalents at the beginning of year		3,301,792	555,103
From the merger		-	33
Cash and cash equivalents at the end of year		\$ 3,554,467	\$ 3,301,792
Financing activities not involving use of cash:			
Return in kind to Trustors-Trustees	24	\$ -	\$ 34,555

The accompanying notes are an integral part of these consolidated financial statements.

Lic. Jesús Adrián Acosta Castellanos
Chief Executive Officer

Lic. Rosalinda Fernández Castellón
Controller

Ing. Edgar René Maldonado de los Reyes
Chief Financial Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020
(Amounts expressed in thousands of Mexican pesos (\$) and thousands of US dollars, except for exchange rates)

Nota 1 - General information

Acosta Verde, S. A. B. 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	
	December 31, 2021	December 31, 2020
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. (1)	-	100
Servicios Corporativos AV, S. A. de C. V. (1)	-	100
Espacios Comerciales Talamás, S. de R. L. de C. V. (1)	-	100
Espacios Comerciales Villahermosa, S. A. de C. V. (1)	-	100
Espacios Comerciales Acapulco, S. A. de C. V. (1)	-	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. (1)	-	100
Espacios Comerciales Los Cabos, S. A. de C. V. (1)	-	100
Plaza Comercial Villahermosa, S. A. de C. V. (1)	-	100
Espacios Comerciales Tijuana, S. A. de C. V.	-	100
Nomcor, S. de R. L. de C. V. (1)	-	100
Centros Comerciales Eficientes, S. A. de C. V. (1)	-	100
Eje Empresarial, S. de R. L. de C. V. (1)	-	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
Irrevocable Trust CIB/3751	100	-

(1) On November 19, 2021, the Company conducted a corporate restructuring where different Companies were merged, as detailed in Note 2a.

At December 31, 2021 the most relevant transactions were as follows:

- a. On February 11, 2021, the loan agreement entered into with Banco Mercantil del Norte, S. A. Institución de Banca Múltiple, Grupo Financiero Banorte (Banco Banorte) on November 13, 2020 was renewed for \$20,364 (Note 21).
- b. The Company drew down \$3,974 on the loan with Banco Banorte on February 11 (Note 21).
- c. On March 12, 2021 the loan agreement entered into with Banco Banorte on December 14, 2020 was renewed for \$33,120 (Note 21).
- d. On March 11, 2021 the Company started operations at the shopping center Plaza Sendero Santa Catarina.
- e. As a result of the labor reform approved in April 2021, which came into effect in August 2021 (and which application was extended by the authorities for one month), the Company conducted a corporate restructuring for tax and legal purposes that is summarized as follows:
 - Transfer of its corporate employees from Nomcor, S. de R. L. de C. V. to the sub-holding company AV Promotora, S. de R. L. de C. V., with the latter becoming a shared services and specialized services company under the new regulations, maintaining the current working conditions and all the rights that the employees have accrued at the date of transfer under the same terms and conditions. To this end, the Members’ Meeting held on July 7, 2021 approved the amendment to the corporate purpose and the bylaws provisions referring to the rendering of independent and/or specialized legal, labor, accounting, human capital, information technology, project integration, quality and process prevention consulting services as well as accounting, treasury, collection, customer care and, in general; any other service relating to the provision of management and consulting services to third parties and to subsidiaries or affiliates in Mexico or abroad, in the exercise of the right to freedom of labor contained in Article 5 of the Political Constitution of the United Mexican States.

- The sub-holding company is the company that provides specialized services to other AV subsidiaries and concentrates income and personnel expenses.
- Transfer of the employees of Eje Empresarial, S. de R. L. de C. V. to each of the shopping center administrations, operated by third parties unrelated to Acosta Verde, S. A. B de C. V., maintaining the current working conditions and all the rights that the employees have accrued at the date of transfer under the same terms and conditions.
- As a consequence of the transfer of the employees to the shopping center administrations, since the transfer date AV no longer obtains revenue from shopping centers management services nor does it incur costs associated with the services provided to the shopping centers.
- In light of the above, some subsidiaries became dormant, and management decided to merge them. This merger transaction is described in Note 2a.
- f. On October 13, 2021, the Incentive Plan for stock option compensation for officers and employees of the Company (the Plan) became effective through the Irrevocable Management Trust identified as CIB/3751. The Plan was approved by the Board of Directors on April 8, 2021, and on April 26, 2021 it was authorized by the Ordinary Stockholders’ Meeting. Under the Plan, the Company will grant some of its officers an option to subscribe and pay in a given number of stocks, pursuant to the terms and conditions established in the individual subscription agreements entered into with each employee.

The analysis of the grant date shows that it was not agreed upon at the closing of 2021 as provided for by the requirements of IFRS 2 - Share-based payments. Although the Incentive Plan was approved by the Stockholders’ Meeting and the Board of Directors, the mutual understanding between the Company and the officers has not been formalized but will be documented through subscription agreements. Such agreements will establish, among others, the vesting period and number of options granted, but have not been

executed at the closing of fiscal year 2021. Eligible officers have not been informed of the details of the terms and conditions of the Incentive Plan. The Board of Directors has been empowered by the Stockholders' Meeting to select the eligible officers and use individual subscription agreements to formalize both the offer and acceptance.

When the individual subscription agreements are formalized with the eligible officers, the grant date will be set, which will be the valuation date of the Incentive Plan.

- g. On November 11, 2021 the property of 140,787 square meters located in Ciudad Juárez, Chihuahua, was sold in the amount of \$77,400 (see Note 15).

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

- a. 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).
- b. 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 28-day TIE rate plus 2.5%.
- c. 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).
- d. 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).
- e. 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).

- f. 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).
- g. 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).
- h. 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).
- i. 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
- j. 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 2021, the shopping centers operated as described below:

- The shopping centers were operating with essential and non-essential stores, subject to restrictions on capacity, working hours and/or vulnerable groups..

During 2020, mobility restrictions were much more severe and for longer periods of time, which caused the shopping centers to operate intermittently in that year with capacity restrictions, which varied depending on the state where they are located.

Visitor traffic at the shopping centers was significantly affected, decreasing by approximately 21% in 2021 and 40% in 2020, compared to 2019 pre-pandemic rates.

In the fiscal year ended December 31, 2021, the Company performed the following activities to address the contingency and set policies in support of the tenants, as summarized below:

- As a consequence of periodic interruptions in construction activities, the opening of the Sendero Ensenada project was postponed (see Note 15).
- Some sort of aid was granted to tenants of shopping center stores through discounts on fixed rent, which at year end are no longer granted.
- The plan to reduce expenses incurred by the Corporate Office, such as fees, commissions, travel expenses, administrative and project expenses, continued.

