FIBRA TERRAFINA

CI Banco, S.A. Institución de Banca Múltiple, Trust F/00939 and subsidiaries

Consolidated financial statements for the years ended December 31, 2019 and 2018

Unaudited

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FIBRA Terrafina

CI Banco, S.A. Institución de Banca Múltiple, Trust F/00939 and subsidiaries
Consolidated statements of financial position
(Expressed in thousands of Mexican Pesos)

	Note	December 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Assets			
Non-current assets			
Investment properties	7 and 18	$ 45,787,261	$ 45,880,211
(Cost: 12/31/2019 - $43,820,597; 12/31/2018 - $45,437,152)			
Investments accounted using equity method	8	610,233	547,708
Derivative financial instruments	7, 11 and 13	-	52,074
Deferred rents receivable	11	214,025	203,915
Other accounts receivable		80,920	-
Loan receivable		-	36,841
(Cost: 12/31/2019 - $-; 12/31/2018 - $36,841)			
Restricted cash	11 and 17	29,623	36,599
Total non-current assets		**46,722,063**	**46,757,348**
Current assets			
Other accounts receivable		140,712	59,612
Loan receivable	7 and 11	-	1,421
(Cost: 12/31/2019 - $-; 12/31/2018 - $1,421)			
Recoverable taxes	10	106,177	165,677
Prepaid expenses		21,027	10,227
Deferred rents receivable	11	64,015	19,624
Accounts receivable	11 and 14	94,341	154,849
(Net of allowance for doubtful accounts: 12/31/2019 - $92,982; 12/31/2018 - $84,059)			
Restricted cash	11 and 17	5,418	-
Cash and cash equivalents		1,266,322	1,557,651
Total current assets		**1,698,011**	**1,969,061**
Total assets		**48,420,074**	**48,726,409**
Net assets attributable to the investors			
Contributions, net		$ 18,701,218	$ 18,701,218
Retained earnings (losses)		414,187	(206,403)
Translation from functional to reporting currency	5	7,783,691	9,034,634
Own credit risk reserve		669,393	1,016,185
Total net assets attributable to the investors	5	**27,568,489**	**28,545,634**
Liabilities			
Non-current liabilities			
Borrowings	5,7,11,15 and 17	$ 19,555,269	$ 19,395,814
(Principal balance: 12/31/2019 - $19,133,494; 12/31/2018 - $19,509,581)			
Derivative financial instruments	5,11 and 12	2,864	-
Tenant deposits	5 and 11	282,480	296,723
Accounts payable	5, 11 and 12	5,585	4,921
Total non-current liabilities		**19,846,198**	**19,697,458**
Current liabilities			
Borrowings	5,7,11,15 and 17	543,545	148,698
(Principal balance: 12/31/2019 - $543,545; 12/31/2018 - $148,698)			
Tenant deposits	5 and 11	99,333	100,016
Accounts payable	5, 11 and 12	362,509	234,603
Total current liabilities		**1,005,387**	**483,317**
Total liabilities (excluding net assets attributable to the investors)		**20,851,585**	**20,180,775**
Total net liabilities and assets attributable to the investors		**$ 48,420,074**	**$ 48,726,409**

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

FIBRA Terrafina

CI Banco, S.A. Institución de Banca Múltiple, Trust F/00939 and subsidiaries
Consolidated statements of income and other comprehensive income
(Expressed in thousands of Mexican Pesos)
(Unaudited)

	Note	For the twelve months ended December 31, 2019	For the twelve months ended December 31, 2018
Rental revenues	18 and 19	$ 3,749,395	$ 3,701,230
Other operating income	19	293,134	295,639
Real estate operating expenses	20	(764,630)	(665,996)
Fees and other expenses	21	(434,255)	(420,661)
Realized gain (loss) from disposal of investment properties	7	68,955	(20,696)
Net unrealized gain (loss) from fair value adjustment on investment properties	7	1,582,369	(682,896)
Net unrealized gain (loss) from fair value adjustment on borrowings		(187,058)	109,669
Net unrealized gain (loss) from fair value adjustment on derivative financial instruments		(54,032)	19,153
Net realized gain (loss) from derivative financial instruments		15,674	5,630
Foreign exchange gain		75,900	134,185
Foreign exchange loss		(87,404)	(128,826)
Operating profit		**$ 4,258,048**	**$ 2,346,431**
Finance income	22	7,703	14,279
Finance cost	22	(1,406,527)	(1,018,336)
Finance cost - net		**(1,398,824)**	**(1,004,057)**
Share of profit from equity accounted investments	8	35,370	129,895
Profit for the period		**$ 2,894,594**	**$ 1,472,269**
Other comprehensive income:			
Items that can be reclassified subsequently to gain (loss) for the period			
Translation gain (loss) from functional to reporting currency		(1,250,943)	(134,775)
Items that can not be reclassified subsequently to gain (loss) for the period			
Changes in the fair value adjustment on borrowings at fair value through other comprehensive income	15	(346,792)	396,357
Comprehensive income		**(1,597,735)**	**261,582**
Total comprehensive profit (loss) for the period		**$ 1,296,859**	**$ 1,733,851**
Earnings per CBFI			
Basic earnings per CBFI	4	$ 3.6612	$ 1.8612
Diluted earnings per CBFI	4	$ 3.6612	$ 1.8612

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

FIBRA Terrafina

CI Banco, S.A. Institución de Banca Múltiple, Trust F/00939 and subsidiaries
Consolidated statements of changes in net assets attributable to the investors
For the period ended December 31, 2019 and December 31, 2018
(Expressed in thousands of Mexican Pesos)
(Unaudited)

	Note	Attributable to investors				
		Net contributions	Translation from functional to reporting currency	Own credit risk reserve	Retained earnings (losses)	Net assets
Balance at January 1, 2018		$ 19,844,088	$ 9,169,409	$ 619,828	$ (571,765)	$ 29,061,560
Transactions with investors						
Distributions to the investors	16	(1,132,800)	-	-	(1,106,907)	(2,239,707)
Repurchase of capital, net of issuing costs	16	(10,070)	-	-	-	(10,070)
Total transactions with investors		**(1,142,870)**	**-**	**-**	**(1,106,907)**	**(2,249,777)**
Comprehensive income						
Profit for the period		-	-	-	1,472,269	1,472,269
Other comprehensive income						
Translation from functional to reporting currency		-	(134,775)	-	-	(134,775)
Change from fair value adjustment on borrowings		-	-	396,357	-	396,357
Total comprehensive (loss) income		**-**	**(134,775)**	**396,357**	**1,472,269**	**1,733,851**
Net assets attributable to the investors at December 31, 2018		**$ 18,701,218**	**$ 9,034,634**	**$ 1,016,185**	**$ (206,403)**	**$ 28,545,634**
Balance at January 1, 2019		$ 18,701,218	$ 9,034,634	$ 1,016,185	$ (206,403)	$ 28,545,634
Transactions with investors						
Distributions to the investors	16	-	-	-	(2,274,004)	(2,274,004)
Total transactions with investors		**-**	**-**	**-**	**(2,274,004)**	**(2,274,004)**
Comprehensive income						
Profit for the period		-	-	-	2,894,594	2,894,594
Other comprehensive income						
Translation from functional to reporting currency		-	(1,250,943)	-	-	(1,250,943)
Change from fair value adjustment on borrowings		-	-	(346,792)	-	(346,792)
Total comprehensive (loss) income		**-**	**(1,250,943)**	**(346,792)**	**2,894,594**	**1,296,859**
Net assets attributable to the investors at December 31, 2019		**$ 18,701,218**	**$ 7,783,691**	**$ 669,393**	**$ 414,187**	**$ 27,568,489**

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

FIBRA Terrafina

CI Banco, S.A. Institución de Banca Múltiple, Trust F/00939 and subsidiaries
Consolidated statements of cash flows
(Expressed in thousands of Mexican Pesos)
(Unaudited)

