CONSOLIDATION

fibra inn

ANNUAL REPORT **2016**

Index

Camino Real
GUANAJUATO

ABOUT FIBRA INN

Marriott
PUEBLA
Hotel Mesón del Angel

FIBRA INN

Fibra Inn is a Mexican trust comprised of hotel properties aimed at serving the business traveler. The Company has agreements with international hotel brands primarily for the operation of global brands and operates national brands as well. Fibra Inn's Real Estate Certificates (*Certificados Bursátiles Fiduciarios Inmobiliarios* or "CBFIs") trade on the Mexican Stock Exchange under the ticker symbol "FINN13"; its ADRs trade on the OTC market in the U.S. under the ticker symbol "DFBRY".

MISSION

To fully satisfy the needs of our guests there by generating value for Fibra Inn's investors.

VISION

To be the leading proprietor of hotels serving business travelers in Mexico, offering a memorable experience for our guests, the healthiest and most adequate work environment for the development of our employees, and exceeding our investors' expectations.

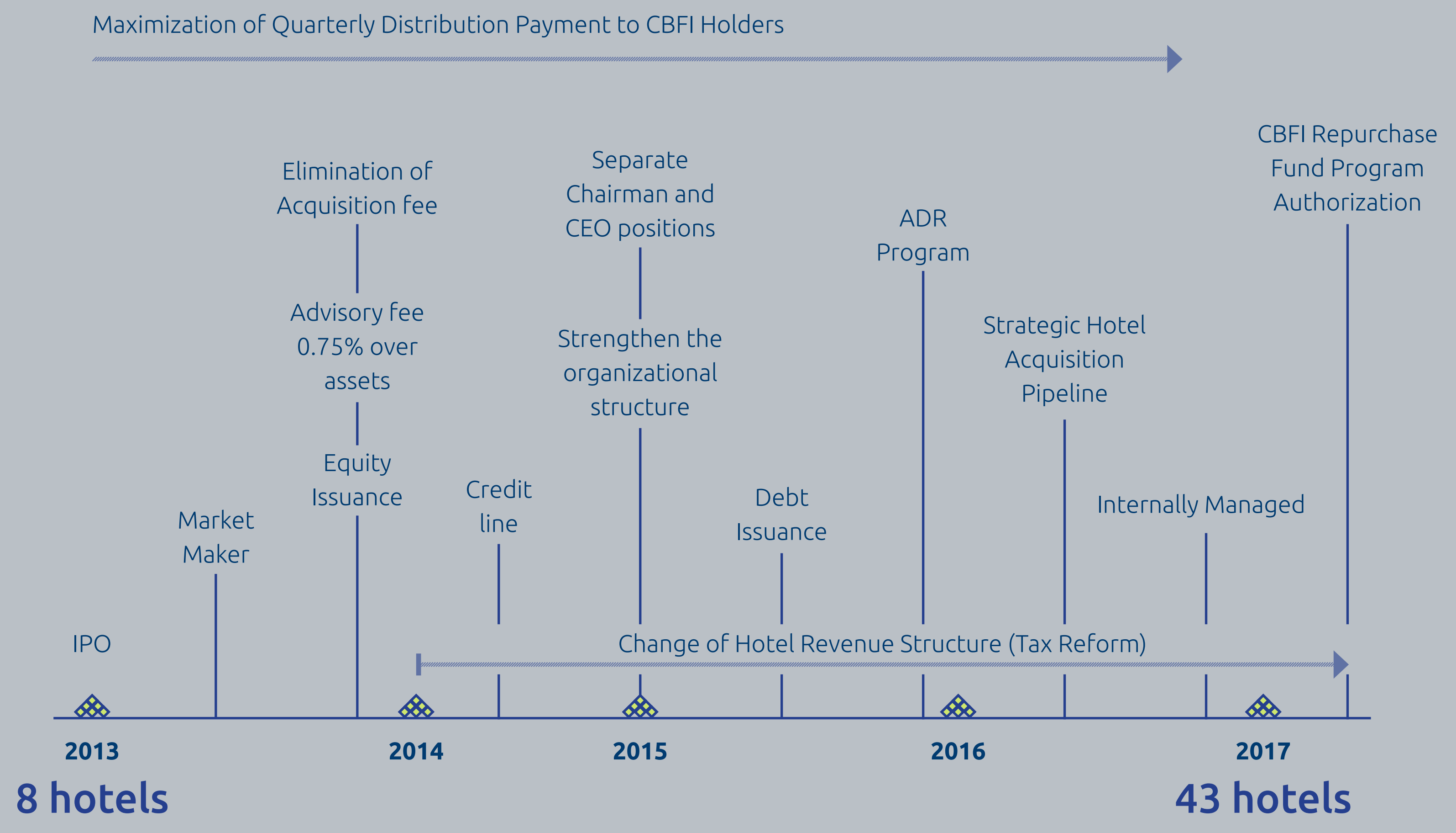
VALUES

- **Service Attitude**
- **Reliability**
- **Integrity**
- **Respect**
- **Teamwork**

Guadalajara-Expo

HISTORY

FINN DIFFERENTIATION: COMMITMENT TO THE MARKET



Hotel Mesón del Angel

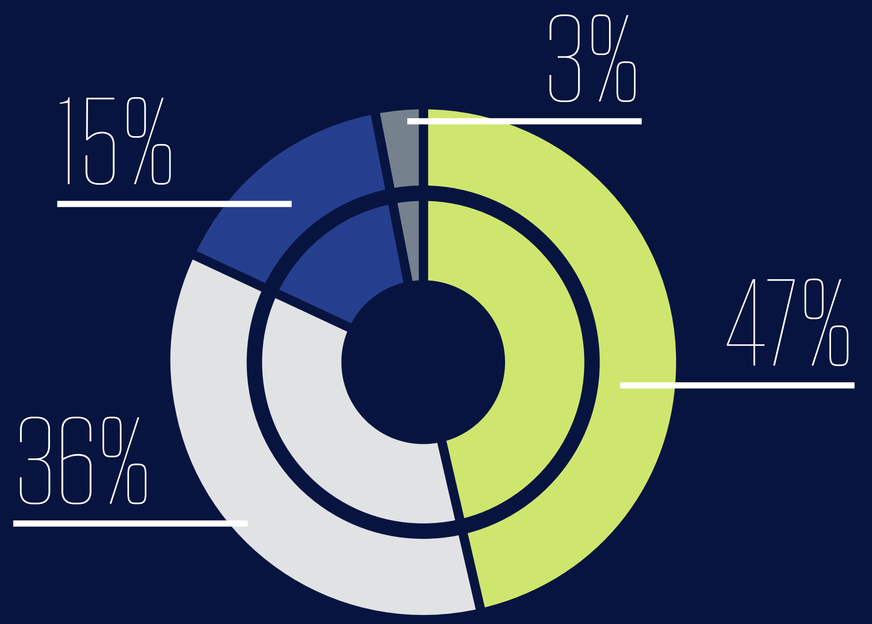
KEY FIGURES

Courtyard by Marriott
CHIHUAHUA

	2013[1]	2014	2015	2016	TACC
Occupancy [2]		59.6%	59.7%	61.6%	
Average Daily Rate [2]	976	1,016.5	1,092.1	1,151.0	5.7%
Revenue per Available Room [2]	606	605.9	652.5	708.5	5.3%
Room Revenue (Ps. million)	N/A	832.2	1,228.4	1,707.5	
Total Revenue	7.5	884.3	1,309.8	1,797.6	521.2%
NOI Margin	89.7%	36.4%	36.9%	36.7%	
Adjusted EBITDA Margin	74.4%	30.4%	30.9%	31.0%	
FFO Margin	107.8%	29.1%	30.1%	24.3%	
Total Distribution (Ps. million)	8.1	237.2	338.1	418.1	272.3%
Dividend yield	3.2%	4.9%	5.6%	8.3%	
Hotels	8	31	40	43	75.2%
Number of rooms in operation	1,613	4,887	6,509	6,713	60.9%
Number of rooms under construction		645	171	234	
Rooms in remodeling process				166	
Number of rooms in agreement		186	152		
Total number of rooms	1,613	5,718	6,832	7,113	64.0%

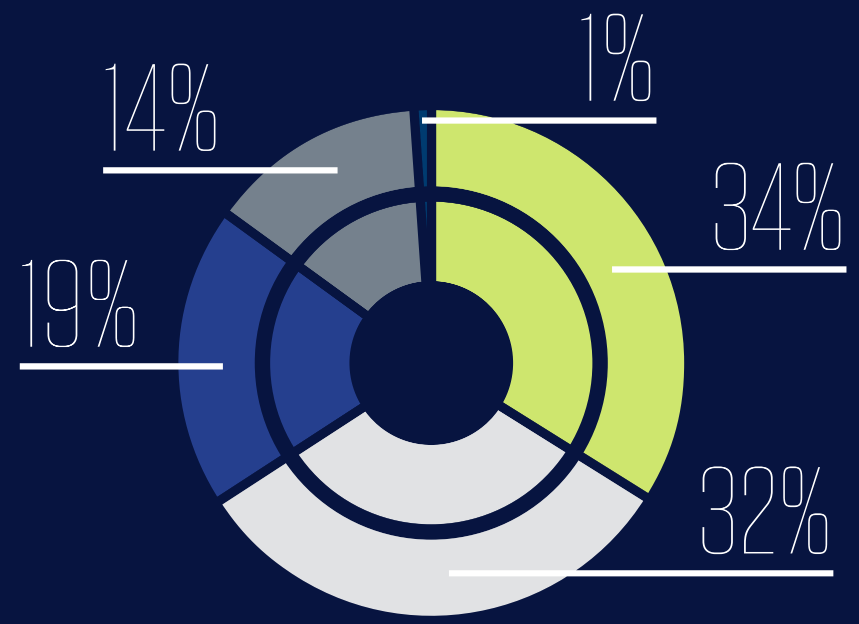
[1] Figures at the time of the Initial Public Offering, shows figures with the previous revenue structure.
[2] Operational indicators in terms of same-store sales at the end of each year.

Revenues Per Sergment



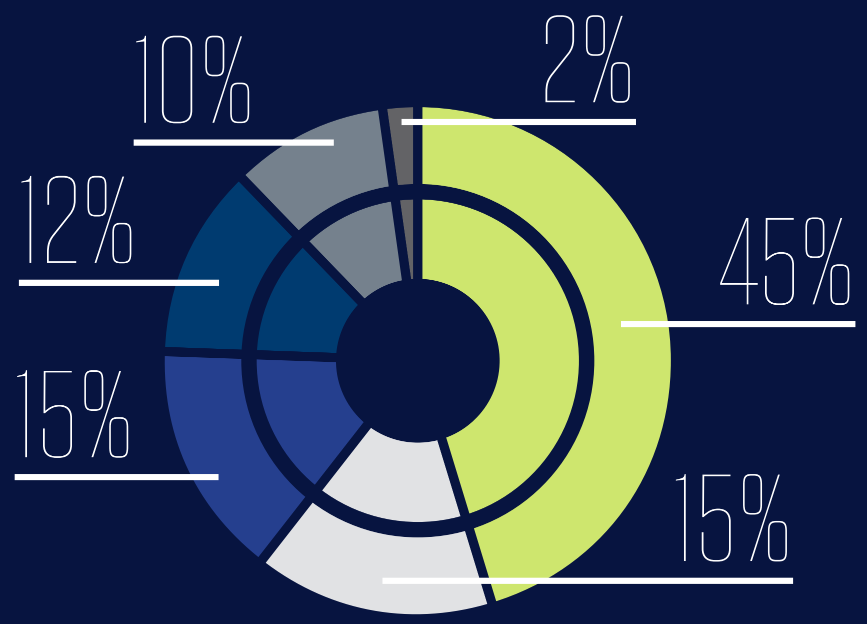
- Limited
- Select
- Full
- Extended Stay

Revenues by Region



- Center-South
- West
- Northeast
- Northwest
- North

Revenues by Hotel Chain



- InterContinental Hotels Group
- Wyndham Worldwide
- Hilton Worldwide
- Marriott International, Inc
- Starwood Hotels & Resorts Worldwide, Inc
- Best Western
- Local Brands

KEY DATA FOR 2016:

Total Revenue Growth	37.2%
NOI Margin	36.7%
Adjusted EBITDA Margin	31.0%
Dividend Yield	8.3%
Distribution Growth	23.7%

OPERATING HIGHLIGHTS:

Properties	43
Total Rooms	7,113
Occupancy (1)	61.6%
Rate (1)	PS. 1,151.0
RevPar (1)	PS. 708.5

(1) Same-Store Sales based on 41 properties.

SUMMARY OF PROPERTIES

	BRAND	CITY	STATE	ROOMS	ADDITION OF ROOMS
	LIMITED SERVICE SEGMENT				
1	Wyndham Garden*	Irapuato	Guanajuato	102	
2	Wyndham Garden*	Celaya	Guanajuato	150	
3	Wyndham Garden*	León	Guanajuato	126	
4	Wyndham Garden*	Silao	Guanajuato	143	
5	Microtel Inn & Suites by Wyndham	Chihuahua	Chihuahua	108	
6	Microtel Inn & Suites by Wyndham	Culiacán	Sinaloa	158	
7	Microtel Inn & Suites by Wyndham	Toluca	Estado de México	129	
8	Microtel Inn & Suites by Wyndham	Cd. Juárez	Chihuahua	113	
9	Wyndham Garden*	Guadalajara	Jalisco	186	
10	City Express Junior	Chihuahua	Chihuahua	105	
11	City Express	Chihuahua	Chihuahua	104	
				1,424	
	SELECT SERVICE SEGMENT				
1	Hampton Inn by Hilton	Monterrey	Nuevo León	223	
2	Hampton Inn by Hilton	Saltillo	Coahuila	227	
3	Hampton Inn by Hilton	Reynosa	Tamaulipas	145	
4	Hampton Inn by Hilton	Querétaro	Querétaro	178	
5	Holiday Inn Express	Saltillo	Coahuila	180	
6	Holiday Inn Express & Suites	Cd. Juárez	Chihuahua	182	
7	Holiday Inn Express & Suites	Toluca	Estado de México	268	
8	Holiday Inn Express & Suites	Monterrey	Nuevo León	198	
9	Holiday Inn Express	Guadalajara	Jalisco	199	
10	Wyndham Garden*	Playa del Carmen	Quintana Roo	196	
11	Holiday Inn Express	Toluca	Estado de México	127	
12	Aloft	Guadalajara	Jalisco	142	
13	Hampton Inn by Hilton	Hermosillo	Sonora	151	56
14	AC Hotels by Marriott*	Guadalajara	Jalisco		178**
15	Courtyard by Marriott	Saltillo	Coahuila	180	
16	Hampton Inn by Hilton	Chihuahua	Chihuahua	190	
17	Fairfield Inn & Suites by Marriott	Coatzacoalcos	Veracruz	180	
18	Courtyard by Marriott	Chihuahua	Chihuahua	152	
19	Best Western	Monterrey	Nuevo León	85	
				3,203	**56**

	FULL SERVICE SEGMENT				
1	Holiday Inn & Suites	Guadalajara	Jalisco	90	
2	Holiday Inn*	Monterrey	Nuevo León	198	
3	Holiday Inn	Puebla	Puebla	150	
4	Camino Real	Guanajuato	Guanajuato	155	
5	Marriott	Puebla	Puebla	296	
6	Holiday Inn	Coyoacán	Cd. de México	214	
7	Holiday Inn	Altamira	Tamaulipas	203	
8	Casa Grande	Chihuahua	Chihuahua	115	
9	Casa Grande	Delicias	Chihuahua	89	
10	Crowne Plaza	Monterrey	Nuevo León	219	
11	Holiday Inn	Reynosa	Tamaulipas	95	100
12	Casa Grande	Cd. Juárez	Chihuahua	145	66
				1,969	**166**
	EXTENDED STAY SEGMENT				
1	Staybridge Suites	Guadalajara	Jalisco	117	
				117	
	DEVELOPMENT				
1	Fairfield Inn & Suites by Marriott	Cd. del Carmen	Campeche		
				6,713	**400**
	Total portfolio December 31, 2016			**7,113**	

* Properties that had a brand reconversion

** Rooms in remodeling process as a result of brand conversion to AC by Marriott.

LETTER FROM THE **CHIEF EXECUTIVE OFFICER**

Total revenues grew 37.2% to **Ps. 1.8** billion in 2016 for a **NOI margin** of **36.7%.**

After a period of expansion that began with the Initial Public Offering, 2016 was a year in which Fibra Inn was focused on the consolidation and optimization of its properties. As a result of the political and economic uncertainty, as well as growing interest rates, the Company implemented key strategies aimed at further reinforcing its business fundamentals.

The strategy is focused on business hotels, which represent recurring customers. The properties are located in cities with strong recurring hotel demand and where guests usually seek to accumulate loyalty points for global hotel brands in order to redeem them outside of Mexico. This is a differentiator that clearly gives the Company a competitive advantage versus other hotel peers.

During the year, we observed industrial and manufacturing strength in the northern part of the country; the hotels that are located in these areas performed outstandingly. As a result of the current environment, the Company is focused on the big cities: Guadalajara, Monterrey, Mexico City, Puebla, Leon, Tijuana and other key cities in the Bajio and central region of Mexico.

Regarding hotel operations, during the year Fibra Inn registered record levels for many of its hotel indicators. This solid performance was confirmed by the hotel results in terms of same-store sales, reaching 7.4% growth in revenues per available room, as a result of 61.6% occupancy levels and an average daily rate of Ps. 1,151.

Fibra Inn's operating results reflect the efforts of a seasoned and specialized team with broad hotel industry experience. This team has been able to implement sales strategies to preserve the day-to-day leadership of the hotels in the portfolio; it also possesses the managerial ability to replicate a central hotel management model under strict expense controls.

In terms of value generation, during 2016 Fibra Inn implemented two important initiatives:

a. The Company proposed the internalization process of the Trust's administration, which was approved on November 11, 2016 and which became effective beginning January 1, 2017. With this initiative, in 2017 the Company will eliminate Advisor fees for approximately Ps. 77 million, which will drive an additional marginal EBITDA generation of about Ps. 20 million and a decline in administrative expenses of approximately 150 basis points, as a percentage of sales.

   As a result, some actions were taken in order to improve Fibra Inn's corporate governance; mainly, the creation of the Investment Committee, which absorbs the former Advisor's responsibilities and whose main task is to authorize the acquisition of assets for up to 4.99% of the shareholders' equity.

   Managing the trust internally positions Fibra Inn as a more attractive and transparent investment option that will persevere in the long term, thus reflected in its valuation.

b. Moreover, during 2016 the Company initiated the Hotel Acquisition Pipeline. This initiative became the mechanism to promote Fibra Inn's future growth, together with developers and/or external investors, with the purpose of creating a pipeline of acquisitions, without affecting distributions for our CBFI holders and where Fibra Inn will typically invest 20% of the total investment for each project. Additionally, the Company will receive fees for the restructuring, advisory and project development, as well as by for the management of these assets.

   The benefit for Fibra Inn is that it will lead the built-to-suit projects, which will be incorporated to its portfolio once the hotel operation is stabilized in order to generate revenues and immediate distributions.

   At this time, the Company has two projects, the JW Marriott Monterrey and the Marriott Monterrey Aeropuerto, in addition to other projects under analysis.

During 2016, the Company improved its financial structure by issuing additional debt as part of its bond program, thus cancelling the bank loan and releasing guarantees over some of its properties. With that, Fibra Inn has better financing conditions that are for a longer term and with better interest rates. While the debt is peso-denominated, Fibra Inn continues its interest rate hedging strategy. After the end of the year, 66% of the debt was hedged.

Fibra inn closely follows macroeconomic and political initiatives in our country. This is a company that adapts to the global and domestic environment; we are confident of our solid strategy based on the Company's long-term fundamentals. While 2016 represented a year of consolidation, 2017 appears to be a year of great challenges, where the Company must reinforce the measures it has previously undertaken in order to make Fibra Inn stronger.

We will continue to seek innovative strategies that permit value generation, all this in order to safeguard distributions for the CBFI holders.

I would like to conclude by thanking our guests, suppliers, business partners, employees and investors for their effort and confidence in Fibra Inn. We take this opportunity to reiterate our firm commitment to continue improving our performance.

Mr. Oscar E. Calvillo Amaya
Chief Executive Officer

STRATEGY AND METRICS OF THE YEAR

STRATEGY

Business Strategy

Our main business goal is to increase free cash flow from the portfolio's operation, from the potential future acquisitions and the development opportunities, reaching long-term sustainable growth that generates attractive returns for our CBFI holders, through consistent distributions derived from value generation.