In the fiscal year ended December 31, 2020, the

Company performed the following activities:

- Support to tenants of shopping centers with discounts in fixed rent charges, as from April 2020.
- The Company's goal was to recover the overdue credit portfolio generated in the period of the health contingency and managed to achieve it.
- 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 was postponed: Sendero Santa Catarina and Sendero Ensenada.

At December 31, 2021 the shopping centers were operating, with an average occupancy rate of the total portfolio in operation of 90.7%.

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%:

Shopping Center Plaza Sendero	México's COVID-19 Traffic-Light Monitoring System	Operative status at December 31, 2020
Escobedo	Red	Essential and non-essential stores with restrictions* - closed Sundays
Las Torres	Red	Essential and non-essential stores with restrictions*
Periférico	Orange	Essential and non-essential stores with restrictions*
Ixtapaluca	Red	Essential stores only
San Luis	Orange	Essential and non-essential stores with restrictions*
Toluca	Red	Essential stores only
San Roque	Red	Essential and non-essential stores with restrictions* - closed Sundays
Apodaca	Red	Essential and non-essential stores with restrictions* - closed Sundays
Juárez	Red	Essential and non-essential stores with restrictions*
Chihuahua	Red	Essential and non-essential stores with restrictions*
Los Mochis	Yellow	Essential and non-essential stores with restrictions*
Tijuana	Red	Essential and non-essential stores with restrictions*
Sur	Orange	Essential and non-essential stores with restrictions*
Obregón	Orange	Essential and non-essential stores with restrictions*
Culiacán	Yellow	Essential and non-essential stores with restrictions*
Mexicali	Red	Essential and non-essential stores with restrictions*

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

Authorization of the Financial Statements:

The accompanying Financial Statements and their notes were authorized for issuance on March 18, 2022, by the officers whose signatures appear at the end of the separate Financial Statements and their Notes.

Nota 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.

Corporate restructuring

The consolidated financial statements include the net assets of the following companies that were merged effective November 19, 2021 in transactions under common control and accounted for in accordance with the accounting policy described below for these transactions.

AV Promotora, S. de R. L. de C. V., surviving company, merged with the following subsidiaries (merged companies):

- Centros Comerciales Eficientes, S. A. de C. V. (company operating shopping centers and owner of the Sendero brand)
- Nomcor, S. de R. L. de C. V. (corporate staff company)
- Eje Empresarial, S. de R. L. de C. V. (shopping center staff company)
- Espacios Comerciales Veracruz, S. A. de C. V. (dormant)
- Servicios Corporativos AV, S. A. de C. V. (dormant)
- Espacios Comerciales Talamas, S. de R. L. de C. V. (dormant)
- Espacios Comerciales Acapulco, S. A. de C. V. (dormant)
- Promavace, S. A. de C. V. (dormant)
- Espacios Comerciales Los Cabos, S. A. de C. V. (dormant)
- Espacios Comerciales Tijuana, S. A. de C. V. (dormant)

Desarrolladora de Espacios Comerciales, S. de R. L. de C. V., surviving company, merged with the following subsidiaries (merged companies):

- Espacios Comerciales Villahermosa, S. A. de C. V. (dormant)
- Plaza Comercial Villahermosa, S. A. de C. V. (dormant)

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, 2021:

- IFRS 16 COVID-19-Related Rent Concessions
- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform—Phase 2

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

i. 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, 2021 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 (effective date of adoption: January 1, 2023).

iii. Changes in accounting policies

Effective September 30, 2020, the Company changed its accounting policy of cash 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, 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.

When corporate restructurings are conducted under common control, including mergers that do not qualify as a business acquisition, the net assets of the merged entities are recognized at their pre-merger carrying amounts. No adjustment is made to show fair values or recognize new assets or liabilities, nor is any goodwill recognized. If there is any difference between these net assets and any consideration paid, it is recognized under stockholders' equity and comparative information is shown.

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, 2021 and 2020.

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. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to show their relative interests in the subsidiary. The difference between the adjusted fair value of the consideration paid or received and the non-controlling interest is recorded in stockholders' 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. Receivables from customers

Trade receivables are amounts owed by customers for income falling due from 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, 2021 or December 31, 2020, 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.

h. 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, 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, 2021 and 2020, 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:

- i. When identifying a factor that affects the value of land; and
- ii. At least once every 12 months starting from land acquisition.

Fair value gains and losses are recorded in other

comprehensive income when incurred.

A land plot 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.

l. 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 or construction 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.

- ii. 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 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. Share-based payments

The Company grants long-term benefits to employees through an incentive plan whereby employees receive compensation in AV stock options (see Note 24) only if they continue working for the Company during a certain period of time and/or the market/performance conditions defined in the agreements entered into with eligible employees are satisfied. These payments are accounted for in accordance with IFRS 2 - Share-based Payments.

The fair value of services received under the stock option plan for AV employees is recognized as an expense during the vesting period, which is the period during which all specified conditions must be satisfied, with the related increase in stockholders' equity. The total amount to be expensed is determined based on the fair value of the options at the date they are granted,

considering the most appropriate valuation model according to the terms and conditions agreed in the subscription agreements with the eligible employee.

The employee stock option plan is administered by the Irrevocable Management Trust identified under number CIB/3751, which is consolidated in accordance with the relevant accounting principles in Note 2c. When the options are exercised, the trust transfers the stocks to the employee. This is then recognized in the capital stock account, net of any transaction costs directly attributable to the transaction

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 shopping center administrative services, as described below:
 - Income from project management services.
 - Income from portfolio management services.
 - 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, 2021 and 2020, the effect of these amendments is included under the caption Incentives to lessees not yet accrued, in the statement of financial position.

Income from leasing rights is recognized in property lease income in the statement of

comprehensive income. For the years ended on December 31, 2021 and 2020, the leases amounted to \$15,617 and \$17,560, 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.

Nota 3 - Financial risk management

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

- i. Market risk
- ii. Exchange rate risk
- iii. Credit risk
- iv. Liquidity risk

i. 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, 2021 and 2020, including interest rates and maturities, are detailed in Note 21.