	Note	For the twelve months ended December 31, 2019	For the twelve months ended December 31, 2018
Cash flows from operating activities:			
Profit for the period		$ 2,894,594	$ 1,472,269
Adjustments:			
Net unrealized gain (loss) from fair value adjustment on investment properties	7	(1,582,369)	682,896
Net unrealized gain (loss) from fair value adjustment on borrowings		187,058	(109,669)
Net unrealized gain (loss) from fair value adjustment on derivative financial instruments		54,032	(19,153)
Realized gain (loss) from disposal of investment properties	7	(68,955)	20,696
Bad debt expense		18,839	55,098
Interest accrued	22	969,885	945,449
Interest income on bank accounts	22	(6,457)	(12,160)
Share of profit from equity accounted investments	8	(35,370)	(129,895)
(Increase) decrease in:			
Deferred rents receivable		(54,501)	(25,361)
Accounts receivable		41,669	(151,309)
Recoverable taxes		179,203	1,127,388
Value added tax refunded		(119,703)	(609,530)
Prepaid expenses		(10,800)	1,545
Other acconts receivable		(162,020)	(33,780)
Increase (decrease) in:			
Tenant deposits		(14,926)	7,970
Accounts payable		128,570	27,687
Net cash generated from operating activities		**2,418,749**	**3,250,141**
Cash flows from investing activities:			
Acquisition of investment properties		-	(714,626)
Improvements of investment properties	7	(494,809)	(118,790)
Proceeds from dispositions of investment properties	7	222,371	59,217
Interest income on bank accounts	22	6,457	12,160
Investments in joint venture		(52,058)	10,694
Principal collections on loan receivable		38,906	1,211
Net cash used in investing activities		**(279,133)**	**(750,134)**
Cash flows from financing activities:			
Proceeds from borrowings		10,424,947	-
Principal payments on borrowings		(9,528,439)	(885,193)
Interest expense		(840,067)	(933,182)
Restricted cash		1,558	61
Distributions to investors	16	(2,274,004)	(2,239,707)
Repurchase of capital, net of issuing costs		-	(10,070)
Net cash used in financing activities		**(2,216,005)**	**(4,068,091)**
Net decrease in cash		(76,389)	(1,568,084)
Cash at the beginning of the period	17	1,557,651	3,209,041
Exchange rate effects on cash	17	(214,940)	(83,306)
Cash and cash equivalents at the end of the period	11 and 17	**$ 1,266,322**	**$ 1,557,651**

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

1. GENERAL INFORMATION

Terrafina ("Terrafina" or "the Trust") is a Mexican trust created pursuant to trust agreement F/00939 dated January 29, 2013 (as amended on March 15, 2013) entered into by and among PLA Administradora Industrial, S. de R.L. de C.V. as Trustor and beneficiary ("the Trustor") and CI Banco S.A., Institución de Banca Múltiple, as trustee ("the Trustee") and Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero, as common representative ("the Common Representative") of the real estate trust certificate ("Certificados Bursátiles Fiduciarios Inmobiliarios" or "CBFI's") holders. The Trust agreement is for an indefinite term, an open-ended fund.

Terrafina is an industrial portfolio created mainly to acquire, develop, lease and manage real estate properties in Mexico, as well as to provide financing for said purposes secured by the respective related leased real estate properties.

Terrafina's registered address is Presidente Masaryk 61, 7th floor, Chapultepec Morales, Miguel Hidalgo, México City, 11570.

Terrafina is treated as a Real Estate Investment Trust (also known as a Mexican "FIBRA") according with Articles 187 and 188 of the Mexican Federal Income Tax Law ("Ley del Impuesto sobre la Renta" or "LISR") for tax purposes.

In order to carry out its operations, the Trust has entered into the following agreements:

(i) An advisory agreement with PLA Administradora Industrial, S. de R.L. de C.V. ("the Advisor"), an affiliated company of PGIM Real Estate America, which will provide advisory and real estate investment management services, as well as other related services.

(ii) A management agreement with TF Administradora, S. de R.L. de C.V. ("the Manager"), for the latter to carry out certain management services on behalf of the Trust.

Capitalized terms used herein without definition shall have the meanings assigned to them in the Trust Agreement F/00939, or in the Management and Advisory Agreement of the Trust.

2. BASIS OF PREPARATION

(a) Compliance statement

The enclosed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and its interpretations, issued by the International Financial Reporting Interpretations Committee ("IFRIC"), applicable at December 31, 2019.

The consolidated financial statements have been prepared under the assumption of going concern and on a historical cost basis, except for the real estate investments included within the scope of the definition provided under International Accounting Standard ("IAS") 40 ("Investment Properties"), derivative financial instruments and borrowings, which have been measured at fair value.

(b) Criteria and estimates

Preparation of consolidated financial statements in accordance with IFRS requires to make certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Trust's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period in which the assumptions change. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant for the consolidated financial statements are disclosed in Note 6.

2. BASIS OF PREPARATION (continued)

(c) Standards and amendments to existing standards effective 1 January 2019

IFRS 16, *"Leases"* replace the current norm IAS 17, *"Leases"* together with three interpretations (IFRIC 4 *"Determination of whether an Agreement contains a Lease"*, SIC 15 *"Operating-Incentive Leases"* and SIC 27 *"Substance Assessment of Transactions that Adopt the Legal Form of a Lease"*).

The new standard has been applied using the modified retrospective method, however, no adjustments were made to the amounts recognized in the consolidated financial statement derived from the adoption.

The trust has decided not to reevaluate if a contract is or contains a lease on the date of initial application. On the other hand, for contracts rendered before transition date, the trust was based on its evaluations carried out applying IAS 17 and IFRIC 4.

The Trust is not a lessee of contract or agreement.

There are no other standards that are not yet effective and would be expected to have a significant impact on the Trust in the current or future reporting periods and future transactions.

3. SIGNIFICANT TRANSACTIONS

On January 26, 2018, Terrafina entered into a fiduciary substitution agreement, between HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, División Fiduciaria and Banco Actinver, S.A., Institución de Banca Múltiple, Grupo Financiero (see Note 4A).

On January 31, 2018, Terrafina closed a renegotiation of terms and conditions for its revolving credit facility with Citibank. The main changes for the syndicated credit facility include: 1) the extension of the original maturity date to 2023 (a four-year maturity with the option to extend one additional year); 2) a 20-basis point interest rate reduction which changed the interest rate from London interbank offered rate ("LIBOR") plus 265 basis points to LIBOR plus 245 basis points; and 3) the option to increase the preexisting $300 million of Dollars ("USD") revolving line of credit for up to USD$400 million.

On March 23, 2018, Terrafina prepaid an amount of USD$47 million ($874 million of Mexican Pesos ("MXP")) of the revolving credit facility with Citibank.

On April 11, 2018, Terrafina announced to CBFI's repurchase program in accordance with the terms of the Trust agreement. Terrafina is authorized to repurchase up to five percent of its outstanding CBFI's for a period of twelve months (see Note 16).

On April 25, 2018, Terrafina acquired 2 industrial properties, for USD$25 million ($482 million of Mexican Pesos). The rights to the existing leases were also acquired within the scope of this transaction. This transaction originated a recoverable VAT balance, which was effectively reimbursed during December 2018.

On July 16, 2018, Terrafina acquired a two-year interest rate CAP for a notional amount of USD$150 million, at a strike price of 2.75%.

On July 20, 2018, Terrafina entered into a fiduciary substitution agreement, between HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, División Fiduciaria and CI Banco, S.A., Institución de Banca Múltiple (see Note 4A).

On November 23, 2018, Terrafina signed the agreement for the total extinction of the trust: F/3229 executed with Banco Actinver, S. A., Institución de Banca Múltiple, Grupo Financiero Actinver (see Note 4A).

3. SIGNIFICANT TRANSACTIONS (continued)

On December 19, 2018, Terrafina signed the agreements for the total extinction of the trusts: F/2990, F/2992, F/2993, F/2994, F/2995 and F/2997 entered into with CI Banco, SA, Institución de Banca Múltiple (see Note 4A).

During 2018, the Mexican tax authorities refunded VAT to the Trust for USD$29.7 million ($610 million of Mexican Pesos).

On May 17, 2019, Terrafina entered into a fiduciary substitution agreement, between HSBC México, S.A., Institution of Multiple Banking, Grupo Financiero HSBC, Division Fiduciaria and CI Banco, S.A., Institución de Banca Múltiple (see Note 4A).

On July 8, 2019, Terrafina offered the cash purchase of each and every one of the chirographic titles called Senior Notes, with a 5.25% coupon and maturity in 2022 issued by Terrafina on November 10, 2015 (BOND 2022). The offer concluded on July 12, 2019, resulting in the repurchase of a principal amount equivalent to 79.01% of the total unsecured titles (see Note 5 and 15).

On July 15, 2019, Terrafina issued denominated unsecured securities (BOND 2029) for $ 500 million with a 10-year maturity in international markets. The securities will expire on July 18, 2029, with a coupon rate of 4.962%. The resources from the transaction were allocated to the partial refinancing of some existing debts for a total of USD$ 499.8 million. (see Note 5 and 15).

On July 18, 2019, Terrafina made a disposition of USD$26 million ($488 million of Mexican Pesos) of the revolving credit facility with Citibank.

On August 9, 2019, Terrafina collected in advance all the credit granted to Controladora Idea, S.A. from C.V. May 13, 2016.

On December 19, 2019, Terrafina made a disposition of USD$13 million ($245 million of Mexican Pesos) of the revolving credit facility with Citibank.