Business Model

- Specialized in business hotels
- Operation with leading global brands
- Preference for the acquisition of properties via the Hotel Acquisition Pipeline
- Intelligent portfolio growth

Competitive Advantages

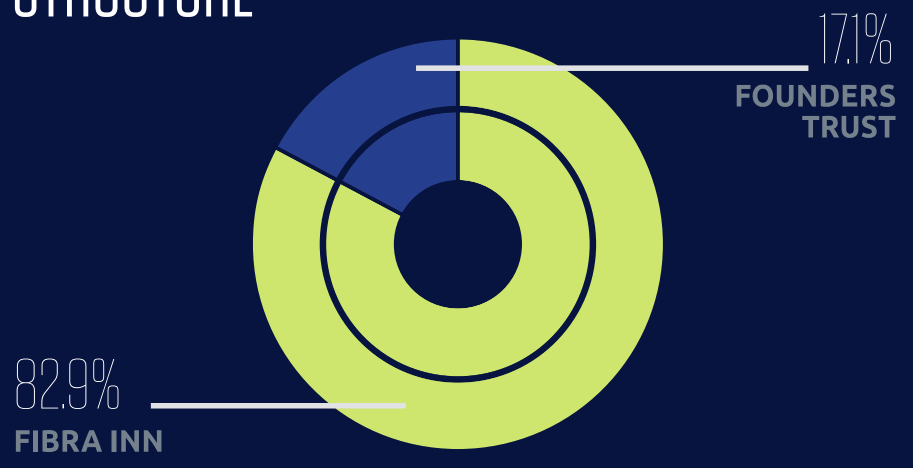
- Our hotels are located in high-growth locations
- Our properties meet high quality and maintenance standards
- Sound long-lasting relationships with the global brands it offers
- Offer attractive options for the business traveler with competitive and leading loyalty programs
- Modern IT Platform with world-class reservations and customer service systems

YEAR OF CONSOLIDATION

RECORD SAME-STORE SALES GROWTH:
INTERNALLY MANAGE REIT

Dividend Yield	8.3%		
Distribution	PS. 418.9 MILLION	23.9%	Growth
Number of Hotels	43		
Occupancy	61.6%		
Rate	PS. 1,151.0		
RevPAR	PS. 708.5		

STRUCTURE



Aloft
GUADALAJARA

Courtyard by Marriott
CHIHUAHUA

PREPARING THE WAY: STRATEGIC HOTEL ACQUISITION PIPELINE MODEL INTERVIEW:

FERNANDO ROCHA HUERTA

WHAT IS THE STRATEGIC HOTEL ACQUISITION PIPELINE MODEL?

The strategic hotel acquisition pipeline model is an external vehicle through which Fibra Inn will build and develop its hotel portfolio through the participation of third-party investors. These could be CKD's, real estate development funds, private equity and pension funds, among others.

HOW WILL FIBRA INN PARTICIPATE IN THIS EXTERNAL DEVELOPMENT MODEL?

Fibra Inn will contribute its experience in the following manner:

- Fibra Inn will invest up to 20% of the total value of each project
- Fibra Inn will contribute with market research, the operational plan based on Fibra Inn's hotel industry knowledge, as well as the financial feasibility analysis that contributes to the distributions of the CBFI holders
- Fibra Inn will ensure the project with the purchase of the land and the franchise payment; which will give Fibra Inn the right to define the product, choose the brand, negotiate terms with the international chain and negotiate the franchise
- Fibra Inn will maintain control and the leadership over the hotel design and the execution of the construction
- Fibra Inn will have control over commercial decisions
- Fibra Inn will have absolute decision over the management of the operation

HOW THESE HOTELS WILL BE ADDED TO FIBRA INN'S PORTFOLIO?

Fibra Inn will purchase the property and include it in its portfolio, only once the hotel generates revenue and the operation has stabilized.

HOW DOES THE EXTERNAL STRATEGIC HOTEL ACQUISITION PIPELINE MODEL BENEFIT FIBRA INN'S INVESTORS?

This strategy is planned to maintain the level of dividends to holders of CBFIs, adding properties that generate immediate cash flow. If that was not the case, this process would take approximately three and a half years from the planning of the project, obtainment of permits, the execution of works, and the ramp-up of the hotel from the time of initiation to the point of stabilization.

WHAT ARE THE BENEFITS FOR EACH OF THE PARTIES INVOLVED IN THIS MODEL?

a. For real estate investors, this model is the opportunity to build a guided project, which complies with the construction and design standards required by international hotel chains; with the option to exit once Fibra Inn acquires the property.

b. For financial investors, it is the opportunity to obtain reasonable investment returns with minimal risk upon the sale of the asset.

c. For Fibra Inn, it means to have an acquisition pipeline that will generate direct cash flow with build-to-suit properties that meet the international standards of the hotel chains, and are located in prime areas where demand is currently not being met. This minimizes the risk and the amount invested, and under this framework, investor distributions will not be affected.

WHAT IS FIBRA INN'S STRATEGY FOR THE ACQUISITION AND DEVELOPMENT OF PROPERTIES?

Fibra Inn's strategy will always be to give priority to acquiring those properties with ongoing operations, and this model does not replace it. The Strategic Hotel Acquisition Pipeline is only an alternative for the Fibra's external development in order to expand acquisition opportunities, and always within the business hotel segment.

STRATEGIC HOTEL ACQUISITION PIPELINE PROJECTS IN 2016

JW Marriott Monterrey

Fibra Inn Participation:	33%
Fibra Inn and joint-venture partners total Investment:	Ps. 1,030 million
Initiation of Operations:	3Q19
Number of Rooms:	250

Marriott Monterrey Aeropuerto

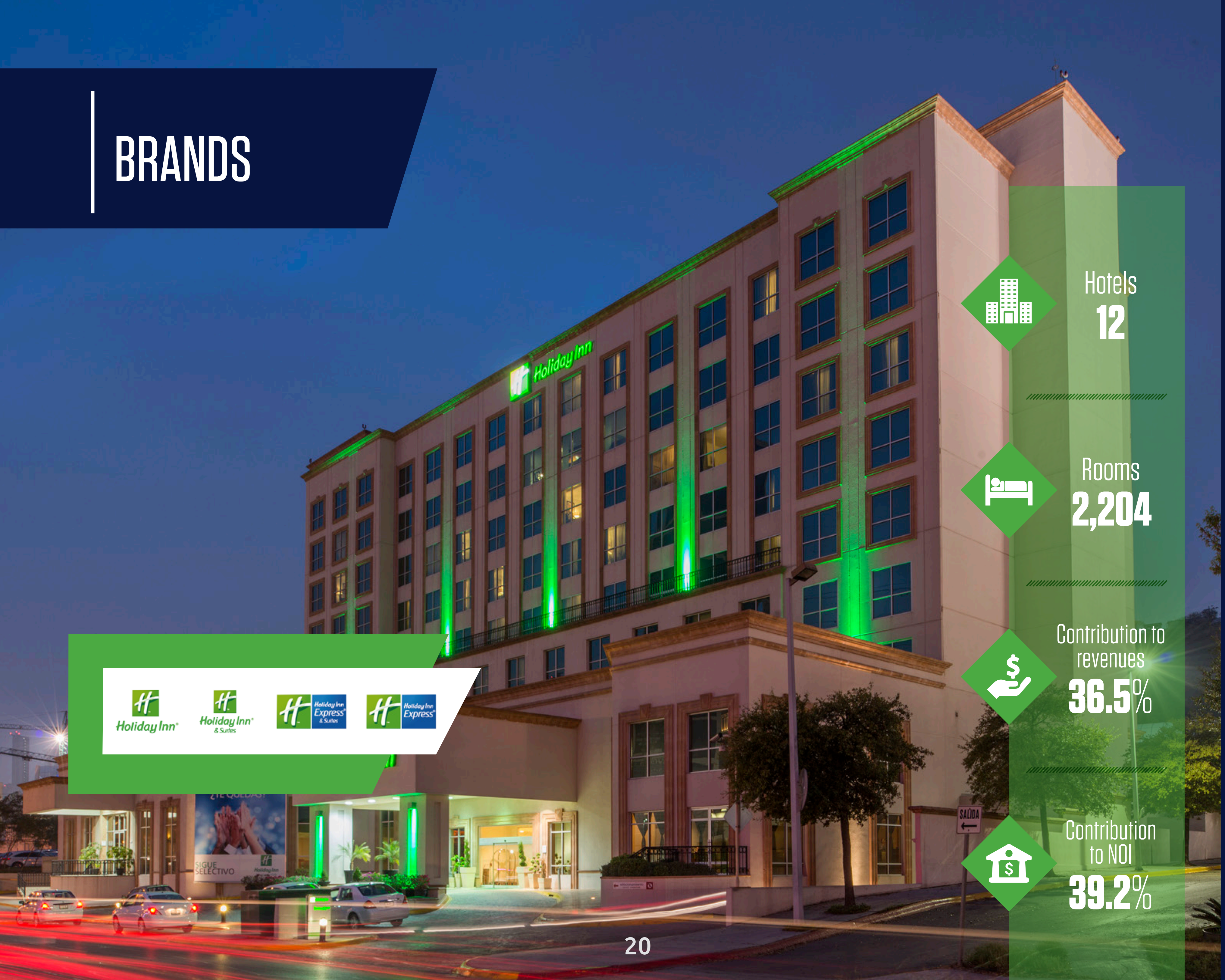
Fibra Inn Participation:	20%
Fibra Inn and joint-venture partners total Investment:	Ps. 328.0 million
Initiation of Operations:	2Q18
Number of Rooms:	180

PORTFOLIO

FOOTPRINT

HOTELS	43
ROOMS UNDER OPERATION	7,113
STATES	15
GLOBAL BRANDS	14
DOMESTIC BRANDS	5
SEGMENTS	4

BRANDS



Holiday Inn

Hotels
12

Rooms
2,204

Contribution to revenues
36.5%

Contribution to NOI
39.2%

CROWNE PLAZA HOTELS & RESORTS

Hotels
1

Rooms
219

Contribution to revenues
5.5%

Contribution to NOI
6.7%

STAYBRIDGE SUITES

Hotels
1

Rooms
117

Contribution to revenues
2.7%

Contribution to NOI
3.2%

WYNDHAM® GARDEN HOTEL

During 2016, the Holiday Inn Playa del Carmen hotel was converted to a Wyndham Garden.

Hotels
6

Rooms
903

Contribution to revenues
9.7%

Contribution to NOI
7.4%

MICROTEL INN & SUITES BY WYNDHAM

Hotels
4

Rooms
508

Contribution to revenues
5.3%

Contribution to NOI
4.7%

Hampton Inn by Hilton

Hotels
6

Rooms
1,170

Contribution to revenues
15.4%

Contribution to NOI
15.3%

MARRIOTT

Hotels
1

Rooms
296

Contribution to revenues
6.6%

Contribution to NOI
7.3%

COURTYARD
Marriott

Hotels
2

Rooms
332

Contribution to revenues
4.3%

Contribution to NOI
4.6%

Hotels
1

Rooms
180

Contribution to revenues
0.8%

Contribution to NOI
-0.6%

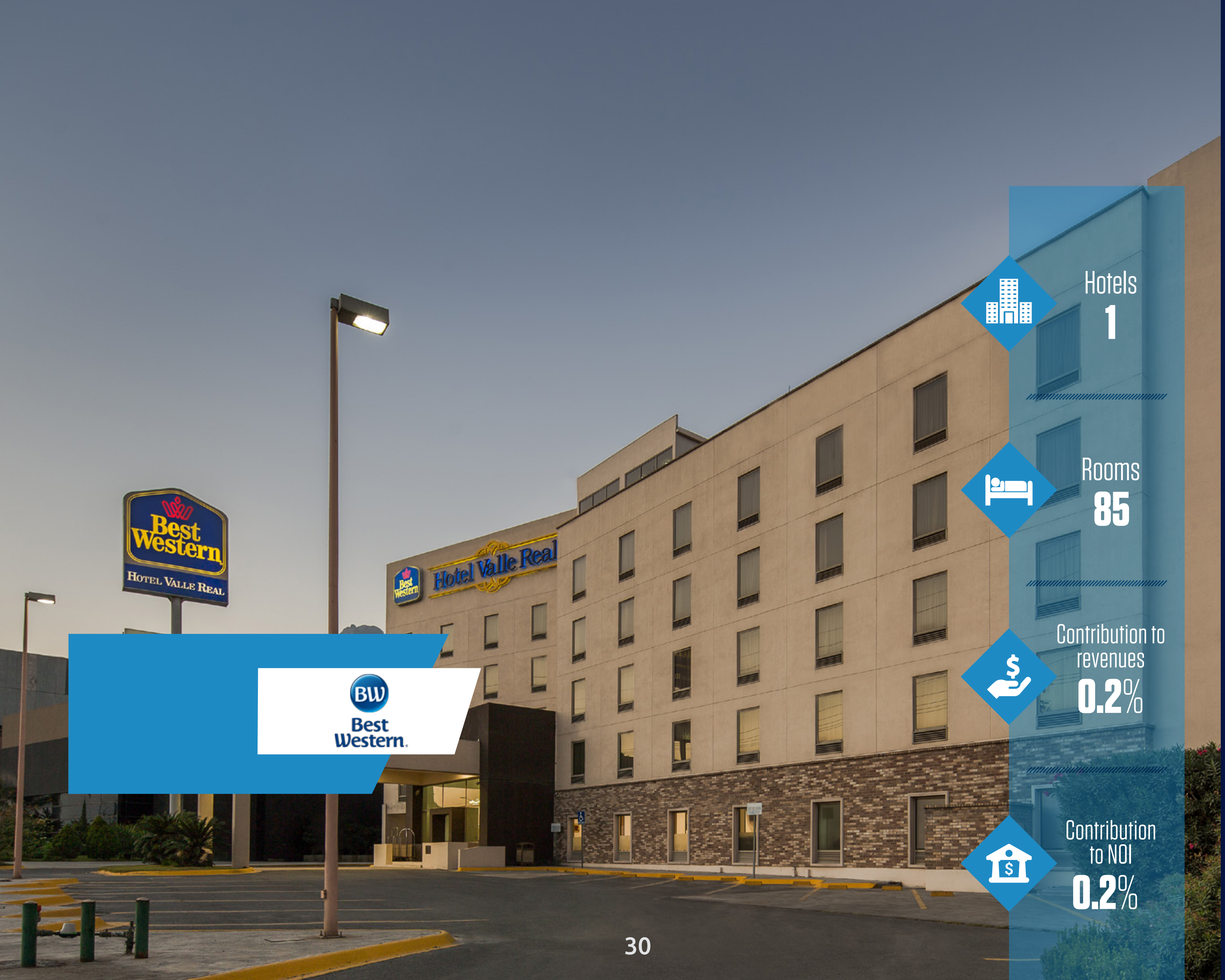
The Company possesses a lot in Ciudad del Carmen, Campeche.

Hotels
1

Rooms
142

Contribution to revenues
2.4%

Contribution to NOI
2.0%



Hotels
1

Rooms
85

Contribution to revenues
0.2%

Contribution to NOI
0.2%

Hotels
7

Rooms
957

Contribution to revenues
10.5%

Contribution to NOI
10.0%

CORPORATE GOVERNANCE

HOTEL OPERATOR
- Perform hotel management services

Control Trust
- Appoint president of the Technical Committee
- Elect majority of members of technical committee, as long as it holds 11% or more of outstanding CBFIs

Trustee
- Acquire, maintain and allocate the Trust's equity
- Carry out, manage and maintain eligible investments
- Carry out the liquidation process upon termination of the Trust.

Administrator
- Manage day-to-day operations and provide management, maintenance and support functions needed to conduct business

CBFI Holders' Meeting
- Transactions that represents 20% or more of equity
- Amend certain Trust by-laws [1]
- Modify or terminate Trust contract [1]
- Approve investments or acquisitions that represent 10% or more of the Trust's assets[2]
- Approve issuance of securities and their placement in the stock market
- Approve increases in amounts and/or number of CBFIs
- Changes in the investment policies of the Trust's assets

CORPORATE GOVERNANCE ENTITIES AND MAIN FUNCTIONS

According to the restatement Trust F/1616 derived from the internalization of the Advisory Services authorized by the Shareholders' Meeting on November 11, 2016.

- Approve increases in compensation and commissions policies for the Administrator
- Approve remuneration of Independent Members, with recommendation of the Nominations and Compensations Committee
- Approve the guidelines to obtain credit lines, bank loans or financings

Technical Committee[3]
- Management body of the business
- Approve the issuance of CBFIs
- Appoint, tax and accounting advisors
- Approve transactions that represent up to 19.99% of the Trust's assets[2]
- Delegate to the Administrator the faculty to authorize operations for amounts lower than US$3,000,000
- Approve policies and transactions between related parties[4]
- Approve companies that could be designated as Hotel Operators[8]
- As necessary, the appointment of the Administrator (with the opinion of the Practices Committee)
- Approve any modification of the Administration Contract
- Establish accounting policies, with prior opinion of Audit Committee
- Approve internal controls and internal audit policies, with prior opinion of the Audit Committee
- Approve the contract of a liability insurance, with prior opinion of the Practices Committee
- Approve financial statements, with prior opinion of Audit Committee, for discussion at CBFI Holders' Meeting
- Establish divestment policies
- Establish distribution policies and approve distributions that are not 95% of taxable income[4]
- Approve policies for the acquisition, issuance or cancelation of CBFIs
- Instruct trustee to disclose relevant events
- Instruct the closing of agreements that adhere to policy
- Appoint and remove external auditor, with the recommendation of the Audit Committee
- Appoint members of the Audit Committee and Practice Committee
- Appoint Secretary of Technical Committee
- Appoint members of the Nominations and Compensation Committee, the Financial Committee, as well as the Credit Surveillance Committee
- Establish the terms of the Administrator
- Establish policies for investing the Trust's assets
- Make recommendations to the CBFI Holders' Meeting

Audit Committee[5]
- Evaluate independent auditors and analyze their reports
- Request and obtain opinion from independent experts
- Inform the Technical Committee of significant irregularities
- Verify the implementation of internal controls and their compliance with applicable laws
- Investigate possible non-compliance of operating and accounting policies
- Oversee that the Administrator, Common Representative and Trustee comply with the Shareholders' Meeting resolutions and the Technical Committee resolutions
- Inform regarding the status of internal control systems and internal auditing prior to Technical Committee approval
- Analyze and provide recommendations regarding the consolidated financial results prior to Technical Committee approval
- Request reports related to the presentation of financial information
- Receive opinion from CBFI holders, Technical Committee and third parties
- Periodically meet with top management
- Announce Shareholders' Meetings

Investment Committee
- Approve transactions in real estate and investments for up to 4.99% of the Trust's assets[2]

Practice and Investments Committee[6]
- Provide opinions regarding transactions with related parties and main CBFIs holders
- Provide opinions regarding the value of the transactions
- Present market studies and recommendations related to the real estate sector
- Provide recommendations to the Technical Committee as to what reports it should request from the Tenant, Administrator, Common Representative and the Trustee
- Request and obtain opinions from independent experts

Nominations and Compensations Committee[7]
- Search, analyze, evaluate and propose candidates for election as independent members of the Technical Committee
- Monitor and review all matters related to independence.
- Propose remuneration for members of the Technical Committee
- Present to the CBFI Holders' Assembly the removal of members of the Technical Committee with prior opinion of the Audit Committee
- Recommend the appointment or removal of the Chief Executive Officer
- Approve the appointment or removal of the Chief Financial Officer and Chief of Acquisitions and Development Officer
- Search, evaluate and analyze candidates to be appointed as Chief Executive Officer
- Propose the amount and composition of remuneration for the Chief Executive Officer, Chief Financial Officer and Chief of Acquisitions and Development Officer
- Propose an incentive structure for first and second level officers
- Propose changes to the compensation and commissions structure for the Administrator

Credit Surveillance Committee[8]
- Oversee the guidelines of the mechanisms and controls applied to credit lines, loans or financings assumed against the Trust's Equity

Financial Committee
- Analyze and when necessary, decide upon all matters related to bank loans, financial debt or any of the Trust's financial matters

[1] Requires favorable vote from the holders of most of the CBFIs outstanding. In the respective Holder Meeting, at least 89% of the CBFIs outstanding must be represented in order for the motion to be approved.
[2] In one transaction or in a series of related transactions that are considered as one transaction, based on the most recent financial information from the Trust from the prior quarter.
[3] The Technical Committee is comprised of 11 proprietary members (5 of whom are independent members) and their respective alternates. An alternate member can act in the place of each elected member in the event that a member cannot attend a Technical Committee meeting. A minimum of 25% of the proprietary member of the Technical Committee and their respective alternate members must be independent, as established in the requirements discussed herein. The intention is that over 25% of Technical Committee members be independent.
[4] Also requires favorable vote from the majority of the independent members.
[5] The Audit Committee is comprised of 3 members. As established by the Trust, each member of the Audit Committee must be independent.
[6] The Practices Committee is comprised of 3 members. As per the requirements of the Trust, each of the three members of the Practices Committee is independent.
[7] The Nominations and Compensations Committee is comprised of 5 members, of which the mayority must be independent.
[8] The Credit Surveillance Committee is comprised of 4 members, of which 3 are independent.