If 28-day TIIE had increased 100 basis points (1.00%) at December 31, 2021 and 2020, and all other risk factors had remained constant, comprehensive income would have been negatively affected in the amounts of \$27,890 and \$37,457, 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 82% (81% in 2020) of variable rate loans pending payment. Swap fixed interest rates range from 5.40% to 5.96% (5.40% to 7.73% in 2020) and loan variable rates are between 2.25% and 2.50% above 28-day TIIE, which at the end of the year was 5.72% (4.48% in 2020).

ii. Exchange rate risk

The exchange rate risk is related to the risk that the fair value of future cash flows from a financial instrument might change due to exchange rate fluctuations.

As a result of the capital increase mentioned in Note 24, at December 31, 2021 and 2020 the Company has cash in banks for US\$153,802 and US\$154,581, respectively, which creates exposure to exchange rate risk resulting from the variation in the Mexican peso/US dollar exchange rate.

If at December 31, 2021 and 2020 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 \$153,802 and \$154.581, respectively

iii. 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, 2021 and

2020.

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, 2021 and 2020, the impairment provision was \$19,642 and \$48,239, respectively.

The Company considers this reserve sufficient to cover an expected loss on accounts receivable; however, it cannot assure that it will not be required to increase the amount of this reserve. At December 31, 2020, the increase in the impairment provision is due to the efforts made to mitigate the effects of the COVID-19 pandemic (see Note 7), which was reversed in 2021 as past due balances were recovered.

Cash and securities

An analysis of the credit ratings of financial institutions prepared by S&P Global Ratings and HR Ratings where the Company has cash and cash equivalents at the end of each period is shown below:

	December 31	
	2021	2020
Cash:		
Institution with A3 rating		
Banco Mercantil del Norte, S. A.	\$ 258,467	\$ 95,004
Institution with A2 rating		
BBVA Bancomer, S. A.	3,164,025	3,083,455
Institution with MX-A2 rating		
Banco Invex, S. A.	131,879	123,319
Banco Sabadell, S. A., Institución de Banca Múltiple.	83	1
Cash	13	13
Total	\$ 3,554,467	\$ 3,301,792
Restricted cash:		
Institution with MX-A2 rating		
Banco Invex, S. A.	\$ 123,056	\$ 119,579
Banco Sabadell, S. A., Institución de Banca Múltiple.	10,809	2
Total:	\$ 133,865	\$ 119,581

iv. 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.

The projected cash flows and disbursements of financial liabilities are included in the statement of financial position, as long as the interest is calculated at variable rate. The undiscounted amount is derived from the interest rate curves at the end of the reporting period. The contractual maturity is based on the date by which the Company has to make the payment.

At December 31, 2021	Maturities				
	3 months	6 months	1 year	2-3 years	More than 3 years
Accounts payable and deferred income	\$ 232,500				
Financial debt with no stock certificates	85,258	\$ 81,005	\$ 179,094	\$ 794,127	\$ 3,390,165
Lease liabilities	4,463	4,333	8,769	33,863	608,784
Derivative financial instruments	-	-	-	42,725	-
Stock certificates	93,513	83,363	172,491	803,613	2,668,372
	\$ 415,734	\$ 168,701	\$ 360,354	\$ 1,674,328	\$ 6,667,321

At December 31, 2020	Maturities				
	3 months	6 months	1 year	2-3 years	More than 3 years
Accounts payable and deferred income	\$ 325,363				
Financial debt with no stock certificates	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
	\$ 538,869	\$ 151,572	\$ 306,101	\$ 1,498,651	\$ 7,459,410

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, 2021 and 2020 was as follows:

	Note	December 31, 2021	December 31, 2020
Total loans	21	\$ 3,109,024	\$ 3,138,200
Debt Trust 2284	21	2,568,988	2,692,536
Less: Restricted cash	17	(133,865)	(119,581)
Less: Cash and cash equivalents	6	(3,554,467)	(3,301,792)
Net debt		1,989,680	2,409,363
Total stockholders' equity		10,452,212	9,612,503
Total equity and debt		\$ 12,441,892	\$ 12,021,866
Leverage ratio		16%	20%

Nota 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, 2021 and 2020 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, 2021 and 2020, 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			
	2021		2020	
Discount rate	12.27%	12.92%	11.98%	12.83%
Average rent per square meter	\$ 77	\$ 3,487	\$ 81	\$ 3,369

At December 31, 2021 and 2020:

- 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, 2021 and 2020, 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 (\$44.3) million pesos and \$44.3 million pesos, in 2021, and (\$42.8) million pesos and \$42.8 million pesos in 2020. 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 (\$40.5) million pesos and \$45.3 million pesos for the year 2021 and (\$40.3) million pesos and approximately \$45.1 million pesos for the year 2020.

At December 31, 2020, the quantification of the impact of COVID-19, which caused a partial shutdown of shopping centers, resulted in a decrease of their fair value by \$649,300.

The valuation of the investment properties was conducted by independent expert appraisers.

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 \$670,264 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 two new shopping centers in 2023 and four each year from 2024 to 2031. If in the period 2023-2031 the Company were unable to keep this pace of revenue generation from the development of new shopping

centers and no progress was made in relation to the shopping centers, deferred income tax asset could decrease by \$8.9 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.

Nota 5 - Segment financial information:

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.

Nota 6 - Cash and cash equivalents

At December 31, 2021 and 2020, the caption Cash and cash equivalents is made up as follows:

	December 31, 2021	December 31, 2020
Cahs	\$ 13	\$ 13
Banks	132,400	130,597
Short-term investments (less than three months)	3,422,054	3,171,182
Total cash and cash equivalents	\$ 3,554,467	\$ 3,301,792

Nota 7 - Accounts receivable

- a. At December 31, 2021 and 2020, the balances of trade receivables and other accounts receivable are made up as follows:

	December 31,	
	2021	2020
Customers:		
Receivables from customers	\$ 48,983	\$ 118,906
Provision for impairment of receivables from customers	(19,642)	(48,239)
Total accounts receivable	\$ 29,341	\$ 70,667

At December 31, 2021 and 2020, 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, 2021 and 2020 was determined as follows for accounts receivable:

December 31, 2021	Current	More than 30 days due	More than 60 days due	More than 90 days due	Total
Expected loss rate	7.59%	7.99%	7.91%	65.12%	
Gross amount recorded of accounts receivable	\$ 17,322	\$ 1,767	\$ 2,242	\$ 27,652	\$ 48,983
Provision for losses	\$ 1,315	\$ 141	\$ 177	\$ 18,008	\$ 19,642

December 31, 2020	Current	More than 30 days due	More than 60 days due	More than 90 days due	Total
Tasa de pérdida esperada	26.07%	27.11%	26.55%	67.09%	
Importe bruto en libros de cuentas por cobrar	\$ 48,150	\$ 15,930	\$ 13,359	\$ 41,467	\$ 118,906
Provisión de pérdida	\$ 12,554	\$ 4,319	\$ 3,547	\$ 27,819	\$ 48,239

The final balances of the provisions for expected losses for accounts receivable at December 31, 2021 and 2020 are in line with the provisions for initial losses, as shown below:

	Provision for Impairment	
	December 31, 2021	December 31, 2020
Opening balance (January 1):	\$ 48,239	\$ 9,732
(Decrease) increase in the provision for impairment of receivables from customers	(24,988)	44,028
Receivables written off in the fiscal year as bad debts	(3,609)	(5,521)
	\$ 19,642	\$ 48,239

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.

