fibra inn
Construye Invirtiendo

GROWTH
WITH INTELLIGENCE AND INNOVATION

ANNUAL REPORT 2014


Aloft Guadalajara

CONTENT
2014 ANNUAL REPORT

Casa Grande Delicias

STRATEGY

ABOUT FIBRA INN

Fibra Inn is a Mexican real estate trust, mainly created to acquire, develop and lease a group of hotel properties in Mexico. Headquartered in the city of Monterrey, Fibra Inn owns a portfolio of high-quality and geographically-diversified properties that are designed to serve business travelers.

The properties operate under recognized international brands that have important loyalty programs in the hospitality industry, and offer options that appeal to business travelers. Fibra Inn's CBFIs (Real Estate Trust Certificates) are listed on the Mexican Stock Exchange (BMV) under ticker symbol "FINN13".

MISSION

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

VISION

To be the **leading hotel proprietor** providing accommodation services to **business travelers,** throughout Mexico, offering **memorable experiences** for **guests,** a healthy and adequate work environment for **employees**, while exceeding **investor** expectations.

VALUES

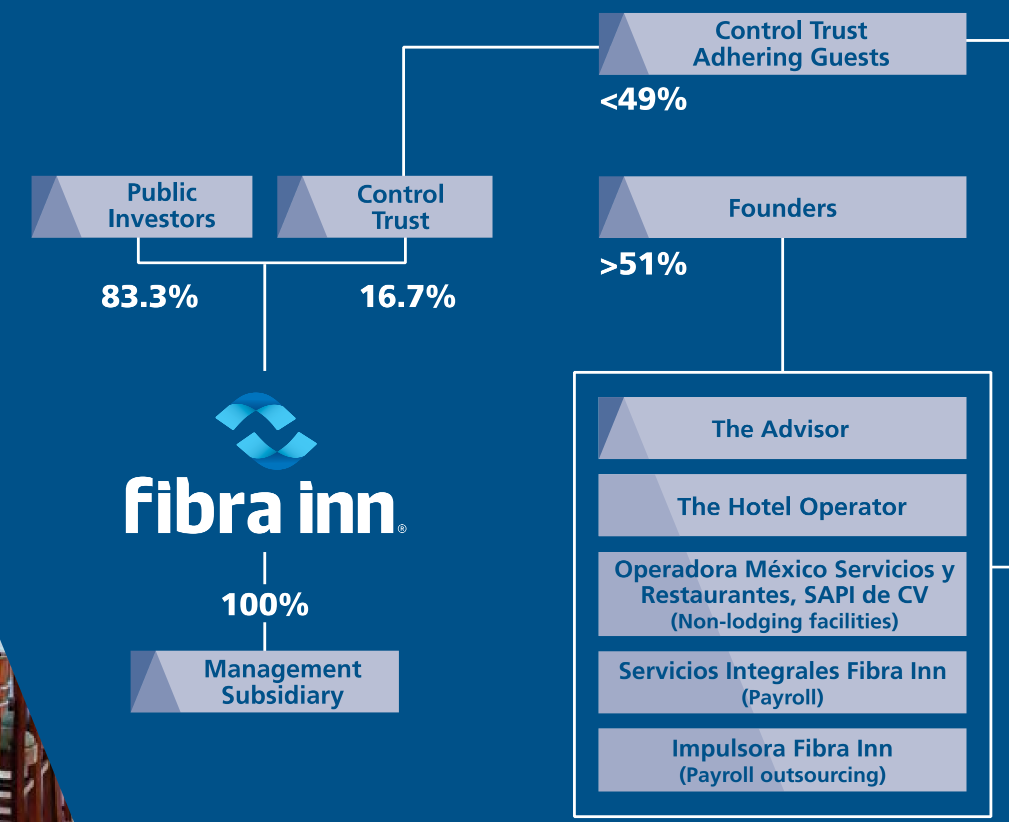
- Service Attitude
- Reliability
- Integrity
- Respect
- Teamwork

BUSINESS MODEL

- Specialization in Business Hotels
- Operates with leading Global Brands
- Preference for Acquisitions over Developments
- Intelligent Portfolio Growth

Hampton Inn by Hilton Monterrey Galerias Obispado

STRUCTURE



Wyndham Garden León Centro Max

OUR LEADERSHIP

"We are hotel people In the hotel business"

- We Seek to Deliver **Outstanding Performance:**
  - Creating a memorable experience for our guests.
  - With motivated employees throughout our organization.
  - Which will be reflected in higher investor returns.
- We have a highly specialized **Management Team,** with vast hotel industry experience that is highly specialized.
- We utilize a **Technology Platform** provided by the international hotel chains in order to maximize revenue generation.
- We have a **Flexible Operations Model** to efficiently replicate procedures in the new hotels.
- We institute the **best hotel practices** and apply them throughout the organization.
- We seek to establish **internal communications and delegation of decision-making** among employees to improve the overall performance of the organization.

FIBRA INN SPECIALIZATION IN THE HOTEL BUSINESS

- Our hotels are in the best **locations.**
- Our properties have the proper hotel **infrastructure.**
- We operate with **the top hotel brand names.**
- We optimize the use of **technological tools.**
- We strive to offer **memorable experiences** for our guests.
- We have well-trained and **motivated personnel,** who are specialized in the industry.
- Our **management team** has vast experience in the hotel industry.

Casa Grande Chihuahua

VALUE CREATION FOR INVESTORS IN 2014

DISTRIBUTION

Dividend yield

4.9%[1]

The highest in the publicly held hotel industry

Distribution

Ps. 237 million

29.8% vs. 2013

SUSTAINED GROWTH

Acquisitions and Developments[2]

- The acquisition of 13 hotels, representing 1,733 rooms.
- The expansion of 4 hotels, representing 304 additional rooms.
- The development of 3 properties, representing 645 rooms under construction.
- Acquisition cap rates between 10% and 11.2%.
- Development cap rates between 11.3% and 12.3%.

13 hotels acquired

Organic Growth

- Increase of Room Revenue, 6.4%.
- Increase of Average Daily Rate, 7.5%.
- Increase of RevPAR, 4.6%.

7.5% Average Daily Rate

4.6% RevPAR

OPERATIVE INDICATORS IN COMPARABLE PROPERTIES (22 HOTELS)

	2014	2013	VARIATION
Room Revenue	$ 800.5	$ 752.1	6.4%
Occupancy	59.6%	61.3%	-1.7 pp
Average Daily Rate	$ 1,016.5	$ 945.6	7.5%
RevPar	$ 605.9	$ 579.4	4.6%

(1) Considers the payment of annualized dividends considering the price of the CBFI at Ps. 16.40 at December 31, 2014.
(2) On March 26, 2015, Fibra Inn announced the temporary suspension in the construction of the Fairfield Inn & Suites by Marriott in Ciudad del Carmen due to market changes. Therefore, on the date of presentation of this Annual Report, Fibra Inn has 31 hotels and two in development, representing 5,538 rooms and 465 rooms under construction.

EFFICIENT HOTEL OPERATION

- 4 Synergies in 8 hotels.
- Change of operator in 3 hotels.
- Rebranding in 3 hotels.
- Addition of 304 rooms.
- Operation with 12 international brands and two of national prestige.
- Diversified portfolio located throughout 14 states of the nation.
- The results reflect the expertise of the Fibra Inn as Hotel Operator:
  - NOI margin, 36.4%, the most attractive of the public hotel industry.
  - Adjusted EBITDA margin, 30.4%.
  - Growth of EBITDA, 37.0% and Adjusted EBITDA, 80.1%.
  - EBITDA per room, Ps.74,191[1].

36.4%
NOI margin

30.4%
Adjusted EBITDA margin

TAX ADVANTAGES

- FIBRAS excluded from the 10% income tax on capital gains.
- FIBRAS are not affected by the additional taxes on paid dividends.
- FIBRAS do not pay income tax; the taxpayer is the holder (if it is not exempt).

DIVIDENDS

	2014	2013	VARIATION
Dividend per CBFI	0.7996	0.7067	13.1%
Dividend Yield	4.9%	4.1%	
Total Distribution	237.1	182.6	29.8%

(1) Calculated based on the number of rooms in operation and considering the Adjusted EBITDA

Holiday Inn Express Guadalajara Autónoma

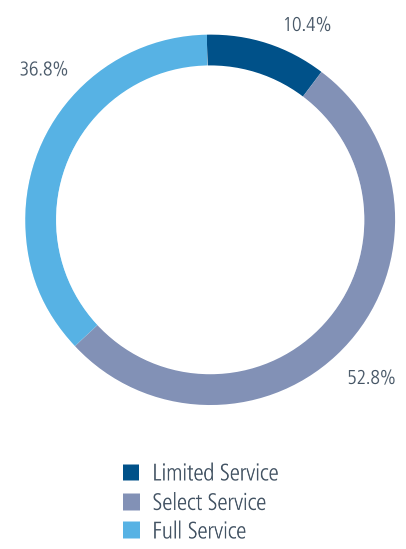

Holiday Inn Express & Suites Toluca Aeropuerto

HIGHLIGHTS

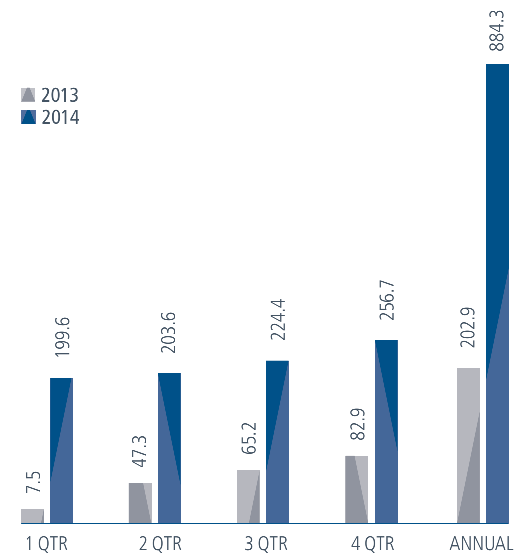
	2014	2013	VARIATION
Same Store Operational Performance (1)			
Room Revenue	800.5	752.1	6.4%
Occupancy	59.6%	61.3%	-1.7 p.p.
Average Daily Rate	1,016.5	945.6	7.5%
Revenue per Available Room	605.9	579.4	4.6%
Sales mix			
Room Revenue	94.1%	4.3%	
Rental Revenue	5.9%	82.3%	
Other Revenue		13.4%	
Financial Indicators (2)			
NOI	321.6	175.4	83.4%
NOI margin	36.4%	86.4%	
Adjusted EBITDA	268.9	149.3	80.1%
Adjusted EBITDA margin	30.4%	73.6%	
EBITDA per room	75,320	65,868	14.3%
FFO	257.5	207.4	24.1%
FFO per CBFI	0.5892	0.8187	
Outstanding CBFIs	437.0	258.3	
Number of Hotels and Rooms (3)			
Number of properties	31	18	13
Developments	3	0	3
Weighted number of days per acquisition	73%	74%	–
Number of states	14	11	3
Number of rooms in operation	4,887	3,036	1,851
Number of rooms under construction	645	304	341
Number of rooms in agreement	186	–	186
Total number of rooms	5,718	3,340	2,378

(1)) Indicators in 22 comparable properties.
(2) Figures expressed in millions of pesos, except EBITDA per room and FFO per CBFI, which are expressed in pesos.
(3) On March 26 of 2015, Fibra Inn announced the temporary suspension in the construction of the Fairfield Inn & Suites by Marriott in Ciudad del Carmen due to market changes. Therefore, on the date of presentation of this Annual Report, Fibra Inn has 31 hotels and two in development, representing 5,538 rooms and 465 rooms under construction

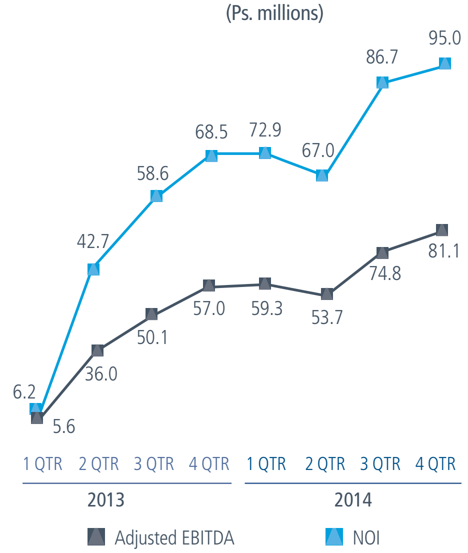
REVENUE PER SEGMENT



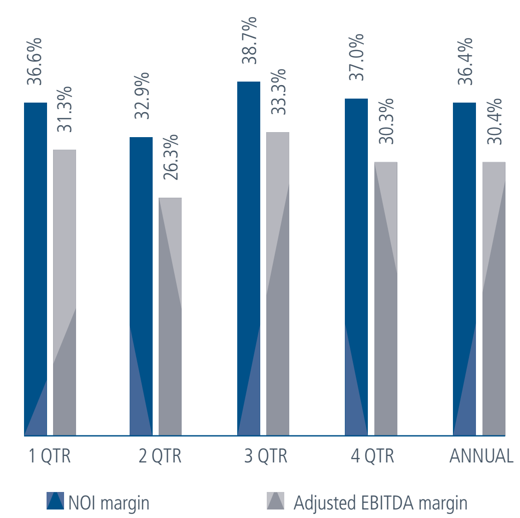
TOTAL REVENUE
(Ps. millions)



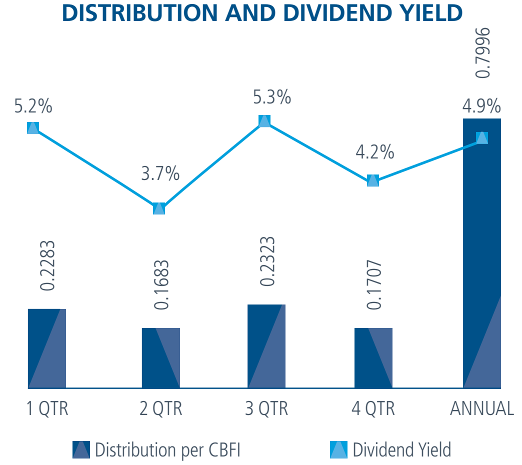
ADJUSTED EBITDA AND NOI
(Ps. millions)



NOI AND ADJUSTED EBITDA MARGINS



DISTRIBUTION AND DIVIDEND YIELD



CONTRACTING DEBT

	2014	2013	Ps. VAR
Cash	1,106.7	385.6	721.1
Total Assets	7,560.5	4,882.0	2,678.5
Bank Obligations	66.0	–	66.0
Total Liabilities	371.7	304.2	67.6
Total Equity	7,188.8	4,577.8	2,610.9

Figures in million pesos.