TECHNICAL COMMITTEE

Victor Zorrilla Vargas
CHAIRMAN

INDEPENDENT MEMBERS

- Alberto Rafael Gómez Eng
- Héctor Medina Aguiar
- Marcelo Zambrano Lozano
- Everardo Elizondo Almaguer
- Adrián Garza de la Garza

PROPIETARY MEMBERS

- Joel Zorrilla Vargas
- Oscar Eduardo Calvillo Amaya
- José Gerardo Clariond Reyes-Retana
- Santiago Pinson Correa
- Adrián Jasso
- Robert Jaime Dotson Castrejón
- Juan Carlos Hernáiz Vigil

- Laura Nelly Lozano Romero

SECRETARY

ANNUAL REPORT ON ACTIVITIES TRUST F/1616 TECHNICAL COMMITTEE

The undersigned, Mr. Victor Zorrilla Vargas, Chairman of the Technical Committee of the Irrevocable Trust identified under the number F/1616 (the "Trust"), hereby reports to the Shareholders' Meeting on the completion of the following activities during the fiscal year 2016:

- Eight meetings were held, during the months of April, July, September, October, and December 2016, as well as in February 2017.
- The Consolidated Financial Statements were approved for March, June, September and December 2016, upon recommendation from the Audit Committee.
- The March, June, September and December 2016 Holder Distributions were approved for a total of Ps. 418.1 million upon recommendation from the Audit Committee.
- The Audited Financial Statements for the year 2016 with the corresponding Opinion Report without exception by the Independent Auditor were approved, after hearing the opinion of the Auditing Committee.
- Approval of the budget
- Approval of the Credit Surveillance Committee reports for March, June, September and December 2016.
- Approval was given – upon obtaining the opinion of the Practices Committee- to the contracting terms with Operadora México Servicios y Restaurantes, SAPI de CV –a related party of the Casa Grande Ciudad Juarez Hotel.
- The potential impact of Brexit and the election of Donald Trump as president of the United States were analyzed.
- Review current investment plant at 3Q16 – upon obtaining opinion of the Practices Committee – certain modifications were made considering the international and domestic political and economic environments.
- Approval of implementation of Trading Operations Policies for Fibra Inn by Persons with Insider Information, in accordance with the norms established by the Mexican National Banking and Securities Commission in Provisions Applicable to Issuers, as well Securities Market Law.
- Approval of the Reopening of the Debt Issue, FINN 15, for up to Ps. 1 billion and the final approval of the specific terms was delegated to Fibra Inn's Financial Committee.
- Approval of the modifications in the Trust's administrative structure proposed at Fibra Inn's Shareholders' Meeting, in order to internalize the services provided by the Advisor, in addition to the fees paid to advisors

related to the project prior opinion by the Practices Committee.
- Approval of several modifications proposed at Fibra Inn's Shareholders' Meeting to improve Fibra Inn's corporate governance, prior opinion by the Practices Committee.
- Approval of the appointment of members of the Nominations and Compensations Committee, whose powers were extended at the November 11, 2016 Shareholders' Meeting.
- Approval of the appointment of members of the Investment Committee, whose constitution was approved at the November 11, 2016 Shareholders' Meeting.
- Approval of the subletting terms of offices by Asesor de Activos Prisma, SAPI de CV – Related Party – to Administradora de Activos Fibra Inn, SC, derived from the internalization of Advisory services, prior to the opinion of the Practices Committee.
- Approval of sales terms for automobiles, computer equipment and office furniture by Asesor de Activos Prisma, SAPI de CV – Related Party – to Administradora de Activos Fibra Inn, SC, derived from the internalization of Advisory services, prior to the opinion of the Practices Committee.
- Approval of the overall model and business plan to develop projects by co-investments under the Strategic Hotel Acquisition Pipeline, prior to the opinion of the Practices Committee.
- Approval of the specific terms of the Strategic Hotel Acquisition Pipeline for the development of the JW Marriott Monterrey hotel, prior to the opinion of the Practices Committee.
- Approval of the establishment and operation of the CBFIs' repurchase fund through the Securities Market in accordance to the applicable provisions proposed at Fibra Inn's Shareholders' Meeting.

San Pedro Garza García, April 12, 2017

Mr. Victor Zorrilla Vargas
Chairman of the Technical Committee
Trust F/1616

ANNUAL REPORT ON ACTIVITIES TRUST F/1616 AUDIT COMMITTEE

The undersigned, Mr. Rafael Gómez Eng, President of the Audit Committee of the Irrevocable Trust identified under the number F/1616 (the "Trust"), hereby reports to the Shareholders' Meeting that during fiscal year 2016 the following activities were carried out:

- Four meetings were held, in the months of April, July, and October 2016, as well as in February 2017.
- The Consolidated Financial Statements corresponding to March, June, September and December of 2016 were analyzed and proposed to the Technical Committee.
- The March, June, September and December 2016 Holder Distributions were evaluated and proposed to the Technical Committee for a total of Ps. 418.1 million.
- The work carried out by the Auditing firm was duly supervised.
- Compliance with the recommendations of the External Auditor was monitored in the 2015 audit.
- An analysis of operations was carried out with the Trust's Related Parties.
- The Certified Financial Statements for 2016, with the corresponding Opinion Report were analyzed and proposed to the Technical Committee, with no exception from the Independent Auditor.

San Pedro Garza García, April 12, 2017

Mr. Rafael Gómez Eng
President of the Audit Committee
Trust F/1616

MEMBERS
Rafael Gómez Eng **PRESIDENT**
Héctor Medina Aguiar
Everardo Elizondo Almaguer

ANNUAL REPORT ON ACTIVITIES TRUST F/1616 PRACTICES COMMITTEE

The undersigned, Mr. Adrian Garza de la Garza, President of the Practices Committee of the Irrevocable Trust identified under the number F/1616 (the "Trust"), hereby reports to the Shareholders' Meeting at the completion of fiscal year 2016:

- Five meetings were held during the months of June, July, September and December 2016, as well as in February 2017.
- Confirmation of meeting the Eligibility Criteria required to invest in the following hotels: Casa Grande Ciudad Juarez, Marriott Monterrey Airport (co-investment under the Strategic Hotel Acquisition Pipeline), with a total investment by Fibra Inn of Ps. 401.7 million.
- Evaluation and proposal to the Technical Committee the semiannual and annual revision of the leased spaces used by Operadora Mexico Servicios y Restaurantes, SAPI de CV – Related Party – in the hotels where it was determined that an update was required.
- Evaluation of the current investment plan as of the third quarter of 2016.
- Proposal to the Technical Committee to modify the structure of the Trust's administration, in order to internalize the services provided by the Advisor.
- Modifications to improve Fibra Inn's corporate governance were proposed to the Technical Committee.
- Proposal to the Technical Committee the subletting terms of offices by Asesor de Activos Prisma, SAPI de CV – Related Party – to Administradora de Activos Fibra Inn, SC, derived from the internalization of Advisory services.
- Proposal to the Technical Committee the sales terms for automobiles, computer equipment and office furniture by Asesor de Activos Prisma, SAPI de CV – Related Party – to Administradora de Activos Fibra Inn, SC, derived from the internalization of Advisory services.

- Proposal to the Technical Committee the overall model and business plan to develop projects by co-investments under the Strategic Hotel Acquisition Pipeline Model.
- Proposal to the Technical Committee the specific terms of the Strategic Hotel Acquisition Pipeline for the development of the Hotel JW Marriott Monterrey.

San Pedro Garza Garcia, April 12, 2017

Mr. Adrian Garza de la Garza
President of the Practices Committee
Trust F/1616

MEMBERS

Adrian Garza de la Garza **PRESIDENT**
Héctor Medina Aguiar
Rafael Gómez Eng

ANNUAL REPORT ON ACTIVITIES F/1616 NOMINATIONS AND COMPENSATIONS COMMITTEE

The undersigned, Mr. Everardo Elizondo Almaguer, President of the Nominations Committee of the Irrevocable Trust identified under the number F/1616 (the "Trust"), reports to the Shareholders' Meeting that during the fiscal year 2016:

- Two meetings were held during the months of April 2016 and February 2017.
- Ratification of the independent members of the Trust's Technical Committee was proposed at Fibra Inn's Shareholders' Meeting.
- Proposal at the Shareholders' Meeting to update the compensation of the independent members of the Trust's Technical Committee.
- Search for candidates for the election of an additional independent member of the Technical Committee submitted at the Shareholders' Meeting was approved given the interest of a holder (holding more than 10%) to appoint a patrimonial member.
- Short and long-term incentive plans for first and second level managers and 2017 executives were proposed to the Technical Committee.
- Salaries for the Chief Financial Officer and Director of Acquisitions and Development were proposed to the Technical Committee.
- The Chief Executive Officer's goal alignment plan was approved.

San Pedro Garza Garcia, April 12, 2017

Mr. Everardo Elizondo Almaguer
President of the Nominations and Compensations Committee
Trust F/1616

MEMBERS

Everardo Elizondo Almaguer **PRESIDENT**
Héctor Medina Aguiar
Adrián Garza de la Garza
Victor Zorrilla Vargas
Joel Zorrilla Vargas

ANNUAL REPORT ON ACTIVITIES F/1616 FINANCIAL COMMITTEE

The undersigned, Mr. Héctor Medina Aguiar, President of the Financial Committee of the Irrevocable Trust identified under the number F/1616 (the "Trust"), reports to the Shareholders' Meeting that the following activities were carried out during the fiscal year 2016:

- Three meetings were held during the months of April and August 2016, as well as in February 2017.
- Approval of loan signage with BBVA Bancomer guaranteed with a mortgage of up to Ps. 300 million.
- Analyze and approve the terms and conditions for the First Public Debt Issuance of the Trust (FINN15), for Ps. 1.0 billion.
- Approval to cancel the credits obtained with Banorte, Actinver, Banamex, Scotiabank and Banregio, as well as the release of the corresponding guarantees on 16 hotels of the Trust's portfolio.
- Approval to renew the contract with Santander as the Company's market maker.
- Proposal to the Technical Committee of the strategy and trading rules of Fibra Inn's Repurchase Fund.
- The debt coverage strategy was determined through derivatives.
- The investment strategy for treasury resources was defined
- Approval to sign credit lines with Citi Banamex and Banorte, as well as to extend the credit line obtained with BBVA Bancomer.

San Pedro Garza Garcia, April 28, 2017

Mr. Héctor Medina Aguiar
President of the Financial Committee
Trust F/1616

MEMBERS

Héctor Medina Aguiar **PRESIDENT**
Adrián Garza de la Garza
Everardo Elizondo Almaguer
José Antonio Gómez Aguado de Alba
Oscar Eduardo Calvillo Amaya
Santiago Pinson Correa

ANNUAL REPORT ON ACTIVITIES F/1616 CREDIT SURVEILLANCE COMMITTEE

The undersigned, Mr. Rafael Gómez Eng, President of the Credit Surveillance Committee of the Irrevocable Trust identified under the number F/1616 (the "Trust"), reports to the Shareholders' Meeting that the following activities were carried out during fiscal year 2016:

- Four meetings were held during the months of April, July, and October 2016, as well as in February 2017.
- Analyze and approve the reports of the Technical Committee in accordance with the Requirements for Compliance with the Financial Guidelines of the Mexican Securities and Exchange Commission (CNBV) for Bank Loans and the Debt Issuance of FINN15, corresponding to March, June, September and December 2016.

San Pedro Garza Garcia, April 12, 2017

Mr. Rafael Gómez Eng
President of the Credit Surveillance Committee
Trust F/1616

MEMBERS

Rafael Gómez Eng **PRESIDENT**
Héctor Medina Aguiar
Everardo Elizondo Almaguer
Alejandro Javier Leal-Isla Garza
Oscar Eduardo Calvillo Amaya

ANNUAL REPORT FROM THE ADMINISTRATOR OF THE IRREVOCABLE TRUST IDENTIFIED UNDER THE NUMBER F/1616 (THE "TRUST"), TAKING PLACE BY ASESOR DE ACTIVOS PRISMA, S.A.P.I. DE C.V., AS THE TRUSTOR; AND DEUTSCHE BANK MEXICO, S.A., INSTITUCION DE BANCA MULTIPLE, FIDUCIARY DIVISION AS THE FIDUCIARY AND CI BANCO, S.A., INSTITUCION DE BANCA MULTIPLE, AS THE AGENT ON THE COMPLIANCE WITH FISCAL OBLIGATIONS, IN TERMS OF ARTICLE 76 FRACTION XIX, OF INCOME TAX LAW.

San Pedro Garza Garcia, Nuevo Leon, April 12, 2017.

Pursuant to the provisions established in Article 76, Fraction XIX, of the Income Tax Law, Administradora de Activos Fibra Inn, S.C., in its capacity as Administrator of the Trust, hereby presents the report that reflects the compliance with the fiscal obligations of the Trust for the period between January 1 and December 31, 2016 (the "Period of Review"), so that in due course the said report can be submitted to the consideration of the Annual General Shareholders' Meeting of the of Real Estate Trust Certificates with the ticker symbol "FINN13" ("CBFIs"), which will be held on April 28, 2017.

It is hereby represented that the fiscal status of the Fiduciary of the Trust was examined for the Period Review that covers the certified financial statements, and regarding meeting its fiscal obligations as a direct tax payer, withholder and/or collector, whereby it is represented that none of the fiscal obligations of the Trust is outstanding or in default.

It is hereby reported that the calculations were verified and found that the federal taxes accrued during the Period Reviewed as reported show that there are no differences or any payment that has been omitted.

Regarding the amount and payment of the Workers Profit Share, it is hereby reported that the Trust has no employees, and therefore, it was not subject to any labor-related obligations during the Period Reviewed.

This report is issued solely and exclusively for the information for the CBFI Holders of the Trust, and to be subjected for approval before the Annual General Shareholders' meeting of the Trust, pursuant to the provisions established by the applicable laws, and shall not be used for any other purpose.

Administradora de Activos Fibra Inn, S.C.,
in its capacity as Administrator of the Trust
through its legal representative:
Mr. Oscar Eduardo Calvillo Amaya

MANAGEMENT TEAM

Oscar Eduardo Calvillo Amaya
CHIEF EXECUTIVE OFFICER

Miguel Aliaga Gargollo
CHIEF FINANCIAL OFFICER

- Lizette Chang y García
  INVESTOR RELATIONS OFFICER
- Alejandro Javier Leal-Isla Garza
  PLANNING AND FINANCIAL DIRECTOR
- Laura Nelly Lozano Romero
  LEGAL COUNSEL
- Daniel Arán Cárdenas
  CENTRAL ADMINISTRATION DIRECTOR

Fernando Rocha Huerta
ACQUISITIONS AND DEVELOPMENT OFFICER

- Diego Zorrilla Vargas
  ACQUISITIONS AND NEW PROJECTS DIRECTOR
- Laura Mayela Gracia Treviño
  PROJECT DIRECTOR

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATING RESULTS

Financial Results

At the close of 2016, Fibra Inn's portfolio comprises 43 hotels (11 limited service, 19 select service, 12 full service and 1 extended-stay hotels).

As of December 31, 2016, Fibra Inn's total revenues reached Ps. 1,797.6 million, an increase of 37.2% compared to 2015. Fibra Inn's total revenues per hotel segment were as follows: Ps. 261.7 million, or 14.6% from limited service hotels; Ps. 839.3 million, or 46.7% from select service hotels; Ps. 648.1 million, or 36.1% from full service hotels; and Ps. 48.5 million, or 2.7% from extended-stay hotels.
Revenues were comprised as follows:

- Ps. 1,707.5 million, or 95.0%, are room rental revenues from the 43 properties in the operating portfolio.
- Ps. 90.1 million, or 5.0%, are rental revenues from spaces for services other than lodging, such as conference and meeting rooms, coffee breaks, banquet rooms and restaurants, as well as the rental of certain commercial spaces.

Total operating expenses were Ps. 1,117.5 million in 2016, an increase of 37.3%, or Ps. 303.7 million compared to Ps. 813.7 million in 2015. As a percentage of total revenues, these operating costs and expenses represented 62.2% in 2016, compared to 62.1% in 2015, a slight increase of 10 basis points as a percentage of total revenues or an increase of Ps. 303.7 million in nominal pesos. The aforementioned is the net effect of:

- A 40-basis points decrease in maintenance expenses, equivalent to 4.1% of total revenues, driven by the efficiency in hotel management. In nominal pesos, this line item represents a 26.1% increase versus Ps. 15.4 million in 2015.
- A 10-basis points decrease in advertising and promotional expenses, equal to 5.7% of total revenues. This was due to efficient advertising expenses aimed at balancing the marketing campaigns through the year and the contracting of digital media to increase sales during the vacation period in order to offset business with leisure travelers. In nominal pesos, advertising and promotion expenses represented a 33.9% increase compared to Ps. 25.9 million in 2015.

The aforementioned, offset by:

- A 30-basis point increase in administrative expenses, equal to 24.4% of total revenues due to: (i) higher volume by investing in commercial strategies and contracting Premium reservation channels that include higher participation from traditional travel agencies, as well as internet, (ii) in nominal pesos, administrative expenses increased 39.2% or Ps. 123.7 million compared to 2015.
- A 20-basis point increase in royalties, equal to 6.1% of total revenues, reflecting the incorporation of three hotels to Fibra Inn's portfolio, operating under international brand and the revision of some franchise contracts. In nominal pesos, royalties registered and increase of 41.0%, or Ps. 31.9 million compared to 2015.

NOI reached Ps. 659.5 million in 2016, representing an annual increase of 36.6%, compared to Ps. 482.8 million in 2015. NOI margin for 2016 was 36.7%, a decline of 20 basis points.

During 2016, expenses incurred for the acquisition of hotels reached at total of Ps. 14.9 million, which represented 0.8% of total revenue, compared to 2015 derived from a lower number of hotels acquired in 2016. In nominal terms, expenses incurred for the acquisition of hotels were Ps. 45.0 million, equal to a 75.1% declines. This expense reflected the accounting treatment in accordance with the application of IFRS 3 Combination of Businesses accounting rule beginning in the fourth quarter of 2015.

In reference to the IFRS 3 Combination of Businesses standard, the acquisition of hotels qualifies as the acquisition of a business, since an operation is being purchased. Therefore, costs related to the transaction are acknowledged in the Income Statement as they are incurred, these include: costs for notaries, legal and appraisals, among others. This applies to the acquisition of hotels realized in 2015 and 2016.

Total expenses related to Fibra Inn's administrative expenses were Ps. 116.9 million for 2016, a 15% decline compared to Ps. 137.5 million in 2015. As a percentage of total revenues, these indirect expenses represented 6.5%; a decline of 4 basis points compared to 10.5% in 2015. This decrease was primarily due to:

- A decline of 380 basis points, as a percentage of total revenue, in acquisition and organization expenses, which represented 0.8% of total revenue and corresponded to a lower expense due to a lower number of hotel acquisitions during 2016. In nominal terms, this figure also decreased by 75.1%, equivalent to Ps. 45.0 million.
- A decrease of 50 basis points in corporate administrative expenses, or 2.0% of total revenue, compared to the 2.5% for the previous year. These expenses are related to savings in fiduciary expenses, investor relations and advisor payment fees. In nominal terms, this figure increased by 11.2% or Ps. 3.7 million.
- A decline of 30 basis points in advisor fees, representing 3.6% of total revenue, compared to the 3.9% for the prior year. In nominal terms, this figure rose by 27.4%, of Ps. 13.8 million. This was due to a higher number of hotels in the Fibra.
- The aforementioned was offset by an increase of 50 basis points in property maintenance costs, registering Ps. 8.4 million or 0.5% as a percentage of total revenue. This expense was related to the investment made in some hotels in the portfolio pertaining to brand changes and major renovations at the properties to conform to the standards and specifications of the international brands.