During 2019, the Mexican Tax Authorities reimbursed the Trust of USD$6.3 million ($119 million of Mexican Pesos), for VAT.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparing these consolidated financial statements are set out below, these policies have been consistently applied to all the years presented:

A. CONSOLIDATION BASIS

These consolidated financial statements include net assets and results of operations of the entities listed below controlled by Terrafina for the years ended December 31, 2019 and 2018. All significant intercompany balances and transactions have been eliminated from the consolidated financial statements.

Subsidiaries

Subsidiaries are all entities over which the Trust has control. The Trust controls an entity when it is exposed or has rights to variable returns as a result of their involvement in it, also could affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Trust. They are deconsolidated from the date that control ceases.

Contributions in subsidiaries have been made with the purpose of investing in investment properties, as well as managing.

As of December 31, 2019 and 2018, the Trust has a 100% interest in all the subsidiaries mentioned below:

Trustee: HSBC México, S. A., Institución de Banca Múltiple, Grupo Financiero HSBC, División Fiduciaria as trustee of the following trust:

- Trust F/307939

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. CONSOLIDATION BASIS (continued)

Subsidiaries (continued)

Trustee: Banco Invex, S. A., Institución de Banca Múltiple, Invex Grupo Financiero as trustee of the following trusts:

- Trust F/1411
- Trust F/1412
- Trust F/2609

Trustee: Deutsche Bank México, S. A., Institución de Banca Múltiple, División Fiduciaria as trustee of the following trusts:

- Trust F/128
- Trust F/129
- Trust F/824
- Trust F/1487

Trustee: CI Banco, S. A., Institución de Banca Múltiple, as trustee of the following trusts:

- Trust F/666
- Trust F/463
- Trust F/824
- Trust F/2171
- Trust F/2989 (formerly HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, División Fiduciaria F/307831)
- Trust F/2990 (formerly HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, División Fiduciaria F/307840) (Extinguished on December 19, 2018)
- Trust F/2991 (formerly HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, División Fiduciaria F/307874)
- Trust F/2992 (formerly HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, División Fiduciaria F/307882) (Extinguished on December 19, 2018)
- Trust F/2993 (formerly HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, División Fiduciaria F/307912) (Extinguished on December 19, 2018)
- Trust F/2994 (formerly HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, División Fiduciaria F/307920) (Extinguished on December 19, 2018)
- Trust F/2995 (formerly HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, División Fiduciaria F/307947) (Extinguished on December 19, 2018)
- Trust F/2996 (formerly HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, División Fiduciaria F/307963)
- Trust F/2997 (formerly HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, División Fiduciaria F/308048) (Extinguished on December 19, 2018)
- Trust F3275 (formerly HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, División Fiduciaria F/307904)
- Trust F3276 (formerly HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, División Fiduciaria F/307955)
- Trust F3277 (formerly HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, División Fiduciaria F/307980)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. CONSOLIDATION BASIS (continued)

Subsidiaries (continued)

Trustee: Banco Actinver, S. A., Institución de Banca Múltiple, Grupo Financiero Actinver as trustee of the following trusts:

- Trust F/3186
- Trust F/3229 (formerly HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, División Fiduciaria F/307823) (Extinguished on November 23, 2018)
- Trust F/3230 (formerly HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, División Fiduciaria F/307858)
- Trust F/3231 (formerly HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, División Fiduciaria F/307866)
- Trust F/3232 (formerly HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, División Fiduciaria F/307890)
- Trust F/3233 (formerly HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, División Fiduciaria F/307971)
- Trust F/3234 (formerly HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, División Fiduciaria F/308030)
- Trust F/3235 (formerly HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, División Fiduciaria F/308285)
- Trust F/3236 (formerly HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, División Fiduciaria F/308293)

TF Administradora, S. de R.L. de C.V. All operations related between this entity and the Trust have been eliminated in these consolidated financial statements, to comply with the requirements of accounting standards and other business information purposes; other transactions of the entity are included in the consolidated financial statements. (see Note 23).

B. INVESTMENTS IN JOINT VENTURES

Investments in joint ventures are accounted for using the equity method. The carrying amount of the investment in joint ventures is increased or decreased to recognize the Trust's share of the profit or loss and other comprehensive income of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Trust. Unrealized gains and losses on transactions between the Trust and joint ventures are eliminated to the extent of the Trust's interest in those entities.

As of December 31, 2019 and 2018, the percentage of Trust participation in joint ventures is 50% for both periods.

Investment in joint ventures, in its percentage of participation, includes net assets and the results of operations of the entities mentioned below:

Trustee: Monex Casa de Bolsa, S.A. de C.V., as trustee of the following trusts:

- Trust F/2717
- Trust F/3485

C. FOREIGN CURRENCY TRANSLATION

a. Functional and reporting currency

Items included in these consolidated financial statements are measured using the USD which is the functional currency of the Trust and converted into Mexican Pesos, since its cash generation and application environment, a representative percentage of its income and costs, as well as various expenses of operation are in that currency. The Mexican Peso is the report currency of the Trust. This functional currency is applicable for all the project trusts.

(All amounts in thousands of Mexican Pesos, unless otherwise stated)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. FOREIGN CURRENCY TRANSLATION (continued)

b. Transactions and balances in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses arising from both the settlement of these transactions and the translation of the monetary items in foreign currency at the current exchange rate at the date of the consolidated statement of financial position are included in foreign exchange gain (losses) in the consolidated statements of comprehensive income, as part of the results of operations.

Non-monetary items are not translated at the period-end exchange rate and are measured at historical cost (using the exchange rates in effect at the date of the transaction), except for non-monetary items measured at fair value, which are translated using the exchange rates on the date on which the fair value was determined.

c. Translation

The conversion of the Trust's consolidated financial statements as of December 31, 2019 and 2018 was done as follows:

(i) All assets and liabilities were translated using the closing currency exchange rate at the date of the consolidated financial position;

(ii) Net assets components were translated at the historical rate;

(iii) Income and expenses of the consolidated statement of comprehensive income are translated at monthly average exchange rates (corresponding to the days in which operations were carried out, unless that average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the transaction dates.); and

(iv) All exchange differences resulting from net assets translation to their historical amounts are recognized in other comprehensive income as cumulative translation adjustment.

(v) The transactions effects in foreign currency are recognized as part of the operating result.

The exchange rates used for preparation of these consolidated financial statements were as follows:

Reporting period	Year-end rate	Average rate (*)
December 31, 2019 USD/MXN	**18.8452**	**19.2684**
December 31, 2018 USD/MXN	**19.6829**	**19.2349**

(*) For the year ended December 31, 2019 and 2018.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. LEASES

With the adoption of IFRS 16, lease policy had no impact. Leases in which a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases (see Note 24). Operating lease income where the Trust operates as a lessor is recognized in income on a straight-line basis during the term of the lease. When the Trust offers incentives to tenants ("free months"), the cost of these is recognized in the lease period, on a straight-line basis, as a reduction in lease income. These incentives are presented in the deferred income receivable in the consolidated statement of financial position.

The other components that are not leasing are recognized in accordance with IFRS 15 "*Revenue from Contracts with Customers*" (see Note 19).

Properties leased under operating leases are included on Investment Properties in the consolidated statement of financial position (see Note 7a).

The Trust makes payments to agents for services related to negotiations for lease contracts with the lessees. The initial leasing fee is capitalized under the carrying amount of the related investment property; subsequent leasing fees are expensed.

E. INVESTMENT PROPERTIES

Properties held over the long term to generate rental income or capital appreciation or both, and that are not used by the owners, are classified as Investment Properties. Investment Properties are comprised of freehold land, freehold industrial buildings, and properties under construction or development for future use as Investment properties. Investment properties are initially measured at acquisition cost, including any direct transaction costs. After initial recognition, the Investment properties are remeasured at fair value.

The vice president of the valuation area of PGIM, Inc., an affiliate company of the Advisor and Administrator, is in charge of ensuring that the valuation process offers estimates at fair value, based on appraisal reports prepared by third party independent real estate appraisers (members of the Valuation Institute or an equivalent body). The purpose of an appraisal is to estimate the fair value of a property as of a specific date. Fair value estimates require the exercise of significant judgment.

The fair value of Investment Properties is subject to numerous and various assumptions and limitations as of the valuation date. Many different individual assumptions may be supportable and reasonable, and the interplay and compounding of different assumptions, or the use of different accepted methodologies, may produce very different estimates of value for the same property.

The fair value of Investment Properties is an estimate of value and not a measure of realizable value. In addition, such valuations may be viewed as subject to change with the simple passage of time.