OBJECTIVE OF THE LINE OF CREDIT: FINANCING OUR EXPANSION PLAN

- Contract signed on September 8, 2014.
- Financial Institutions: Banorte, Actinver, Banamex, BanRegio and Scotiabank.
- Amount: Ps. 2,3 billion.
- Guarantees: trust and security agreements on 16 hotels.
- Amortization: upon expiration of the contract on March 8, 2019.
- Initial disbursement: Ps.100 million (to comply with the terms established in the Credit Contract).
- Convenants compliance.

1.3%
Loan to Value

8%
Coverage ratio for Servicing the Debt

Ps. 2,3 billion
Amount of the credit line

TIIE + 2.5%
Interest rate

100%
Coverage with rates swap

CAPITAL INCREASE

CBFI ISSUANCE EXCLUSIVELY FOR HOLDERS

- The objective of the subscription was to increase equity in order to finance the expansion plan of 15 hotels per year in 2015 and 2016.
- The capital increase was carried out by means of a subscription of CBFIs exclusively for holders, with an ex-rights date of November 4, 2014.
- Amount of CBFIs offered in two rounds, for subscription: Up to 100% of the CBFIs outstanding.
- The unsubscribed CBFIs were canceled.
- The number of outstanding CBFIs is currently at 437,019,542.

Ps. 2,832 million
Proceeds obtained from the subscription of CBFIs

Ps. 15.85
Price per CBFI

9.38%
Discount Rate

69.2%
Total subscribed

16.7%
Current share held by the Controlling Trust

83.3%
Float

STRUCTURE OF FIBRA INN FEES

MODIFICATION OF THE FEES PAID BY FIBRA INN:

- Elimination of the 3.0% fee for the acquisition of properties.
- Modification of the Advisory Fee of 0.5% to 0.75% of the gross real estate asset value, adjusted to inflation.

This resolution was approved at the General Ordinary Holders' Meeting held on October 17, 2014.

Casa Grande Delicias

MESSAGE TO INVESTORS

Two years have passed since the creation of Fibra Inn took place. We sought to become a publicly-held company, and we felt that in order to reach the growth we anticipated in the hotel sector we had to resort to the most efficient financing source: the capital markets. Today, we can be certain that we were not wrong and that we chose the correct path.

Fibra Inn became committed to the financial markets in order to reach objectives in the face of a challenging scenario. Today we can assure our holders that we have accomplished each of those.

The most important accomplishments were:

1. *Growth of the portfolio to 30 hotels at the end of 2014.* Today we have 34 properties: 31 hotels in operation, 2 in development and one lot.
2. *Payment of attractive dividends to our investors.* Out of the public hotel companies, Fibra Inn has paid the highest interest rate in distributed dividends to the market.
3. *Change in fee structure.* The market spoke and we listened, eliminating the 3% acquisition fee and making the required adjustments.
4. *The operation of hotels with a greater number of global brand names.* We went from two to 12 internationally recognized brand names.
5. *Geographic Diversification.* We went from operating hotels in 6 states, mainly in the northern region of Mexico, to a total of 14 states. Today, we are present mostly in the central part of Mexico, where the greatest economic activity is located.
6. *Continuous improvement in operational efficiency.* Today, Fibra Inn is the publicly-held hotel FIBRA with the best efficiency and profitability indicators.

But that is all history now...

Looking towards the 2015-2016 period, the challenges are not fewer. Therefore, in order to double the portfolio, we have defined a strategy that will place us on the correct path to achieving our objectives.

For this, we are making decisions at the top level, that we are confident will help us reach our established goals. Fibra Inn's Technical Committee Chairman shall adopt the following measures in order to ensure that we reach our long-term goals in the most efficient manner.

1. Ensure that **our Portfolio Expansion is carried** out in accordance with the quality and profitability criteria we have followed until now. That is, we will ensure that these investments adhere to prudent hotel business criteria and are consistent with Fibra Inn's strategy of serving the business traveler in the regions we have defined as strategic throughout Mexico.
2. Improve Fibra Inn's **Corporate Governance standards** by carrying out changes in our organization, which will ensure the implementation of the best industry practices. As an example, we recently made the decision to separate the duties of the Chairman of the Technical Committee and those of the Chief Executive Officer. We have also strengthened our organizational structure with an experienced and seasoned team of executives.
3. Finally, we will work towards fortifying Fibra Inn's **Strategic Control Group**, in order to obtain strategic alliances that will continue to drive growth and generate investor value.

I wish to thank our investors for the confidence they have placed in Fibra Inn by participating in the subscription of capital last November. As a result of this transaction, today Fibra Inn is in a position to meet its growth objectives of reaching 60 hotels by the end of 2016, thereby substantially increasing Fibra Inn's size. As of this date, our market capitalization amount has reached nearly US$486 million, compared with nearly US$385 million on the date of our Initial Public Offering.

Fibra Inn's liquidity is extremely important to the capital markets, thus we are focused on doing everything possible to increase the liquidity of the CBFIs. For this reason, we will continue to promote a virtuous circle that will generate liquidity with a greater and diversified investor base. Our ultimate objective continues to be to maximize visibility, interest in and, as a result, the long-term liquidity of the company.

Finally, I wish to express my appreciation to all of you –our partners, colleagues, investors and employees who form a part of the Fibra Inn group– for your interest in our company.

Sincerely,

Victor Zorrilla Vargas
Chairman of the Technical Committee

PORTFOLIO

▲ Holiday Inn Puebla La Noria ▲ Wyndham Garden León Centro Max

	2014		2013	
	PROPERTIES	ROOMS	PROPERTIES	ROOMS
Hotels	31	5,073	18	3,036
Developments (1)	3	645	–	304
Total	**34**	**5,718**	**18**	**3,340**

	PROPERTIES	ROOMS	
Limited Service (2)	11	1,530	27%
Select Service	13	2,457	43%
Full Service	10	1,731	30%
Total	**34**	**5,718**	**100%**

(1) On March 26, 2015, the temporary suspension in the construction of the Fairfield Inn & Suites by Marriott in Ciudad del Carmen was announced, due to market changes. Therefore, on the date of presentation of this Annual Report, Fibra Inn has 31 hotels and two in development, representing 5,538 rooms and 465 rooms under construction.
(2) For the reason previously mentioned, Fibra Inn has 10 hotels with limited service, representing 1,350 rooms.

BRANDS

Holiday Inn, Holiday Inn & Suites, Holiday Inn Express, Holiday Inn Express & Suites, Crowne Plaza Hotels & Resorts, Wyndham Garden Hotel, Microtel Inn & Suites by Wyndham, Hampton Inn by Hilton, Marriott, aloft a vision of W hotels, Camino Real, Casa Grande, Courtyard Marriott, Fairfield Inn Marriott

PRESENCE

▲ Intercontinental Hotels Group (IHG)
▲ Wyndham Hotel Group International
▲ Hilton Worldwide
▲ Marriott International
▲ W International, Inc. (Starwood)
▲ Camino Real
△ Casa Grande

KEY INDICATORS

34
Properties

5,718
Rooms

3
Segments

14
States

14
Brands

Ps. 1,807
million invested in hotels in 2014

INTERCONTINENTAL HOTELS GROUP (IHG)

Holiday Inn Express & Suites Toluca Aeropuerto

13
Hotels

58.5%
Occupancy

Ps. 1,014.2
ADR

593.7
RevPAR

Crowne Plaza Monterrey Aeropuerto

ACQUISITION	HOTEL		SEGMENT	INVESTMENT (millions of pesos)	ROOMS
Mar·13	Holiday Inn Express	Saltillo Aeropuerto	Select Service	260	180
Mar·13	Holiday Inn Express & Suites	Ciudad Juárez	Select Service	182	182
Mar·13	Holiday Inn Express & Suites	Toluca Aeropuerto	Select Service	336	280
Mar·13	Holiday Inn Express & Suites	Monterrey Aeropuerto	Select Service	228	198
May·13	Holiday Inn Express	Guadalajara Autónoma	Select Service	267	199
May·13	Holiday Inn Express	Playa del Carmen	Select Service	175	196
May·13	Holiday Inn Express	Toluca	Select Service	76	127

*Figures expressed in millions of pesos; and excludes acquisition expenses.

ACQUISITION	HOTEL		SEGMENT	INVESTMENT (millions of pesos)	ROOMS
May·13	Holiday Inn Hotel & Suites	Guadalajara Centro Histórico	Full Service	140	90
May·13	Holiday Inn	Monterrey Valle	Full Service	204	198
Oct·13	Holiday Inn	Puebla La Noria	Full Service	194	150
Dec·13	Holiday Inn	México Coyoacán	Full Service	381	214
May·14	Holiday Inn	Tampico Altamira	Full Service	207	205
Dec·14	Crowne Plaza	Monterrey Aeropuerto	Full Service	351	219

*Figures expressed in millions of pesos; and excludes acquisition expenses.

WYNDHAM HOTEL GROUP INTERNATIONAL

Wyndham Garden León Centro Max

Microtel Inn & Suites by Windham Ciudad Juárez

ACQUISITION	HOTEL		SEGMENT	INVESTMENT (millions of pesos)	ROOMS
Jul·13	Wyndham Garden	Irapuato	Limited Service	93	102
Jan·14	Wyndham Garden	León Centro Max	Limited Service	150	126
Apr·14	Wyndham Garden	Celaya	Limited Service	139	150
Apr·14	Wyndham Garden	Silao Bajío Aeropuerto	Limited Service	82	143
Dec·14	México Plaza[1]	Guadalajara Andares	Limited Service	183	186

(1) To be converted to Wyndham Garden.
*Figures expressed in millions of pesos; and excludes acquisition expenses.

ACQUISITION	HOTEL		SEGMENT	INVESTMENT (millions of pesos)	ROOMS
Nov·14	Microtel Inn & Suites by Windham	Culiacán	Limited Service	61	113
Nov·14	Microtel Inn & Suites by Windham	Ciudad Juaréz	Limited Service	61	113
Dec·14	Microtel Inn & Suites by Windham	Chihuahua	Limited Service	73	108
Dec·14	Microtel Inn & Suites by Windham	Toluca	Limited Service	66	129

*Figures expressed in millions of pesos; and excludes acquisition expenses.

HILTON WORLDWIDE

DATE	HOTEL		SEGMENT	INVESTMENT (millions of pesos)	ROOMS
Mar-13	Hampton Inn by Hilton	Monterrey	Select Service	222	223
Mar-13	Hampton Inn by Hilton	Saltillo Aeropuerto	Select Service	289	227
Mar-13	Hampton Inn by Hilton	Reynosa Zona Industrial	Select Service	42	145
Mar-13	Hampton Inn by Hilton	Querétaro Tecnológico	Select Service	215	178

*Figures expressed in millions of pesos; and excludes acquisition expenses.