As a result of the cost savings mentioned above, EBITDA was Ps. 542.7 million for 2016, representing an increase of 57.2% compared to the Ps. 345.3 million reported in the previous year. This resulted in an EBITDA margin of 30.2% that is proportionately higher than the Fibra revenues, an improvement of 3.8 percentage points versus 26.4% in 2015.

Excluding hotel acquisition costs, the adjusted EBITDA was Ps. 557.6 million, which represented an increase of 37.6% compared to the adjusted EBITDA figure for 2015, which was Ps. 405.2 million. The adjusted EBITDA margin was 31.0%, a 10 basis point improvement compared to the 30.9% in 2015.

Executive compensation based on equity instruments was Ps. 3.6 million in 2016, which is Ps. 14.9 million lower than the figure registered in the previous year and corresponded to the portion stemming from the value of the 3 million CBFIs that were agreed to be paid out to the current Chief Executive Officer at the time of the Initial Public Offering, after a period of 3 years. This is a non-monetary amount, which resulted in a 0.7% dilution beginning in March 2016.

During 2016, the Company registered a fixed asset depreciation of Ps. 220.2 million, versus the Ps. 157.7 million reported in 2015, which represented a 39.7% increase, or Ps. 62.5 million higher than in 2015. In 2016, the Company reported Ps. 42.1 million in property depreciation and Ps. 7.7 million due to an accounting loss as a result lower real estate fees from lower equipment.

As a result, in 2016 Operating Income increased by 59.1% in 2016 or Ps. 99.9 million, registering Ps. 269.0 million. The operating margin was 15.0%; compared to the 12.9% of 2015.

Ps. 137.3 million were registered as interest expense, mainly due to the interest paid related to the bank credit and the public debt, these interest expense have been amortized during this period.

There was a negative exchange rate fluctuation for Ps. 5.6 million. In 2016, the Company registered deferred income tax for Ps. 1.8 million, compared to the Ps. 0.5 million loss in 2015. As a result, Net Income for 2016 was Ps. 124.3 million, a 20.9% decrease, or Ps. 32.9 million compared to the Ps. 157.3 million reported for the previous year. The net margin reached 6.9%, which is 5.1 percentage points lower than the previous year, in which a 12.0% net margin was reported.

2016 Funds from Operations ("FFO") were Ps. 437.0 million, a 10.9% increase compared to the Ps. 393.9 million reported in 2015. The FFO margin was 24.3%, a decline of 5.8 percentage points compared to the 30.1% reported in 2015.

Distributions of Ps. 418.1 million were approved, corresponding to all four quarters of the year, representing an increase of 23.7% compared to the Ps. 338.1 million approved in 2015.

This represented Ps. 0.9501 cents per CBFI in 2016, equivalent to a 22.8% increase compared to the Ps. 0.7736 cents per CBFI in 2015.

Finally, the dividend yield or annual yield for 2016 was 8.3% based on the closing price per CBFI of Ps. 11.41; this amount compares favorably with the 5.6% reached in the prior year.

Balance Sheet

At December 31, 2016, Fibra Inn had Ps. 849.1 million in cash and cash equivalents.

During December 2016, the Company received two VAT reimbursements for a total of Ps. 89.9 million, which included the Ps. 1.9 million in recoverable VAT. This reimbursement corresponded to the acquisition of the Wyndham Garden in Celaya, Silao, Leon and the Microtel Inn & Suites by Wyndham in Culiacan, Ciudad Juarez, Toluca, Chihuahua and the Casa Grande Chihuahua and Delicias hotels. As such, the tax balance for the added value pending reimbursement at the close of December 2016 was Ps. 310.4 million and the outstanding recoverable VAT amount is in process of recovery with the tax administration authority.

The accounts receivable amount was Ps. 147.1 million from the regular operation of the business. Anticipated payments were Ps. 16.8 million, which mainly pertain to operating expenses of the amortized hotels during the period, as well as property taxes, insurance, fiduciary fees, independent members and administrative payments. Accounts payable registered Ps. 90.1 million; this decline was due to the termination of projects with providers and the cancellation of expense provisions that were not utilized as well as requests by providers that have not been billed at the end of the year.

Short term obligations for Ps. 5.0 million were registered, which corresponded to accrued interest at that date as a result of the debt issuance. Long term debt reached Ps. 2,836.7 million, which corresponded to the remaining bonds, net of amortizable expenses.

On December 22, 2016, the Company signed the cancellation of the credit contract, CONVENIO DE PRENDA, MANDATO for the deposit and reversion of the Guarantee Trust. In virtue of the aforementioned, the obligation to report an update of these credit agreements ceased. At the same time, the Company began the process to release the guarantee over the 16 hotels in the Fibra's portfolio.

At December 31, 2016, the nominal balance of the debt issuance of FINN 15 was Ps. 2,875.3 million, equivalent to Ps. 2,836.7 million considering the amortizable expenses during the term of the issuance. At the close of 2016, the Company had coverage of 22% of the balance of the issuance with interest rate swaps expiring in 2019.

On February 13, 2017, the Trust's Finance Committee approved to increase this coverage to up to 66%. On February 23, 2017, Fibra Inn contracted an interest rate swap for Ps. 900 million with Citi Banamex. With this, the Company has 53% coverage of its public debt at a weighted average rate of 7.7%.

The indexes for the FINN15 debt issuance at December 31, 2016 are as follows:

Fibra Inn has a total loan-to-value of 29.2% as of December 31, 2016. This leverage level is in compliance with regulations of the Mexican Banking and Securities Commission ("CNBV") to regulate the maximum leverage levels for the Fibras up to 50%. As of December 31, 2016, the debt service coverage was 2.9x; the ratio established to be greater than 1.0x. Additionally, the debt coverage service is 5.9x, 329% in total untaxed asset and there is no debt guarantee.

CONSOLIDATED FINANCIAL STATEMENTS

Fideicomiso Irrevocable No. F/1616
(Deutsche Bank México, S. A. Multiple Banking Institution, Trust Division) and Subsidiary

As of December 31, 2016 and 2015
(With the Independent Auditors' Report)

INDEPENDENT AUDITORS' REPORT

(Translation from Spanish Language Original)

To CBFIs Holders of Fideicomiso Irrevocable No F/1616
(Deutsche Bank México, S. A., Institución de Banca Múltiple, División Fiduciaria):

(Thousands of Mexican Pesos)

Opinion

We have audited the consolidated financial statements of Fideicomiso Irrevocable No F/1616 (Deutsche Bank México, S. A., Institución de Banca Múltiple, División Fiduciaria) and its subsidiary ("the Trust"), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, the consolidated income statements, comprehensive income, changes in trustors' equity and cash flows for the years then ended, and notes, comprising 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 of Fideicomiso Irrevocable No F/1616 (Deutsche Bank México, S. A., Institución de Banca Múltiple, División Fiduciaria) and its subsidiary as at December 31, 2016 and 2015, and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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 of the Trust in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in México, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of property, furniture and equipment, net: $8,210,548 (refer to note 8 of the consolidated financial statements)

The key audit matter	*How the matter was addressed in our audit*
The Trust has $8,210,548 in property, furniture and equipment, which accounted for 84% of the Trust's total assets. The Trust's properties are hotels located in Mexico, which the majority of the hotels were acquired by the Trust and some of them were own developments. As mentioned in note 3(e) of the consolidated financial statements, annually the Trust reviews the book values of its hotels to determine if there is any trigger that those hotels have suffered any impairment loss. This assessment is performed for all hotels that have reached the stage of maturity and show any triggering of impairment. For the hotels identified with a possible risk or impairment, management perform an internal analysis under the discounted cash flow method. For the hotels selected for a detailed analysis, the estimate of the recoverable value is complex and depends on future assumptions and significant judgments are required in relation to appropriate discount rates, growth rates, cap rates, occupancy, available rooms income and estimated future cash flows, among others, in order to determine the hotels' value in use.	In this area our audit procedures included: • Assess the process implemented by management in order to identify initially the hotels in stage of maturity that show any impairment's trigger. • For such hotels selected to perform a detailed impairment review, we evaluated together with our own specialists the valuation methodology used by the Trust. • With support of our own specialists, we evaluated the key assumptions used in determining the recoverable amount of the hotels, including the analysis of the discount rate used to discount the cash flows, occupancy rates, revenue per room, market growth and expected inflation according with the external industry data. • Evaluate the integrity of the discounted cash flow models and performed sensibility analysis for changes in key assumptions. • Compare the accounting records related to the impairment loss recognition, and disclosures included in the notes of the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report for the year ended December 31, 2016, to be filed with the National Banking and Securities Commission (Mexico) and the Mexican Stock Exchange (Annual Report), but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management 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 Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

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

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

- Identify and assess the risks of material misstatement of the 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 Trust's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust'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 auditor s' report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

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

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

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

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

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

KPMG Cárdenas Dosal, S.C.

C.P.C. Luis Gabriel Ortiz Esqueda

Monterrey, Nuevo León, March 31, 2017.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2016 and 2015

(Thousands of Mexican pesos)

	Notes	2016	2015
Assets			
Current assets:			
Cash and cash equivalents	5	$ 849,077	796,751
Trade and other accounts receivable	6	147,133	164,043
Advance payments		16,755	30,692
Accounts receivable from related parties	12	12,699	97,253
Recoverable value–added tax		310,387	406,067
Recoverable taxes and other		13,420	8,086
Total current assets		1,349,471	1,502,892
Derivative financial instruments	16	29,145	–
Accounts receivable from related parties	12	36,845	24,968
Advance payments for the acquisition of properties	9	104,274	–
Property, furniture and equipment, net	8	8,210,548	7,623,364
Intangible assets and other assets	11	60,149	37,049
		$ 9,790,432	9,188,273
Liabilities and trustor´s equity			
Current liabilities:			
Suppliers		$ 90,083	131,707
Other payables		1,061	10,190
Taxes payable		10,125	18,473
Property acquisition liability	10	7,296	10,000
Accounts payable to related parties	12	29,586	45,209
Liability from bank debt	17	4,999	8,662
Advances from clients		7,394	1,132
Total current liabilities		150,544	225,373

	Notes	2016	2015
Bank debt	17	–	69,397
Derivative financial instruments	16	–	5,257
Debt securities	17	2,836,654	1,847,852
Employee benefits	15	295	252
Deferred income tax	14	66	136
Total liabilities		2,987,559	2,148,267
Trustors' equity:			
Contributed capital	13	6,327,290	6,671,290
Executive share–based compensation reserve	12 d	–	51,870
Reserve for valuation effect of derivative financial instruments	16	29,241	(5,161)
Retained earnings	13	446,342	322,007
Total trustors' equity		6,802,873	7,040,006
		$ 9,790,432	9,188,273

See accompanying notes to consolidated financial statements.

CONSOLIDATED INCOME STATEMENTS

For the years ended December 31, 2016 and 2015

(Thousands of Mexican pesos)

	Notes	2016	2015
Revenue from:			
Lodging		$ 1,707,452	1,228,400
Property leases	12	90,101	81,376
Total revenue		1,797,553	1,309,776
Costs and expenses from hotel services:			
Lodging		439,199	315,467
Administrative		291,824	211,721
Advertising and promotion		102,127	76,265
Electricity		100,191	73,434
Preventive maintenance		74,459	59,070
Royalties		109,673	77,781
Total costs and expenses from hotel, services		1,117,473	813,738
Gross margin		680,080	496,038
Other costs and expenses (income):			
Property tax		13,852	8,723
Insurance		6,688	4,516
Advisor fee	12	64,262	50,434
Corporate administrative expenses		36,741	33,038
Depreciation and amortization	8 and 11	220,244	157,704
Impairment of properties	8	42,087	–
Major maintenance		8,463	–
Accounting loss from write–offs of furniture and equipment	8	7,716	–
Equity share–based compensation to executives	12 d	3,630	18,500
Costs from business acquisitions	3 m and 7	14,931	59,944
Other income, net		(7,534)	(5,893)
Total other costs and expenses		411,080	326,966
Operating income		269,000	169,072
Interest expense, net		137,293	10,343
Foreign exchange loss, net		5,608	993
Financial expense		142,901	11,336
Income before income taxes		126,099	157,736
Deferred income taxes	14	1,764	458
Consolidated net income		$ 124,335	157,278
Basic earnings per CBFIs *		0.28	0.36
Diluted earnings per CBFIs *		0.25	0.32
Weighted average of outstanding CBFIs	13	440,019,542	437,019,542

* Real Estate Fiduciary Stock Certificates

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2016 and 2015

(Thousands of Mexican pesos)

	Notes	2016	2015
Net income		$ 124,335	157,278
Comprehensive income items:			
Reserve for valuation effect of derivative financial instruments	16	34,402	(4,268)
Total comprehensive income		$ 158,737	153,010

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF **CHANGES IN TRUSTORS' EQUITY**

For the years ended December 31, 2016 and 2015

(Thousands of Mexican pesos)

	Notes	Contributed capital	Executive share–based compensation reserve	Reserve for valuation effect of derivative financial instruments	Retained earnings	Total Trustors' equity
Balances as of December 31, 2014		$ 6,991,560	33,370	(893)	164,729	7,188,766
Reimbursement to holders of certificates	13	(320,270)	–	–	–	(320,270)
Equity–settled share–based compensation	12 d	–	18,500	–	–	18,500
Comprehensive income		–	–	(4,268)	157,278	153,010
Balance as of December 31, 2015		$ 6,671,290	51,870	(5,161)	322,007	7,040,006
Reimbursement to holders of certificates	13	(399,500)	–	–	–	(399,500)
Equity–settled share–based compensation	12 d	–	3,630	–	–	3,630
Equity–settled shares	13	55,500	(55,500)	–	–	–
Comprehensive income		–	–	34,402	124,335	158,737
Balance as of December 31, 2016		**$ 6,327,290**	–	**29,241**	**446,342**	**6,802,873**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF **CASH FLOWS**

For the years ended December 31, 2016 and 2015

(Thousands Mexican pesos)

	Notes	2016	2015
Operating activities:			
Consolidated income before income taxes		$ 126,099	157,736
Adjustments:			
Depreciation and amortization	8 and 11	220,244	157,704
Accounting loss from write–offs of furniture and equipment	8	7,716	–
Impairment of properties	8	42,087	–
Allowance for doubtful accounts	6	2,013	–
Debt interests	17	156,212	24,387
Interest income		(19,223)	(14,044)
Equity share–based compensation to executives	12 d	3,630	18,500
Operating activities		538,778	344,283
Increase in trade and other accounts receivable	6	14,897	(87,376)
Accounts receivable from related parties	12	68,931	(83,911)
Increase in prepaid expenses		13,937	(24,479)
Increase in recoverable value added tax		88,512	(157,747)
Increase in suppliers and other payables		(44,491)	80,919
Increase in taxes payable		(8,348)	5,368
Employee benefits	15	43	20
Net cash flows generated by operating activities		672,259	77,077

See accompanying notes to consolidated financial statements.

	Notes	2016	2015
Investing activities:			
Advance payments for the acquisition of properties	9	(110,253)	–
Acquisition of property, furniture and equipment	8	(830,657)	(1,857,404)
Income from the sale of furniture and equipment	8	2,911	–
Acquisition of intangible assets	11	(29,549)	(18,748)
Loan to related parties	12	(11,877)	(8,368)
Interest income		19,223	14,044
Net cash flows used in investing activities		(960,202)	(1,870,476)
Financing activities:			
Loans received	17	250,000	600,000
Loans paid	17	(350,000)	(600,000)
Bank commissions and interest payments	17	(142,519)	(44,123)
Proceeds from debt issuance	17	994,545	1,875,350
Debt issuance costs	17	(12,257)	(27,498)
Distributions to holders of certificates	13	(399,500)	(320,270)
Net cash flows generated by financing activities		340,269	1,483,459
Cash and cash equivalents:			
Net increase (decrease) in cash and cash equivalents		52,326	(309,940)
Cash at the beginning of the year	5	796,751	1,106,691
Cash at the end of the year	5	$ 849,077	796,751

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

(Thousands of Mexican pesos)

(1) Company's activity –

Trust No. F/1616 (Deutsche Bank Mexico, S. A. Multiple Banking Institution, Trust Division) and Subsidiary ("Fibra Inn" or the "Trust") was established on October 23, 2012, as a Real Estate Investment Trust (REIT) by Asesor de Activos Prisma, S.A.P.I de C.V.(the "Trustor"), Deutsche Bank México, S.A., Multiple Banking Institution, Trust Division (the "Trustee"). The Trust started operations on March 12, 2013 and was created mainly to acquire and own real estate, with a view to leasing commercial properties earmarked for the Lodging industry and providing related services.

Fibra Inn, as a Real Estate Investment Trust (Fideicomiso de Inversiones en Bienes Raices – "FIBRA"), meets the requirements to be treated as a transparent entity in Mexico in accordance with the Mexican Income Tax Law. Therefore, all proceeds from the Trust's operations are attributed to holders of its Real Estate Fiduciary Stock Certificates (Certificados Bursátiles Fiduciarios Inmobiliarios – "CBFIs") and the Trust No. F/1616 is not subject to income taxes in Mexico. In order to maintain its FIBRA status, the Mexican Tax Administration Service (Servicio de Administración Tributaria – " SAT") established, in Articles 223 and 224 of the Income Tax Law for the period of 2013, that the Trust must annually distribute at least 95 percent of its net tax result to CBFIs holders. In accordance with the new Income Tax Law 2014, the articles related to the tax requirements of a FIBRA are 187 and 188, which sustain the same characteristics as the previous law.

Administradora de Activos Fibra Inn, S.C. (AAFI) is a subsidiary of Fibra Inn, in which it holds a 99.9% ownership interest and has control, as defined in note 2c. This entity provides support functions necessary to conduct the businesses of the Trust.

The Trust's legal address is Ricardo Margain Zozaya No. #605, Colonia Santa Engracia, in San Pedro Garza García, Nuevo León.

For the development of its operation, Fibra Inn has entered into the following contracts with related parties:

i. Advisory services on acquisition, management and development of assets with Asesor de Activos Prisma, S. A. P. I. de C. V. Management consulting services are permanent for all hotels that comprise the equity of the Trust, and are determined by the value of the related assets. In the General Holders Meeting held on October 17, 2014, a resolution to modify the percentage applied to the value of assets in determining the fees from advisory on management was reached, remaining a 0.75% over the gross value of real estate assets, adjusted by inflation. The advisory services on acquisition and development are performed once for all hotels acquired and developed, and are determined by the agreed purchase price or developed property, as applicable. Additionally, in the General Holders Meeting held on October 17, 2014 a resolution to eliminate the fee from advisory services on acquisition and development of assets was reached. This resolution applied in respect of the assets whose acquisition was approved after the date of the aforementioned General Holders Meeting. The stated term for this contract is 10 years. On November 11, 2016, by means of the Extraordinary Meeting of Holders, it was authorized to carry out the early termination of this contract, as mentioned in the section of "Significant events" and afterwards, on December 5, 2016, the agreement was signed to early terminate the contract of rendering of advisory services, expressly agreeing the parties that the termination would take effect from January 1, 2017.

ii. Hotel management services contract with Gestor de Activos Prisma, S.A.P.I. de C.V. The hotel management services are permanent, for the corresponding hotels (some hotels contract with third–party hotel management services). The agreements are made per hotel at the beginning of operations for a stated term of no greater than 10 years.

iii. Personal services contracts with Servicios Integrales Fibra Inn, S.A.P.I. de C.V. and Impulsora Fibra Inn, S.A.P.I. de C.V., agreed on January 1, 2016 with a stated term of 5 years.

iv. Space rental contract with Operadora México Servicios y Restaurantes, S.A.P.I. de C.V. Spaces granted as leases are those used to provide other services different to lodging services. The agreements are made per hotel at the beginning of operations for a stated term of no greater than 20 years.

As a result of the legislative changes to the current Income Tax Law in force beginning January 1, 2014, in compliance with the provisions of Articles 187 and 188, the Technical Committee of Fibra Inn decided to implement the following:

a) Hotel lodging services are recorded and invoiced directly by the Trust No. F/1616, which in turn is in charge of paying all lodging expenses.

b) For services other than lodging, both for selected and limited services, and for full service and extended stay hotels, which comprise the use of meeting rooms, coffee break services, telephone, laundry and dry–cleaning services, and snack bars, among others, Fibra Inn leases real property directly from Operadora México, Servicios y Restaurantes, S.A.P.I. de C.V. ("Operadora México"). Accordingly, the Trust No. F/1616 recognizes revenues from rental and the rendering of all services other than lodging, which are transferred to Operadora México.

c) For the specific case of full–service hotels, revenues from services other than lodging are recognized and invoiced by the Trust No. F/1765. This entity is in charge of paying direct inputs and expenses related to rendering such services, in addition to paying payroll and other expenses related to the staff required to render them. Therefore, Fibra Inn receives revenues from leases based on a monthly fixed rental plus an equity component that varies between 10% and 25% of the revenues arising from the aforementioned services.