Fair value of an investment property represents, among other things, rental revenue expected cash inflows and the underlying assumptions about the market conditions. Fair value also represents, under similar basis, any expected cash outflows with respect to the property.

The fair value measurement of investment property under construction is only applied if the fair value can be reliably measured. It may sometimes be difficult to reliably determine the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be reliably determined, management considers the following factors, among others:

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. INVESTMENT PROPERTIES (continued)

- The terms and conditions of the construction contract.
- The percentage of completion.
- Whether the project/property is standard (typical for the market) or non-standard.
- The level of reliability of cash inflows after completion.
- The development risk specific to the property.
- Past experience with similar constructions.
- The status of construction permits.

Subsequent expenditure is added to the investment property's carrying amount only when it is probable that future financial benefits associated with the item will flow to the Trust and the cost of the item can be measured in a reliable manner. All other repairs and maintenance costs are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Changes in fair value are recorded as unrealized gains (losses) in the consolidated statement of income and other comprehensive income.

Investment Properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future financial benefit is expected from its disposal.

F. CASH

Cash include cash in banks and short-term investments on securities with an initial maturity of less than three months. Interest income on short term investments is recognized as it is earned.

G. RESTRICTED CASH

Restricted cash represents funds held in guaranty trusts for payment of maintenance, interest and long-term principal related to borrowings.

Reserves included in restricted cash are required by the lenders under loan documents, in order to cover interest payments in an event of default.

H. FINANCIAL INSTRUMENTS

a. Recognition, initial measurement and derecognition of financial instruments

Financial assets and liabilities are recognized when the Trust is part of the contractual clauses of a financial instrument.

Financial assets are written off when the contractual rights over the cash flows of the financial asset expire or when the asset and substantially all its risks and benefits are transferred. A financial liability is written off when it is extinguished, canceled or expired.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. FINANCIAL INSTRUMENTS (continued)

Classification and initial measurement of financial assets

All financial assets are measured initially at their fair value.

Financial assets are classified in the following categories:

- amortized cost.
- fair value through profit or loss ("FVTPL").
- fair value through other comprehensive income ("FVOCI").

In the periods presented, the Trust does not have financial assets categorized as amortized cost and FVOCI.

The above classification is determined by:

- the business model of the entity for the management of the financial asset, as per,
- the contractual characteristics of the cash flow of the financial asset.

All income related to financial assets are recognized in the line of the consolidated statement of income.

b. Subsequent measurement of financial assets

Financial assets are measured at amortized cost if both of the following conditions are met (and are not designated as FVTPL):

- the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After the initial recognition, these are measured at amortized cost using the effective interest method. The discount is omitted when the effect is not material. Cash of the Trust and accounts receivable are included in this category of financial instruments.

Loan receivable are subsequently measured to FVTPL.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. FINANCIAL INSTRUMENTS (continued)

Impairment of accounts receivable

Trust uses a simplified approach to book accounts receivable and recognizes estimation for impairment as credit losses expected in the life time of the instrument. These are the expected deficits in the contractual cash flows, considering the potential default at any time during the life of the financial instrument. When impairment is calculated, the Trust uses its historical experience, external indicators and future information to calculate expected credit losses using a matrix of provisions.

Trust assesses the impairment of accounts receivable on a collective basis, since they have shared credit risk characteristics that have been grouped based on days past due. (see Note 14).

c. Classification and measurement of financial liabilities

Financial liabilities are measured initially at their fair value.

Subsequently, they are measured at amortized cost using the effective interest method. Tenant deposits and accounts payable are included in this category of financial liabilities. Accounts payable are liquidated within a period of 60 days. These are included in current liabilities, except when their maturities are greater than 12 months after the closing date of the year, in which case they are classified as non-current liabilities.

Borrowings are subsequently measured at fair value (FVTPL) and recognized in net unrealized gain (loss) from fair value adjustment on borrowings. Borrowings include two convertible bonds.

For most loans, the fair values are equal to their book value, since the interest to pay is very close to the current market; however, there is a significant difference in the Bonds, whose rate is related to changes in own credit risk, same effects that are recognized in other comprehensive income (FVOCI).

Since the Trust manages and evaluates performance based on fair value in accordance with its investment strategy (Investment Properties), the use of the fair value option to measure borrowings is a practice that is consistent with the risk management and investment strategy of the Trust.

All charges related to interest and changes in the fair value of financial liabilities are recognized in results.

d. Derivative financial instruments

Derivative financial instruments are accounted at fair value through profit or loss (FVTPL), except for derivatives designated as hedging instruments in cash flow hedging relationships, which require a specific accounting treatment. During the reporting periods, the Trust has not made any designation as a hedge relationship.

All derivative financial instruments are recognized and subsequently measured at fair value in the consolidated statement of financial position, this changes in fair value are recognized in results.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. PREPAID EXPENSES

The prepaid expenses include mainly prepaid insurance of Investment Properties which are charged to expense over the term of the related service coverage period.

J. BORROWING COSTS

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

K. TENANT DEPOSITS

Tenant deposits are recognized when received in accordance with the relevant lease terms and they are retained by the Trust until the expiration of the contract under certain circumstances established in the respective lease agreements.

According to IFRS 9, these items are recognized as financial liabilities with initial recognition at fair value, and subsequently at amortized cost.

L. REVENUE RECOGNITION

Lease agreements include rental revenues and variable revenues of insurance and property taxes. Rental revenues are recognized on a straight-line basis over the lease period as described in the leases policy previously mentioned.

The non-leasing components are recognized in accordance with IFRS 15. To determine the recognition of these revenues, the Trust follows a 5-step process:

1. Identifying the customer
2. Identifying performance obligations
3. Determining the transaction price
4. Allocating the transaction price to separate performance obligations
5. Recognizing revenue

Revenues are recognized at a certain time throughout of time, when (or in accordance) the Trust fulfills management obligations when transferring the promised goods or services to its customers. For income from non-leasing elements, the Trust satisfies the performance obligation as customers receive the corresponding services during the term of the contract, so that income is recognized over time. The transaction price for non-lease income is identified in each of the contracts and corresponds to the independent sale prices, and they do not include variable payments, financing or any other.

Trust obtains other income that mainly includes reimbursable costs such as water supply, electricity, which are billed to the tenants. Trust recognizes this income as an agent, so the income, if any, corresponds to the differential between the expense incurred by the client and the amount invoiced for this concept by the Trust and is presented in the consolidated statement of income as other operating income.

M. FEES AND OTHER EXPENSES

Fees and other expenses include legal, accounting, auditing and other professional fees. They are recognized in the consolidated statement of comprehensive income in the period in which they are incurred (on an accruals basis).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. TAXATION

The Trust's intention is to operate in a manner enabling it to maintain its tax status as a Real Estate Investment Trust or FIBRA. The Trust will not be subject to Income Tax ("Impuesto sobre la Renta" or "ISR") to the extent that it distributes taxable income to its shareholders and complies with certain other requirements. The Trust meets the requirements of LISR for Real Estate Investment Trusts. Based on this, no provision has been made for income taxes in the accompanying consolidated financial statements.

O. NET ASSETS

CBFI's are classified as net assets and are recognized at the fair value of the consideration received (issuance proceeds) by Terrafina. Transaction costs arising from the issuance of CBFI's attributable to investors are recognized in net assets as a reduction in the proceeds from CBFI's related to such costs.

All cash distributions will be made at the sole discretion of the Technical Committee based on the results of the Trust's operations, the economic situation of the Trust and other factors considered as relevant by the Technical Committee.

Any consideration paid in the purchase of CBFIs issued by the Trust, including costs directly attributable to such acquisition, is recognized as a decrease in net assets until the CBFIs are canceled or reissued.

P. CONSOLIDATED STATEMENTS OF RESULTS AND OTHER COMPREHENSIVE RESULTS

The Trust elected to present the statement of income and other comprehensive income in a single financial statement. Costs and expenses were classified according to their function and not to their nature as this presentation is considered to provide more relevance and value to the users of these financial statements.

Q. EARNINGS PER CBFI

The result or earnings for basic CBFI is calculated by dividing the Trust's profits attributable to CBFI holders by the weighted average number of CBFI's circulating during the financial period.

The basic and diluted earnings per CBFI are as follows:

	2019	2018
Basic and diluted earnings per CBFI	$3.66	$1.86
Profit for the period	$ 2,894,594	$ 1,472,269
Weighted average number of CBFI´s	790,602,803	790,602,803

R. ASSET ACQUISITION CLASSIFIED AS INVESTMENT PROPERTIES

It is necessary to carry out an in-depth analysis and determine whether, an acquisition of investment properties should be reflected in accounting as the acquisition of an asset or group of assets or, as the case may be, a business combination in accordance with IFRS 3 Business Combinations ("IFRS 3"). According to the analysis carried out by the administration of the Trust, it determined to register the acquisition of the investment properties as an asset acquisition.