Nota 8 - Related parties

Following are the balances and transactions held with related parties during the years ended December 31, 2021 and 2020. These transactions were held as if conditions were equivalent to comparable transactions held with independent third parties.

At December 31, 2021 and 2020, balances receivable from and payable to related parties are as follows:

	December 31, 2021		December 31, 2020	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Current related parties				
Affiliates:				
Trust CIB 2715	\$ 4,257	\$ 6,440	\$ 4,032	\$ -
Stockholders	573	-	1,010	-
Total current	\$ 4,830	\$ 6,440	\$ 5,042	\$ -

a. For loans granted to stockholders, for a term of one year and bearing interest at an annual rate of 9.00%.

At December 31, 2021 and 2020, income and expenses from related-party interest were as follows:

	December 31	
	2021	2020
Interest earned:		
Trust CIB 2715	\$ 137	\$ 135
Interest paid:		
El AV Fund, L. P.	\$ -	\$ 8,967

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

Nota 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	%	December 31		%	2020
		2021			
Trust CIB 2715 ^{a)}	50	\$ 193,617	50		\$ 199,054

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	
	2021	2020
Investments at the beginning of the year	\$ 199,054	\$ 202,511
Capital increase	1,107	-
Interest in the results of the associated entities	1,639	8,854
Profits received from joint ventur	(8,183)	(12,311)
Investments at the end of the year	\$ 193,617	\$ 199,054

Nota 10 - Other accounts receivable

At December 31, 2021 and 2020, Other accounts receivable are made up as follows:

	December 31	
	2021	2020
Other debtors	\$ 3,180	\$ 4,508
Loans to employees	-	47
Total Other accounts receivable	\$ 3,180	\$ 4,555

Nota 11 - Advance payments

At December 31, 2021 and 2020, the caption Advance payments is made up as follows::

	December 31	
	2021	2020
Flight hours use service	\$ 62	\$ 62
Advance payments to suppliers	800	3,577
Insurance	486	1,419
Fiduciary fees and other prepaid expenses	-	29
Total advance payments	\$ 1,348	\$ 5,087

Nota 12 - Recoverable taxes

At December 31, 2021 and 2020, the caption Recoverable taxes is made up as follows:

	December 31	
	2021	2020
Value Added Tax (VAT)	\$ 149,639	\$ 274,964
Income Tax (ISR)	16,863	24,147
Total recoverable taxes	<u>\$ 166,502</u>	<u>\$ 299,111</u>

Nota 13 - Guarantee deposits

At December 31, 2021 and 2020, the balances of guarantee deposits are \$23,449, and \$22,418, 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, 2021 and 2020 are \$14,003 and \$13,248, respectively, and are part of the Company's guarantee deposits.

Nota 14 - Land inventory

At December 31, 2021 and 2020, this caption is made up as follows:

Property	At December 31, 2020	Transfers	Acquisitions (Disposals)	At December 31, 2021
Land plot in Saltillo	8,800	-	(8,800)	-
Total	<u>\$ 8,800</u>	<u>-</u>	<u>\$ (8,800)</u>	<u>-</u>

Property	At December 31, 2020	Transfers	Acquisitions (Disposals)	At December 31, 2021
Land plot in Santa Catarina	\$ 34,555	-	\$ (34,555)	\$ -
Land plot in Santa Catarina	8,800	-	-	8,800
Total	<u>\$ 43,355</u>	<u>-</u>	<u>\$ (34,555)</u>	<u>\$ 8,800</u>

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. On June 26, 2021 the land was sold.

Nota 15 - Construction in progress and investment property

At December 31, 2020, the construction of Sendero Ensenada and Sendero Santa Catarina shopping centers was under way. Sendero Santa Catarina was completed at the beginning of 2021 and was opened on March 11, 2021, so the remaining balance

at completion was transferred from construction in progress to investment property. At December 31, 2021, Sendero Ensenada is still under construction and Management is evaluating the reactivation of the works. The breakdown of constructions in progress is as follows:

	2021	2020
Trust 3271 "Sendero Santa Catarina"	\$ -	\$ 453,499
Trust 3401 "Sendero Ensenada"	<u>49,852</u>	<u>67,228</u>
Total construction in progress	<u>\$ 49,852</u>	<u>\$ 520,727</u>

At December 31, 2021 and 2020, investment property is made up as follows

Shopping Center	At December 31, 2020	Transfers	Acquisitions (Disposals)	Changes in fair value	At December 31, 2021
Sendero Toluca ^(a)	\$1,117,100	\$ -	\$ -	\$8,400	\$1,125,500
Sendero San Luis ^(a) Sendero Juárez ^(a)	990,100	-	-	24,400	1,014,500
Sendero Las Torres ^(a)	600,900	-	-	24,200	625,100
Sendero Ixtapaluca ^(a)	817,600	-	-	31,000	848,600
Sendero Escobedo ^(a)	846,200	-	-	46,200	892,400
Sendero Apodaca ^(a)	704,600	-	-	9,000	713,600
Sendero Apodaca ^(a)	834,500	-	-	28,600	863,100
Sendero Periférico ^(a) Sendero San Roque	524,500	-	-	30,200	554,700
San Roque	127,600	-	-	500	128,100
Fideicomiso 2364	798,200	-	-	35,000	833,200
Fideicomiso 2368	860,900	-	-	6,400	867,300
Trust 2369	630,400	-	-	23,400	653,800
Trust 2370	1,018,000	-	-	78,900	1,096,900
Trust 2499	679,700	-	-	21,900	701,600
Trust 2629	611,500	-	-	19,900	631,400
Trust 2799	827,600	-	-	14,100	841,700
Trust 3271	242,845	463,692	-	158,863	865,400
Trust 3401	130,576	-	-	13,524	144,100
Land plot in Cd. Juárez ^(b)	105,400	-	(105,500)	100	-
Land plot in Reynosa ^(c)	241,000	-	-	8,600	249,600
Land plot in Matamoros ^(d)	21,700	-	-	900	22,600
Land plot in Santa Catarina ^(e)	26,300	-	-	3,000	29,300
Net value	<u>\$ 12,757,221</u>	<u>\$ 463,692</u>	<u>\$ (105,500)</u>	<u>\$ 587,087</u>	<u>\$ 13,702,500</u>