MARRIOTT INTERNATIONAL

DATE	HOTEL		SEGMENT	INVESTMENT (millions of pesos)	ROOMS
Oct-13	Marriott	Puebla	Full Service	465	296

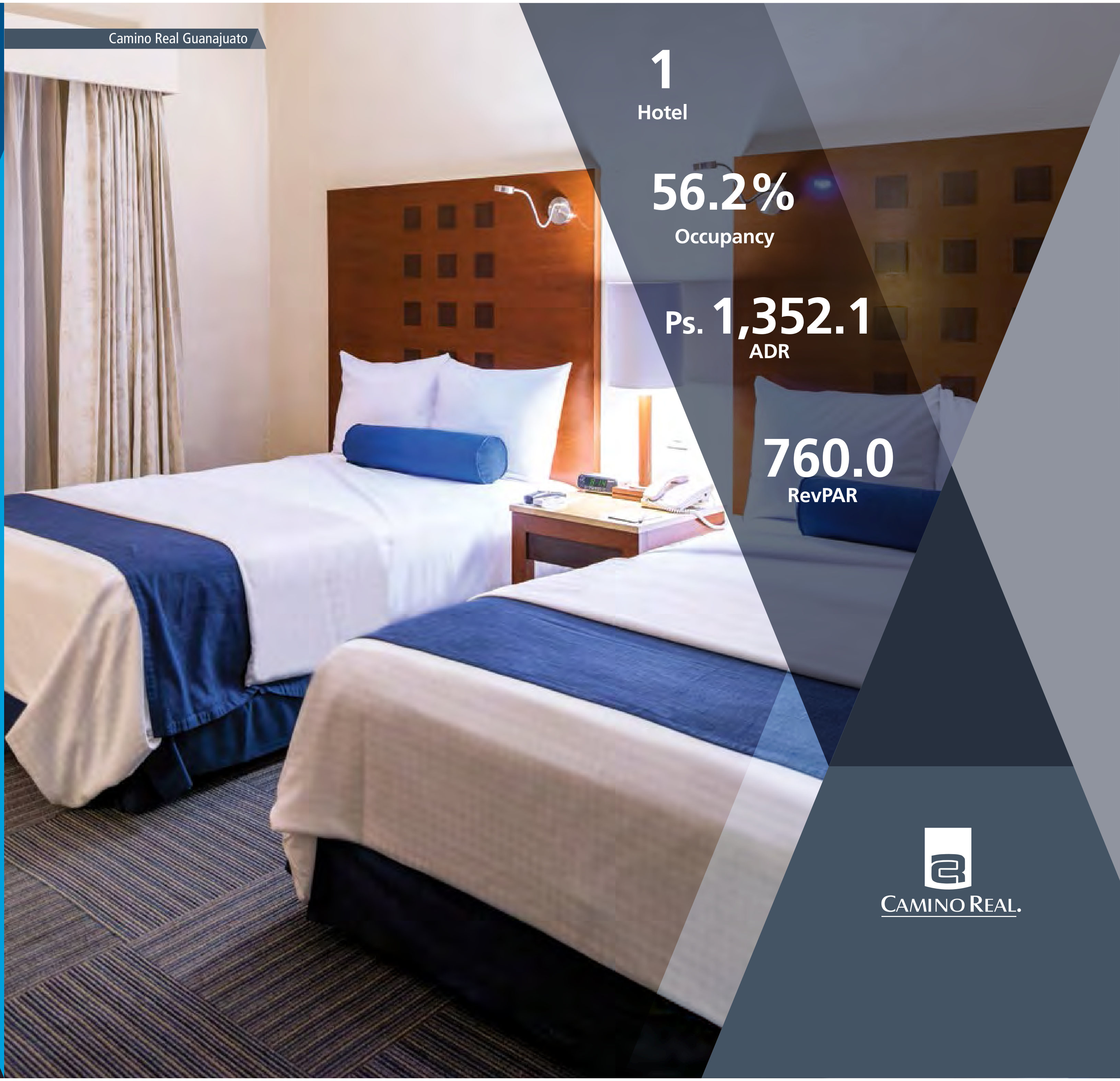
*Figures expressed in millions of pesos; and excludes acquisition expenses.

W INTERNATIONAL, INC. (STARWOOD)

DATE	HOTEL		SEGMENT	INVESTMENT (millions of pesos)	ROOMS
Apr-14	Aloft	Guadalajara	Select Service	257	142

*Figures expressed in millions of pesos; and excludes acquisition expenses.

CAMINO REAL



DATE	HOTEL		SEGMENT	INVESTMENT (millions of pesos)	ROOMS
Aug-13	Camino Real	Guanajuato	Full Service	279	155

*Figures expressed in millions of pesos; and excludes acquisition expenses.

CASA GRANDE

Casa Grande Chihuahua

DATE	HOTEL		SEGMENT	INVESTMENT (millions of pesos)	ROOMS
Dec-14	Casa Grande [1]	Chihuahua	Full Service	106	115
Dec-14	Casa Grande	Delicias	Full Service	71	89

(1) This property will be rebranded to Wyndham Garden in 2015.
*Figures expressed in millions of pesos; and excludes acquisition expenses.


Crowne Plaza Monterrey Aeropuerto

DEVELOPMENTS

SALTILLO

SEGMENT
SELECT

179.20
INVESTMENT
(Ps. MILLION)

180
ROOMS

COATZACOALCOS

SEGMENT
LIMITED

163
INVESTMENT
(Ps. MILLION)

180
ROOMS

CD. DEL CARMEN

SEGMENT
LIMITED

21
INVESTMENT
(Ps. MILLION)

On March 26, 2015, the temporary suspension in the construction of the Fairfield Inn & Suites by Marriott in Ciudad del Carmen was announced, due to market changes. Therefore, as of the date of presentation of this Annual Report (April 24, 2015), Fibra Inn has 31 hotels and two more under development; out of a total of 5,538 rooms, 465 are under construction.

CORPORATE GOVERNANCE

TECHNICAL COMMITTEE

Victor Zorrilla Vargas
President

Joel Zorrilla Vargas

Oscar Eduardo
Calvillo Amaya

José Gerardo
Clariond Reyes-Retana

Robert Jaime
Dotson Castrejón

Juan Carlos Hernaiz Vigil

Adrián Jasso

José Antonio Gómez
Aguado de Alba

Everardo Elizondo
Almaguer*

Adrián Garza de la Garza*

Alberto Rafael Gómez Eng*

Héctor Medina Aguiar*

Marcelo Zambrano Lozano*

*Independent members.

DIRECTORS

Oscar Eduardo
Calvillo Amaya
Chief Executive Officer

Joel Zorrilla Vargas
Vice-president
of Corporate Strategy

Rafael de la Mora Ceja
Chief of
Hotel Operations Officer

Fernando Rocha Huerta
Chief of Acquisitions
and Development Officer

Miguel Aliaga Gargollo
Chief Financial Officer

Lizette Chang y García
Investor Relations Officer

Laura Nelly
Lozano Romero
Legal Director

Holiday Inn Express & Suites Toluca Aeropuerto

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 2014:

- Six meetings were held, during the months of April, July, August, October and November 2014 as well as in February 2015.
- The Consolidated Financial Statements were approved for March, June, September and December 2014, upon recommendation from the Audit Committee.
- The March, June, September and December 2014 Holder distributions were approved for a total of Ps. 237.1 million upon recommendation from the Audit Committee.
- The 2014 budget for the Trust and its Subsidiary was approved.
- The contract terms of KPMG as the External Auditor of the Trust for the year 2014 were approved, upon the recommendations by the Audit Committee.
- The Audited Financial Statements for the year 2013 with the corresponding Opinion Report whithout exception by the External Auditor were approved, after hearing the opinion of the Auditing Committee.
- The acquisition of the Crowne Plaza Hotel Monterrey Airport was approved, with a total investment value of Ps.384.8 million, after hearing the opinion of the Practices and Investments Committee.
- Approval was given –after hearing the opinion of the Practices and Investments Committee– to the contracting terms with Operadora México –a Related Party– of the hotels México Plaza Silao, México Plaza Guadalajara Andares, Casa Grande Chihuahua, Casa Grande Delicias, Microtel Inn & Suites by Wyndham Chihuahua, Microtel Inn & Suites by Wyndham Culiacán, Microtel Inn & Suites by Wyndham Ciudad Juárez, Microtel Inn & Suites by Wyndham Toluca, and Crowne Plaza Monterrey Airport.
- Approval was given, following the opinion of the Practices and Investments Committee, for the annual and semi-annual review of the rental for the spaces utilized by Operadora Mexico –a Related Party– in the hotels where it was determined that an updating was required.
- Approval was given for the substitution of Starwood by Gestor de Activos Prisma –a Related Party– in the operation of the Hotel Aloft Guadalajara.
- A proposal to the holders relative to the modification of the Structure of the Trust's fees was authorized, after hearing the opinion of the Practices and Investments Committee.
- The designation of an Evaluation Committee was approved, which analyzed and authorized the contracting of Santander as a market maker.
- The integration of the Credit Oversight Committee was approved, in compliance with the regulation established by the CNBV in the "Circular Única de Emisoras" of June 2014.

San Pedro Garza García, April 24, 2015

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


Holiday Inn México Coyoacán

Holiday Inn Express Guadalajara Autónoma

ANNUAL REPORT ON THE ACTIVITIES TRUST F/1616 AUDIT COMMITTEE

The undersigned, Mr. Rafael Gomez Eng, Chairman 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 2014 the following activities were completed carried.

- Four meetings were held, taking place in the months of April, July, and October, as well as in February of 2015.
- The Consolidated Financial Statements corresponding to March, June, September and December of 2014 were analyzed and recommended to the Technical Committee.
- The March, June, September and December, 2014 Holder Distribution were evaluated and recommended to the Technical Committee for a total of Ps. 237.1 million.
- Various Accounting Policies were established, relative to the booking of the expenses related to the acquisition of hotels, the expenses involved in the issuing of debt and the booking of derivative instruments.
- The contract terms of KPMG as the External Auditor of the Trust for the year 2014 were defined and were recommended to the Technical Committee.
- The work carried out by the Auditing firm was duly supervised.
- The Certified Financial Statements for the year 2013, with the corresponding Opinion Report were analyzed and recommended to the Technical Committee, with no exception from the External Auditor.

San Pedro Garza García, April 24, 2015

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

ANNUAL REPORT 2014

ANNUAL REPORT ON ACTIVITIES TRUST F/1616 PRACTICE AND INVESTMENT COMMITTEE

The undersigned, Mr. Adrián Garza de la Garza, Chairman of the Practices and Investments Committee of the Irrevocable Trust identified under the number F/1616 (the "Trust"), hereby reports to the Shareholders' Meeting at the completion of the fiscal year 2014:

- Three meetings were held during the months of April, July and August of 2014.
- The acquisition of the Hotel Crowne Plaza Monterrey Airport, with a total investment of Ps.384.8 million was evaluated and recommended to the Technical Committee.
- The contracting terms with Operadora México –a Related Party– were recommended to the Technical Committee in regard to the hotels México Plaza Silao, México Plaza Guadalajara Andares, Casa Grande Chihuahua, Casa Grande Delicias, Microtel Inn & Suites by Wyndham Chihuahua, Microtel Inn & Suites by Wyndham Culiacán, Microtel Inn & Suites by Wyndham Ciudad Juárez, Microtel Inn & Suites by Wyndham Toluca, and Crowne Plaza Monterrey.
- It was confirmed that the Eligibility Criteria were met to invest in the following hotels: México Plaza Guadalajara Andares, Casa Grande Chihuahua, Casa Grande Delicias, Microtel Inn & Suites by Wyndham Chihuahua, Microtel Inn & Suites by Wyndham Toluca, Microtel Inn & Suites by Wyndham Ciudad Juárez, with a total investment of Ps.701.6 million.
- The annual and semi-annual review of the rental for the spaces utilized by Operadora Mexico –a Related Party– in the hotels where it was determined that an updating was required, was analyzed and recommended to the Technical Committee.
- The substitution of Starwood by Gestor de Activos Prisma –a Related Party– in the operation of the Hotel Aloft Guadalajara, was evaluated and recommended to the Technical Committee.
- A proposal to the Shareholders' meeting relative to the modification of the fee structure of the Trust's commissions was studied and recommended to the Technical Committee.

San Pedro Garza García, April 24, 2015

Mr. Adrián Garza de la Garza
Chairman of the Practices and Investments Committee
Trust F/1616

Camino Real Guanajuato

Wyndham Garden Irapuato

ANNUAL REPORT ON ACTIVITIES TRUST F/1616 NOMINATIONS COMMITTEE

The undersigned, Mr. Marcelo Zambrano Lozano, Chairman 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 2014 no meetings were held, since there were no changes in the independent members of the Technical Committee after the Holders Meeting that was held in April, 2014.