Management determines the acquisitions did not meet the definition of a Business as required under IFRS 3 in order to qualify for business combination treatment since no substantive business processes, employees or operational systems from the sellers were retained by the Terrafina to be able to operate the Property Investments after the acquisition was executed.

(All amounts in thousands of Mexican Pesos, unless otherwise stated)

5. FINANCIAL RISK MANAGEMENT

The Trust's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow risk and interest rate risk), credit risk, liquidity risk, financial risk, fair value estimation and net assets management risk. There are no changes to the risk management policies during the year ended.

a. Market risk

Foreign exchange risk

The Trust is exposed to foreign exchange risk arising from different currency exposures considering the functional currency used in its operations, primarily with respect to Investment Properties, leasing agreements and borrowings, which are mostly denominated in USD. Foreign exchange risk also arises from services provided by foreign vendors.

The Trust has not contracted hedging instruments to offset the effect of currency rate changes, mainly because its investments and revenues are denominated in USD.

The effect on net assets resulting from converting USD denominated assets and liabilities to Mexican Pesos for the periods ended December 31, 2019 and December 31, 2018 were as follows:

	December 31, 2019	December 31, 2018
Translation from functional to reporting currency	$ 7,783,691	$ 9,034,634

A sensitivity analysis prepared by management illustrates how changes in the currency rates affect the net assets in Mexican Pesos at December 31, 2019 and December 31, 2018, as a result of the conversion of functional currency to reporting currency shown as follows:

Sensitivity analysis	10% (+) (-) December 31, 2019	10% (+) (-) December 31, 2018
Exchange rate	18.8452	19.6829
Weakening	20.7297	21.6512
Strengthening	16.9607	17.7146
Net assets attributable to the investors	$ 27,568,489	$ 28,545,634
Adjusted Net Assets attributable to the investors (weakness)	30,325,338	31,400,197
Adjusted Net Assets attributable to the investors (strength)	24,811,640	25,691,071

Price risk

The Trust is exposed to Investment Properties price and market rental risks. The Trust uses local knowledge and experience plus local property managers to minimize these risks.

The future rental income was estimated depending on the location, type and quality of the properties, and considering market data and projections at the valuation date. If the market rentals used in the discounted cash flow analysis were to increase or decrease by 10%, the carrying amount of Investment Properties would be an estimated $382 million lower or $382 million higher, respectively.

5. FINANCIAL RISK MANAGEMENT (continued)

a. Market risk (continued)

Price risk (continued)

If the capitalization rates used in the analysis were to increase or decrease by 10%, the carrying amount of Investment Properties would be an estimated $4,579 million lower or $4,579 million higher.

Cash flow and interest rate risk

As the Trust has no significant interest-bearing assets, its income and operating cash flows are substantially independent from changes in market interest rates except for items related to its borrowings. Borrowings issued at variable rates expose the Trust to fair value interest rate risk. As of December 31, 2019 and 2018, 73.9% and 59.2% of the borrowings are set at fixed rate and the rest at variable rate, respectively. All borrowings are denominated in USD. In order to hedge such risk, the Trust has acquired derivative financial instruments.

Risk of instruments used

The notional of the derivative instruments contracted by the Trust, plus the amount of principal indexed at a fixed rate amount to approximately 98% and 85% of the unpaid balance of the borrowings as of December 31, 2019 and 2018, respectively. The interest rate of the fixed rate option is 1.768% for both 2019 and 2018; and the variable borrowings rates are 245 bps above the reference rate (3 months Libor).

Derivatives require the liquidation of the net interest receivable or payable every 90 days. The settlement dates coincide with the dates when interest is paid on the underlying debt.

b. Credit risk

The Trust has no significant concentrations of credit risk. Policies have been implemented to ensure that rental agreements are made with customers with an adequate credit history. To reduce such risk, the Trust has security deposits or bonds. Cash transactions are limited to high-credit-quality financial institutions. The Trust aims at limiting the amount of credit exposure to any financial institution. In addition, the Trust covers its credit risk through detailed analysis of clients with whom it has entered into lease agreements focusing on triple "A" customers, which ensure the return on investment. Accounts receivable are written off when there is no reasonable expectation of recovery, which include, among others, that the client does not suggest a payment plan and the impossibility of making contractual payments. With respect to the loan receivable, the Trust has ensured that the company to which the loan was granted has economic solvency. Borrowings at fair value through results include debt instruments listed on a secondary market.

c. Liquidity risk

Liquidity risk is managed by maintaining sufficient cash and cash equivalents, availability of funding through an adequate amount of committed credit facilities and the ability to close out or settle market positions.

In the normal course of business, the Trust enters into loan agreements with certain lenders to finance its real estate investment transactions. Unfavorable economic conditions could increase borrowing-related costs, limit access to the capital markets or result in a decision by lenders to not extend credit to the Trust. There is no guarantee that the Trust's loan arrangements or ability to obtain leverage will continue to be available, or if available, will be available on terms and conditions acceptable to the Trust. Further, these loan agreements include, among other conditions, events of default and various covenants and representations. As of December 31, 2019 and December 31, 2018, the Trust had no past due/callable loans.

(All amounts in thousands of Mexican Pesos, unless otherwise stated)

5. FINANCIAL RISK MANAGEMENT (continued)

c. Liquidity risk (continued)

A decline in market value of the Trust's assets may also have adverse consequences in instances where the Trust borrowed money based on the fair value of specific assets. A decrease in fair value of such assets may result in the lender requiring the Trust to post additional securities or otherwise repay the loans.

In the event the Trust's current portfolio and investment obligations are not refinanced or extended when they become due and/or the Trust is required to repay such borrowings and obligations, management anticipates that operating cash flow, investor´s contributions, new debt refinancing, and real estate investment sales will provide the repayment of these obligations. If the Trust is required to sell investments quickly in order to meet such obligations and commitments, the Trust may realize a value considerably lower than the value at which it previously recorded those investments.

The following table shows the analysis of liabilities, presented for the periods between the date of the consolidated statement of financial position their maturity date. Amounts shown in the next table correspond to non-discounted cash flows, including interests.

December 31, 2019

	3 months	1 year	1-2 years	2-7 years	Total contractual cash flows	Value in books
Borrowings	$ 531,112	$ 12,433	$ 265,317	$ 18,868,177	$ 19,677,039	$ 20,098,814
Derivated Financial Instruments	-	-	2,864	-	2,864	2,864
Tenant deposits	39,937	59,396	282,480	-	381,813	381,813
Accounts payable	-	362,509	5,585	-	368,094	368,094
Total	**$ 571,049**	**$ 434,338**	**$ 556,246**	**$ 18,868,177**	**$ 20,429,810**	**$ 20,851,585**

December 31, 2018

	3 months	1 year	1-2 years	2-7 years	Total contractual cash flows	Value in books
Borrowings	$ 138,816	$ 9,882	$ 289,229	$ 19,220,352	$ 19,658,279	$ 19,544,512
Derivated Financial Instruments	-	-	-	-	-	-
Tenant deposits	52,629	47,387	58,139	238,584	396,739	396,739
Accounts payable	-	234,603	4,921	-	239,524	239,524
Total	**$ 191,445**	**$ 291,872**	**$ 352,289**	**$ 19,458,936**	**$ 20,294,542**	**$ 20,180,775**

d. Net assets risk

The Trust defines the contributions that it manages as the Trust's total net assets. The Trust's objectives when managing net assets are:

- Safeguarding the Trust's ability to continue as a going concern, so that it can continue carrying out multiple investments in exchange for returns from capital appreciation, investment income (such as "rental income", "dividends" or "interest"), or both.
- Providing an adequate return to investors based on the level of undertaken risk.
- Ensuring the necessary financial resources to allow the Trust to invest in areas that may deliver future benefits.
- Maintaining enough financial resources to mitigate risks and unforeseen events.
- The Trust's management reviews in a quarterly basis the compliance of the covenants related to the current borrowings.

6. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Management prepares estimates and assumptions based on historical experience adjusted for current market conditions and other factors. Actual results could differ from those estimates and assumptions.

Estimate of fair value of Investment Properties

The best evidence of fair value is current prices in an active market for similar Investment Properties. Management determines the fair value of Investment Properties based on appraisal reports prepared by independent third-party real estate appraisers in accordance with international valuation standards based on comparable prices in the local market or of net cash inflows to present value using a discounted cash flow method. Valuations are made based on estimated future cash flows supported by the term of existing leases or other contracts and current market leases of similar properties in similar locations and conditions, related property operating expenses and discount rates that reflect market assessments on the uncertainty in the amount and timing of cash flows. (see Note 7a for further details on assumptions).