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
Fideicomiso 2364	825,700	-	-	(27,500)	798,200
Fideicomiso 2368	840,100	-	-	20,800	860,900
Fideicomiso 2369	734,700	-	-	(104,300)	630,400
Fideicomiso 2370	1,014,300	-	-	3,700	1,018,000
Fideicomiso 2499	832,000	-	-	(152,300)	679,700
Fideicomiso 2629	758,200	-	-	(146,700)	611,500
Fideicomiso 2799	838,000	-	-	(10,400)	827,600
Fideicomiso 3271	242,845	-	-	-	242,845
Fideicomiso 3401	130,576	-	-	-	130,576
Terreno Cd. Juárez ^(b)	101,100	-	-	4,300	105,400
Terreno Reynosa ^(c)	246,000	-	-	(5,000)	241,000
Terreno Matamoros ^(d)	22,040	-	-	(340)	21,700
Terreno Santa Catarina ^(e)	25,480	-	-	820	26,300
Valor neto	\$ 13,406,521	\$ -	\$ -	\$(649,300)	\$12,757,221

1)At December 31, 2020, the quantification of the impact of COVID-19, which caused a partial shutdown of shopping centers, produced a decrease of their fair value by \$649,300; and at December 31, 2021 the value of shopping centers recovered by \$587,087

The key assumptions used in the valuation model at December 31, 2021 and 2020 are defined in Note 4.

^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 had a land plot of 140,787 square meters, with an undetermined use, located at Av. San Isidro w/o no., colonia San Isidro, Ciudad Juárez, Chihuahua, which was sold via a purchase agreement to Inmuebles

Torres Sur, S. A. de C. V. on November 11, 2021 in the amount of \$ 77,400.

^c The Company has a land plot of 50,000 square meters, with an undetermined use, located at Libramiento Sur Reynosa and Ave. Tecnológico, Col. Jarachinas, Reynosa, Tamaulipas, Zip Code 88730.

^d The Company has a land plot of 1,536 square meters, with an undetermined use, 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, with an undetermined use, 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, 2021 and 2020, which are not cancelable, as integrated below:

	December 31,	
	2021	2020
Effective terms not exceeding 1 year	\$ 856,196	\$ 733,333
Effective terms exceeding 1 year	1,059,535	848,210
Effective terms exceeding 3 years	1,655,627	1,498,185

Nota 16 - Property and equipment

At December 31, 2021 and 2020, the caption Property and equipment is made up as follows:

	At December 31, 2020	(Transfers)	Acquisitions (Disposals)	Depreciation	At December 31, 2020
Building	\$ 73,655	\$ -	\$ 475	\$ (1,193)	\$ 72,937
Computer equipment	3,620	-	2,605	(2,438)	3,787
Furniture and equipment	1,216	-	979	(213)	1,982
Parking equipment	42,859	-	-	(4,972)	37,887
Net value	\$ 121,350	\$ -	\$ 4,059	\$ (8,816)	\$ 116,593

	At December 31, 2019	(Transfers)	Acquisitions (Disposals)	Depreciation	At December 31, 2020
Building	\$ 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

The depreciation expense for the years ended December 31, 2021 and 2020 amounted to \$8,816 and \$8,376, respectively, which was recorded in an operating expense item within the statement of comprehensive income.

Nota 17 - Restricted cash:

At December 31, 2021 and 2020, 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,	
	2021	2020
Reserve for interest payments	\$ 133,865	\$ 119,581

Nota 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 assets:

	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, 2021		
	Current	Non Current	Total
Financial assets:			
Financial assets at amortized cost			
Cash	\$ 3,554,467	\$ -	\$ 3,554,467
Accounts receivable	29,341	-	29,341
Related parties	4,830	-	4,830
Other accounts receivable	3,180	-	3,180
Restricted cash	-	133,865	133,865
Derivative financial instruments	-	62,689	62,689
	<u>\$ 3,591,818</u>	<u>\$ 196,554</u>	<u>\$ 3,788,372</u>
Financial liabilities:			
Liabilities at amortized cost			
Debt	\$ 260,093	\$ 5,417,919	\$ 5,678,012
Accounts payable	232,500	-	232,500
Related parties	6,440	-	6,440
Derivative financial instruments	-	42,725	42,725
	<u>\$499,033</u>	<u>\$5,460,644</u>	<u>\$5,959,677</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 1 - 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.

i. Determination of fair value

The Company generally uses, when available, quotations of market prices to determine the

v. Measurement

Assets and liabilities measured at fair value are summarized below:

	Level 2	
	December 31, 2021	December 31, 2020
Assets:		
Derivative financial instruments	\$ 62,689	\$ 173
Liabilities:		
Derivative financial instruments	\$ (42,725)	\$ (108,347)

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

vi. Derivative financial instruments

The Company's derivative financial operations 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

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.

& 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, 2021 and 2020 is \$1,921,772 and \$1,693,018, respectively. For the fiscal years ended December 31, 2021 and 2020 the net profit (loss) recorded in the comprehensive statement of income for \$104,587 and (\$138,584), which in 2020 includes \$38,098 derived from the

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

	December 31, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Cash	\$ 3,554,467	\$ 3,554,467	\$ 3,301,792	\$ 3,301,792
Accounts receivable	29,341	29,341	70,667	70,667
Related parties	4,830	4,830	5,042	5,042
Other accounts receivable	3,180	3,180	4,555	4,555
Restricted cash	133,865	133,865	119,581	119,581
Derivative financial instruments, long term	62,689	62,689	173	173
Pasivos financieros:				
Deuda circulante	\$260,093	\$260,093	\$233,881	\$233,881
Cuentas por pagar	232,500	232,500	325,363	325,363
Partes relacionadas	6,440	6,440	-	-
Instrumento financiero derivados C.P.	-	-	4,128	4,128
Deuda no circulante	5,417,919	5,852,772	5,596,855	6,248,628
Instrumentos financieros derivados L.P.	42,725	42,725	104,219	104,219

At December 31, 2021, 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

early termination of the derivative instruments mentioned in Note 1, 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.