San Pedro Garza García, April 24, 2015

Mr. Marcelo Zambano Lozano
Chairman of the Nominations Committee
Trust F/1616

ANNUAL REPORT ON ACTIVITIES TRUST F/1616 CREDIT SURVEILLANCE COMMITTEE

The undersigned, Mr. Rafael Gomez Eng, Chairman 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 the fiscal year 2014:

- Two Meetings were held in the month of October 2014 as well as in February 2015.
- Compliance with the terms approved by the Shareholders' Meeting provided in the Bank Loans contracted in September 2014 was supervised.
- In the second, third and fourth quarters of 2014, compliance with the Financial Indicators established by the CNBV in the "*Circular Única de Emisoras*" in June 2014 was reviewed.
- In the fourth quarter of 2014, compliance with the Financial Covenants required in the Credit Contract subscribed with the Banks in September of that same year was verified.

San Pedro Garza García, April 24, 2015

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

Wyndham Garden Silao Bajío Aeropuerto

Holiday Inn Express & Suites Ciudad Juárez

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

San Pedro Garza García, Nuevo León, April 10, 2015.

Pursuant to the provisions established in Article 76, Section 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 encompassed between January 1 and December 31, 2014 (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 24 of 2015.

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 rulings on outstanding balances or any payment that has been omitted.

Regarding the amount and payment of the Employee Profit Sharing, 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 of 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 applicable laws, and shall not be used for any other purpose.

Sincerely,

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

2014 MANAGEMENT DISCUSSION AND ANALYSIS

The financial information presented in this section derived from the Consolidated Audited Financial Statements and accompanying notes, included in this Annual Report, was audited by KPMG Cárdenas Dosal, S.C., Independent Auditor.

Following, we present the Management Discussion and Analysis of the results of the operation. For the analysis of these financial statements it should be taken into account that, due to the change in the revenue structure that was carried out in December 2013, 2014 results are not comparable compared to the results reported for 2013.

REVENUE

The sales mix at the end of 2014 is comprised of 31 hotels under operation: 9 Limited Service hotels, 12 Select Service hotels and 10 Full Service hotels.

On December 31, 2014, Fibra Inn's revenue reached Ps. 884.3 million, which represented an increase of 335.8% compared with the figure reported in the previous year. Fibra Inn's revenue per hotel segment is as follows: Ps. 325.2 million, or 36.8%, corresponds to Full Service hotels; Ps. 467.1 million, or 52.8%, corresponds to Select Service hotels and Ps.92.0 million, or 10.4%, corresponds to Limited Service hotels.

REVENUES PER SERVICE SEGMENT	2014		2013	
	Ps. (millions)	%	Ps. (millions)	%
Limited Service	92.0	10.4%	7.9	3.9%
Select Service	467.1	52.8%	144.4	71.1%
Full Service	325.2	36.8%	50.7	25.0%
Total Revenues	**884.3**	**100.0%**	**202.9**	**100.0%**

Total 2014 Fibra revenue was Ps.884.3 million, of which:

- Ps. 832.2 million, or 94.1%, was room revenue, which is derived from the 31 properties in the portfolio at the end of 2014, and which reflected the change in the revenue structure.
- Ps. 52.1 million, or 5.9% was the lease of services other than lodging, such as the rent of meeting rooms, coffee breaks, conference rooms and restaurants, as well as the rental of some commercial retail spaces.

The revenue variations from room revenue and revenue from the lease of other services reflected the change in the revenue structure that took place in December 2013; when previously was registered as rental income and with the change of structure room revenue is coming from the rental of rooms and the rental revenue corresponds to the leasing of public areas.

OPERATING EXPENSES

Operating expenses totaled Ps.562.7 million, or 63.6% of the total revenue, compared to the amounts up to December 31, 2013. This variation in the operating expenses was mainly due to the greater number of hotels in the portfolio during 2014. The variation of Ps.535.2 million was the net effect of greater operating expenses due to an increase in the number of hotels acquired; that is:

- An increase of Ps.212.9 million, or 22.4 percentage points corresponding to lodging expenses.
- An increase of Ps.124.3 million, or 10.0 percentage points corresponding to administrative expenses.
- An increase of Ps.59.2 million, or 6.4 percentage points corresponding to a greater energy expenses.
- An increase of Ps.56.0 million, or 6.2 percentage points corresponding to a greater royalty expenses.
- An increase of Ps.40.7 million, or 4.5 percentage points corresponding to greater advertising and marketing.

NET OPERATING INCOME (NOI)

The NOI reached Ps.321.6 million in 2014, representing an annual increase of 83.4%, compared to Ps.175.4 million in 2013. NOI margin for 2014 was 36.4%. The margin reflected greater revenues from the hotels acquired, based on operating efficiency.

INDIRECT EXPENSES

During 2014, expenses incurred for the acquisition of hotels during 2014 reached at total of Ps.64.3 million, which represented 7.3% of total revenue. 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 2014.

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 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 2014.

Excluding the expenses from the acquisition of the hotels incorporated during 2014, the administrative expenses totaled Ps.52.7 million and represented 6.0% of total revenue. This represented a decline of indirect expenses as a percentage of the revenue for 6.8 percentage points compared to 2013.

Total expenses related to Fibra Inn's administrative expenses were Ps.117.0 million for 2014 and represented 13.2% of total revenue, which increased by 40 basis points compared to Ps.26.1 million in 2013, which represented 12.8%. This variation was mainly due to:

- A decrease of 2.7 percentage points corresponding to the advisory fees
- A decrease of 4.8 percentage points in corporate & administrative expenses

- An increase of 7.3 percentage points in acquisition expenses
- An increase of 0.7 percentage points in other expenses

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)

As a consequence of the increase in the operating expenses mentioned above, EBITDA was Ps.204.6 million in 2014, which equals a margin of 23.1% on Fibra Inn's revenue.

ADJUSTED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (ADJUSTED EBITDA)

Excluding the expenses related to the acquisition of hotels in 2014, Adjusted EBITDA was Ps.268.9 million, equivalent to a growth of 80.1%, compared to the Adjusted EBITDA for 2013. The adjusted EBITDA margin was 30.4%.

OTHER NON-CASH ITEMS

Executive compensation based on equity instruments was Ps.18.5 million in 2014. This amount corresponded to the portion earned from the value of the 3 million CBFIs that was delivered to the former Chief Financial Officer after the Initial Public Offering was carried out, at the end of a 3-year period, as has been discussed previously. This is a non-cash item, whose monetary effect will be a dilution of 0.7% beginning March 2016.

During 2014, an accounting depreciation of Ps.108.3 million was registered, derived from the change in the revenue structure. At the beginning of the fourth quarter of 2013, the calculated depreciation of the fixed assets – properties, furnishings and equipment – was incorporated into the results, based on the residual value of the estimated useful life of the net assets, beginning from the time the asset is available to be utilized. In the present analysis, the depreciation corresponding to 2013, which was Ps.50.6 million, is incorporated for comparison purposes.

OPERATING INCOME (EBIT)

Therefore, Operating Income decreased by 7.2% at December 31, 2014, with the recording of Ps.77.8 million, or 8.8%, as a percentage of the total revenue, compared to Ps.83.9 million for 2013.

FINANCIAL INCOME

Net interest expense in the amount of Ps.10.8 million was recorded, mainly derived from temporary credits with Actinver and Banorte, as well as a negative foreign exchange rate fluctuation of Ps.0.7 million. The net financial result represented an expense of Ps.11.4 million in 2014, compared to the net financial income of Ps.58.1 million in 2013, which was derived from the cash position from the Initial Public Offering in 2013 and the absence of financial liabilities in 2013.

NET INCOME

As a result, the Net Profit for 2014 was Ps.66.7 million. If the expenses from the acquisition of 11 hotels acquired during 2014 were excluded, net income would have been Ps.131.0 million, or 14.8% of the total revenue.

CASH FLOW FROM OPERATIONS (FFO)

Cash flow from operations ("FFO") was Ps.257.5 million in 2014, which represented 29.1% of the total revenue, an increase of 24.2% compared to 2013, in which Ps.207.4 million was recorded.

DISTRIBUTION

With regards to distributions, Fibra Inn declared dividends in the amount of Ps.237.1 million, corresponding to the distributions for the first through fourth quarter of 2014, which represented an increase of 29.8% compared to the Ps.182.6 million declared in 2013.

During 2014, expenditures for reimbursements and distributions to the holders of certificates reached Ps.224.1 million. This included the payment of distributions for the fourth quarter of 2013 and for the first through third quarters of 2014.

This represented Ps.0.7996 cents per CBFI in 2014, which is equivalent to a 13.1% increase compared to the Ps.0.7067 cents per CBFI in 2013. The calculation of the distribution per CBFI in the first through third quarter of 2014 was based on 258,334,218 outstanding CBFIs. Please note that at the end of 2014, the distribution was based on over 437,019,542 CBFIs after the subscription for the equity increase, and that this was the amount utilized for the calculation of the fourth quarter 2014 distribution.

Finally, the annual dividend yield for 2014 was 4.9%, based on a closing price of Ps.16.40 per CBFI, which compares favorably to the dividend yield rate of 4.1% for the previous year.

FINANCIAL SITUATION, LIQUIDITY AND CAPITAL RESOURCES

On December 31, 2014, Fibra Inn had Ps.1,106.7 million in cash position. On this date, the total of its bank obligations was Ps.66.0 million, at a TIIE interest rate plus 2.5%. The initial disbursement of Ps.100.0 million was made on December 17, 2014, to comply with the terms of the contract established with the banks. On December 26, 100% of the credit amount was covered by contracting an interest rate swap with the banks participating in the credit, both with expiration dates in March 2019.

With regards to the bank credit, the Trust Guarantee was signed on October 1, 2014, whereby the initial down payment of 16 hotels, with an appraised value of Ps.3,216.7 million, was made with a fiduciary and collateral (but not mortgage) guarantee. On October 3, 2014, the Pledge Contract was signed, in which the accounts of the 16 hotels that were pledged as a guarantee were incorporated.

The financial covenants agreed with the financial institutions with whom the bank credit was contracted, and which are being fully complied with, are shown below:

FINANCIAL LIMITATIONS		AS OF DECEMBER 31, 2014
Credit / Value [1]	Equal to or Less than 50%	3.1%
Debt Service [2]	Equal to or Greater than 1.60	20.5
NOI / Debt [3]	Equal to or Greater than 13%	243.6%
Minimum Coverage [4]	Equal to or Greater than 1.20	20.7
Net Tangible Value [5]	Greater than 60%	98.7%
Total Value of Assets Leverage [6]	Less than or Equal to 55%	1.3%

1) Outstanding Balance of the Credit in the total value of the hotels pledged in guarantee.
2) NOI of the hotels pledged in guarantee in the Servicing of the Debt, including the simulation of increased amortization for 15 years.
3) NOI of the hotels pledged in Guarantee in the Outstanding Balance of the Credit.
4) NOI of the hotels pledged in Guarantee of the debt plus Obligatory Distributions (Fiscal Results)
5) Total Value of the Assets minus the Outstanding Balance of the Credit in the value of the Assets.
6) Outstanding Balance of the Credit in the Total Value of the Assets.

Fibra Inn had a loan-to-value ratio of 1.3% as of December 31, 2014, which will increase until it reaches a level of 33% once the total amount of the bank credit is contracted and made available. This level of indebtedness fully meets the recent provisions of the CNBV (Mexico's Securities and Exchange Commission), to regulate the maximum limit of indebtedness of REITs by up to 50%. The coverage index for servicing the debt on December 31, 2014 was 20.7 times.

The leverage indices established by the CNBV and the itemization of the components that were utilized for the calculation of these financial considerations are shown below:

REVIEW OF CNBV STATUS INDICES	AS OF DECEMBER 31, 2014
Level of Indebtedness	
Financing	100.0
Debt Securities	–
Total Assets	7,560.5
Debt Index	**1.3%**
Debt Servicing Coverage Index	
Liquid Assets	1,106.7
Recoverable Value Added Tax	247.5
Operating Income	660.0
Lines of Credit	2,300.0
Sub-Total Numerator	**4,314.2**
Amortization of Interest	11.8
Amortization of Principal	100.0
Capital Expenditures	40.7
Development Expenses	390.0
Sub-Total Denominator	**542.5**
Debt Servicing Coverage Index	**8.0**

OPERATING RESULTS

The same-store sales parameters include the following:

- It includes hotels owned by the F/1616 Trust and its operations, excluding hotels that are in negotiation by a binding agreement in a phase prior to acquisition, and which will not be included until the time their operation is initiated.
- Therefore, the same-store sales indicator for 2014 comprises 22 hotels in the present portfolio as if they had been in Fibra Inn's portfolio for the complete periods during of both years.
- The hotels that have been in the Fibra Inn portfolio for less than 45 days are excluded. These are: México Plaza Guadalajara Andares, Crowne Plaza Monterrey Aeropuerto, Casa Grande Chihuahua and Delicias, the four Microtel Inn & Suites by Wyndham in Chihuahua, Culiacan, Toluca and Ciudad Juarez. Also excluded is the Aloft Guadalajara, which is a recently-built hotel and therefore has no operating history.