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. Management determines the fair value of derivatives and other financial instruments based on valuations prepared by a third party. (see Note 7c for further details on assumptions).

Fair value of borrowings

The fair value of borrowings is determined by using valuation techniques. Management determines the fair value of borrowings based on valuations prepared by a third party. Management has been using generally accepted valuation methods. (see Note 7b for further details on assumptions).

7. FAIR VALUE MEASUREMENTS

The IFRS 13 guide on fair value measurements and disclosures establishes a fair value measurement framework, provides a sole definition of fair value and requires expanded disclosures summarizing fair value measurements. This standard provides a three levels hierarchy based on inputs used in the valuation process. The level in the fair value hierarchy under within which fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 – Fair value is based on unadjusted quoted prices in active markets that are accessible to the entity for identical assets or liabilities. These quoted prices generally provide the most reliable evidence and should be used to measure fair value whenever available.

Level 2 – Fair value is based on inputs, other than Level 1 inputs, that are observable for the asset or liability, either directly or indirectly, substantially for the full term of the asset or liability through corroboration of observable market data.

Level 3 – Fair value is based on significant unobservable inputs for the asset or liability. Such inputs reflect the entity’s own assumptions about how market participants would price the asset or liability.

7. FAIR VALUE MEASUREMENTS (continued)

a. Investment Properties

In general terms, the fair value estimations are provided by independent real estate appraisers (members of the Appraisal Institute or an equivalent organization) on a quarterly basis for operating properties. Acquisitions are carried at purchase price and valued within a reasonable amount of time following the acquisition (typically within 12 months). The vice president of PGIM, Inc., an affiliated company of the Advisor and the Manager, is responsible for ensuring that the valuation process provides independent and reasonable property fair value estimates.

The purpose of an appraisal is to estimate the fair value of Investment Properties at a specific date. Fair value is defined as the price to be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value estimate is predominately based on the discounting of a series of income cash flows and their reversion at a specific yield. Key assumptions include rental income and expense amounts, discount rates and capitalization rates.

In general terms, inputs used in the appraisal process are unobservable; therefore, unless otherwise indicated, Investment Properties are classified as Level 3 under the guidance on fair value measurement hierarchy.

As described above, the estimated fair value of Investments Properties is generally determined through an appraisal process. Those estimated fair values may vary significantly from the prices at which the real estate investments would sell, since market prices of real estate investments can only be determined through negotiations between a willing buyer and a seller. Such differences could be material to the consolidated financial statements.

The independent appraiser used the following unobservable inputs based on discounted cash flow method.

Most significant unobservable inputs:

- Discount rate: The internal yield rate ("internal rate of return" or "IRR") is the single rate that discounts all future assets benefits to net present value. The discount rate as of December 31, 2019 and 2018, was 9.09% (ranges between 8.00% to 12.25%) and 8.42% (ranges between 8.25% to 12%), respectively.

- Market yield growth rate: Based on information gathered from surveys, as well as market experience and management's projections. Market yield growth rate ranges between 1.5% and 2.5% for both years.

- Vacancy and collection loss assumptions: This is a function of the interrelationship between absorption, lease expiration, renewal probability, and estimated downtime between leases and a collection loss factor based on the relative stability and credit of the subject´s tenant base. Vacancy assumption used by the Trust's management as of December 31, 2019 and 2018 was 5% and collection loss 1% for both years.

Significant increases (decreases) in the discount rate would result in a significantly lower (higher) fair value measurement. However, an increase (decrease) in any of the other two factors would result in a higher (lower) fair value measurement.

Unrealized gains (losses) from fair value adjustments on Investment Properties is included in the consolidated statements of income and other comprehensive income.

(All amounts in thousands of Mexican Pesos, unless otherwise stated)

7. FAIR VALUE MEASUREMENTS (continued)

b. Borrowings

Valuation process for Trust borrowings:

The valuations for financial reporting purposes, including Level 2 fair values, are prepared by an independent third party and they are based on discounted cash flows. Discussions of valuation processes and results are held between the corporate vice president of valuations and the appraiser at least once every year.

The significant Level 2 inputs used by the Trust are derived and evaluated as follows:

- Reference interest rates: The interest rate curves applicable to each borrowing are used in accordance with the contractual conditions.
- Credit risk: Estimated based on the spread over the reference interest rate of comparable borrowings available in public sources of information or in other sources available to the Trust.
- Country risk: The index of emerging market bonds applicable to Mexico is used to adjust the credit risk of comparable borrowing when necessary.

The discount rate resulting from adding to the benchmark interest rate the credit risk of comparable debts, as of December 31, 2019 and 2018, ranges between 4.66% y el 5.14% and 5.03% and 6.85%, respectively.

A significant increase (decrease) in discount rate twould result in a significantly lower (high) fair value.

Level 2 fair values are analyzed at each reporting period during quarterly valuation discussions between the parties involved in the process.

c. Derivative financial instruments

The Trust records interest rate Caps and fixed rate options at fair value, which is determined by an independent third party, using discounted cash flow models. Key assumptions used in the discounted cash flow model include the contractual terms of the agreement, along with significant observable inputs, including interest rates, credit spreads and other factors, such as the Trust's nonperformance risk as well as that of the Trust's counterparties. Those derivatives are traded in the over-the-counter ("Over the counter" or "OTC") market and are classified within Level 2 in the fair value hierarchy.

Table 1 summarizes assets and liabilities measured at fair value on a recurring basis and their respective level in the fair value hierarchy:

Table 1:

Fair Value Measurements at December 31, 2019

	Cost / Principal	Amounts measured at fair value	Level 1	Level 2	Level 3
Assets:					
Investment properties	$ 43,820,597	$ 45,787,261	$ -	$ -	$ 45,787,261
Derivative financial instruments	-	-	-	-	-
Loan receivable	-	-	-	-	-
Total assets	**$ 43,820,597**	**$ 45,787,261**	**$ -**	**$ -**	**$ 45,787,261**
Liabilities:					
Borrowings	$ 19,677,039	$ 20,098,814	$ -	$ 20,098,814	$ -
Derivative financial instruments	-	2,864	-	2,864	-
Total liabilities	**$ 19,677,039**	**$ 20,101,678**	**$ -**	**$ 20,101,678**	**$ -**

(All amounts in thousands of Mexican Pesos, unless otherwise stated)

7. FAIR VALUE MEASUREMENTS (continued)

Fair Value Measurements at December 31, 2018

	Cost / Principal	Amounts measured at fair value	Level 1	Level 2	Level 3
Assets:					
Investment properties	$ 45,437,152	$ 45,880,211	$ -	$ -	$ 45,880,211
Derivative financial instruments	- -	52,074	-	52,074	-
Loan receivable	38,262	38,262	-	38,262	-
Total assets	**$ 45,475,414**	**$ 45,970,547**	**$ -**	**$ 90,336**	**$ 45,880,211**
Liabilities:					
Borrowings	$ 19,658,279	$ 19,544,512	$ -	$ 19,544,512	$ -
Total liabilities	**$ 19,658,279**	**$ 19,544,512**	**$ -**	**$ 19,544,512**	**$ -**

Table 2 below shows the reconciliation of the beginning and ending balances for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2019 and 2018.

Table 2

Fair value measurements using significant unobservable inputs (Level 3)

	Beginning balance 01/01/19	Realized and unrealized net gain (loss)	Currency translation	Acquisitions and capital expenditures	Dispositions	Ending balance 12/31/19	Unrealized gain (loss) for the period for investments still held at 12/31/19
Assets:							
Investment properties	$ 45,880,211	$ 1,651,324	$ (2,016,712)	$ 494,809	$ (222,371)	$ 45,787,261	$ 1,582,369
Total assets	**$ 45,880,211**	**$ 1,651,324**	**$ (2,016,712)**	**$ 494,809**	**$ (222,371)**	**$ 45,787,261**	**$ 1,582,369**

Fair value measurements using significant unobservable inputs (Level 3)

	Beginning balance 01/01/18	Realized and unrealized net gain (loss)	Currency translation	Acquisitions and capital expenditures	Dispositions	Ending balance 12/31/18	Unrealized gain (loss) for the period for investments still held at 12/31/18
Assets:							
Investment properties	$45,959,558	$ (703,592)	$ (149,954)	$ 833,416	$ (59,217)	$ 45,880,211	$ (682,896)
Total assets	**$45,959,558**	**$ (703,592)**	**$ (149,954)**	**$ 833,416**	**$ (59,217)**	**$ 45,880,211**	**$ (682,896)**

As of December 31, 2019 and 2018, capitalized improvements were for an amount of $494,809 and $118,790 thousands of Mexican Pesos, respectively.