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 28-day TIIE rate curve at December 31, 2021 and 2020.

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

Nota 19 - Intangible assets

At December 31, 2021 and 2020, this caption is made up as follows:

	At December 31 2020	Acquisitions	Amortization	At December 31 2021
Goodwill	\$ 372	\$ -	\$ -	\$ 372
Software licenses	3,577	9,177	(9,264)	3,490
Total	<u>\$ 3,949</u>	<u>\$ 9,177</u>	<u>\$ (9,264)</u>	<u>\$ 3,862</u>

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



Nota 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,	
	2021	2020
Right-of-use assets		
Land (1)	\$147,304	\$147,304
Transportation equipment	<u>9,657</u>	<u>9,127</u>
	\$156,961	\$156,431
Accumulated depreciation on rights of use	<u>(22,034)</u>	<u>(14,822)</u>
Right-of-use assets, net	<u>\$134,927</u>	<u>\$141,609</u>

(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,	
	2021	2020
Lease liabilities		
Current	\$17,780	\$16,859
Non current	<u>144,214</u>	<u>143,057</u>
	<u>\$161,994</u>	<u>\$159,916</u>

ii. Amounts recorded in the statement of income

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

	December 31,	
	2021	2020
Depreciation charge on right-of-use asset	\$ 5,007	\$ 5,008
Land	<u>2,206</u>	<u>2,437</u>
Transportation equipment	<u>\$7,213</u>	<u>\$7,445</u>
	\$19,089	\$18,536
Interest expense	<u>\$19,089</u>	<u>\$18,536</u>

Nota 21 - Debt

At December 31, 2021 and 2020, debt in Mexican pesos is made up as follows:

	December 31,	
	2021	2020
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 stores that are part of the investment property as well as the collection rights derived from the lease of such stores were offered as part of the guarantee for the issuance. a)	\$ 2,568,988	\$ 2,692,536
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 rate equal to the sum of the 28-day TIIE rate plus 2.5 percentage points. Principal and interest are payable monthly and the loan matures in August 2031.	2,659,617	2,676,273
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.	53,895	56,240
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.	2,061	3,613
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 28-day TIIE rate plus the applicable margin; the principal and interest are payable monthly and the loan matures in April 2025.	393,451	402,074
Total debt	<u>5,678,012</u>	<u>5,830,736</u>
Current portion of debt	<u>(260,093)</u>	<u>(233,881)</u>
Non-current debt	<u>\$5,417,919</u>	<u>\$5,596,855</u>

- 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 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
	<u>100%</u>	<u>3,000,000</u>

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, 2021 and 2020, 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 has not been unable 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:

a. 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.

b. In the fourth quarter of 2020 it conducted negotiations and obtained the following benefits:

- Payment of deferred interest using own resources and new loans in the amount of \$20,364, at an interest rate of 6.99% effective February 11, 2021, which is renewed on April 15, 2021, May 21, 2021 and June 18, 2021, at an interest rate of 6.89%, 7.29% and 7.27%, respectively.

These renewals were considered a continuation of the debt for accounting purposes, with no material impact.

- Refinancing of derivative financial instruments used as hedge instruments for interest rates by resorting to new loans in the amount of \$33,120, at an interest rate of 6.97% effective March 12, 2021, which is renewed on April 15, 2021, May 21, 2021 and June 18, 2021, at an interest rate of 6.73%, 7.29% and 7.27%, respectively.

These renewals were considered a continuation of the debt for accounting purposes, with no material impact.

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.

c. On February 11, 2021, an additional loan was taken out for the refinancing of derivative financial instruments used as hedge instruments for interest rates in the amount of \$3,974, at an interest rate of 6.89% effective April 15, 2021, which was renewed on May 21, 2021 and June 18, 2021, at an interest rate of 7.29% and 7.27%, respectively.

These renewals were considered a continuation of the debt for accounting purposes, with no material impact.

As a last negotiation stage, on June 18, 2021, the loans received for the payment of deferred interest and refinancing of derivative financial instruments mentioned in b. and c. were added to the same amortization schedule mentioned above for a total of \$57,478, with a long-term maturity date.

No event of noncompliance has occurred in 2021 or is expected to occur in the short term under these new conditions with Banco Banorte, including the debt service coverage financial ratios.

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 debt service 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. At the end of fiscal year 2021, the debt service and capital expenditure reserve is fully funded.

No event of noncompliance has occurred in 2021 or is expected to occur in the short term with Sabadell, including the debt service coverage financial ratios. At the end of fiscal year 2021, the Company does not show any sign of default with its debt service coverage ratios and financial debt compliance obligations.

Following is the reconciliation of the net debt:

	Efectivo	Efectivo restringido	Préstamos	Emisión Fid 2284	Gastos de emisión	Deuda neta
Closing balance at December 31, 2020	\$ 3,301,792	\$ 119,581	\$ (3,138,200)	\$ (2,714,443)	\$ 21,907	\$ (2,409,363)
Loans obtained	-	-	(294,089)	-	-	(294,089)
Payment of loans and interest	-	-	321,673	126,330	-	448,003
Flow for the year	154,668	14,284	-	-	-	168,952
Exchange rate variation	98,007	-	-	-	-	98,007
Other changes (a)	-	-	1,592	448	(3,230)	(1,190)
Closing balance at December 31, 2021	<u>\$ 3,554,467</u>	<u>\$ 133,865</u>	<u>\$ (3,109,024)</u>	<u>\$ (2,587,665)</u>	<u>\$ 18,677</u>	<u>\$ (1,989,680)</u>

	Cash	Restricted Cash	Loans	Trust 2284 Issuance	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 and interest	-	-	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	<u>\$ 3,301,792</u>	<u>\$ 119,581</u>	<u>\$ (3,138,200)</u>	<u>\$ (2,714,443)</u>	<u>\$ 21,907</u>	<u>\$ (2,409,363)</u>

^a Other changes include movements not involving cash flows.

The long-term portion of debt at December 31, 2021 has the following maturities:

	2021
2023	\$ 313,950
2024	440,649
2025 onwards	<u>4,663,320</u>
	<u>\$5,417,919</u>

Nota 22 - Accounts payable and deferred income

At December 31, 2021 and 2020, Accounts payable and deferred income is made up as follows:

	December 31,	
	2021	2020
Suppliers	\$ 13,246	\$ 11,098
Other accounts payable	127,856	132,490
Value added tax payable	77,744	168,565
Deferred income from leasing rights	13,654	13,210
Total	\$ 232,500	\$ 325,363

Nota 23 - Employee 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 seniority premium.