Our most significant operating indicators in terms of comparable properties are the following:

ANNUAL SAME STORE (22 HOTELS)

	2014	2013	VARIATION
Revenue from lodging	800.5	752.1	6.4%
Occupancy	59.6%	61.3%	-1.7 p.p
Average Daily Rate	1,016.5	945.6	7.5%
RevPar	605.9	579.4	4.6%

The revenue from lodging in terms of 22 comparable properties was Ps.800.5 million. This represents a 6.4% increase compared to Ps.752.1 million in the prior year. This significant increase in revenue from lodging is a result of the following:

- The hotels acquired operated with greater efficiency under Fibra Inn than they did when they were operated by their previous owners; and,
- A better performance from the implementation of a strategy aimed at maximizing revenue beginning during the second half of the year. This has been the result of rate increases.

The revenue per available room (RevPar) in terms of the 22 comparable properties rose 4.6%, reaching Ps.605.9 in 2014. This was the result of a decrease of 1.7 percentage point in the occupancy rate, which reached 59.6%, offset by an increase in the average daily rate of 7.5%, or about Ps.1,016.5 in 2014.

The increase in the revenue per available room (RevPar) of 4.6% was explained as follows:

A lower occupancy, which shows:

- A 4.2% increase in the number of available rooms in 2014, due to the rooms that were added from the following hotels: Holiday Inn Express of Guadalajara, Holiday Inn Express in Playa del Carmen, Camino Real Guanajuato and Marriott Puebla. Excluding the addition of rooms, the occupancy rate remained practically the same, with a slight variation of 10 basis points.

The increase of 7.5% in the average rate compared to 2013 is owed to:

- The benefit from the brand name reconversion of the Mexico Plaza hotels, which operated under the Wyndham Garden brand in the Irapuato, Celaya, León and Silao hotels. Additionally, the rebranding of the Holiday Inn Monterrey Valle, which previously operated under the name of Wyndham Casa Grande.
- A better management in the administration of rates of all our hotels during the year, mainly in the Holiday Inn Monterrey Aeropuerto, Hampton Inn by Hilton in Reynosa, Marriott Puebla, and Camino Real Guanajuato.

As a result, the revenue per available room (RevPAR) reached Ps.605.9, which means a growth of 4.6%, compared to 2013. If the addition of rooms during 2014 were excluded, the RevPar would have been Ps.619.7, equivalent to a growth of 6.9%.

REVENUES PER REGION

As for the revenues per region: Ps.48.6 million, or 5%, was revenue from the hotels located in the northern region of Mexico; Ps.305.4 million, or 35% is revenue from the northeast region, Ps.450.4 million, or 51%, corresponds to the properties in the central and southern regions of the country and Ps.80.0 million, or 9%, corresponds to the western region of Mexico.

REVENUES PER REGION	2014		2013	
	Ps. million	%	Ps. million	%
North	48.6	5%	11.6	6%
Northeast	305.4	35%	93.3	46%
Central and Southern	450.4	51%	83.5	41%
Western	80.0	9%	14.5	7%
Total Revenues	**884.4**	**100%**	**202.9**	**100%**

Northern Zone.- Chihuahua and Sinaloa
Northeast Zone.- Nuevo León, Coahuila and Tamaulipas
Central-Southern Zone.- Querétaro, State of Mexico, Puebla, Guanajuato, Quintana Roo, Federal District, Veracruz and Campeche
Western Zone.- Jalisco

CONSOLIDATED FINANCIAL STATEMENTS

Fideicomiso Irrevocable No. F/1616 (Deutsche Bank Mexico, S.A. Multiple Banking Institution, Trust Division) and Subsidiary
As of December 31, 2014 and 2013
(Independent auditors' report)

INDEPENDENT AUDITORS' REPORT

Translation from Spanish language original

To Technical Committee:
Fideicomiso Irrevocable No. F/1616
(Deutsche Bank México, S.A., Multiple Banking Institution, Trust Division):

We have audited the accompanying consolidated financial statements of Fideicomiso Irrevocable No. F/1616 (Deutsche Bank México, S.A., Multiple Banking Institution, Trust Division) and subsidiary (the Trust) which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, the consolidated income statements, comprehensive income, changes in trustors´ equity and cash flows for the year ended as of December 31, 2014 and the period from March 12, 2013 to December 31, 2013, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Fideicomiso Irrevocable No. F/1616 (Deutsche Bank México, S.A., Multiple Banking Institution, Trust Division) and subsidiary, as at December 31, 2014 and 2013 , and its consolidated financial performance and its consolidated cash flows for the year ended as of December 31, 2014 and the period from March 12, 2013 to December 31, 2013 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to:

As described in the note 1 to the consolidated financial statements, as a result of legislative changes approved to be in force on January 1, 2014, beginning on December 26, 2013, the Technical Committee of the Trust decided to change the Trust´s activity from provide hospitality leasing property to provide hotel hosting services.

KPMG CARDENAS DOSAL, S. C.

C.P.C. Leandro Castillo Parada

Monterrey, Nuevo León, México
March 31, 2015

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2014 and 2013
(Mexican Pesos)

	Note	2014	2013
Assets			
Current assets:			
Cash and cash equivalents	5	$ 1,106,691,219	385,639,741
Trade and other accounts receivable	6	82,880,028	6,813,723
Accounts receivable from related parties	11	54,119,620	42,725,455
Recoverable value-added tax		247,489,379	142,821,221
Recoverable taxes and others		8,917,183	7,739,688
Total current assets		1,500,097,429	585,739,828
Property, furniture and equipment, net	8	6,041,103,702	4,296,168,118
Deferred income taxes	13	321,886	74,861
Intangible assets and other assets	10	18,954,965	–
		$ 7,560,477,982	4,881,982,807
Liabilities and trustor´s equity			
Current liabilities:			
Suppliers		$ 53,301,237	11,339,095
Other payables		4,025,327	4,856,177
Other contributions payable		13,105,012	–
Property acquisition liability	9	144,654,899	275,500,000
Accounts payable to related parties	11	67,343,389	10,000,159
Bank charges due to bank	16	10,700,694	–
Client prepayments		4,783,497	168,057
Total current liabilities		297,914,055	301,863,488
Bank charges due to bank	16	4,600,000	–
Long-term accounts payable to related parties	11	2,044,222	2,044,222
Bank loans	16	66,029,307	–
Derivative financial instruments	15	893,193	–
Employee benefits	14	231,428	246,397
Total liabilities		371,712,205	304,154,107
Trustors´ equity:			
Contributed capital	12	6,991,560,906	4,457,967,374
Executive share-based compensation reserve	11 d	33,369,622	14,869,623
Reserve for valuation effect of derivative financial instruments	15	(893,193)	–
Retained earnings	12	164,728,442	104,991,703
Total trustors´ equity		7,188,765,777	4,577,828,700
		$ 7,560,477,982	4,881,982,807

See accompanying notes to consolidated financial statements.

CONSOLIDATED INCOME STATEMENTS

For the year ended December 31, 2014 and for the period from March 12, 2013 to December 31, 2013
(Mexican Pesos)

	Note	2014	2013
Revenue from:			
Lodging		$ 832,151,025	8,748,822
Property leases	11	52,121,853	166,942,188
Other operating income	11	–	27,220,530
Total revenue		884,272,878	202,911,540
Costs and expenses from hotel services:			
Lodging	11	217,275,688	4,405,271
Administrative	11	135,067,416	10,725,668
Advertising and promotion	11	41,032,923	334,647
Electricity		59,977,801	771,014
Maintenance	11	44,290,280	7,888,522
Royalties		56,346,815	341,472
Total costs and expenses from hotel services		553,990,923	24,466,594
Gross margin		330,281,955	178,444,946
Other costs and expenses (income):			
Property tax		5,694,911	1,865,140
Insurance		2,993,680	1,186,461
Advisor fee	11	26,428,680	11,594,350
Corporate expenses	11	28,409,360	16,336,927
Depreciation	8	108,256,594	50,563,380
Executive share-based compensation	11 d	18,499,999	14,869,623
Costs from business acquisitions	3 m	64,338,383	–
Other income, net		(2,172,226)	(1,866,744)
Total costs and expenses		252,449,381	94,549,137
Operating income		77,832,574	83,895,809
Interest expense (income), net		10,751,057	(41,106,230)
Loss (gain) on exchange rate fluctuation, net		674,753	(16,966,760)
Finance expense (income)		11,425,810	(58,072,990)
Income before income taxes		66,406,764	141,968,799
Income taxes	13	247,025	74,861
Consolidated net income		$ 66,653,789	142,043,660
Basic earnings per CBFIs *		0.15	0.55
Diluted earnings per CBFIs *		0.15	0.54
Weighted average of outstanding CBFIs	12	437,019,542	258,334,218

* Real Estate Fiduciary Stock Certificates *(Certificados Bursátiles Fiduciarios Inmobiliarios – "CBFIs")*

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the year ended December 31, 2014 and for the period from March 12, 2013 to December 31, 2013
(Mexican Pesos)

	Note	2014	2013
Net income		$ 66,653,789	142,043,660
Comprehensive income items:			
Reserve for valuation effect of derivative financial instruments	15	(893,193)	–
Total comprehensive income		$ 65,760,596	142,043,660

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN TRUSTORS' EQUITY

For the year ended December 31, 2014 and for the period from March 12, 2013 to December 31, 2013
(Mexican Pesos)

	Note	Contributed capital	Executive share-based compensation reserve	Reserve for valuation effect of derivative financial instruments	Retained earnings	Total Trustors' equity
Initial contributed capital	12	$ 20,000	–	–	–	20,000
Contributed capital	12	4,541,783,920	–	–	–	4,541,783,920
Reimbursements and distributions to holders of certificates	12	(83,836,546)	–	–	(37,051,957)	(120,888,503)
Equity-settled share-based compensation	11 d	–	14,869,623	–	–	14,869,623
Comprehensive income		–	–	–	142,043,660	142,043,660
Balance as of December 31, 2013		4,457,967,374	14,869,623	–	104,991,703	4,577,828,700
Contributed capital	12	2,750,810,570	–	–	–	2,750,810,570
Reimbursements and distributions to holders of certificates	12	(217,217,038)	–	–	(6,917,050)	(224,134,088)
Equity-settled share-based compensation	11 d	–	18,499,999	–	–	18,499,999
Comprehensive income		–	–	(893,193)	66,653,789	65,760,596
Balance as of December 31, 2014		$ 6,991,560,906	33,369,622	(893,193)	164,728,442	7,188,765,777

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31, 2014 and for the period from March 12, 2013 to December 31, 2013
(Mexican Pesos)

	Note	2014	2013
Operating activities:			
Consolidated income before taxes		$ 66,406,764	141,968,799
Adjustments:			
Depreciation	8	108,256,594	50,563,380
Executive share-based compensation	11 d	18,499,999	14,869,623
Operating activities		193,163,357	207,401,802
Increase in trade and other accounts receivable	6	(77,243,800)	(6,813,723)
Related parties	11	45,949,065	(30,661,074)
Increase in recoverable taxes		(104,668,158)	(150,560,909)
Increase in suppliers and other payables		45,746,732	291,863,329
Increase in other contributions payable		13,105,012	–
Employee benefits	14	(14,969)	246,397
Net cash flows generated by operating activities		116,037,239	311,475,822
Investing activities:			
Acquisition of property, furniture and equipment	8	(1,984,037,279)	(4,346,731,498)
Acquisition of intangible assets	10	(18,954,965)	–
Net cash flows generated by investing activities		(2,002,992,244)	(4,346,731,498)
Financing activities:			
Bank loans received	16	1,000,000,000	–
Bank loans paid	16	(900,000,000)	–
Bank charges due to bank	16	(18,669,999)	–
Contributed capital	12	2,750,810,570	4,541,783,920
Distributions to holders of certificates	12	(224,134,088)	(120,888,503)
Net cash flows generated by financing activities		2,608,006,483	4,420,895,417
Cash and cash equivalents:			
Increase in cash and cash equivalents during the period		721,051,478	385,639,741
Cash at the beginning of the period	5	385,639,741	–
Cash at the end of the period	5	$ 1,106,691,219	385,639,741

See accompanying notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014 and for the period from March 12, 2013 to December 31, 2013
(Mexican Pesos)

Translation from Spanish language original

1. COMPANY'S ACTIVITY–

Trust 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 trust 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 hospitality 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 F/1616 is not subject to income taxes in Mexico. In order to maintain its FIBRA status, the 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 187and 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 will be applicable in respect of the assets whose acquisition is approved after October 17, 2014. The stated term for this contract is 10 years.

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). These services were provided since December 26, 2013 and the stated term of the contract is 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.

iv. Space rental contract with Operadora México Servicios y Restaurantes, S.A.P.I. de C.V. Lease of spaces effective since December 26, 2013. Spaces granted as leases are those used to provide other services different to lodging services. The term of this contract is 20 years.