The purpose for the incorporation of the Trust No. F/1765 is the existence of a third entity to receive the amounts of revenue on which the percentage to determine the variable portion of the rent to be obtained from the different hotels, will be applied.

As of December 31, 2016, the purposes of the Trust No. F/1765 were modified to become a trust that collects all amounts derived from the operation and exploitation of spaces and payment of their obligations. Starting the modification of the contract, income other than lodgment, will be recognized by Operadora México and the obligations for the payment of leases to the Trust No. F/1616 were formalized with the same prevailing conditions.

Significant events –

1. On September 30, 2015, Fibra Inn issued Fiduciary Trust Certificates (CBFs) for $1,875,350 under a program of up to $5,000,000. This issuance will bear interest every 28 days at a variable rate equal to TIIE 28 plus 110 basis points, over a 6–year term and payment of principal upon maturity. In addition, from the proceeds obtained from the issuance of CBFs, $600,000 were paid in advance of the amount disposed from the previously held bank line of credit with Banorte, Actinver, Banamex, BanRegio and Scotiabank, resulting in an amount outstanding of $100,000 as of December 31, 2015.

2. As described in note 7, Fibra Inn acquired 7 hotels during the year ended December 31, 2015. The 7 hotels were considered as a business acquisition in accordance with the terms described in note 7. The acquisition of these hotels was carried out to consolidate the market position of the Trust in the states of Chihuahua, Jalisco, Sonora and Tamaulipas.

3. On November 2, 2015, Fibra Inn's hotel Courtyard by Marriott in Saltillo, Coahuila started operations. Its development was announced in 2014 and $205,878 was invested, which consists of the property construction, land investment, and expenses related to the acquisition.

4. On December 17, 2015, Fibra Inn's hotel Fairfield Inn & Suites by Marriott in Coatzacoalcos, Veracruz started operations, whose development was announced in 2014. The total investment of this development amounted $182,652, which is composed of the construction of the property, the land investment and expenses related to the acquisition.

5. On March 2, 2016, Fibra Inn announced the development of the hotel JW Marriott in San Pedro Garza García, Nuevo León, which is estimated to start operations in the third quarter of 2019. For such development, the Trust entered into a franchise agreement with Marriott Switzerland Licensing Company S.À. de R.L. to use the trademark JW Marriott. This hotel will start its development as part of the growth strategy of the Hotel Factory Model. The Trust made a deposit of $55,550 as part of the promissory purchase agreement.

6. On March 18, 2016, Fibra Inn put into circulation the 3 million CBFIs as consideration for the Chief Executive Officer based on an agreement established at the time of the initial public offering in March 2013. As of that date and as a result of this transaction, the amount of outstanding CBFIs amounted to 440,019,542, and 50 millions of CBFIs remain in Treasury, representing a dilution of 0.61%. Once put into circulation, 30% of the CBFIs were put for sale in accordance with the provisions of the Trust agreement at a price of Ps.13.26 for the payment of the income tax withholding of the Chief Executive Officer, which corresponds to 35% of the transaction. The remaining 70% of the CBFIs was transferred to the Control Trust, of which 80% have a lock–up period.

7. On April 21, 2016, Fibra Inn completed the acquisition of the hotel Casa Grande in Ciudad Juárez, Chihuahua, at a price of $113,752, plus $17,906 of tax payments, acquisition expenses and VAT. The hotel has 145 rooms, however, the Trust plans to maximize its return by investing $110,400 for a brand conversion to Holiday Inn and $57,200 to build 50 additional rooms. The payment was made in cash from the proceeds of the issuance of debt securities.

8. During the quarter ended June 30, 2016, Fibra Inn disposed $250,000 from the bank line of credit of $2,300,000 entered in September 9, 2014 with a maturity of 54 months. The Trust entered into this line of credit to finance its property acquisition and development plans. The agreed interest rate agreed as of the date of the consolidated financial statements is TIIE plus 2.5%. On October 25, 2016, the contractual settlement of this line of credit and the remaining liability of $350,000 was made with the resources mentioned in the subsequent point 13.

9. During June, 2016, the construction of the hotel Courtyard by Marriott, located in the city of Chihuahua, Chihuahua was finalized. The binding agreement for the acquisition of this hotel was established on September 1, 2015, although Fibra Inn completed the purchase until the completion of its construction on June 3, 2016. The amount paid for such transaction was $234,404 plus $33,802 corresponding to taxes, acquisition expenses and VAT. The payment was made in cash from the proceeds of the bank line of credit.

10. On July 5, 2016, Fibra Inn received a VAT refund corresponding to $62,100, such amount includes an inflation adjustment of $123. The VAT was paid during the fourth quarter of 2015 and is related to the acquisition of the following three hotels located in Chihuahua: City Express, City Express Junior and Hampton Inn by Hilton. The proceeds from such reimbursement will be strategically used to acquire properties to investors.

11. On August 4, 2016, Fibra Inn announced the establishment of a binding agreement to acquire the hotel Best Western Valle Real in Monterrey, Nuevo León. Fibra Inn announced its acquisition on October 17, 2016. The price paid for this acquisition was $65,500 plus $9,680 corresponding to taxes, acquisition expenses and VAT. The hotel has 85 rooms operating in the limited service segment.

12. On September 19, 2016, Fibra Inn entered into a Trust for Real Estate Development and Real Estate Management, in which it contributed the amount of $27,300 and which will develop a land, nearby the Airport of Monterrey, Nuevo León, that Fibra Inn will acquire at the end of the development, to build a Marriott hotel under the Hotel Factory Model by attracting third–party investors. The total estimated investment for this development will be approximately $328,000. Fibra Inn additionally paid $1,200 of acquisition costs, and plans to invest $10,700 for the franchise payment and design work.

13. On October 19, 2016, Fibra Inn issued CBFIs for $1,000,000 under a program of up to $5,000,000. The reopening of the issuance of FINN15, in a single tranche, will pay interest every 28 days, at the same variable rate equivalent to TIIE 28 plus 110 basis points – which, considering that it was placed at a discount with respect to the nominal value of the security issued, amounts to TIIE 28 plus 130 basis points – for a term of 5 years, with payment of principal at maturity. The proceeds will be allocated to the payment of the bank debt of $350,000 outstanding as of that date, as well as for the payments of the corresponding commissions; plus, it will also be used for the investment in hotels of the current portfolio and for the investment in new hotels.

14. On November 11, 2016, Fibra Inn submitted the proposal, to the Holders of CBFIs, that will allow the Trust to internalize the advisory services (the "internalization"), through an agreement of wills to terminate in advance the Contract with Asesor de Activos Prisma, S.A.P.I. de C.V. (the "Advisor") starting January 1, 2017 and therefore, the current external advisory activities for the Trust will be carried out by executives and staff hired by AAFI.

    The internalization is the result of having identified that REIT's investors have a preference for internal management structures and the cost efficiency that it represents for the Trust, given that the significant capital growth of Fibra Inn since its IPO has caused an increase in the fees that are paid to the Advisor.

    On November 11, 2016, at the Extraordinary Meeting of Holders of CBFIs, the internalization was approved. Consequently, Fibra Inn will pay an economic consideration ("basic consideration") of $143,000 to the Advisor, plus the corresponding VAT, after the third year following the internalization (during the first 120 days of 2020), if the projected marginal operating flows (calculated through a formula agreed between the parties) are generated for $66,900 during the period from 2017 to 2019. In the event that the quantity of real estate developments and/or acquisitions decline, marginal operating flows will be adjusted downward in the same proportion.

    In addition, Fibra Inn will pay an additional consideration for the Hotel Factory Model for up to $50,000 and not exceeding that amount, under certain conditions, for having acquired the benefit of assuming the role of advisor in the projects that will be developed under the investment model called "Factory of Hotels" previously described, as well as a share of the income derived from such model, considering only the projects submitted to the Trust Committee of Practices until December 31, 2016. The consideration will be paid at the end of 2017, 2018 and 2019, adjusted proportionally to the compliance of having signed binding agreements that guarantee revenues for Fibra Inn for $75,000 in the period from 2017 to 2026, corresponding to the present value of fee income discounted at an annual rate of 10% and that have been identified by the Committee of Practices at the time of the internalization.

    Both payments described above will be made 30% in cash and the remaining 70% with CBFIs, which cannot be disposed of or disposed to third parties by the Advisor in a lock–up period until January 1, 2022.

    As an additional consideration, Fibra Inn will pay the amount resulting from adding up the amount of distributions paid by the Trust for each CBFI during the years 2017, 2018 and 2019 multiplied by the number of CBFIs resulting from dividing 70% of the amount of the consideration here determined by the price of the CBFI.

    On the same date, the Extraordinary Meeting of Holders approved the issuance of 14,000,000 CBFIs to be allocated to the payment of 70% of the consideration with an authorized price for each CBFI of $11.5257 Mexican pesos. The authorized amount amounts to $161,360 where $135,100 correspond to the basic consideration and to the hotel factory model consideration and $26,260 correspond to the additional consideration related to future dividends. The certificates were issued during January, 2017, and were deposited in treasury.

15. In December, 2016, Fibra Inn received a VAT refund corresponding to $89,951, such amount includes an inflation adjustment of $1,958. The VAT was paid in connection to properties acquisitions made during 2015. The proceeds from such reimbursement will be strategically used to invest in improvements of current properties of Fibra Inn.

16. During 2016 and 2015, several distributions to the holders of CBFIs were authorized, which are described in note 13 of the consolidated financial statements.

(2) Authorization and basis of presentation –

Authorization –

The accompanying consolidated financial statements were authorized for issuance on March 31, 2017, by Ing. Oscar Eduardo Calvillo Amaya, Chief Executive Officer, and by Ing. Miguel Aliaga Gargollo, Chief Financial Officer, and approved by the Technical Committee represented by Ing. Victor Zorrilla Vargas as its President, and are subject to the approval of its Holders Meeting, who may modify such financial statements.

Basis of presentation –

(a) Statement of compliance

The consolidated financial statements of Fibra Inn have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of measurement

The Trust's consolidated financial statements have been prepared on the basis of historical cost, except for the following items of the consolidated statement of financial position, which were measured at fair value:

a) derivative financial instruments;
b) the net defined benefits liability is recognized as the present value of the defined benefit obligation.

The historical cost is generally based on the fair value of the consideration granted in exchange of the assets.

(c) Basis of consolidation

The consolidated financial statements include those of Fibra Inn and those of its subsidiary, Administradora de Activos Fibra Inn, S.C., of which it holds a 99.9% of capital stock and where it holds control. Control is achieved when Fibra Inn:

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

Balances and transactions with the subsidiary company have been eliminated in the consolidated financial statements.

Fibra Inn reassessed whether it holds control on the service entities that are mentioned in Note 1, and concluded that in accordance with IFRS 10 "Consolidated Financial Statements" it does not control such entities since it does not have the power to decide over the management of their relevant activities; as well as the fact that key operating decisions rely on the shareholders of those entities and not on Fibra Inn, therefore, no control relationship exists.

(d) Local, functional and reporting currency

The functional currency of the Trust is the Mexican peso, which is the same to its local and reporting currencies.

(e) Income statement and comprehensive income statement

Costs and expenses presented in the consolidated income statement were classified according to their nature.

Fibra Inn shows line items of gross margin and operating income since they are considered important performance indicators for the users of financial information. Income and expenses are presented based on their operating nature are presented in this line item.

The Trust presents in the statement of comprehensive income those accounting items that were already accrued but are still pending to be realized.

(f) Statement of cash flows

Fibra Inn presents its statement of cash flows using the indirect method. In addition, Fibra Inn has chosen to present the cash received from interests as part of the investing activities and the cash from interest payments as part of the financing activities.

(3) Summary of Significant Accounting Policies –

The Trust's significant accounting policies are as follows:

(a) Financial instruments –

Financial assets and financial liabilities are recognized when the Trust is subject to the underlying instrument's contractual terms.

Financial assets and liabilities are initially recognized at fair value. Transaction costs directly attributable to the acquisition or issuance of a financial asset or liability (other than the financial assets and liabilities recognized at fair value through profit or loss) are added or deducted from the fair value of financial assets or liabilities, if any, upon initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value with changes in profit or loss are immediately recognized in the consolidated income statement. Financial assets and liabilities are offset and the net amount is presented in the statement of financial situation when and solely when, the Company has the legal right to offset the amounts and intends to either settle on a net basis, or realize the asset and settle the liability simultaneously.

The subsequent valuation of the financial instruments depends on the category in which they are classified. The accounting treatment for each category of financial instruments is described as follows:

As of the date of these consolidated financial statements, the Trust maintains instruments classified as suppliers, other payables, related parties, loans and receivables, as well as investments in government bonds as part of cash equivalents.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets will be determined by reference to quoted prices in such markets or market rate prices of the seller (bid–price for long positions and ask–price for short positions), without deducting any transaction costs. For financial instruments that are not traded in an active market, the fair value is obtained by using appropriate valuation techniques. These techniques may include the use of recent market transactions between independent parties; reference to the fair value of other substantially similar financial instruments, cash–flows discount analysis or other valuation models.

Financial assets

Financial assets are classified according to the following specific categories: financial assets at fair value through profit or loss, investments, and loans and accounts receivable. Classification depends on the nature and the purpose of the financial assets and is determined at the time of initial recognition.

Cash and cash equivalents

Cash and cash equivalents consist mainly of bank deposits in checking accounts and short–term investments. Cash is stated at nominal value and cash equivalents are valued at fair value. The Trust considers as cash equivalents all highly liquid debt instruments purchased with an original maturity of three months or less. Cash equivalents are represented mainly by government bonds whose proceeds are payable at maturity.

The restricted cash is the cash which the trust has the fund´s benefits and includes short–term maturities.

Trade accounts receivable and accounts receivable from related parties

Trade accounts receivable and other accounts receivable whose payments are fixed or can be determined, and which are not traded on an active market are classified as loans and accounts receivable. Loans and accounts receivable are recognized at amortized cost using the effective interest method, and are subject to impairment tests.

Derecognition of financial assets

Fibra Inn derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset. If the Trust neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, it recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Trust retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable, as well as the accrued profit or loss that has been recognized in other comprehensive income and accrued results, is recognized in profit or loss.

Equity instruments

An equity instrument is any contract showing a residual share in the Trust's net assets. Equity instruments issued by Fibra Inn are recognized according to the amount received, net of direct issuance costs.

When contributions are made to the Trust or it acquires properties that do not represent a business, in exchange for its equity instruments, the transaction is recorded as a share–based payment (CBFIs) to third parties (other than to employees) payable through equity instruments and is measured based on the fair value of goods received, except when such value cannot be estimated reliably. Effects on the financial position are shown in the statement of changes in Trustors' equity as "equity contributions" and do not have an impact on the results of the period.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss, or other financial liabilities.

Other financial liabilities, including loans, are initially recognized at fair value, net of transaction costs and are subsequently valued at amortized cost using the effective interest method. Interest expenses are recognized using the effective interest method.

The effective interest rate method is a method for the calculation of the amortized cost of a financial liability and of the assignment of the financial expense along the period concerned. The effective interest rate is the rate that exactly discounts the estimated cash payments along the expected life of the financial liability (or, where adequate, in a shorter period) which represents the net amount in books of the financial liability at its initial recognition.

Derecognition of financial liabilities

The Trust derecognizes off financial liabilities if, and solely if, obligations are met, cancelled or expired.

Derivative financial instruments

Fibra Inn measures and records all operations with derivative financial instruments in the consolidated statements of financial position as either an asset or liability at fair value, regardless of the purpose of holding them. At the inception of the hedge accounting relationship of a derivate financial instrument, the Trust reviews that all hedge accounting requirements are complied, and documents its designation at the inception of the operation, describing the objective, characteristics, accounting treatment and the way how the measurement of effectiveness will be carried out, applicable to that operation.

Derivatives designated as cash flow hedges recognize valuation changes corresponding to the effective portion temporarily in other comprehensive income and in profit or loss when the hedged item affects it, while the ineffective portion is recognized immediately in profit or loss, because due to the risk management strategy profile of Fibra Inn the hedge contracted is classified as a cash flow hedge.

Hedge accounting is discontinued when Fibra Inn revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, when it no longer qualifies for hedge accounting or effectiveness is not high enough to compensate changes in fair value or cash flows of the hedged item, or when the Trust decides to cancel the hedge designation.

When discontinuing cash flow hedge accounting, any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss. Where a hedge for a forecasted transaction is proved satisfactory and subsequently does not meet the effectiveness test, the cumulative effects in other comprehensive income in equity are recognized in proportion to profit or loss, to the extent that the forecasted asset or liability affects it.

When the hedge of a predicted transaction is satisfactory and later it did not comply with the effective testing, the accumulated effects in the comprehensive income in the equity, are recognized in a proportional way in the results, as far the predicted assets or liabilities affects the same.

(b) Property, furniture and equipment –

Property, furniture and operating equipment of the hotels are initially recognized at their acquisition cost. Cost includes expenditures directly attributable to the acquisition of the assets, costs of bringing the assets to conditions intended for its use and capitalized borrowing costs.

An item of property, furniture and equipment, is recognized when the inherent risks and benefits to the use that Fibra Inn intends to give to that asset, are acquired.

Improvements that have the effect of increasing the asset's value, either because they increase the capacity of service, improve efficiency or extend the asset's useful life, are capitalized once it is probable that the future economic benefits will flow to Fibra Inn and the costs may be reliably estimated. All maintenance, remodeling and repairing costs that do not meet the requirements to be capitalized are recognized in profit or loss.

When components of an item of property, furniture and equipment have different useful lives, these are accounted for separately (main components).

Property, furniture and operating equipment of the hotels are presented at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated using the straight–line method based on the estimated useful lives of the assets net of its residual values, at the moment that the asset is available for its intended use. Fibra Inn has determined that the residual values of its assets of property, furniture and equipment, are not greater than zero, given that there is no expectation to obtain future economic benefits through sale.

Estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, and the effect of any change in the estimates recorded is recognized on a prospective basis.

The estimated useful life of property, furniture and equipment is the following:

	Years
Buildings	61
Components of buildings	5 to 18
Furniture and equipment	7 to 18
Machinery and equipment	10 to 25
Technology equipment	3 to 10

An item of property, furniture and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an item of property, furniture and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. The gain or loss is recognized on a net basis within the other costs and expenses line item.

(c) Advances for the acquisition of properties –

Advances for the acquisition of properties are recognized when there are contractual rights to receive a future benefit, but without having control of the asset and are recognized at the amount paid per transaction.

(d) Intangible assets –

Intangible assets that are acquired by the Trust, and which have a finite useful live, are recorded at cost less accumulated amortization and accumulated impairment losses; these assets mainly include the cost of software for administrative use, which are amortized in a period of 5 years. Other intangible assets are also measured at cost and include the use of trademark licenses and expenses related to its grant, which have a definite useful live depending in the term of the franchise agreement, which varies between 10 and 20 years. The factor to determine their useful lives is the estimated time of use, according their contractual terms. The estimated useful lives and amortization method are reviewed at the end of each year, and the effect of any change in the recorded estimate is recognized prospectively.

(e) Impairment of long–lived assets –

At the end of each reporting period, Fibra Inn reviews the book values of its long–lived assets to determine if there is any indicator that those assets have suffered any impairment loss at the end of each reporting period. If there is any indicator, the recoverable amount of the asset is calculated in order to determine the extent of the impairment loss, if they exist. When it is not possible to estimate the recoverable amount of an individual asset, Fibra Inn estimates the recoverable amount of the cash generating unit to which such asset belongs. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. When evaluating the value in use of an asset, the future estimated cash flows are discounted to its present value using a pre–tax discount rate that reflects the actual evaluation of the market in respect to the time value of money and the specific risks of the asset for which estimates of future cash flows have not been adjusted.

Management has determined that each hotel (asset) represents a cash generating unit (CGU). If it is estimated that the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized in profit or loss within the other costs and expenses line item.