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

	December 31,	
	2021	2020
Defined benefit obligation:		
Seniority premium	\$ 4,119	\$ 5,373

The components of the net cost of the period for the years ended December 31, 2021 and 2020 are comprised as follows:

	2021	2020
Labor cost	\$ 192	\$ 521
Financial cost	136	252
Total	\$ 328	\$ 773

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

	2021	2020
Present value of DBO at January 1	\$ 3,866	\$ 3,787
Labor cost of current service	192	521
Financial cost	136	252
Actuarial losses	6	1,037
Paid benefits	(81)	(224)
Present value of DBO at December 31	\$ 4,119	\$ 5,373

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

	2021	2020
Cumulative balance at beginning of year	\$ 2,090	\$ 1,364
Actuarial losses during the year (net of deferred Income Tax)	4	726
Cumulative balance at end of year	\$ 2,094	\$ 2,090

The main actuarial assumptions are shown below:

	December 31, 2021	3December 31, 2020
Discount rate	7.90%	6.00%
Increase in salaries	7.50%	7.50%
Increase in minimum salary	7.30%	7.75%
Long-term inflation rate	4.00%	4.00%

As mentioned in Note 1d., the Incentive Plan for stock option compensation for officers and employees of the Company was approved by the Board of Directors on April 8, 2021 and on April 26, 2021 was authorized by the Company Ordinary Stockholders' Meeting.

Nota 24 - Stockholders' equity

During 2021, the Company had no changes in the capital stock, except for the following:

As mentioned in Note 1f. on April 26, 2021, the Company Ordinary Stockholders' Meeting authorized the implementation of the Incentive Plan for stock option compensation for officers and employees of the Company (the Plan) and an increase in the variable portion of the Company's capital stock in the amount of up to \$237,689,382 through the issuance of 1,225,203 Series A, ordinary, registered stocks, with no face value stated, which will be held in the Company's Treasury Department to be subscribed and paid in accordance with the terms and conditions of the Plan.

Following the increase of Series A stocks, the capital structure at December 31, 2021 is as follows:

Series	Number of stocks issued
A (Representing the variable portion of capital) (1)	76,925,202
B (Representing the fixed portion of capital)	1,605
Total	76,926,807

(1) It includes 15,666,667 stocks corresponding to options (warrants) and 1,225,203 stocks corresponding to the Plan kept at the Treasury Department.

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

- Through minutes of Stockholders' Meeting held on February 7, 2020 the following changes were approved:
 - Conversion of the 31,550 Series A stocks to the same number of Series A, Class I stocks.
 - Conversion of the 31,550 Series AA stocks to the same number of Series A, Class II stocks.
 - 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.

- 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 relating to the effects 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
	60,034,937	\$ 5,925,603

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	60,034,937	\$ 5,925,603

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.

- 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	75,701,604

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

For the years ended on December 31, 2021 and 2020, the Company distributed profits to the Trustors-Trustees in the amounts of \$30,187 and \$15,751, 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).

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.

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, 2021 and 2020:

	December 31, 2021	December 31, 2020
Net income (loss) for the year	\$ 677,508	\$ (276,561)
Number of stocks after the Split	60,034,937	55,043,780

Nota 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

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.



Nota 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, 2021	December 31, 2020
Deferred tax assets:		
Property and equipment	\$ 8,554	\$ 9,445
Customers' advanced payments	16,413	15,792
Suppliers	15,888	139,929
ESPS payable	10,617	1,312
Employee benefits	4,119	5,373
Other accounts payable	81,672	123,955
Lease liabilities	27,067	18,245
Other assets	-	73,750
Deductible interest	196,797	42,437
Tax loss carryforwards	1,898,269	1,827,515
	<u>2,259,396</u>	<u>2,257,753</u>
Deferred tax liabilities:		
Investment properties	(7,547,399)	(7,473,922)
Intangible assets	(50,241)	(73,610)
Advance payments	(41,734)	(26,932)
Incentives for customers	(100,573)	(120,269)
Other assets	(46,283)	-
	<u>(7,786,230)</u>	<u>(7,694,733)</u>
Total net differences on deferred income tax	(5,526,835)	(5,436,980)
Statutory tax rate	30%	30%
Deferred income tax liability	<u>\$ (1,658,050)</u>	<u>\$ (1,631,094)</u>

Changes in temporary differences during the year are as follows:

	Balance at December 31, 2019	Recognized in income	Recognized under other comprehensive income	Balance at December 31, 2020
Employee benefits	\$ 1,612	\$ (380)	\$ 4	\$ 1,236
Tax loss carryforwards	565,170	4,311		569,481
ESPS payable	394	2,792		3,186
Deductible interest	12,731	46,308		59,039
Allowances and others	<u>131,877</u>	<u>(49,088)</u>	<u>-</u>	<u>82,789</u>
	<u>711,784</u>	<u>3,943</u>	<u>4</u>	<u>715,731</u>
Investment property and equipment, net	(2,239,670)	(23,083)		(2,262,753)
Intangible assets	(22,083)	8,058		(14,025)
Prepaid expenses	(82,042)	(2,176)		(84,218)
Other	<u>917</u>	<u>(13,702)</u>	<u>-</u>	<u>(12,785)</u>
Deferred tax liabilities	<u>(2,342,878)</u>	<u>(30,903)</u>	<u>-</u>	<u>(2,373,781)</u>
	<u>\$ (1,631,094)</u>	<u>\$ (26,960)</u>	<u>\$ 4</u>	<u>\$ (1,658,050)</u>

	Balance at December 31, 2019	Recognized in income	Recognized under 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	<u>68,710</u>	<u>63,167</u>	<u>-</u>	<u>131,877</u>
	<u>647,901</u>	<u>63,572</u>	<u>311</u>	<u>711,784</u>
Investment 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	<u>8,393</u>	<u>(7,476)</u>	<u>-</u>	<u>917</u>
Deferred tax liabilities	<u>(2,483,005)</u>	<u>140,127</u>	<u>-</u>	<u>(2,342,878)</u>
	<u>\$ (1,835,104)</u>	<u>\$ 203,699</u>	<u>\$ 311</u>	<u>\$ (1,631,094)</u>

The gross activity recorded in the deferred income tax account for the years ended December 31, 2021 and 2020 is as follows:

	December 31, 2021	December 31, 2020
At January 1	\$ (1,631,094)	\$ (1,835,104)
(Expense) Credit to income	(26,960)	157,750
Credit to other comprehensive income	4	311
Credit to other equity accounts	-	45,949
At December 31	<u>\$ (1,658,050)</u>	<u>\$ (1,631,094)</u>

Deferred tax assets recognized at December 31, 2021, 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.