Significant events–

1. As a result of the legislative changes contained in the new Income Tax Law, which are effective on January 1, 2014, the Technical Committee of Fibra INN decided to carry out changes to the Trust's activities with two main objectives: (i) maintain strict adherence to the provisions of the new Income Tax Law, and (ii) avoid material impacts that may affect the profitability of Fibra INN. The changes made to the Trust's activities, fully complies with the provisions of Articles 187 and 188 of the new Income Tax Law as well as those prescribed by the Article 223 and 224 of the Income Tax Law in force through December 31, 2013 and Rule I.3.20.2.5 of the Miscellaneous Tax Resolution for 2012, as it relates of properties designated for lodging.

Based on the above mentioned, the Technical Committee of Fibra INN decided to implement the following changes in its activity:

a) Starting from December 26, 2013, lodging services of the hotels will be recognized and invoiced directly by the Trust F/1616, which will pay the expenses related to lodging as well. According to the Rule 1.3.20.2.5 of the Miscellaneous Tax Resolution for 2012, lodging revenues are considered as leasing revenues.

b) Starting from December 26, 2013, for services that do not arise from lodging, for both selected and limited service hotels, as well as full service hotels, which comprise the use of meeting rooms, coffee break services, telephone, laundry, dry cleaner and snack bars, among others, Fibra INN will lease the properties directly from the operator. For these effects, the Trust has entered into a lease contract for each of its hotels with Operadora México, Servicios y Restaurantes, S.A.P.I de C.V. ("Operadora México"). Thus, the Trust will have revenues for leasing of properties and the rendering of services other than lodging will be transferred to Operadora México.

c) Starting from December 26, 2013, for the specific case of full service hotels, the revenue of services other than lodging will be recognized and invoiced by a new Trust F/1765. This entity will pay the direct inputs and related expenses with the rendering of such services. It will also pay the payroll and related expenses to the personal needed to render the services. Fibra INN will receive revenue for property leasing based on a fixed monthly rent plus a variable component ranging between 10% and 25% of the revenue generated from the abovementioned services.

The purpose for the incorporation of the Trust 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.

2. On September 9, 2014, the Trust entered into a line of credit for $2,300,000,000 of pesos to finance its property acquisition and development expansion plan. The institutions participating in the line of credit are: Banorte, Actinver, Banamex, BanRegio and Scotiabank. This bank debt is located in a cash credit line account that has a fiduciary and pledge collateral, with a term of 54 months and payable at maturity. The agreed interest rate is TIIE plus 2.5% for the first three years, plus two increases: an additional 0.25% during months 37 to 45 and a 0.5% additional increase during months 46 to 54. As of December 31, 2014 the amount outstanding is $100,000,000.

3. On November 21, 2014, Fibra INN concluded the process of issuing additional CBFIs to existing holders, subscribing a total of 178,685,324 new CBFIs, at a price of $15.85 for a total of $2,832,162,385.

2. AUTHORIZATION AND BASIS OF PRESENTATION–

Authorization–

The accompanying consolidated financial statements were authorized for issuance on March 31, 2015, by Ing. Oscar Eduardo Calvillo Amaya, Chief Executive Officer, and are subject to the approval of the Technical Committee, represented by Ing. Victor Zorrilla Vargas as its President and which 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 instrument;

b) the net defined benefits liability is recognized as the fair value of plan assets, less the present value of the defined benefits 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 nature.

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.

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.

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.

Impairment of financial assets

Financial assets other than the financial assets valued at fair value through profit or loss are subject to impairment tests at the end of each reporting period. Financial assets are deemed impaired when there is objective evidence that, as a consequence of one or more events occurring after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected. For financial assets recorded at amortized cost, the amount of impairment loss recognized is the difference between the carrying amount of the asset and the present value of future collections, discounted at the original effective interest rate of the financial asset.

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 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, and interest expenses are recognized on an effective return base.

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.

De-recognition 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.

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.

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 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	66
Components of buildings	8
Furniture and equipment	12
Machinery and equipment	14

The depreciation method, the useful lives and the residual values are reviewed at the end of each reporting period and are adjusted, if necessary.

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 de-recognition 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. Intangible assets–

Intangible assets that are acquired by the Trust, and which have finite useful lives, are recorded at cost less accumulated amortization and accumulated impairment losses; these assets mainly include the cost of software for administrative use that has not started to be amortized since it is in its development stage. Other intangible assets include use of trademark licenses and expenses related to its grant. 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.

d. 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.

If it is estimated that the recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount of the asset (or cash-generating unit) 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. During the periods ended December 31, 2014 and 2013, Fibra INN did not recognized impairment losses.

e. 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.

f. 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.

g. Revenue recognition–

Starting from December 26, 2013 revenue is obtained by the operation of hotels and includes rental of rooms (lodging) and rental of property, which are recognized when the services are rendered.

Starting from December 26, 2013 Fibra INN recognizes revenue for leasing of rooms (lodging) in the income statement as identified by its legal form. Nevertheless, 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, Fibra INN is reasonably certain that the lessee will exercise the option.

h. Income taxes–

As mentioned in Note 1, the Trust F/1616 is eligible for and intends to maintain its current status as a "Fideicomiso de Inversiones en Bienes Raices" (FIBRA or 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 therefor 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 Fibra INN dispose 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.

i. Foreign currency transactions–

Foreign currency refers to currency different to 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.

j. 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.

k. 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, 437,019,542 the 3,000,000 CBFIs correspondent to the equity-based compensation (see note 11d), which will vest if certain conditions established for the eligible executives are met.

l. Segment information–

Operating segments are defined as components of an entity, oriented to the rendering of services that are subject to risks and benefits. The Trust is mainly involved in four segments: Northeast, South Central, West and North.

Business operating segments are grouped according to the geographical areas where they operate. For internal and organizational purposes, each segment performs the administration and supervision of all of its activities, which refer to the rendering of lodging services and leasing of properties. Accordingly, management of Fibra INN internally evaluates the results and performance of each business for purposes of decision-making. Following this approach, in the daily operations, economic resources are allocated on an operational basis for each segment.

m. 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, Fibra INN has determined that it maintains substantially all the risks and significant rewards of ownership of these goods and, therefore, 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. 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 the Trust, it 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 period.

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 to the Trust. 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 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 the Trust 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–

		2014	2013
Cash in banks	$	222,237,925	11,119,534
Cash equivalents (government bonds)		884,453,294	374,520,207
Total cash and cash equivalents	$	1,106,691,219	385,639,741

Article 187 clause III of the New 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 the years of 2014 and 2013, the Trust invested in government bonds.

6. TRADE AND OTHER ACCOUNTS RECEIVABLE–

		2014	2013
Clients for hotel services	$	70,482,980	4,241,667
Other accounts receivable		12,397,048	2,572,056
	$	82,880,028	6,813,723

Accounts receivable aging:

Fibra INN has not recognized an impairment in its receivables since it considers that all are recoverable.

7. PORTFOLIO OF HOTELS

Contributed Portfolio–

In March 2013, Fibra INN held an initial public offering ("IPO") of CBFIs in Mexico and other international markets, and entered into a series of "constitution/establishment transactions" whereby eight properties were contributed to the Trust in exchange for CBFIs. Properties included in the contributed portfolio are as follows:

Properties	CBFIs (1)		Acquisition cost
Hampton Inn Galerías Monterrey	12,015,747	$	222,291,320
Hampton Inn Querétaro	11,609,890		214,782,965
Hampton Inn Saltillo	15,607,634		288,741,229
Holiday Inn Express Saltillo	14,058,791		260,087,634
Holiday Inn Express Toluca	18,162,779		336,011,412
Holiday Inn Express Juárez	9,858,177		182,376,275
Hampton Inn Reynosa	2,249,436		41,614,566
Holiday Inn Express Monterrey	12,319,736		227,915,114
		$	1,773,820,515

(1) Properties making up the contributed portfolio were contributed by Adhering Trustors in exchange for 95,882,190 CBFIs.

At the date of contribution, the contributed assets for each hotel are presented below:

Properties		Land	Buildings	Other assets	Assets
Hampton Inn Galerías Monterrey	$	13,893,209	199,734,470	8,663,641	222,291,320
Hampton Inn Querétaro		40,175,185	157,915,489	16,692,291	214,782,965
Hampton Inn Saltillo		18,046,325	257,772,517	12,922,387	288,741,229
Holiday Inn Express Saltillo		46,023,731	202,317,316	11,746,587	260,087,634
Holiday Inn Express Toluca		24,617,320	289,630,322	21,763,770	336,011,412
Holiday Inn Express Juárez		15,170,440	155,158,511	12,047,324	182,376,275
Hampton Inn Reynosa		2,247,872	29,182,592	10,184,102	41,614,566
Holiday Inn Express Monterrey		16,464,555	197,742,391	13,708,168	227,915,114
Total	$	176,638,637	1,489,453,608	107,728,270	1,773,820,515

Acquisition portfolio–

Properties included in the acquisition portfolio are as follows:

Properties		Acquisition cost
Holiday Inn Express Playa del Carmen	$	135,755,400
Holiday Inn Express Toluca		76,000,000
Holiday Inn Express Guadalajara UAG		186,937,440
Holiday Inn Guadalajara Centro Histórico		139,981,500
Holiday Inn Monterrey Valle		204,000,000
Holiday Inn Puebla La Noria		193,600,000
	$	936,274,340

At the date of acquisition, the acquired assets for each hotel are presented below:

Properties		Land	Buildings	Other assets	Assets
Holiday Inn Express Playa del Carmen	$	39,590,545	87,076,412	9,088,443	135,755,400
Holiday Inn Express Toluca		13,728,761	59,369,864	2,901,375	76,000,000
Holiday Inn Express Guadalajara UAG		86,312,493	92,552,784	8,072,163	186,937,440
Holiday Inn Guadalajara Centro Histórico		25,610,036	110,016,317	4,355,147	139,981,500
Holiday Inn Monterrey Valle		54,970,771	134,243,923	14,785,306	204,000,000
Holiday Inn Puebla La Noria		38,062,865	140,807,879	14,729,256	193,600,000
Total	$	258,275,471	624,067,179	53,931,690	936,274,340

Hotels acquired subsequent to the IPO–

In addition, in 2013 Fibra INN acquired the following hotels subsequent to its IPO:

Properties		Acquisition cost
Camino Real Guanajuato	$	230,000,000
Marriott Puebla		370,333,843
Holiday Inn Coyoacán		381,000,000
Wyndham Garden Irapuato		93,000,000
México Plaza Celaya		139,000,000
México Plaza León		150,000,000
	$	1,363,333,843

The acquired assets for each hotel during 2013 are presented below:

Properties		Land	Buildings	Other assets	Assets
Camino Real Guanajuato	$	46,000,000	172,790,239	11,209,761	230,000,000
Marriott Puebla		107,699,340	255,536,689	7,097,814	370,333,843
Holiday Inn Coyoacán		95,250,000	264,263,305	21,486,695	381,000,000
Wyndham Garden Irapuato		23,250,000	64,931,055	4,818,945	93,000,000
México Plaza Celaya		34,750,000	98,711,455	5,538,545	139,000,000
México Plaza León		37,500,000	105,432,684	7,067,316	150,000,000
Total	$	344,449,340	961,665,427	57,219,076	1,363,333,843

The acquisitions of hotels that occurred in 2014 were performed to continue with the expansion of hotel operating activities in Mexico, in accordance with its established growth and expansion plans.

During 2014, Fibra INN concluded the acquisition of 11 hotels as mentioned below:

Properties	Date of acquisition		Consideration paid in cash
Aloft Guadalajara (1)	March 31, 2014	$	257,500,000
Holiday Inn Altamira	April 28, 2014		113,020,000
México Plaza Aeropuerto, Silao	April 29, 2014		82,000,000
Casa Grande, Chihuahua	December 5, 2014		105,500,000
Casa Grande, Delicias	December 5, 2014		71,266,325
Microtel Inn Suites by Wyndham, Ciudad Juárez	November 21, 2014		61,000,000
Microtel Inn Suites by Wyndham, Chihuahua	December 16, 2014		73,000,000
Microtel Inn Suites by Wyndham, Culiacán	November 21, 2014		60,937,000
Microtel Inn Suites by Wyndham, Toluca	December 16, 2014		66,000,000
Crowne Plaza, Monterrey	December 10, 2014		351,000,000
México Plaza Andares, Guadalajara	December 1, 2014		183,000,000
		$	1,424,223,325

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

Properties		Land	Buildings	Other assets	Assets
Aloft Guadalajara (1)	$	16,099,719	204,037,169	37,363,112	257,500,000
Holiday Inn, Altamira		28,255,000	75,193,009	9,571,991	113,020,000
México Plaza Aeropuerto, Silao		22,000,000	47,925,609	12,074,391	82,000,000
Casa Grande, Chihuahua		26,375,000	70,824,721	8,300,279	105,500,000
Casa Grande, Delicias		17,816,581	46,398,258	7,051,486	71,266,325
Microtel Inn Suites by Wyndham, Ciudad Juárez		15,250,000	35,415,932	10,334,068	61,000,000
Microtel Inn Suites by Wyndham, Chihuahua		18,250,000	48,823,258	5,926,742	73,000,000
Microtel Inn Suites by Wyndham, Culiacán		19,687,000	34,526,124	6,723,876	60,937,000
Microtel Inn Suites by Wyndham, Toluca		16,500,000	37,753,981	11,746,019	66,000,000
Crowne Plaza Aeropuerto, Monterrey		87,750,000	221,026,952	42,223,048	351,000,000
México Plaza Andares, Guadalajara		45,750,000	121,705,799	15,544,201	183,000,000
Total	$	313,733,300	943,630,812	166,859,213	1,424,223,325

(1) Fibra INN made a prepayment of $37,500,000 related to expect future performance, which will be calculated in the third year of hotel operations according to formulas determined in the acquisition agreement. The Trust has allocated this payment as part of the acquisition investment, since it considers a high probability that the hotel performance is above expectations and such the payment is not expected to be returned.