When an impairment loss is reversed subsequently, the carrying amount of the asset (or cash–generating unit) is increased to the revised estimate of its recoverable amount, in such a way that the increased carrying amount does not exceed the carrying amount that would have been determined if an impairment loss had not been recognized for such asset (or cash–generating unit) in prior years. The reversal of an impairment loss is immediately recognized in profit and loss within the other costs and expenses line item.

For the year ended December 31, 2016, a property impairment adjustment was recognized for $42,087.

(f) Provisions –

Provisions are recognized when there is a present obligation as a result of a past event, which will probably result in an outflow of economic resources, and can be reasonably estimated. For purposes of accounting, the amount is discounted to present value when the discount effect is significant.

Provisions are classified as current or non–current based on the estimated period to meet the obligations that are covered. When the recovery from a third party is expected for some or all of the economic benefits required to settle a provision, an account receivable is recognized as an asset if it is virtually certain that the payment will be received and the amount of the account receivable can be valued reliably.

(g) Employee benefits –

i. Defined benefit plans –

A defined benefit plan is a benefit plan at the end of a labor relationship different from one of defined contributions. The Trust's net obligations with respect to the defined–benefit plan are calculated estimating the amount of future benefit accrued by employees in return for their services in ongoing and past periods; that benefit is discounted to determine its present value, and the costs for past services are deducted. The discount rate is the yield at the reporting date of the government bonds that have maturity dates approximate to the maturities of the Trust's obligations which are denominated in the same currency in which benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.

Fibra Inn recognizes the actuarial gains and losses arising from the defined benefit plans in the income statement, in the period in which they occur.

ii. Termination benefits –

Termination benefits are recognized as an expense when the Trust's commitment can be evidenced, without real possibility of reversing, with a detailed formal plan either to terminate employment before the normal retirement date, or else, to provide benefits for termination as a result of an offer that is made to encourage voluntary retirement. The benefits from termination in cases of voluntary retirement are recognized as an expense, solely if the Trust has made an offer of voluntary retirement, the offer is likely to be accepted, and the number of acceptances can be estimated reliably. If the benefits are payable no later than 12 months after the reporting period, then they are discounted at present value.

iii. Short–term benefits –

Short–term employee benefit obligations are valued on a basis without discount and are expensed as the respective services are rendered. A liability is recognized for the amount expected to be paid under short–term cash bonuses plans if the Trust has a legal or assumed obligation to pay these amounts as a result of past services provided by the employee and the obligation can be estimated reliably.

(h) Revenue recognition –

Fibra Inn obtains revenues from the operation of hotels and includes rental of rooms (lodging) and rental of property, which are recognized when the services are rendered.

The Trust recognizes revenue for leasing of rooms (lodging) in the income statement as identified by its legal form. Such revenue is recognized in accordance to the recognition criteria for the rendering of services, that is, when the amount and the costs of the transaction can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity and the lodging services have been rendered.

Revenue from property leasing is recognized for the rents obtained. These revenues are recognized on a straight–line basis over the terms of the contract at the moment in which the service is accrued, when the amounts and the costs related to the transaction can be measured reliably and it has been determined that is probable that the economic benefits will flow to the Trust. The term of the lease is the non–cancellable period, together with any further terms for which the lessee has the option to continue to lease the asset, when at the inception of the lease, management is reasonably certain that the lessee will exercise the option.

(i) Income taxes –

As mentioned in Note 1, the Trust No. F/1616 is eligible for and intends to maintain its current status as a FIBRA (REIT in English) for income tax purposes and, therefore, does not recognize a provision for income taxes. However, its subsidiary is subject to income taxes and, therefore, the consolidated financial statements reflect the associated impacts. Deferred income taxes are recognized over the temporary differences between the carrying amount of assets and liabilities included in the financial statements, and their corresponding tax values, which are used to determine the tax result, applying the corresponding tax rates to these differences.

A deferred tax asset is recognized for all deductible temporary differences, to the extent probable that the subsidiary of Fibra Inn disposes of future taxable profit against which the deductible temporary differences can be utilized. These assets and liabilities are not recognized when the temporary differences arise from goodwill or the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that does not affect the accounting or tax result.

Fibra Inn does not recognize a deferred tax liability for the temporary differences related to the investment in subsidiary as it controls the reversal of such temporary differences, and it is not probable that they will be reversed in a foreseeable future. Deferred tax assets arising from temporary differences associated to such investment and interests are recognized only to the extent that it is probable that sufficient taxable profit will be available against which the temporary difference can be utilized and the temporary difference is expected to reverse in the foreseeable future.

(j) Foreign currency transactions –

Foreign currency refers to currency different from Fibra Inn's functional currency. Foreign currency transactions are recorded at the applicable exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Mexican pesos at the applicable exchange rate in effect at the date of the financial statements. Exchange fluctuations are recorded in the consolidated income statement.

(k) Share–based payments –

Payments to employees that are made with equity shares are measured at fair value of the equity instruments at the date of grant. The fair value, determined at the grant date of the payment based on equity, is recognized in profit or loss based on the straight–line method over the period when the employee provides the related service, based on the estimate of equity instruments that management believes the employee will ultimately acquire, with a corresponding increase in equity. At the end of each reporting period, the Trust revises its estimate of the number of equity instruments that are expected to vest. The impact of the review of the original estimates, if any, is recognized in the income of the period such that the cumulative expense reflects the reviewed estimate, with a corresponding adjustment in equity.

Fibra Inn maintained equity–based payments to employees until March 13, 2016 as described in the note of "Significant events".

(l) Basic and diluted earnings per CBFIs –

Basic earnings per CBFI are determined by dividing the consolidated income with the weighted average of outstanding CBFIs of the period.

Diluted earnings per CBFIs are determined by adding to the number of outstanding CBFIs during the period, the CBFIs in treasury that as of 31 December 31, 2016 and 2015 represent 50,000,000 and 53,000,000.

(m) Segment information –

Operating segments are defined as components of an entity, oriented to the rendering of services that are subject to risks and benefits.

Fibra Inn assesses operating segments according to the type of services provided by the hotel: limited, selected, full or extended stay. Accordingly, management of Fibra Inn internally evaluates the results and performance of each business for decision–making purposes. Following this approach, in the daily operations, economic resources are allocated on an operational basis for each segment.

(n) Business combinations –

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition–date fair values of the assets transferred to Fibra Inn plus liabilities incurred by Fibra Inn to the former owners of the acquiree and the equity interests issued by Fibra Inn in exchange for control of the acquire at the acquisition date. Acquisition–related costs are generally recognized in profit or loss as incurred. At the acquisition date, identifiable assets acquired and liabilities assumed are recognized at fair value.

(4) Critical accounting judgments and key sources of estimation uncertainty –

In the application of the accounting policies of Fibra Inn, as described in note 3, management is required to make judgments, estimates and assumptions about the carrying amount of certain assets and liabilities that are not easily available by other sources. Estimates and associated assumptions are based on historical experience and other factors considered relevant. The actual results may differ from these estimates.

The related estimates and assumptions are reviewed continuously. Changes to accounting estimates are recognized in the period in which the estimate is changed if the change affects solely that period, or the current period and future periods if the change affects both current and future periods.

(a) Critical judgments in the application of accounting policies –

The following are the critical judgments, other than those involving estimates (see below), that management has developed in the process of applying the accounting policies of Fibra Inn and which have the most significant effect on the amounts recognized in the consolidated financial statements.

Classification of leases –

Leases are classified according to the extent that risks and rewards of ownership of the leased asset are transferred to Fibra Inn or the lessee, based on the substance of the transaction, rather than its legal form. Based on an evaluation of the terms and conditions of the agreements with its guests and lessees, Fibra Inn has determined that it maintains substantially all the significant risks and rewards of ownership of these hotels and leasing spaces generators of its income as a FIBRA, therefore, it classifies its leases as operating leases.

Business combinations or acquisition of assets –

Management uses its professional judgment to determine if the acquisition of a group of assets represents a business combination or an acquisition of assets. Such determination may have a significant impact in how the acquired assets and assumed liabilities are accounted for, both at the initial recognition and subsequently.

Income taxes –

In order to continue to be eligible as a FIBRA for income tax purposes, the Trust must comply with certain requirements of this tax regime, which relate to issues such as the annual distribution of at least 95% of taxable income. According to management, the Trust will continue to be eligible under the FIBRA tax regime.

(b) Main sources of estimation uncertainty in the assumptions –

The following are the key assumptions about the future and other key sources of estimation uncertainty at the end of the reporting period, which have a significant risk to result in a material adjustment to the carrying amount of assets and liabilities on the next financial year.

Useful lives and residual values of property, furniture and equipment –

Useful lives and residual values of items of property, furniture and equipment are used to determine the amortization and depreciation of assets and are defined according to the analysis by internal and external specialists. Useful lives are periodically reviewed, at least once a year, and are based on the current conditions of assets and the estimate of the period during which they will continue to generate economic benefits. If there are changes in the estimate of useful lives, the net carrying amount of assets is affected prospectively, as well as the corresponding depreciation expense.

Impairment of long lived assets –

The carrying amount of long–lived assets is reviewed for impairment in case that situations or changes in the circumstances indicate that it is not recoverable. If there are impairment indicators, a review is carried out to determine whether the carrying amount exceeds its recoverability value and whether it is impaired. In the impairment evaluation, assets are grouped in the cash generating unit to which they belong. The recoverable amount of the cash generating unit is calculated as the present value of future cash flows that the assets are expected to produce. There will be impairment if the recoverable value is less than the carrying amount.

Fibra Inn has established that a hotel has reached operational maturity under the standards established in the Trust within a term of 2 years for those hotels that were acquired in operation and a term of 3 years for the developed hotels.

Indications of impairment that management analyzes for each hotel are: (i) present negative recurring profitability in the period combined with recurring losses; (ii) changes in the market by customer preferences; (iii) significant changes in investments for accelerated damages of the hotel, iv) loss of the brand, v) plan of management to dispose a hotel (close or sell) before the decision, among others.

Fibra Inn defines the cash generating units at the individual hotel level and also estimates the periodicity and cash flows that it should generate. Subsequent changes in grouping cash generating units, or changes in the assumptions underlying the estimate of cash flows or the discount rate, could impact the carrying amounts of the respective assets.

Calculations of value in use require Fibra Inn to determine the cash flows generated by the cash generating units and an appropriate discount rate to calculate its present value. Fibra Inn uses cash flows projections based on market conditions as part of its critical assumptions. In the same way, for purposes of the discount rate and the perpetuity growth, market risk premium indicators are used and long–term growth expectations for the markets in which Fibra Inn operates.

Defined benefit plans –

Fibra Inn uses assumptions to determine the best estimate for these benefits. Assumptions and estimates are established in conjunction with independent actuaries. These assumptions include demographic hypothesis, discount rates and expected increases in remunerations and future permanence, among others. Although the assumptions are deemed appropriate, a change in such assumptions could affect the value of the employee benefit liability and the results of the period in which it occurs.

(5) Cash and cash equivalents –

		2016	2015
Cash in banks	$	186,878	70,446
Cash equivalents (government bonds)		655,135	726,305
		842,013	796,751
Restricted cash		7,064	–
Total cash and cash equivalents	$	849,077	796,751

Article 187, Section III of the current Mexican Income Tax Law establishes that the capital contribution that was not utilized to acquire properties must be invested in government bonds that are registered with the National Securities Register, or in shares of investment entities in debt instruments. During 2016 and 2015, the Trust complied with such Article and invested the remaining capital in government bonds.

As of December 31, 2016, the Trust has short–term restricted cash of $3,275 corresponding to the escrow of the acquisition of the Best Western hotel as mentioned in note 7, additionally it includes $3,789 for funds retained by the trustee as of the date of liquidation of the bank debt.

(6) Trade and other accounts receivable –

		2016	2015
Clients for hotel services	$	147,448	139,630
Other accounts receivable		1,698	24,413
		149,146	164,043
Allowance for doubtful accounts		(2,013)	–
	$	147,133	164,043

Accounts receivable aging:

During the period of 2016, Fibra Inn has recognized an allowance for doubtful accounts considering the probability of not collecting accounts receivable since the rental of rooms is generated, based on experience and past facts. The estimate for doubtful accounts as of December 31, 2016 and 2015 is as follows:

		2016	2015
Opening balance	$	–	–
Increase		2,013	–
Ending balance	$	2,013	–

(7) Hotels acquired –

Hotel acquisition transactions in 2015 and 2016 were conducted to continue the expansion of hotel operation activities in Mexico, in accordance with the growth and expansion plans established.

Hotels acquired in 2015 –

During 2015, Fibra Inn completed the acquisition of the following 7 hotels in operation as follows:

Properties	Acquisition date		Consideration paid in cash
Holiday Inn, Reynosa Industrial Poniente	June 1, 2015	$	114,600
Hampton Inn by Hilton Hermosillo	June 1, 2015		175,000
Staybridge Suites Guadalajara Expo	August 17, 2015		133,600
Arriva Express Guadalajara	August 17, 2015		141,400
Hampton Inn by Hilton Chihuahua	December 11, 2015		318,413
City Express Junior Chihuahua	December 11, 2015		34,197
City Express Chihuahua	December 11, 2015		84,652
		$	1,001,862

At the date of acquisition, the fair value of the acquired assets is presented below:

Properties		Land	Buildings	Other assets	Total
Holiday Inn, Reynosa Industrial Poniente	$	28,650	75,256	10,694	114,600
Hampton Inn by Hilton Hermosillo		43,750	115,052	16,198	175,000
Staybridge Suites Guadalajara Expo		33,400	86,838	13,362	133,600
Arriva Express Guadalajara		35,350	92,078	13,972	141,400
Hampton Inn by Hilton Chihuahua		87,001	217,786	13,626	318,413
City Express Junior Chihuahua		8,834	22,519	2,844	34,197
City Express Chihuahua		21,707	55,956	6,989	84,652
	$	258,692	665,485	77,685	1,001,862

The value of assets for hotels acquired is similar to the acquisition price paid; therefore, no goodwill was generated from the acquisitions. The acquisition costs of the hotels acquired as of December 31, 2015 were $59,944 and were recognized in the consolidated statements of income.

From the respective acquisition dates, revenue and operating income included in Fibra Inn's consolidated income statement were $59,862 and $17,171, respectively, as of December 31, 2015. If the aforementioned hotels had been acquired on January 1, 2015, Fibra Inn's management estimates that revenue and operating income for the period from January 1 to December 31, 2015 would have been $214,203 and $91,620, respectively.

Hotels acquired in 2016 –

During 2016, Fibra Inn concluded the acquisition of 2 hotels that were in operation as mentioned below:

Properties	Acquisition date	Consideration paid in cash
Hotel Casa Grande Ciudad Juárez	April 21, 2016	$ 113,752
Best Western Valle Real	October 13, 2016	65,500
		$ 179,252

During 2016, Fibra Inn concluded the acquisition of a newly built hotel as mentioned in note 1, and therefore had no history of hotel operation as mentioned below:

Properties	Acquisition date	Consideration paid in cash
Courtyard by Marriot Chihuahua	June 3, 2016	$ 234,404

At the date of acquisition, the value of the assets acquired is presented below:

Properties	Land	Buildings	Other Assets	Total
Hotel Casa Grande Ciudad Juárez	$ 28,438	76,089	9,225	113,752
Best Western Valle Real	17,030	43,207	5,263	65,500
Courtyard by Marriot Chihuahua	58,601	157,051	18,752	234,404
	$ 104,069	276,347	33,240	413,656

The fair value of the assets of hotels acquired in operation and accounted for as a business acquisition of the Hotel Casa Grande Ciudad Juárez and Best Western Valle Real is similar to the purchase price paid and therefore no goodwill was generated in the acquisitions of such hotels. The acquisition costs of hotels of $6,361 were recognized in the consolidated income statement.

The acquisition of the Courtyard by Marriot hotel in Chihuahua was accounted as a fixed asset acquisition and acquisition costs of $ 5,674 were capitalized as part of the acquisition.

A guarantee fund of $3,275 was established for the acquisition of the Best Western Monterrey. The guarantee fund was constituted by hidden defects that could arise in the property during the 6 months following the date of acquisition and was deposited in an escrow in favor of the Trust.

As of the respective acquisition dates, the revenues and operating income of the hotels acquired in operation included in Fibra Inn's consolidated income statement were $23,754 and $8,011, respectively, for the year ended December 31, 2016.

If the hotels acquired in operation had been acquired on January 1, 2016, management of Fibra Inn estimates that revenues and operating income for Fibra Inn for the period from January 1, 2016 to December 31, 2016, would have been $45,562 and $ 15,714, respectively.

(8) Property, furniture and equipment –

Property, furniture and equipment as of December 31, 2016 and 2015, are integrated as follows:

	2016	2015
Land	$ 1,511,059	1,378,461
Buildings	5,567,440	5,172,968
Components of buildings	541,814	391,646
Machinery and equipment	387,845	249,209
Furniture and equipment	525,950	379,549
	8,534,108	7,571,833
Less accumulated depreciation	(518,472)	(315,870)
Less impairment of properties	(42,087)	–
	7,973,549	7,255,963
Constructions in process	236,999	367,401
	$ 8,210,548	7,623,364

As mentioned in note 1, in 2015, Fibra Inn concluded the construction of the hotels Courtyard by Marriott in Saltillo for $205,878 and Fairfield Inn & Suites by Marriott in Coatzacoalcos for $182,652; therefore, the cost of the constructions has been reclassified to the corresponding depreciable asset line items from the date operations commenced.

During the years ended December 31, 2016 and 2015, in compliance with hotel brand standards, hotel renovations were made for $494,563 and $65,336, respectively. Additionally, during 2016, assets were derecognized for $10,627, which were sold at a minimum recovery value. The effects of asset sales are recognized in operating expenses for $2,911.

Cost of properties include $19,761 and $16,561 of capitalized interest during 2016 and 2015, respectively.

The constructions in process are composed mainly by remodeling of the current hotels and the development of new hotels.

As of December 31, 2016, there are no guarantees on the properties.

During the year–end of 2016, a charge for the impairment of a hotel for $42,087 was recognized and recorded in operating results. The impairment is mainly a result from changes in the market due to customer preferences. In accordance with IAS 36, in order to determine the value in use of the property, the Trust used 5–year discounted cash flows that include annual average growths of 6%. The discount rate used is 10.6% and the residual value of the property was determined at a cap rate of 9.5%.

The activity of property, furniture and equipment during the periods of 2016 and 2015 is as follows:

Historic cost		Balances as of January 1, 2016	Hotels acquisitions	Additions	Capitalizations	Derecognitions	Reclassifications	Balances as of December 31, **2016**
Land	$	1,378,461	104,069	11,666	78,182	(2,435)	(58,884)	1,511,059
Buildings		5,172,968	267,215	8,203	135,228	(162)	(16,011)	5,567,440
Components of buildings		391,646	9,132	9,615	129,425	(9,957)	11,953	541,814
Machinery and equipment		249,209	11,521	13,063	51,172	(2,644)	65,524	387,845
Furniture and equipment		379,549	21,719	14,033	119,853	(6,622)	(2,582)	525,950
Constructions in process		367,401	–	383,458	(513,860)	–	–	236,999
	$	7,939,234	413,656	440,037	–	(21,820)	–	8,771,107

Historic cost		Balances as of January 1, 2015	Hotels acquisitions	Additions	Capitalizations	Derecognitions	Reclassifications	Balances as of December 31, 2015
Land	$	1,093,097	258,692	–	26,672	–	–	1,378,461
Buildings		4,240,395	644,493	4,536	257,505	–	26,039	5,172,968
Components of buildings		271,870	20,992	45,972	80,594	–	(27,782)	391,646
Machinery and equipment		183,623	30,816	18,270	16,514	–	(14)	249,209
Furniture and equipment		220,285	46,869	38,980	72,581	–	834	379,549
Constructions in process		190,654	–	629,690	(453,866)	–	923	367,401
	$	6,199,924	1,001,862	737,448	–	–	–	7,939,234

The movement of accumulated depreciation during the periods of 2016 and 2015 is as follows:

Accumulated depreciation		Accumulated depreciation as of December 31, 2015	Depreciation expense	Derecognitions	Impairment	Reclassifications	Accumulated depreciation as of December 31, **2016**
Buildings	$	151,968	88,882	(163)	42,087	(104)	282,670
Components of buildings		84,355	46,960	(6,842)	–	(5,033)	119,440
Machinery and equipment		39,406	36,226	(918)	–	5,991	80,705
Furniture and equipment		40,141	41,727	(3,270)	–	(854)	77,744
	$	315,870	213,795	(11,193)	42,087	–	560,559

Accumulated depreciation		Accumulated depreciation as of December 31, 2014	Depreciation expense	Derecognitions	Impairment	Reclassifications	Accumulated depreciation as of December 31, 2015
Buildings	$	73,880	78,088	–	–	–	151,968
Components of buildings		51,937	32,418	–	–	–	84,355
Machinery and equipment		16,385	23,021	–	–	–	39,406
Furniture and equipment		16,618	23,523	–	–	–	40,141
	$	158,820	157,050	–	–	–	315,870

(9) Advance payments for the properties acquisition –

On March 2, 2016, Fibra Inn signed a purchase agreement with Silica Desarrollos, S.A.P.I. de C.V., to recognize the advance granted for $55,550 for the purchase of a real right of surface on a property that is subject to the regime in condominium and with the only purpose that the Trust builds on the footprint of the building the hotel JW Marriott.