At December 31, 2020, the Company has assessed the recoverability of tax losses at December 31, 2020 considering these tax projections and determined the need to derecognize deferred tax assets for \$16,916, relating to the tax losses that the Company, based on the projections, estimated that it could not recover. At December 31, 2021, the Company updated its assessment regarding the recoverability of tax losses and estimates that it will recover them, based on its projections.

The average effective annual rates of income tax applied for the twelve-month period ended December 31, 2021 and 2020 are 15% and 27%, respectively, and include the effect of the derecognition described above.

At December 31, 2021 and 2020, the Company has not recognized deferred tax liabilities for temporary differences for approximately \$9.937 million and \$9,135 million, respectively, 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.

Nota 27 - Operating costs and expenses

Operating expenses classified by their nature for the years ended on December 31, 2021 and 2020 are made up as follows:

	December 31, 2021	December 31, 2020
Cost of investment properties:		
Cost of property sold (Notes 14 and 15)	\$ 114,300	\$ -
Operating expenses:		
Employee benefits expense	228,325	331,699
Fees, advisory and administrative services	61,394	71,091
Leases	6,103	5,873
Depreciation and amortization	28,524	28,596
Construction projects	18,927	17,938
Maintenance	84,208	58,015
Office expenses	8,803	7,321
Taxes and rights	362	493
Fines and surcharges	40	-
Other expenses	1,577	11,173
Personnel expenses	1,534	1,925
Travel expenses	3,684	2,268
Impairment of accounts receivable	(24,988)	44,028
Gifts	500	-
Total	<u>\$418,993</u>	<u>\$580,420</u>

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.

Nota 28 - Other income and expenses

For the years ended December 31, 2021 and 2020, the caption Other income and expenses is made up as follows::

	December 31, 2021	December 31, 2020
Other income:		
Expenses reimbursement	\$ 546	\$ 4,025
Balance offset	10,149	619
Climate recovery	24	2,986
Tax cleanup	2,154	12,474
Penalties	5,488	5,025
Collection of common area expenses	450	634
Sale of property and equipment	81	364
	<u>18,892</u>	<u>26,127</u>
Other expenses:		
Tax cleanup	(1,024)	(250)
Climate supply	-	(5,999)
Water supply	-	(12,509)
Impairment of work in progress (Note 15)	(17,376)	-
Other expenses	<u>(7,900)</u>	<u>(4,808)</u>
	<u>(26,300)</u>	<u>(23,566)</u>
Other (expenses) income, net	\$ <u>(7,408)</u>	\$ <u>2,561</u>

Nota 29 - Financial income and expenses

For the years ended December 31, 2021 and 2020, the caption Financial income and expense is made up as follows:

	December 31,	
	2021	2020
Financial expense:		
Interest expense over debt	\$ (424,814)	\$ (454,973)
Interest paid to legal entities	(6,450)	(2,677)
Interest paid to related parties	-	(7,687)
Derivative financial instruments	-	(72,528)
Interest on derivative financial instruments	(21,361)	(26,331)
Warrants	-	(42,300)
Bank commissions	(172)	(1,694)
Interest on right-of-use assets	(19,089)	(18,809)
Foreign exchange loss	<u>(331,173)</u>	<u>(785,961)</u>
Total financial expense	<u>(803,059)</u>	<u>(1,412,960)</u>
Financial income:		
Interest collected from related partiesIngresos	137	135
Interest revenue	213	1,596
Bank interest	27,293	58,441
Derivative financial instruments	125,948	2,575
Fair value of interest paid to related parties	-	16,653
Foreign exchange gain	<u>428,990</u>	<u>979,756</u>
Total financial income	<u>582,581</u>	<u>1,059,156</u>
Financial expense, net	\$ <u>(220,478)</u>	\$ <u>(353,804)</u>

Nota 30 - Income taxes

Income tax for the years ended on December 31, 2021 and 2020 is made up as follows:

	2021	2020
Current tax (Income Tax)	\$ (93,413)	\$ (57,559)
Deferred tax (Income Tax)	(26,957)	157,750
Income tax	\$ <u>(120,370)</u>	\$ <u>100,191</u>

The reconciliation between the statutory and effective income tax rates for the years ended December 31, 2021 and 2020 is shown below:

	2021	2020
Income (loss) before taxes	\$ 990,270	\$ (503,377)
Less: non-controlling interest in Trusts (1)	192,388	(127,351)
	797,882	(376,026)
Tax rate	30%	30%
Tax on corporate profits at statutory rate	239,365	(112,808)
Plus (less) effect of tax on corporate profits on:		
Tax inflationary effect	25,138	11,256
Non-deductible expenses	3,502	4,869
(Non-cumulative) cumulative income	(3,988)	1,493
Restatement of assets value for tax purposes	(94,018)	(38,010)
Other items	(18,784)	17,250
Tax revenue due to transfer pricing adjustment	18,315	16,858
Restatement of tax losses	(32,244)	(18,015)
Impairment of tax losses	(16,916)	16,916
Total tax on corporate profits	\$120,370	\$(100,191)
Effective Income Tax rate	15%	27%

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.

Account (CUCA) and Net Tax Income Account (CUFIN) amount to \$9,009,575 and \$1,443,504, respectively.

At December 31, 2021, the Company and its subsidiaries had tax loss carryforwards for a total of \$1,898,269, expiring as shown below:

At December 31, 2021 restated Capital Contribution

Year of Generation of Tax losses	Year of expiration	Amounts Updated at December 31, 2021
2012	2022	\$ 45,843
2013	2023	105,144
2014	2024	40,906
2015	2025	218,914
2016	2026	759,441
2017	2027	431,898
2018	2028	72,003
2019	2029	140,930
2021	2031	83,190
Total tax losses		\$ 1,898,269

Nota 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.

Nota 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, 2021 and up to March 18, 2022 (date of issuance of the financial statements), and has concluded that there are no subsequent events affecting these.

Lic. Jesús Adrián Acosta Castellanos
Chief Executive Officer

Ing. Edgar René Maldonado de los Reyes
Chief Financial Officer

Lic. Rosalinda Fernández Castillón
Controller