The value of assets acquired in the different hotel acquisitions is similar to the acquisition price paid and therefore no goodwill has been generated in these transactions.

From the respective acquisition dates, revenue and net income of the acquired hotels included in Fibra INN's consolidated income statement were $54,486,763 and $10,791,629, respectively, for the year ended December 31, 2014.

If the abovementioned hotels had been acquired on January 1, 2014 Fibra INN's management estimates that revenue and operating income for the period from January 1 to December 31, 2014 would have been $271,000,000 and $125,000,000, respectively.

Acquisition costs of acquired hotels as of December 31, 2014 amounted $64,338,383 and were recognized in the consolidated income statement.

8. PROPERTY, FURNITURE AND EQUIPMENT–

		2014	2013
Land	$	1,093,096,746	779,363,447
Buildings		4,240,395,273	3,078,533,989
Components of buildings		271,870,304	173,272,063
Machinery and equipment		183,622,497	100,195,146
Furniture and equipment		220,285,426	118,768,630
		6,009,270,246	4,250,133,275
Less accumulated depreciation		(158,819,974)	(50,563,380)
		5,850,450,272	4,199,569,895
Constructions in progress		190,653,430	96,598,223
	$	6,041,103,702	4,296,168,118

Construction in progress are mainly related to three hotels under development which are expected to be concluded during 2015.

Cost of properties include $11,146,717 of capitalized borrowing costs during 2014.

The movement of property, furniture and equipment during the periods of 2014 and 2013 is as follows:

Historic cost		Balances as of January 1, 2014	Additions	Balances as of December, 31 2014
Land	$	779,363,447	313,733,299	1,093,096,746
Buildings		3,078,533,989	1,161,861,284	4,240,395,273
Components of buildings		173,272,063	98,598,241	271,870,304
Machinery and equipment		100,195,146	83,427,351	183,622,497
Furniture and equipment		118,768,630	101,516,796	220,285,426
Constructions in progress		96,598,223	94,055,207	190,653,430
	$	4,346,731,498	1,853,192,178	6,199,923,676

Historic cost		Balances as of January 1, 2014	Additions	Balances as of December, 31 2013
Land	$	434,914,107	344,449,340	779,363,447
Buildings		2,088,616,302	989,917,687	3,078,533,989
Components of buildings		137,568,899	35,703,164	173,272,063
Machinery and equipment		68,559,245	31,635,901	100,195,146
Furniture and equipment		93,060,715	25,707,915	118,768,630
Constructions in progress		–	96,598,223	96,598,223
	$	2,822,719,268	1,524,012,230	4,346,731,498

The initial portfolio includes the investment by the acquisition of properties, as mentioned in note 7, for $2,710,094,855, plus costs of deeds for $112,624,413.

Accumulated depreciation–

		Accumulated depreciation as of December 31, 2013	Depreciation expense of 2014	Accumulated depreciation as of December 31, 2014
Buildings	$	22,821,164	51,058,539	73,879,703
Components of buildings		17,288,720	34,648,700	51,937,420
Machinery and equipment		4,969,495	11,415,490	16,384,985
Furniture and equipment		5,484,001	11,133,865	16,617,866
	$	50,563,380	108,256,594	158,819,974

As of December 31, 2014 there are 16 properties that guarantee the bank loans mentioned in note 16.

9. PROPERTY ACQUISITION LIABILITY –

As of December 31, 2014 the Company has liabilities net of prepayments, which are related to the acquisition of two hotels as mentioned below:

México Plaza Andares	$	114,960,000
Microtel Toluca		29,694,899
	$	144,654,899

The property acquisition liability that existed as of December 31, 2013 corresponding to hotels such as Holiday Inn Puebla La Noria, Wyndham Garden Irapuato, México Plaza Celaya and México Plaza León, were settled in January, February, April and October 2014.

10. INTANGIBLE ASSETS–

As of December 31 2014 and 2013, intangible assets with definite useful live are as follows:

		2014	2013
Licenses and expenses related to use of trademarks	$	8,550,233	–
Software costs prepayments		10,404,732	–
		18,954,965	–
Less accumulated amortization		–	–
	$	18,954,965	–

Trademark use rights represent rights acquired for the use of national and international franchises, currently under operation of hotels established in Mexico.

11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a. Transactions with related parties were as follows:

		2014	2013
Acquisition, advisory, asset management and development services (1)	$	83,350,302	83,764,070
Hotel management and professional services (2)		226,522,493	3,962,380
Income from lease of property and other operating income (3)	$	–	193,565,436
Lodging income		2,117,383	–
Income from leasing (4)		44,928,110	597,282

(1) Asesor de Activos Prisma, S.A.P.I. de C.V. as mentioned in note 1(i).

(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. (the last two entities only rendered services in 2014), as mentioned in note 1 (ii and iii).

(3) Prisma Torreón, S.A.P.I. de C.V., Hotelera Saltillo, S.A.P.I. de C.V. until December 25, 2013.

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

b. Accounts receivable from related parties are:

		2014	2013
Operadora México Servicios y Restaurantes, S.A.P.I. de C.V. (1)	$	27,905,738	708,700
Prisma Torreón, S.A.P.I. de C.V. (2)		11,720,108	25,512,842
Hotelera Saltillo, S.A.P.I. de C.V. (2)		5,682,982	16,454,394
Trust 1765 (2)		3,968,705	–
Servicios Integrales Fibra Inn, S.A.P.I. de C.V		2,990,716	–
Gestor de Activos Prisma, S.A.P.I. de C.V.		1,790,593	–
Asesor de Activos Prisma , S.A.P.I. de C.V.		22,341	29,519
Impulsora Fibra Inn, S.A.P.I de C.V.		18,437	–
		54,099,620	42,705,455
Account receivable from trustor Asesor de Activos Prisma, S.A. de C.V. (3)		20,000	20,000
	$	54,119,620	42,725,455

(1) Derived primarily from leasing of spaces.

(2) Derived from collections in account of Trust F/1616.

(3) There is an account receivable from shareholders for the amount of $20,000 related to the initial contributed capital.

c. Payables with related parties are:

		2014	2013
Asesor de Activos Prisma, S.A.P.I. de C.V. (1)	$	29,068,699	800,000
Trust F/1765 (2)		11,962,509	166,990
Gestor de Activos Prisma, S.A.P.I. de C.V. (3)		9,369,886	5,003,879
Prisma Torreón, S.A.P.I. de C.V. (4)		8,052,149	3,747,779
Servicios Integrales Fibra Inn, S.A.P.I. de C.V. (5)		6,116,254	–
Operadora México Servicios y Restaurantes, S.A.P.I. de C.V.		3,502,775	13,053
Hotelera Saltillo, S.A.P.I. de C.V. (4)		887,190	1,410,077
Impulsora Fibra Inn, S.A.P.I de C.V. (5)		420,266	–
HPM Edificaciones S.A.P.I. de C.V.		7,883	–
Prisma Norte, S.A. de C.V.		–	902,603
		69,387,611	12,044,381
Less: Current portion of the liability		(67,343,389)	(10,000,159)
Long-term payable	$	2,044,222	2,044,222

(1) Advisory services for assets management and acquisition and development of new investments.
(2) Operating services granted in hotels, mainly food and beverages.
(3) Hotel management services and until March 2014, personnel administrative services.
(4) Primarily derived from payments made on behalf of the Trust, as well as for services of the period that partially corresponds to the Trust.
(5) Payroll services. Additionally, there is a long-term liability for $2,044,222 that corresponds to labor obligations of 2014 and 2013, respectively.

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

		2014	2013
Short term benefits	$	24,610,635	16,794,003
Share-based compensation		18,499,999	14,869,623
	$	43,110,634	31,663,626

Fibra INN has 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 qualifies as a consideration under the scope of IFRS 2, "Share-based Payments". The service provided and the corresponding increase in equity of the Trust is measured at fair value, which is the market value of the equity instruments at the grant date. The Trust recognized a total amount of $18,499,999 and $14,869,623 in 2014 and 2013, respectively, for services received during the period based on the best estimate of the number of instruments that are expected to vest impacting equity.

e. Transactions with management personnel and close family members

The Trust does not celebrate 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.

12. TRUSTORS´ EQUITY–

Contributions–

a. The Trust´s equity consists of an initial contribution of $20,000 and of the proceeds of the issue of CBFIs.

b. On March 13, 2013, the Trust carried out an IPO of CBFIs in Mexico and other international markets (the "Offering"). The overall amount of the Global Offer (both the primary and secondary Offerings) amounted to $4,834,683,033, where 261,334,218 CBFIs were offered, with an over-allotment of $18.50, in the Mexican Stock Exchange (Bolsa Mexicana de Valores (BMV)), and in foreign markets.

In relation to the Offering, Adhering Holders contributed to Fibra INN the hotels that comprise the Acquisition Portfolio in exchange for CBFIs, valued at $1,773,820,515, representing 95,882,190 CBFIs.

c. On November 21, 2014, Fibra INN concluded the process of subscription exclusive for holders of CBFI´s , subscribing a total of 178,685,324 new CBFIs, at a subscription price of $15.85 for a total of $2,832,162,385.

As of December 31, 2014 and 2013, the number of outstanding CBFIs was 437,019,542 and 258,334,218, respectively. At these same dates, there are 3,000,000 CBFIs in treasury that represent $55,500,000.

Reimbursements and distributions to holders of certificates–

a. On April 22, 2013, the Technical Committee of Fibra INN approved through the authorization of the majority of its independent members distributions for a total of $5,920,878, with a value of $ 0.0229 per CBFI. On the same date, a capital reimbursement for a total of $1,272,100, with a value of $0.0049 per CBFI was approved. This distribution was paid in cash by Fibra INN on May 15, 2013.

b. On July 24, 2013, the Technical Committee of Fibra INN approved through the authorization of the majority of its independent members distributions for a total amount $4,296,578, with a value of $0.0166 per CBFI. On the same date, a capital reimbursement for a total of $48,993,603, with a value of $0.1897 per CBFI was approved. This distribution was paid in cash by Fibra INN on August 20, 2013.

c. On October 23, 2013, the Technical Committee of Fibra INN approved through the authorization of the majority of its independent members distributions for a total amount of $26,834,501, with a value of $ 0.1039 per CBFI. On the same date, a capital reimbursement for a total of $33,570,843, with a value of $0.1300 per CBFI was approved. This distribution was paid in cash by Fibra INN on November 19, 2013.

d. On February 25, 2014, the Technical Committee of Fibra INN approved through the authorization of the majority of its independent members distributions for a total amount of $6,917,050, with a value of $0.0268 per CBFI. On the same date, a capital reimbursement for a total of $54,763,649, with a value of $0.2120 per CBFI was approved. This distribution was paid in cash by Fibra INN on March 12, 2014.

e. On April 23, 2014, the Technical Committee of Fibra INN approved through the authorization of the majority of its independent members distributions for a total amount of $5,699,426, with a value of $0.0220 per CBFI. On the same date, a capital reimbursement for a total of $53,274,203, with a value of $0.2062 per CBFI was approved. This distribution was paid in cash by Fibra INN on May 12, 2014.

f. On July 24, 2014, the Technical Committee of Fibra INN approved through the authorization of the majority of its independent members distributions for a total amount of $43,481,154 with a value of $0.1683 per CBFI. This distribution was paid in cash by Fibra INN on August 11, 2014.

g. On October 20, 2014, the Technical Committee of Fibra INN approved through the authorization of the majority of its independent members distributions for a total amount of $59,998,606 with a value of $0.2323 per CBFI. This distribution was paid in cash by Fibra INN on November 10, 2014.

Issuance of CBFIs–

As of December 31, 2014 and 2013 the issuance of CBFIs as a part of the equity is integrated by:

Concept	Price	Contributed capital
2013		
Initial contribution:		
Cash contribution:		
162,452,028 issued CBFIs	18.50	$ 3,005,362,518
Contribution in kind:		
95,882,190 issued CBFIs	18.50	1,773,820,515
		4,779,183,033
Issuance costs		(237,399,113)
Total issuance of CBFIs in 2013		$ 4,541,783,920
2014		
Cash contribution:		
178,685,324 issued CBFIs	15.85	2,832,162,385
Issuance costs		(81,351,815)
Total issuance of CBFIs in 2014		$ 2,750,810,570

Reserves –

Executive share-based compensation reserve–

The effect resulting from the executive share-based compensation reserve is determined in accordance to 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 11 d.