On September 9, 2016, Fibra Inn contributed $27,300 entered into a Trust for Real Estate Development and Real Estate Management with right of reversion with other trustees who contributed properties. The purpose of the trust is to develop a real estate project for commercial use, offices for sale and/or rent and the development of a land for the construction of a hotel nearby the Airport of Monterrey. Within 24 months of inception of the trust, and once the development is completed, Fibra Inn will formalize the acquisition of the land through the deed of the land and its physical possession.

There are other advances made in the investment project of these hotels for $21,424.

(10) Property acquisition liability –

As of December 31, 2016, there are assumed liabilities for the acquisition of the Mexico Plaza Andares hotel by $1,955, expenses related to the development of the JW Marriott hotel by $2,066 and a liability of $3,275 corresponding to the acquisition of the Best Western hotel.

As of December 31, 2015, there are net assumed liabilities of $10,000 for advance payments relating to the acquisition of Hotel México Plaza Andares.

(11) Intangible assets –

As of December 31 2016 and 2015, intangible assets with definite useful live are as follows:

		2016	2015
Licenses and expenses related to use of trademarks	$	20,416	12,338
Software		46,836	25,365
		67,252	37,703
Less accumulated amortization		7,103	654
	$	60,149	37,049

Licenses and related expenses to the use of trademarks represent rights acquired for the use of national and international franchises, currently under operation of hotels established in Mexico.

During the year 2015, costs and expenses related to the implementation of the SAP financial generation tool (software) were capitalized. Starting the year 2016, the Trust incorporated new developments that complement and strengthen the generation of financial information in SAP.

(12) Transactions and balances with related parties –

a. Transactions with related parties were as follows:

		2016	2015
Acquisition, asset management and development advisory services (1)	$	64,262	62,238
Hotel management and professional services (2)		451,470	356,102
Lodging income		4,807	–
Income from leasing (3)	$	83,676	74,659

(1) Asesor de Activos Prisma, S.A.P.I. de C.V., as mentioned in note 1(i), which was cancelled since January 1, 2017.

(2) Gestor de Activos Prisma, S.A.P.I. de C.V., Servicios Integrales Fibra Inn, S.A.P.I. de C.V. and Impulsora Fibra Inn, S.A.P.I. de C.V., as mentioned in note 1(ii) and 1(iii). Expenses related to Operadora México Servicios y Restaurantes, S.A.P.I. de C.V and to Irrevocable Trust No. F/1765 correspond to the reimbursement of operating expenses.

(3) Operadora México Servicios y Restaurantes, S.A.P.I. de C.V., as mentioned in note 1(iv).

b. Accounts receivable from related parties are:

		2016	2015
Short–term			
Operadora México Servicios y Restaurantes, S.A.P.I. de C.V. (1)	$	8,228	46,874
Trust No. F/1765 (2)		4,464	20,088
Hotelera Saltillo, S.A.P.I. de C.V. (2)		7	8,540
Servicios Integrales Fibra Inn, S.A.P.I. de C.V. (3)		–	12,827
Prisma Torreón, S.A.P.I. de C.V. (2)		–	5,071
Gestor de Activos Prisma, S.A.P.I. de C.V.		–	2,017
Impulsora Fibra Inn, S.A.P.I de C.V. (3)		–	1,816
Asesor de Activos Prisma, S.A.P.I. de C.V. (4)		–	20
	$	12,699	97,253
Long–term			
Operadora México Servicios y Restaurantes, S.A.P.I. de C.V. (5)	$	34,445	22,568
Trust No. F/1765 (5)		2,400	2,400
	$	36,845	24,968

(1) Derived primarily from leasing of spaces.

(2) Derived from collections on account of Trust No. F/1616.

(3) Derived from payroll services.

(4) As of December 31, 2015, there is an account receivable from shareholders in the amount of $20 related to the initial contributed capital.

(5) Long–term loans granted by the Trust with the purpose that Operadora México Servicios y Restaurantes, S.A.P.I. de C.V. and Irrevocable Trust No. F/1765 have working capital for the launch of operations carried out in hotels owned by Fibra Inn.

c. Payables with related parties are:

		2016	2015
Asesor de Activos Prisma, S.A.P.I. de C.V. (1)	$	17,146	14,699
Gestor de Activos Prisma, S.A.P.I. de C.V. (4)		5,915	4,228
Trust No. F/1765 (3)		2,016	5,949
Operadora México Servicios y Restaurantes, S.A.P.I. de C.V. (3)		1,652	2,118
HPM Edificaciones S.A.P.I. de C.V. (6)		1,444	8
Servicios Integrales Fibra Inn, S.A.P.I. de C.V. (5)		861	3,111
Impulsora Fibra Inn, S.A.P.I de C.V. (5)		552	3,464
Prisma Torreón, S.A.P.I. de C.V. (2)		–	3,413
Hotelera Saltillo, S.A.P.I. de C.V. (2)		–	8,219
	$	29,586	45,209

(1) Advisory services for assets management.
(2) Primarily derived from payments made on behalf of the Trust, as well as for services of the period that basically correspond to the Trust.
(3) Operating services rendered in hotels, mainly food and beverages.
(4) Hotel management services.
(5) Payroll services.
(6) Payment of services for the rendering of natural resources (well water).

d. The benefits granted to key management personnel during the period are shown below:

		2016	2015
Short term benefits	$	12,520	9,270
Share–based compensation		3,630	18,500
	$	16,150	27,770

Up to March 31, 2016, Fibra Inn had constituted a long term compensation plan for certain eligible executives, which consists in granting 3,000,000 equity instruments (CBFIs), conditioned to their employment in the Trust for a period of 3 years. This compensation plan qualified as a consideration under the scope of IFRS 2, "Share–based Payments" settled in equity instruments. The service provided and the corresponding increase in equity of the Trust were measured at fair value, which was the market value of the equity instruments at the grant date.

The Trust recognized a total amount of $3,630 and $18,500 in 2016 and 2015, respectively, for services received during the period based on the best estimate of the number of instruments that are expected to vest impacting equity. As mentioned in note 13, the CBFIs of the compensation plan were put into circulation on March 18, 2016.

e. Transactions with management personnel and close family members

The Trust does not enter into business transactions with management personnel and their close family members other than transactions at market value and available to the general public and whose amounts are not significant.

(13) Trustors' equity –

Contributions –

a. The Trust's equity consists of an initial contribution of $20 and of the proceeds of the issuance of CBFIs.

b. On March 18, 2016, Fibra INN put into circulation the 3,000,000 CBFIs that were agreed as a consideration for the current Chief Executive Officer at the time of the initial public offering in March 2013. As a result of this transaction, the amount of outstanding CBFIs amounts to 440,019,542, which represent a dilution of 0.61%. Simultaneously with the transaction, the Trust put for sale 30% of the CBFIs at a price of Ps.13.26 and the remaining 70% of the CBFIs was transferred to the Control Trust.

c. On November 11, 2016, in the Extraordinary Meeting of Holders, it was approved the proposal that will allow the Trust to internalize the advisory services (the "internalization"), through an agreement of wills to terminate in advance the Contract with Asesor de Activos Prisma, S.A.P.I. de C.V. (the "Advisor") starting January 1, 2017 and therefore, the current external advisory activities for the Trust will be carried out by executives and staff hired by AAFI.

On the same date, the Extraordinary Meeting of Holders approved the issuance of 14,000,000 CBFIs to be allocated to the payment of 70% of the consideration with an authorized price for each CBFI of $11.5257 Mexican pesos. The authorized amount amounts to $161,360 where $135,100 correspond to the basic consideration and to the hotel factory model consideration and $26,260 correspond to the additional consideration related to future dividends. The certificates were issued during January, 2017, and were deposited in treasury.

As of December 31, 2016 and 2015, the amount of outstanding CBFIs amounted to 440,019,542 and 437,019,542, respectively. There are 50,000,000 CBFIs in treasury, which were approved on June 13, 2013, for real estate contributors.

Reimbursements and distributions to holders of certificates –

a. On February 26, 2015, the Technical Committee of Fibra Inn approved by a majority of its independent members a capital reimbursement of $74,615 with a value of $0.1707 per outstanding CBFI. This distribution was paid in cash by Fibra Inn on March 6, 2015, corresponding to the period from October 1 to December 31, 2014.

b. On April 21, 2015, the Technical Committee of Fibra Inn approved by a majority of its independent members a capital reimbursement of $78,535 with a value of $0.1797 per outstanding CBFI. This distribution was paid in cash by Fibra Inn on April 29, 2015 corresponding to the period from January 1 to March 31, of 2015.

c. On April 24, 2015, the Annual Meeting of Holders unanimously approved the financial statements of the Trust for the year ended December 31, 2014, and the application of the results in that year.

d. On July 27, 2015, the Technical Committee of Fibra Inn approved by a majority of its independent members a capital reimbursement of $88,304 with a value of $0.2021 per outstanding CBFI. This distribution was paid in cash by Fibra Inn on July 31, 2015 corresponding to the period from April 1 to June 30, 2015.

e. On October 15, 2015, the Technical Committee of Fibra Inn approved by a majority of its independent members a capital reimbursement of $78,816 with a value of $0.1803 per outstanding CBFI. This distribution was paid in cash by Fibra Inn on October 23, 2015 corresponding to the period from July 1 to September 30, 2015.

f. On February 24, 2016, the Technical Committee of Fibra Inn approved by a majority of its independent members a capital reimbursement of $92,442 with a value of $0.2115 per outstanding CBFI. This distribution was paid in cash by Fibra Inn on March 16, 2016, corresponding to the period from October 1 to December 31, 2015.

g. On April 20, 2016, the Technical Committee of Fibra Inn approved by a majority of its independent members a capital reimbursement of $97,280 with a value of $0.2210 per outstanding CBFI. This distribution was paid in cash by Fibra Inn on May 20, 2016 corresponding to the period from January 1 to March 31, of 2016.

h. On April 29, 2016, the Annual Meeting of Holders unanimously approved the financial statements of the Trust for the year ended December 31, 2015 and the application of the results in that year.

i. On July 27, 2016, the Technical Committee of Fibra Inn approved by a majority of its independent members a capital reimbursement of $99,255 with a value of $0.2256 per outstanding CBFI. This distribution was paid in cash by Fibra Inn on August 18, 2016 corresponding to the period from April 1 to June 30, 2016.

j. On October 26, 2016, the Technical Committee of Fibra Inn approved by a majority of its independent members a capital reimbursement of $100,523 with a value of $0.2512 per outstanding CBFI. This distribution was paid in cash by Fibra Inn on November 16, 2016 corresponding to the period from July 1 to September 30, 2016.

Issuance of CBFIs –

As of December 31, 2016, the issuance of CBFIs as a part of the equity consists of:

Concept	Price	Contributed capital
2013		
Initial contributions:		
Cash contributions:		
162,452,028 CBFIs issued	18.50	$ 3,005,363
Contribution in kind:		
95,882,190 CBFIs issued	18.50	1,773,820
		4,779,183
Issuance costs		(237,399)
Total issuance of CBFIs in 2013		$ 4,541,784
2014		
Cash contribution:		
178,685,324 CBFIs issued	15.85	2,832,162
Issuance costs		(81,352)
Total issuance of CBFIs in 2014		$ 2,750,810
2016		
Contribution in kind:		
3,000,000 CBFIs issued	18.50	55,500
Total issuance of CBFIs in 2016		$ 55,500

Reserves –

Executive share–based compensation reserve –

The effect resulting from the executive share–based compensation reserve is determined in accordance with IFRS 2, "Share–based Payments", which is measured at fair value of the market of the instrument at the grant date, as mentioned in note 12 d. On March 13, 2016, the compensation was liquidated and the corresponding CBFIs were put into circulation.

Reserve of valuation effect of derivate financial instruments –

The hedging reserve comprises the effective portion of the net accumulated change in fair value of interest rate hedge instruments related to hedging transactions that have not been settled.

(14) Income tax –

Trust No. F/1616 qualifies as a transparent entity in Mexico in accordance to Income Tax Law. Therefore, all proceeds resulting from the Trust's operations are attributable to the holders of CBFIs and the Trust is not subject to income tax ("ISR") in Mexico.

In order to maintain its FIBRA status, the Tax Administration Service established, in Articles 187 and 188 of the Income Tax Law, that Fibra Inn must annually distribute at least 95% of its net tax result to CBFIs holders of Fibra Inn.

The Trust's subsidiary is subject to ISR at a rate of 30%.

Deferred income taxes are calculated on the basis of income tax at the rate applicable to the period in which the reversal of the temporary difference corresponding expected.

a. Income taxes recognized in profit or loss:

		2016	2015
Current income tax	$	1,834	–
Deferred income tax		(70)	458
Total income tax	$	1,764	458

(15) Employee benefits –

The movement in the defined benefit obligation during the year is shown below:

a. Defined benefit plans

		Retirement benefits	
		2016	2015
Defined benefit obligation (DBO)	$	252	231
Current service cost		62	53
Benefits paid		(36)	(54)
Actuarial gains and losses recognized in the profit or loss		17	22
Net projected liability	$	295	252

b. Cost recognized in profit or loss

		Retirement benefits	
		2016	2015
Cost of the period:			
Current service cost	$	45	39
Interest cost		17	14
Cost of the period	$	62	53

(16) Financial instruments and risks management –

Categories of financial instruments –

		Book Value **2016**	Fair Value **2016**	Book Value 2015	Fair Value 2015
Financial assets:					
Measured at amortized cost:					
Cash and cash equivalents	$	849,077	849,077	796,751	796,751
Trade and other accounts receivable		147,133	147,133	164,043	164,043
Accounts receivable from related parties		49,544	49,544	122,221	122,221
Financial assets:					
Measured at fair value:					
Derivative financial instruments	$	29,145	29,145	–	–

		Book Value **2016**	Fair Value **2016**	Book Value 2015	Fair Value 2015
Financial liabilities:					
Measured at amortized cost:					
Suppliers	$	90,083	90,083	131,707	131,707
Other payables		1,061	1,061	10,190	10,190
Property acquisition liability		7,296	7,296	10,000	10,000
Accounts payable to related parties		29,586	29,586	45,209	45,209
Liability from bank debt		4,999	4,999	8,662	8,662
Advances from clients		7,394	7,394	1,132	1,132
Bank debt		–	–	69,397	69,397
Debt securities		2,836,654	2,820,968	1,847,852	1,847,852
Financial liabilities:					
Measured at fair value:					
Derivative financial instruments		–	–	5,257	5,257

The carrying amount of financial instruments held by the Trust, such as cash and cash equivalents, accounts receivable and accounts payable, approximate their fair values due to their short maturities.

The fair value of the debt securities (CBFs) is estimated at the quotation value of its recent issuance made in October 19, 2016 due to the short period between that date and the end of the year and that there are no public issuances with similar features as Fibra Inn.

Fair value hierarchy –

The following table analyzes financial instruments measured at fair value through the fair value hierarchy described below.

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability are not based in observable market data (unobservable inputs).

		Level 1	Level 2	Level 3	Total
As of December 31, 2016					
Derivative financial assets	$	–	29,145	–	29,145
Debt securities		(2,820,968)	–	–	(2,820,968)
As of December 31, 2015					
Derivative financial liabilities	$	–	(5,257)	–	(5,257)
Debt securities		(1,847,852)	–	–	(1,847,852)

Capital management –

Fibra Inn manages its capital with the objective of maximizing the wealth of its shareholders and the distributions by optimizing the ratio of debt and equity. The bank debt represented by the issuance of CBFs as of December 31, 2016 was $2,836,654, net of loan expenses of $38,696, which represented 29% of total assets. In order to maintain an appropriate ratio between assets and liabilities, the Issuers' Circular in Mexico ("Circular Única de Emisoras" for its acronym in Spanish) establishes a limit of 50% for the assumption of debt for issuers and considers a debt service ratio.

Fibra Inn's capital consists mainly of equity. The objectives of capital management of the Trust are to manage the capital to make sure that the operating funds are available to maintain consistency and sustainability in the distributions to its shareholders and fund required capital expenses, as well as to provide necessary resources for the acquisition and development of new properties.

Financial risk management –

The objective of the Trust's financial risk management, is to comply with its financial expectations, operating results and cash flows that improve the financial position of Fibra Inn, in addition to ensuring the ability of making distributions to CBFIs holders' and satisfying any future debt obligations.

The role of the Technical Committee of Fibra Inn is to advise and instruct the trustee with the sale or repurchase of CBFIs, analyze and approve potential investments, acquisitions and disposals, provide corporate services, coordinate access to domestic financial markets, monitor and manage the financial risks associated with Fibra Inn's operations through internal risk reports which analyze exposures by degree and risk magnitude. These risks include market risk (including risk of changes in market prices, currency risk and interest rate risk), credit risk and liquidity risk.

Market risk management –

Fibra Inn's activities may be exposed to finance risks related to changes in market interest rates, foreign exchange rates and mainly in market prices, affecting the revenues of the Trust or the value of its financial instruments.

Interest rate risk –

Fibra Inn can obtain financing under different conditions, either from third parties or related parties and variable interest rates would expose it to changes in market rates.

As of December 31, 2016 and 2015, the Trust is exposed to interest rate variations because it has only hedged 22% and 28% of the outstanding gross balance of the CBFs issued in October 19, 2016 and September 30, 2015.

Sensitivity analysis to interest rate risk –

If the TIIE were to increase or decrease 100 base points (1.00%), and all other variables remained constant, the results of the year and equity of Fibra Inn for the year ended December 31, 2016, would have a positive or negative annual impact, respectively, as follows:

TIIE	Balance	Effect in equity and profit or loss
+ 100 base points		22,504
No change	2,250,350 *	–
– 100 base points		(22,504)

* The total balance of the debt is for 2,875,350 and a hedge is contracted for $625,000.

Derivative financial instruments –

As of December 31, 2016, Fibra Inn has contracted derivative financial instruments to hedge $625,000 (22%) of the total amount of the issuance of CBFs for $2,875,350 through interest rate swaps to convert its variable rate to fixed rate.

In October 2016, date of payment of the bank debt, the swap covering $100,000 of the notional value was restated to cover the public debt with the same conditions and maturity.

During the months of July, August and November of 2015, Fibra Inn contracted derivative financial instruments to hedge $525,000 (28%) of the total amount of the issuance of CBFs for $1,875,350, issued on September 30, 2015 and $100,000 corresponding to the bank debt.

The terms of the contracted derivative instruments are described below:

Counterparties	Notional	Current basic conditions	Fair value Asset (Liability) 2016	2015
Various (1)	$ 100,000	Fibra Inn pays a fixed rate in Mexican pesos of 5.37% and receives TIIE	$ 3,884	(1,484)
Various (1)	75,000	Fibra Inn pays a fixed rate in Mexican pesos of 5.17% and receives TIIE	3,232	(665)
Various (1)	210,000	Fibra Inn pays a fixed rate in Mexican pesos of 5.25% and receives TIIE	8,698	(2,367)
Santander (2)	240,000	Fibra Inn pays a fixed rate in Mexican pesos of 5.18% and receives TIIE	13,331	(741)
	$ 625,000			
			$ 29,145	(5,257)

(1) Banorte, Actinver, Banamex, BanRegio and Scotiabank. Such derivative financial instrument expires on March 8, 2019.

(2) Such derivative financial instrument expires on September 27, 2019.