(All amounts in thousands of Mexican Pesos, unless otherwise stated)

8. INVESTMENTS UNDER THE EQUITY METHOD OF ACCOUNTING

The Trust has two joint venture agreements with the following entities:

- Controladora and Parques American Industries, S.A. of C.V., with an equity interest of 50% for each one of the parties involved (Trust F/2717).
- Avante, with an equity interest of 50% for each one of the parties involved (Trust F/3485).

Entity name	Country of establishment / Principal activity	Ownership interest as of December 31, 2019	Ownership interest as of December 31, 2018	December 31, 2019	December 31, 2018
Fideicomiso F/2717	Mexico / Lease of properties	50%	50%	$521,155	$461,824
Fideicomiso F/3485	Mexico / Lease of properties	50%	50%	$ 89,078	$ 85,884

Below shows the reconciliation of the ending balances at December 31, 2019 and December 31, 2018:

	December 31, 2019		December 31, 2018	
	Fid. 2717	Fid. 3485	Fid. 2717	Fid. 3485
Initial balance	$ 461,824	$ 85,884	$ 382,056	$ 51,706
Contributions capital (distributions)	44,939	7,119	(14,323)	3,629
Share of profit from equity accounted investments	36,626	(1,256)	96,889	33,006
Currency translation	(22,234)	(2,669)	(2,798)	(2,457)
Ending balance	**$ 521,155**	**$ 89,078**	**$ 461,824**	**$ 85,884**

Following is a summary of financial information from equity method joint ventures:

Summary financial position	Fid. 2717 December 31, 2019	Fid. 3485 December 31, 2019	Fid. 2717 December 31, 2018	Fid. 3485 December 31, 2018
Assets				
Cash	$ 8,571	$ 7	$ 9,366	$ 2
Accounts receivables	3,901	1,675	4,309	862
Deferred rents receivable	8,419	1,144	7,581	1,159
Other assets	2,197	1,597	7,050	62
Total assets – current	**23,088**	**4,423**	**28,306**	**2,085**
Investments properties	1,030,918	178,653	904,823	175,965
Total assets – non current	**1,030,918**	**178,653**	**904,823**	**175,965**
Total assets	**$ 1,054,006**	**$ 183,076**	**$ 933,129**	**$ 178,050**
Liabilities				
Accounts payable	3,280	3,268	3,226	5,436
Total liabilities – current	**3,280**	**3,268**	**3,226**	**5,436**
Tenant deposits	8,415	1,652	6,255	847
Total liabilities – non current	**8,415**	**1,652**	**6,255**	**847**
Total liabilities	**$ 11,695**	**$ 4,920**	**$ 9,481**	**$ 6,283**
Net assets	**$ 1,042,311**	**$ 178,156**	**$ 923,648**	**$ 171,767**
Share of profit from equity accounted investments (%)	50%	50%	50%	50%
Share of profit from equity accounted investments ($)	**$ 521,155**	**$ 89,078**	**$ 461,824**	**$ 85,884**

(All amounts in thousands of Mexican Pesos, unless otherwise stated)

8. INVESTMENTS ACCOUNTED USING EQUITY METHOD (continued)

Summary comprehensive income	Fid. 2717 December 31, 2019	Fid. 3485 December 31, 2019	Fid. 2717 December 31, 2018	Fid. 3485 December 31, 2018
Income:				
Rental revenues	$ 68,211	$ 5,759	$ 61,877	$ 5,005
Net (gain) loss from fair value adjustment on investment properties	13,934	(7,452)	133,254	61,840
Other income	4,013	1,386	4,195	717
Total revenues	**$ 86,158**	**$ (307)**	**$ 199,326**	**$ 67,562**
Expenses:				
Real estate operating expenses	10,250	900	4,572	623
Fees and other expenses	2,655	1,305	979	926
Total expenses	**$ 12,905**	**$ 2,205**	**$ 5,551**	**$ 1,549**
Total operating (loss) profit	**$ 73,253**	**$ (2,512)**	**$ 193,775**	**$ 66,013**
Share of profit from equity accunted investments (%)	50%	50%	50%	50%
Share of (loss) profit from equity accounted investments ($)	**$ 36,626**	**$ (1,256)**	**$ 96,888**	**$ 33,007**

9. OTHER ACCOUNTS RECEIVABLE

Details for other accounts receivable are as follows:

	December 31, 2019	December 31, 2018
Land sale in deferred payments	$ 139,550	$ -
Payments in advance for construction	63,338	43,765
VAT recoverable outstanding	13,037	10,989
Guarantee deposits	3,472	3,306
Interest receivable	-	108
Others	2,235	1,444
Total	**$ 221,632**	**$ 59,612**

10. RECOVERABLE TAXES

Recoverable taxes consist of the following:

	December 31, 2019	December 31, 2018
VAT recoverable	$ 102,475	$ 162,677
Federal income tax witheld	3,702	3,000
Total	**$ 106,177**	**$ 165,677**

During 2019 and 2018, the Mexican tax authorities refunded VAT to the Trust for US$6.3 million (119 million of Mexican Pesos) and US$29.7 million (610 million of Mexican Pesos), respectively.

(All amounts in thousands of Mexican Pesos, unless otherwise stated)

11. FINANCIAL INSTRUMENTS

Financial instruments are as follows:

Assets	Classification	December 31, 2019	December 31, 2018
Non-current assets			
Derivative financial instruments	FVTPL	$ -	$ 52,074
Deferred rents receivable	amortized cost	214,025	203,915
Loan receivable	FVTPL	-	36,841
Other accounts receivable	amortized cost	80,920	-
Restricted cash	amortized cost	29,623	36,599
Total non-current financial assets		**$ 324,568**	**$ 329,429**
Current assets			
Loan receivable	FVTPL	$ -	$ 1,421
Other accounts receivable	amortized cost	140,712	59,612
Deferred rents receivable	amortized cost	64,015	19,624
Accounts receivable	amortized cost	94,341	154,849
Restricted cash	amortized cost	5,418	-
Cash	amortized cost	1,266,322	1,557,651
Total current financial assets		**$ 1,570,800**	**$ 1,793,157**
Liabilities			
Non-current liabilities			
Borrowings	FVTPL / Own credit risk in other comprehensive income	$ 19,555,269	$ 19,395,814
Derivative financial instruments	FVTPL	2,864	-
Tenant deposits	amortized cost	282,480	296,723
Accounts payable	amortized cost	5,585	4,921
Total non-current financial liabilities		**$ 19,846,198**	**$ 19,697,458**
Current liabilities			
Borrowings	FVTPL/ Own credit risk in other comprehensive income	$ 543,545	$ 148,698
Tenant deposits	amortized cost	99,333	100,016
Accounts payable	amortized cost	362,509	234,603
Total current financial liabilities		**$ 1,005,387**	**$ 483,317**

12. ACCOUNTS PAYABLE

Accounts payable are integrated as follows:

	December 31, 2019	December 31, 2018
Accrued fees	$ 118,915	$ 44,524
Accrued management fee	67,793	67,667
Tax payable	65,806	68,427
Accounts payable to suppliers	52,157	27,657
Retainage payable	38,341	9,443
Payroll payable	19,930	17,811
Other	5,152	3,995
Total	**$ 368,094**	**$ 239,524**

(All amounts in thousands of Mexican Pesos, unless otherwise stated)

13. DERIVATIVE FINANCIAL INSTRUMENTS

The Trust entered into interest rate derivatives contracts in order to manage the potential impact of interest rate fluctuations on the borrowings described in Note 15. The derivatives include interest rate Caps and fixed rate options. The interest rate Caps provide that in the case the underlying LIBOR rate becomes higher than the strike price; the counterparty will pay the Trust an amount equal to the difference between the strike price and the LIBOR rate on a monthly or quarterly basis. The fixed rate options provide that in the case the underlying LIBOR rate rises, on the exercise date (as defined in the contract), the Trust will have the right to receive from the counterparty an amount in cash equal to the fair value of the derivative financial instrument with the characteristics described in the fixed rate option contract, in particular in respect of strike price and maturity.

On July 16, 2018, the Trust acquired a 2-year interest rate CAP for a notional amount of US$150 million, at a strike price of 2.75%.