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.

13. INCOME TAX–

Trust 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 in Mexico.

In order to maintain its FIBRA status, the Tax Administration Service established, in Articles 223 and 224 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 holders of CBFIs confirmed their agreement that the Trustee complies with its obligations as required by the IETU Law and thus determines taxable income in accordance with Clause V of Rule I.4.4.3 of the 2013 Miscellaneous Tax Resolution. In accordance with the new 2014 Income Tax Law, articles related to tax requirements for FIBRAs are now 187 and 188, which support the same characteristics than the prior law.

The Trust's subsidiary is subject to income tax and flat tax (until 2013).

Income tax – The rate was 30% for 2013, and under the new 2014 Income Tax Law ("2014 Act") it will continue at 30% for subsequent years.

Flat tax – This tax is levied on the sales of goods, the provision of independent services and the granting of temporary use or enjoyment of property, less certain authorized deductions, under terms defined in the Law. Both, income and deductions, and certain tax credits, are determined based on cash flows for each year at the rate of 17.5%. Beginning 2014 the flat tax was eliminated.

The tax payable is the greater of the income tax and the flat tax (until 2013).

The 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

	2014	2013
Deferred income tax	$ 247,025	74,861

b. As of December 2014 y 2013, the concepts that comprise the deferred income tax are as shown:

	2014	2013
Property, furniture and equipment	$ 1,056	942
Provisions	251,402	–
Employee benefits	69,428	73,919
	$ 321,886	74,861

14. EMPLOYEE BENEFITS–

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

a. Defined benefit plans

		Retirement benefits 2014	2013
Defined benefit obligation	$	246,397	127,721
Current service cost		63,039	150,209
Paid benefits		(51,767)	–
Initial liability assumed		(29,589)	–
Actuarial gains		3,348	(31,533)
Net projected liability	$	231,428	246,397

b. Cost recognized in profit or loss

		Retirement benefits 2014	2013
Net cost of the period:			
Current service cost	$	45,123	24,399
Interest cost		17,916	125,810
Net cost of the period	$	63,039	150,209

15. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENTS–

Types of financial instruments–

		2014	2013
Financial assets:			
Cash and cash equivalents	$	1,106,691,219	385,639,741
Trade and other accounts receivable		82,880,028	6,813,723
Accounts receivable from related parties		54,119,620	42,725,455
Financial liabilities:			
Measured at amortized cost:			
Suppliers	$	53,301,237	11,339,095
Other payables		4,025,327	4,856,177
Properties' acquisition liability		144,654,899	275,500,000
Accounts payable to related parties		69,387,611	12,044,381
Client prepayments		4,783,497	168,057
Bank charges due to bank		15,300,694	–
Bank loans		66,029,307	–
Measured at fair value:			
Derivative financial instruments		893,193	–

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. Additionally, since the disposal of the line of credit entered into by the Trust was performed in recent market terms, as it is mentioned in note 16, it is considered that its carrying amount does not differ significantly from its fair value.

Fibra INN considers that the carrying amounts of its financial instruments approximate their fair values given their short maturity period.

The bank loans balance for $66,029,307, net of transaction costs of $33,970,693, corresponds to the partial disposal of the line of credit made in December 2014.

Derivative financial instrument

On December 2014, Fibra INN entered into a derivative financial instrument contract to hedge the total outstanding balance of the line of credit contracted in September 2014 through an interest rate swap converting its variable rate into a fixed rate with the same maturity of the outstanding balance. This derivative financial instrument is described as follows:

Counterparties	Notional	Current basic conditions		Fair value Liability 2014	2013
Various [1]	$ 100,000,000	Fibra INN pays a fixed rate in Mexican Pesos of 5.37% and receives TIIE + 2.50	$	(893,193)	–

[1] Banorte, Actinver, Banamex, BanRegio and Scotiabank

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, 2014					
Derivative financial instruments	$	–	893,193	–	893,193
As of December 31, 2013					
Derivative financial instruments	$	–	–	–	–

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 as December 31, 2014 was $66,029,307, net of issuance costs of $33,970,693, and represented 1.3% of total assets. In order to maintain an appropriate ratio between assets and liabilities, the Mexican General Regulations Applicable to Securities Issuers establishes a limit for the assumption of credits in charge of the Trust and considers a debt service index.

Fibra INN's capital consists mainly of equity. The objectives of capital management 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 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, also to ensure the ability of making distributions to CBFIs holders' and to satisfy 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, 2014, the Trust is not significantly exposed to interest rate variations because it entered into a derivative financial instrument to hedge the total outstanding balance of the financial debt described in note 16, through an interest rate swap with the same maturity of the outstanding balance.

Foreign currency risk

Fibra INN enters into transactions denominated in U.S. dollars, 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, 2014 and 2013 is:

	2014	2013
U.S. Dollars:		
Financial assets	529,449	153,382
Financial liabilities	92,711	186,070
(Long) short financial position	(436,739)	32,688

b. The exchange rates, in Mexican Pesos, as of the date of the consolidated financial statemens are as follows:

	2014	2013
U.S. Dollar	14.7348	13.0652

Sensitivity analysis to foreign exchange risk

If the exchange rate were to increase or decrease $1 Mexican peso 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, 2014, would have a positive or negative effect, respectively, of approximately $436,739.

Exchange rate	Balances (MXN)	Effect in equity and profit or loss (MXN)
+ $1 USD	$ 6,871,996	$ 436,739
No change	$ 6,435,257	–
– $1 USD	$ 5,998,518	$ (436,739)

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.

The administration of Fibra INN has determined that the maximum exposure to credit risk is shown in the statement of financial position for its accounts receivables, related parties and other accounts receivables. As mentioned in note 6, the Trust does not have receivables overdue that are significant as of the date of these financial statements, thus it has not recognized an allowance for doubtful accounts. In addition, Fibra INN limits the exposure to credit risk investing solely in liquid instruments and with high-credit quality counterparties. Hence, management does not expect that any of its counterparties will not meet their obligations.

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. 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

The following table shows Fibra INN's outstanding maturities for non-derivative financial liabilities as of December 31, 2014:

	1 year	More than 1 year
Suppliers	$ 53,301,237	
Other payables	4,025,327	
Properties' acquisition liability	144,654,899	
Accounts payable to related parties	67,343,389	2,044,222
Bank charges due to bank	10,700,694	4,600,000
Client prepayments	4,783,497	–
Bank loans	–	66,029,307
	$ 284,809,043	72,673,529

The following table shows the contractual maturity of the remaining financial liabilities (debt) 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.

	Less than 1 year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5+ years
As of December 31, 2014						
Instruments with variable interest rate	$ 5,802,000	5,802,000	5,885,333	6,343,667	101,092,000	–
	$ 5,802,000	5,802,000	5,885,333	6,343,667	101,092,000	–

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

16. BANK LOANS

On September 9, 2014 the Trust signed an agreement to enter into a bank line of credit for $2,300,000,000 to fund its acquisition and development growth plan.

The institutions participating in the line of credit are: Banorte, Actinver, Banamex, BanRegio and Scotiabank. This bank debt is located in a cash line of credit account that has a fiduciary and pledge collateral, with a term of 54 months and payable at maturity. The agreed interest rate is TIIE plus 2.5% for the first three years, plus two increases: an additional 0.25% during months 37 to 45 and a 0.5% additional increase during months 46 to 54. Interest is paid every quarter of the year. The credit agreement establishes certain obligations to do and not to do as well as to meet certain financial ratios, which as of the date of the financial statements have been met by the Trust.

As of December 31, 2014, the outstanding balance of bank loans is as follows:

Utilized line of credit	$ 100,000,000
Less transaction costs	33,970,693
	$ 66,029,307

Transaction costs related to obtaining the bank loans are deferred and amortized during the instrument's contractual term.

The Trust is contractually required to hedge at least 70% of the outstanding balance with a derivative financial instrument to exchange the TIIE variable interest rate for a fixed rate.

As of December 31, 2014, Fibra INN hedged 100% of the outstanding balance with each of the financial institutions participating in the line of credit, through an interest rate swap with the same maturity as the disposed balance.

As of December 31, 2014, there are bank charges payable for $15,300,694 of which $4,600,000 are long-term.

At the beginning of the fiscal year 2014, Fibra INN obtained short-term loans for $900,000,000 with Actinver and Banorte. Such loans were settled during November 2014.

17. COMMITMENTS–

a. *Minimum lease payments*

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

Year	Total
Less than 1 year	$ 27,781,200
1 – 5 years	111,124,800
More than 5 years	416,718,000
	$ 555,624,000

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 renovation periods, only compulsory terms for lessors. 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., which are valid during periods between 10 and 20 years. Derived from these contracts 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 $ 95,934,727 as of December 31, 2014.

c. 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.

d. Tax contingencies

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

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 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 the collection of the corresponding tax and complementary charges (interest and inflation), penalties on unpaid taxes, which could be up to a 100% of the inflation adjusted amounts.

18. BUSINESS SEGMENT INFORMATION–

According to IFRS 8, Operating Segments, Fibra INN discloses financial information by region that is informed and that is regularly monitored by the Technical Committee and the executives in charge of making decisions. Fibra INN operates in four geographical areas that constitute its reportable segments:

- Northeast (Nuevo León, Coahuila and Tamaulipas)
- South Central (Querétaro, Estado de México, Puebla, Guanajuato, Quintana Roo and Distrito Federal)
- West (Jalisco); and
- North (Chihuahua and Sinaloa).

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

The following information represents the measurements that are informed to level of 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, 2014 and 2013, income from operations of the Trust from external customers by geographic location are as follows:

2014		Northeast	South Central	West	North	Consolidated
Lodging income	$	294,303,171	411,566,382	78,590,078	47,691,394	832,151,025
Rental income		11,058,867	38,799,875	1,403,702	859,409	52,121,853
Other operating income		–	–	–	–	–
Gross margin		119,244,237	166,986,889	26,827,764	17,223,065	330,281,955
Property, furniture and equipment		1,793,333,136	2,844,231,725	854,114,817	549,424,024	6,041,103,702
Depreciation		33,049,930	57,911,481	12,377,259	4,917,924	108,256,594

2013		Northeast	South Central	West	North	Consolidated
Lodging income	$	1,980,292	5,805,374	773,943	189,213	8,748,822
Rental income		78,984,409	67,135,872	10,517,280	10,304,627	166,942,188
Other operating income		12,354,536	10,560,227	3,229,850	1,075,917	27,220,530
Gross margin		82,812,170	72,786,030	12,944,365	9,902,381	178,444,946
Property, furniture and equipment		1,284,720,332	2,457,858,447	370,369,582	182,919,757	4,296,168,118
Depreciation		22,803,588	21,165,780	4,355,830	2,238,181	50,563,380

19. SUBSEQUENT EVENTS–

On February 26, 2015, Fibra INN announced the cash distribution from the capital reimbursement for the period from October 1 to December 31 2014 which was paid on March 6, 2015. The total payment in national currency amounted $74,615,156 with a value of 0.1707 per outstanding CBFI.

20. NEW ACCOUNTING PRONOUNCEMENTS–

Fibra INN adopted the following new and revised IFRS effective for periods that began on or after January 1, 2014, as well as a series of effective IFRS for future periods:

- Amendments to IFRS 10, Consolidated Financial Statements,
- Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 36, Impairment of Assets
- Amendments to IAS 39, Financial Instruments: Recognition and Measurement
- IFRIC 21, Levies
- Amendments to IAS 19, Employee Benefits
- Annual Improvements 2010-2012
- Annual Improvements 2011-2013
- Annual Improvements 2012-2014
- Amendments to IAS 16, Property, Plant and Equipment and y IAS 38 Intangible Assets
- Amendments to IAS 1, Disclosure Initiative

Fibra INN did not have significant impacts in its consolidated financial statements derived from the adoption of these IFRS and amendments.

New IFRS not yet adopted

On the other hand, Fibra INN has not applied the following new and revised IFRSs that have been issued but are not yet effective as of December 31, 2014.

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 face 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.

Fibra INN is in the process of assessing the potential impacts from the adoption of this standard in their 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 2017, earlier application is permitted. Revenue is recognized as control is passed, either over time or at a point in time.

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. Also, an entity needs to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Fibra INN is in the process of assessing the potential impacts from the adoption of this standard in their financial statements.

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FINN

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Foreign Market
Rule 144A and Reg S

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The 2014 Fibra Inn Annual Report may include certain expectations of results for Fibra Inn, its subsidiary and related parties. These projections, which are dependant on management expectations, are based on present and known information. However, these expectations could change due to facts, circumstances and events that are beyond the control of Fibra Inn.

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