Foreign currency risk –

Fibra Inn enters into transactions denominated in U.S. dollars ("dollar"); therefore, it is exposed to currency fluctuations between the exchange rate of the Mexican peso and the U.S. dollar.

a. The financial position in foreign currency as of December 31, 2016 and 2015 is:

	2016	2015
U.S. dollars:		
Financial assets	834	318
Financial liabilities	(872)	(138)
Financial position	(38)	180

b. The exchange rates, in Mexican pesos, as of the date of the consolidated financial statements are:

	2016	2015
U.S. dollar	20.6640	17.3398

Sensitivity analysis to foreign exchange risk –

If the exchange rate were to increase or decrease 10% ($2 Mexican pesos per U.S. dollar) with all other variables held constant, the results of the year and equity of Fibra Inn for the year ended December 31, 2016, would have a positive or negative effect, respectively, as follows:

Exchange rate	Financial position, net	Effect in equity and profit or loss (MXN)
+ 10%	865	78
No change	787	–
– 10%	707	(78)

Credit risk management –

Credit risk refers to the risk that a counterparty breaches its contractual obligations resulting in financial loss to Fibra Inn. Virtually, all of Fibra Inn's income is derived from hotel services. As a result, its performance depends on its ability to collect the amounts from hotel services rendered to guests and the guests' ability to make the payments. Revenue and funds available for distribution would be adversely affected if a significant number of guests do not make the rental payments when they are due; which could result in the closing of operations or bankruptcy.

Fibra Inn's management limits its exposure to cash and cash equivalents' credit risk by investing solely in low–risk liquid instruments, mainly government bonds. Hence, management does not expect that any of its counterparties will not meet their obligations.

The following shows the maximum exposure to credit risk for accounts receivable as of December 31, 2016 and 2015, by type of client:

		2016	2015
Corporate clients	$	75,205	81,045
Credit cards		32,900	14,574
Travel agencies		27,076	36,996
Airlines		12,267	7,015
	$	147,448	139,630

Below is a breakdown of the accounts receivable from clients, showing those balances overdue but not impaired according to their ageing as of the reporting date:

		Gross 2016	Impairment 2016	Gross 2015	Impairment 2015
Current	$	79,791	–	42,018	–
From 0 to 30 days		13,483	–	14,859	–
From 31 to 120 days		19,094	–	15,160	–
Overdue for more than 120 days		35,020	(2,013)	67,593	–
	$	147,448	(2,013)	139,630	–

Fibra Inn considers that the balances of accounts receivable from related parties do not represent a credit risk.

Liquidity risk management –

Liquidity risk represents the possibility that Fibra Inn has difficulties to comply with its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Fibra Inn has established an appropriate framework for managing liquidity risk in the short, medium and long term. La responsabilidad última de la administración del riesgo de liquidez se basa en Fibra Inn, quien ha establecido un marco apropiado para la administración del riesgo de liquidez para la administración del financiamiento a corto, mediano y largo plazo, y los requerimientos de administración de la liquidez.

Fibra Inn manages its liquidity risk by maintaining adequate reserves, monitoring expected cash flow requirements and actual income, and by managing the maturity profiles of its financial assets and liabilities. The Treasury department monitors the maturity of its liabilities to comply with the respective payments.

In order to maintain an adequate proportion of assets and liabilities, the Issuers' Circular in Mexico establishes the Trust a limit of 50% to assume loans and provides a service debt index equal to or greater than 1.0 times.

The following table shows Fibra Inn's outstanding maturities for non–derivative financial liabilities as of December 31, 2016:

		1 year	More than 1 year
Suppliers	$	90,083	–
Other payables		1,061	–
Properties' acquisition liability		7,296	–
Accounts payable to related parties		29,586	–
Debt securities		–	2,836,654
	$	128,026	2,836,654

The following table shows the contractual maturity of the remaining financial liabilities (debt issuance) with established payment periods. The table has been prepared from the financial liabilities undiscounted cash flows based on the earliest date in which Fibra Inn is required to pay. To the extent that the interest cash flows are variable, the undiscounted amount is derived from the interest rates available at the end of the reporting period. The contractual maturity is based on the earliest date in which Fibra Inn may be required to make the corresponding payments.

The amounts included for financial instruments with variable interest rates are subject to change if the variable interest rate changes with reference to the estimates made at the date of the financial statements.

		Less than 1 year	1 – 3 years	More than 3 years
As of December 31, 2016				
Debt securities	$	–	–	2,836,654
Nominal interests of financial instruments measured at amortized cost		179,000	358,000	313,250

		Less than 1 year	1 – 3 years	More than 3 years
As of December 31, 2015				
Debt securities	$	–	–	1,875,350
Instruments with variable interest rate		–	–	100,000
Nominal interests of financial instruments measured at amortized cost		96,735	193,470	248,819

(17) Long–term debt –

Bank loans –

During the year ended December 31, 2015, Fibra Inn made the following disposals of the bank line of credit contracted on September 9, 2014 for $2,300,000: $150,000 on June 25, $300,000 on August 12 and $150,000 on September 7. However, derived from the funds of the offering of the CBFs on September 30 of that year, $600,000 were paid in advance.

During the second quarter of 2016, Fibra Inn disposed of an amount of $250,000 of the bank line of credit.

On October 25, 2016, the bank line of credit for $2,300,000 was liquidated with the proceeds from the public debt contracted on October 19, 2016. Fibra Inn settled the contracted liability of $350,000 and was not subject to a prepayment penalty of debt. The property guarantees were recovered when the termination agreement was signed, which included the reversal of the guarantee trust.

As of December 31, 2016, the outstanding balance of expenses directly related to the inflow of bank debt, capitalized and amortized by the effective interest method in the defined life of the loan, were recognized in the income statement in the line item of interest expenses, net, for $22,307, once the bank debt was paid.

As of December 31, 2016 and 2015, the balance of long–term bank debt is as follows:

		2016	2015
Utilized line of credit	$	–	100,000
Less transaction costs		–	(30,603)
	$	–	69,397

Debt issuance with Fiduciary Trust Certificates –

On September 30, 2015, Fibra Inn issued CBFs of $1,875,350 under a program of up to $5,000,000. Public debt represented $1,847,852 net of expenses of $27,498, which bears interest every 28 days at a variable rate equal to TIIE 28 plus 110 basis points, over a 6–year term, and paying principal upon maturity in 2021. The funds arising from such debt issuance were allocated to pay $600,000 of the bank line of credit outstanding as of December 31, 2015, and to continue with hotel expansion operating plans.

On October 19, 2016, Fibra Inn issued CBFs for an amount of $1,000,000 under its program of up to $5,000,000. The reopening of the issuance of FINN15, which amounts to $2,875,350 in a single tranche, will pay interest every 28 days, at a variable rate equivalent to TIIE 28 plus 110 basis points, with a term of 5 years, with payment of principal at maturity in 2021. The issuance expenses represent $12,257. The issuance was placed at a discount, with a value per security of $99.454467 with respect to the nominal value of $100.00, representing $5,455 in order for the CBFs placed at the reopening to receive a return equivalent to TIIE 28 plus 130 basis points. The proceeds from this debt issuance were allocated for the payment of $350,000 of bank debt. In addition, they will be used both for investment in hotels in the current portfolio and for investment in new hotels through the hotel factory model.

As of December 31, 2016 and 2015, the debt securities balance is integrated as follows:

		2016	2015
Issuance of flows	$	2,875,350	1,875,350
Less expenses		(38,696)	(27,498)
	$	2,836,654	1,847,852

(18) Commitments –

a. Minimum lease payments

The minimum lease payments for operating leases where Fibra Inn is the lessor, are as follows:

Year		Total
Less than 1 year	$	44,331
1 – 5 years		221,659
More than 5 years		504,213
	$	770,203

The minimum lease payments presented above do not consider any adjustment of time value of money to the rental income, to which Fibra Inn has contractual rights. As well, it does not consider any variable rents, nor renewal periods, only mandatory terms for lessees. As well, the minimum rental income, by contract, is monitored at least once a year.

b. Franchises

Fibra Inn has entered into franchise contracts to operate with various trademarks such as Intercontinental Hotel Group, Hilton Worldwide, Wyndham Hotel Group International, Marriott International, and W International Inc., Best Western A.C and Operador de Hoteles City Express, S.A. de C.V., which are valid during periods between 10 and 20 years, respectively. Under these contracts, there is an obligation to pay royalties between 2% and 5% of the revenue generated from lodging, marketing expenses, loyalty program charges, among others. Total payments arising from these concepts amounted to $195,375 and $132,915 as of December 31, 2016 and 2015, respectively.

c. Acquisition of properties

i. Fibra Inn has entered into a purchase agreement for the acquisition of the footprint of the building in which the JW Marriott Monterrey Hotel will be built for $222,200, as mentioned in note 9.

ii. As part of the purchase agreement for the Courtyard by Marriott Chihuahua hotel, Fibra Inn agreed to hold an earn–out as an additional payment to the seller. The earn–out establishes the payment of an excess amount for the difference of the future operating margin compared to a determined margin for the transaction and subject to a single period of 12 months. The seller can request the contingent compensation in a window of 36 months from the inception of the purchase agreement.

d. Litigation

Fibra Inn is involved in various lawsuits and claims arising from the normal course of business and other contractual obligations, which are not expected to have a significant effect on its financial position and future results of operations.

e. Tax contingencies

Under current tax law, the authorities are entitled to examine the five fiscal years prior to the last tax return filed.

In accordance with the Income Tax Law, companies that conduct transactions with related parties are subject to certain limitations and tax requirements, regarding the determination of the agreed–upon prices, because they must be equivalent to those that would be used in arm's–length transactions.

In case the tax authorities review the prices and reject the agreed amounts, they may require, in addition to charging the corresponding tax and complementary charges (restatement and surcharges), penalties on unpaid taxes, which could be up to a 100% of the inflation adjusted amounts.

(19) Business segment information –

According to IFRS 8, Operating Segments, Fibra Inn discloses financial information by segment, which is informed and regularly monitored by the Technical Committee and the executives in charge of making decisions.

Fibra Inn operates in four business segments that constitute its reportable segments:
i. Limited service
ii. Selected service
iii. Complete service
iv. Extended stay

There were no intersegment transactions recorded. The accounting principles of the reportable segments are the same accounting policies of the Trust as described in note 3. The gross margin by segment represents the income on the same basis presented in the consolidated income statement.

The following information represents the measurements that are informed to management in charge of making operating decisions for purposes of allocating and distributing resources as well as assessing segment performance. For the years ended December 31, 2016 and 2015, income from ongoing operations of the Trust from external customers by business segment are as follows:

2015		Limited service	Selected service	Complete service	Extended stay	Consolidated
Revenues from lodging	$	174,173	572,997	466,753	14,477	1,228,400
Revenues from property leases		5,139	10,469	65,565	203	81,376
Gross margin		72,566	205,141	212,015	6,316	496,038
Property, furniture and equipment		1,155,349	3,614,222	2,720,884	132,909	7,623,364
Depreciation		30,693	67,671	57,087	1,599	157,050

2016		Limited service	Selected service	Complete service	Extended stay	Consolidated
Revenues from lodging	$	258,066	823,525	577,906	47,955	1,707,452
Revenues from property leases		3,637	15,737	70,222	505	90,101
Gross margin		94,461	345,574	216,270	23,775	680,080
Property, furniture and equipment		1,125,399	4,060,455	2,894,270	130,424	8,210,548
Depreciation		30,578	100,193	79,907	3,117	213,795

Starting January 1, 2016, Fibra Inn's management modified the accounting policy for segment information, since the decision making of hotels starting such date is focused on the analysis of hotel operations by category.

(20) Subsequent events –

a) On February 22, 2017, the Technical Committee of Fibra Inn approved by a majority of its independent members a capital reimbursement of $111,000 with a value of $0.2523 per outstanding CBFI. This distribution was paid in cash by Fibra Inn on March 15, 2017, corresponding to the period from October 1 to December 31, 2016.

b) On January 23, 2017, as a result of the amendments to Articles 187 and 188 of the Income Tax Law, which are effective for periods beginning on January 1, 2017, Fibra Inn established the creation of a fund for the repurchase of CBFIs of up to 5% of its certificates issued on the Mexican Stock Exchange (Bolsa Mexicana de Valores or "BMV" for its acronym in Spanish), which will allow the Trust to held them for up to one year without the need to cancel them, as it was previously established. The main objective of the repurchase fund will be to benefit the liquidity of the CBFI and thereby promote the volume of operation. On January 20, 2017, it was approved in the Ordinary Holders Meeting the creation of the fund for the repurchase of CBFIs.

c) As mentioned in note 1, as of December 31, 2016, the purposes of the Trust No. F/1765 were modified to become a fund–collection trust. Therefore, starting January 1, 2017, the income other than lodgment will be recognized by Operadora México and the obligations for the payment of leases to the Trust No. F/1616 were formalized with the same prevailing conditions.

d) During March 2017, a modification agreement was signed in connection to the purchase agreement of the Aloft Guadalajara hotel to extend the term to exercise the earn–out by the seller from March 2017 to September 2017.

(21) New accounting standards and interpretations non–adopted –

Fibra Inn has not applied the following new and revised IFRS, which are not effective yet as of December 31, 2016.

IFRS 9, Financial Instruments

IFRS 9, "Financial Instruments" issued in July 2014, is the replacement of IAS 39 "Financial Instruments: Recognition and Measurement". This standard includes requirements for recognition and measurement, impairment, de–recognition and general hedge accounting.

This version supersedes all previous versions and is mandatorily effective for periods beginning on or after January 1, 2018, with early adoption being permitted. IFRS 9 (2014) does not replace the requirements for portfolio fair value hedge accounting for interest rate risk since this phase of the project was separated from the IFRS 9 project.

IFRS 9 (2014) is a complete standard that includes the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. More specifically, the new impairment model is based on expected credit losses rather than incurred losses, and will apply to debt instruments measured at amortized cost or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contracts.

Regarding the new measurement category of FVTOCI, it will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets.

The Trust is in the process of assessing the potential impacts from the adoption of this standard in its financial statements.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, "Revenue from Contracts with Customers", was issued in May 2014 and applies to annual reporting periods beginning on or after 1 January 2018, earlier application is permitted. Under this standard, revenue recognition is based on control; that is, control is used to determine when a good or service is transferred to the customer.

The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry–specific guidance. In applying the revenue model to contracts within its scope, an entity will: 1) Identify the contract(s) with a customer ; 2) Identify the performance obligations in the contract; 3) Determine the transaction price; 4) Allocate the transaction price to the performance obligations in the contract; 5) Recognize revenue when (or as) the entity satisfies a performance obligation. In addition, the number of disclosures required is increased for both annual and interim financial statements.

Fibra Inn considers that the current revenue recognition policy does not differ significantly from the requirements of IFRS 15. However, the Trust continues to evaluate the potential impacts that could be derived in its consolidated financial statements by the adoption of this standard.

IFRS 16, Leases

IFRS 16 "Leases" was issued in January 2016 and supersedes IAS 17 "Leases" and related interpretations. The new standard brings most leases on–balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

Under IFRS 16 a lessee recognizes a right–of–use asset and a lease liability. The right–of–use asset is treated similarly to other non–financial assets and depreciated accordingly and the liability accrues interest. This will typically produce a front–loaded expense profile (whereas operating leases under IAS 17 would typically have had straight–line expenses) as an assumed linear depreciation of the right–of–use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

However, a lessee may elect to account for lease payments as an expense on a straight–line basis over the lease term for leases with a lease term of 12 months or less and containing no purchase options (this election is made by class of underlying asset); and leases where the underlying asset has a low value when new, such as personal computers or small items of office furniture (this election can be made on a lease–by–lease basis).

IFRS 16 establishes different transitional provisions, including retrospective application or the modified retrospective application where the comparative period is not restated.

Fibra Inn is in the process of determining the potential impacts that will be derived in its consolidated financial statements by the adoption of this standard, although there are not significant effects visualized due to the fact that the Trust primarily maintains leases where it operates as the lessor. The lease agreements where Fibra Inn operates under as a lessee are mainly related to the lease of transportation equipment, which is used as part of the hotel operation and could represent the recognition of the rights of use and the corresponding lease liability, in accordance with the requirements of IFRS 16.

Amendments to IAS 7, *Disclosure initiative*

The amendments to IAS 7 *Statement of Cash Flows*, require that the following changes in liabilities arising from financing activities are disclosed separately:

(i) Changes from financing cash flows
(ii) Changes arising from obtaining or losing control of subsidiaries or other business
(iii) Changes in foreign exchange rates
(iv) Changes in fair values
(v) Other changes

One way to fulfill the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities. The new disclosure requirements also relate to changes in financial assets if they meet the same definition.

These amendments are effective for annual periods beginning on or after 1 January 2017 with earlier application permitted, and entities need not provide comparative information when they first apply them.

Fibra Inn has determined that it will have impacts from the adoption of these amendments because it will have to increase the amount of disclosures related to changes in liabilities arising from financing activities. The amendments were adopted prospectively in its consolidated financial statements and the effects of the adoption will be reflected in the consolidated financial statements for the annual period ending on December 31, 2017.

Amendments to IAS 12, *Income taxes*

Amendments to IAS 12 "*Income Taxes*", clarify that unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. Additionally, they specify that the carrying amount of an asset does not limit the estimation of probable future taxable profits and when comparing deductible temporary differences with future taxable profits, these exclude tax deductions resulting from the reversal of those deductible temporary differences. These amendments are effective for annual periods beginning on January 1, 2017 with retrospective application, although earlier application is permitted.

Fibra Inn did not have an impact from the adoption of these amendments because it does not hold debt instruments that are measured at fair value.

IFRIC 22, *Interpretation on Foreign Currency Transactions and Advance Consideration*

This new Interpretation clarifies the accounting for transactions that include the receipt or payment of an advance consideration in a foreign currency. The interpretation is being issued to reduce diversity in practice related to the exchange rate used when an entity reports transactions that are denominated in a foreign currency in accordance with IAS 21 in circumstances in which the consideration is received or paid before the related asset, expense, or income is recognized.

Fibra Inn translates the considerations at the exchange rate of the date of the transaction, whether it is received or paid and recognizes them as a non–monetary item. Therefore, the Trust does not visualize significant impacts on the adoption of this interpretation in its consolidated financial statements.

CBFIs Information

Issuer:	Deutsche Bank México, S.A., Institución de Banca Múltiple, Fiduciary Division, Trust No. F/1616
Ticker Symbol	FINN13 / FINN15
Type of Security	Real Estate Trust Stock Certificates CBFIs (Equity Issuance) Certificados Bursátiles Fiduciarios CBFs (Debt Issuance)
Domestic Market	Mexican Stock Exchange
US OTC Market	Rule 144A and Reg S
ADR Program	DFBRY Level 1

Information for Investors

FIBRA INN
In Monterrey, Mexico:
Lizette Chang
E–mail: lchang@fibrainn.mx
Phone: 52 (81) 5000 0211

In New York, U.S:
Maria Barona / Melanie Carpenter
i–advize Corporate Communications, Inc.
E–mail: mbarona@i–advize.com /
mcarpenter@i–advize.com
Phone: (212) 406–3691/3692

HEADQUARTERS
Ricardo Margain Zozaya 605, Floor 1,
Col. Santa Engracia, San Pedro Garza García,
Nuevo León, 66267, Mexico
Phone: 52 (81) 5000 0200
www.fibrainn.mx

INDEPENDENT AUDITORS
KPMG Cárdenas Dosal, S.C.
Manuel Ávila Camacho 176
Col. Reforma Social,
11650, Mexico, D.F.
Phone: 52 (55) 5246 8300
www.kpmg.com.mx

TRUSTEE
Deutsche Bank México, S.A.,
Institución de Banca Múltiple,
Fiduciary Division
Global Transaction Banking –
Trust & Agency Services
Blvd. Manuel Ávila Camacho No. 40, 17th Floor,
Col. Lomas de Chapultepec,
C.P. 11000, Mexico D.F.
Phone: 52 (55) 5201 8000
www.db.com/mexico/

COMMON REPRESENTATIVE
CI Banco: Mónica Jiménez Labora Sarabia
mjimenezlabora@cibanco.com
Cordillera de los Andes No. 265, 8th Floor,
Col. Lomas de Chapultepec,
11000, Mexico D.F.
Phone: 52 (55) 5063 3978
www.cibanco.com

DEPOSITARY BANK
The Bank of New York Mellon
In Mexico: Paseo de la Reforma No. 115
23rd Floor, Mexico, D.F.
In New York: 101 Barclay Street, 22nd Floor,
West New York 10286
Phone: (412) 234 5000
www.bnymellon.com

fibra inn®

Ricardo Margain Zozaya 605, Floor 1
Col. Santa Engracia
San Pedro Garza García, Nuevo León
66267, Mexico
Phone: 52 (81) 5000 0200

www.fibrainn.mx