Those outstanding contracts at December 31, 2019 and 2018, are summarized as follows:

December 31, 2019							
Derivative type	**Bank**	**Notional amount (USD)**	**Underlying variable rate**	**Strike price**	**Fair value**	**Inception date**	**Maturity date**
Fixed rate options	Barclays	105,000	3M LIBOR	1.768%	$ (2,864)	May 18, 2017	October 4, 2021
Cap options	JP Morgan	150,000	3M LIBOR	2.750%	-	Jul 16, 2018	July15, 2020
Total					**$ (2,864)**		

December 31, 2018							
Derivative type	**Bank**	**Notional amount (USD)**	**Underlying variable rate**	**Strike price**	**Fair value**	**Inception date**	**Maturity date**
Fixed rate options	Barclays	105,000	3M LIBOR	1.768%	$ 46,860	May 18, 2017	October 4, 2021
Cap options	JP Morgan	150,000	3M LIBOR	2.750%	5,214	Jul 16, 2018	July15, 2020
Total					**$ 52,074**		

14. ACCOUNTS RECEIVABLES

At December 31, 2019 and 2018, the aging of accounts receivables are as follows:

	< 3 months	**3 – 6 months**	**>6 months**	**Total**
2019	$ 90,377	$ 17,991	$ 78,955	**$ 187,323**
2018	$ 150,554	$ 23,313	$ 65,041	**$ 238,908**

As of December 31, 2019 and 2018, the main tenants with the highest concentration of overdue accounts included in accounts receivable, correspond mainly to tenants of the industrial sector, which are experiencing an unexpected economic situation, particularly of their operations. The aging of these lessee is as follows:

	< 3 months	**3 – 6 months**	**>6 months**	**Total**
2019	$ -	$ -	$ 23,798	**$ 23,798**
2018	$ -	$ 1,411	$ 23,566	**$ 24,977**

(All amounts in thousands of Mexican Pesos, unless otherwise stated)

14. ACCOUNTS RECEIVABLES (continued)

At December 31, 2019 and 2018, allowance for doubtful accounts are shown as follows:

	December 31, 2019	December 31, 2018
Beginning balance	$ 84,059	$ 30,728
Increases	172,586	109,124
Decreases	(153,747)	(54,026)
Write off	(6,007)	(2,732)
Currency conversion	(3,909)	965
Ending Balance	**$ 92,982**	**$ 84,059**

Accounts receivable approximate their fair value because they are short-term. Accounts receivable are mostly denominated in USD.

15. BORROWINGS

Borrowings include mortgage loans payable as summarized below:

Credit entity/ Instrument	December 31, 2019 Principal balance	December 31, 2019 Fair value	December 31, 2018 Principal balance	December 31, 2018 Fair value	Interest rate (p.a.) [1], [2]	Maturity date	Terms [3]
BOND 2029	$ 9,634,111	$ 9,963,148	$ -	$ -	Fixed – 4.962%	July, 2029	I
BOND 2022	1,693,387	1,786,125	8,427,105	8,313,338	Fixed - 5.25%	November, 2022	I
Banamex	3,521,975	3,521,975	6,939,954	6,939,954	3 months LIBOR + 2.45% [5]	October, 2022	I[7]
Metlife	2,826,780	2,826,780	2,952,435	2,952,435	Fixed – 4.75%	January, 2027	I[8]
Citibank[4]	1,721,694	1,721,694	1,035,387	1,035,387	3 months LIBOR + 2.45% [5]	January, 2023[9]	I
SMNYL[6]	279,092	279,092	303,398	303,398	Fixed – 5.19%	February, 2020	P&I
Total borrowings	**$ 19,677,039**	**$ 20,098,814**	**$ 19,658,279**	**$ 19,544,512**			

[1] p.a. = per year.
[2] At December 31, 2019, and December 31, 2018, the 3 months LIBOR rates were 1.9083% and 2.7970%, respectively.
[3] P&I = Principal and interest; I = Interest only.
[4] Unsecured, committed, revolving credit, up to an amount of US$300 million Dollars with an option to increase it up to US$400 million Dollars (Note 3).
[5] The margin may vary according to the Rating and Loan to Value ("LTV") ratio.
[6] Loan includes two drawdowns with a fixed rate of 5.19% and 4.84%.
[7] Interest only until January 2021.
[8] Interest only until February 2024
[9] Maturity date: January 2023 – a four-year maturity with an option to extend one additional year.

On January 31, 2018, Terrafina closed a renegotiation of terms and conditions for its revolving credit facility with Citibank. The main changes for the syndicated credit facility include: 1) the extension of the original maturity date to 2023 (a four-year maturity with the option to extend one additional year); 2) a 20-basis point interest rate reduction which changed the interest rate, from LIBOR plus 265 basis points to LIBOR plus 245 basis points; and 3) the option to increase the preexisting US$300 million Dollars revolving line of credit for up to US$400 million Dollars.

On March 23, 2018, Terrafina prepaid an amount of US$47 million Dollars ($874 million of Mexican Pesos) of the revolving credit facility with Citibank.

(All amounts in thousands of Mexican Pesos, unless otherwise stated)

15. BORROWINGS (continued)

On July 15, 2019, Terrafina issued denominated chirographic titles (BOND 2029) for USD$500 million ($9,539 million of Mexican Pesos) with a 10-year maturity in international markets. The securities will maturity on July 18, 2029, with a coupon rate of 4.962%.

On July 18, 2019, Terrafina made an advance payment of USD$336 million ($6,388 million of Mexican Pesos) of the BOND with maturity in 2022. Additionally, it made the advance payment of USD$164 million ($3,129 million of Mexican Pesos) of the debt with Banamex. Finally, it made a provision of USD$26 million ($488 million of Mexican Pesos) of the revolving debt with Citibank.

On December 19, 2019, Terrafina made a disposition of USD$13 million ($245 million of Mexican Pesos) of the revolving credit facility with Citibank.

As of December 31, 2019 and December 31, 2018, the Metlife and SMNYL debt are collateralized by Investment Properties with an aggregate estimated fair value of $7,828,377 and $7,852,690 thousands of Mexican Pesos, respectively.

As of December 31, 2019 and December 31, 2018, fair value borrowings are payable as follows:

	<1 year	1 – 3 years	>3 years	Total
2019	$ 543,545	$ 3,942,219	$ 15,613,050	$ 20,098,814
2018	$ 148,698	$ 637,801	$ 18,758,013	$ 19,544,512

All the loans are denominated in Dollars. Terrafina is benefited from not paying principal amortizations in respect of the following facilities until the following dates: Banamex until January 2021 and Metlife until February 2024. The revolving credit Citibank line and the bonds (BOND 2022 and BOND 2029) are not subject to capital amortizations until their respective expiration dates.

The Trust's exposure to the risk from changes in interest rates is largely related to the long-term borrowings. The Trust manages its interest rate risk through a combination of fixed-rate and variable-rate borrowings. In general, short-term borrowings may be subject to a floating rate while longer-term borrowings are typically subject to a fixed rate.

The Trust carries exposure to the risk from changes in interest variable rates related to these borrowings. Interest rate risk decreases due to the use of derivative financial instruments as described in Note 13.

During 2019 and 2018, the Trust repaid principal amounts under the borrowings contracted as follows:

	December 31, 2019				
Bank	**Quarter 1**	**Quarter 2**	**Quarter 3**	**Quarter 4**	**Total**
BOND 2022	$ -	$ -	$ 6,388,062	$ -	$ 6,388,062
Citibank	-	-	3,128,809	-	3,128,809
SMNYL	2,900	2,861	2,906	2,901	11,568
	$ 2,900	**$ 2,861**	**$ 9,519,777**	**$ 2,901**	**$ 9,528,439**

	December 31, 2018				
Bank	**Quarter 1**	**Quarter 2**	**Quarter 3**	**Quarter 4**	**Total**
Citibank	$ 874,205	$ -	$ -	$ -	$ 874,205
SMNYL	2,698	2,675	2,723	2,892	10,988
	$ 876,903	**$ 2,675**	**$ 2,723**	**$ 2,892**	**$ 885,193**

(All amounts in thousands of Mexican Pesos, unless otherwise stated)

15. BORROWINGS (continued)

The contracts establish, among others, the following causes of non-compliance: (i) lack of payment; (ii) general inability to pay our debts when due, (iii) insolvency or bankruptcy; (iv) disposal of the properties subject to the credit, (v) non-compliance with certain financial reasons. As of December 31, 2019 and 2018, the Trust meets the aforementioned characteristics.

The component of fair value changes related to the company´s own credit risk is recognized in other comprehensive income. Amounts recorded in OCI related to credit risk are not subject recycling in profit or loss but are transferred to retained earnings when realized. Fair value changes relating to market risk are recognized in income and other comprehensive income as follows:

	December 31, 2019	December 31, 2018
Carrying amount	$20,098,814	$19,544,512
Includes:		
Cumulative change in fair value on borrowings attributable to changes in credit risk recognized in the FVOCI	(669,393)	(1,016,185)
Amount the Trust is contractually obligated to pay for borrowings	19,677,039	19,658,279
Difference between carrying amount and the amount that the Trust is contractually obligated to pay for borrowings	421,775	(113,767)

16. NET ASSETS ATTRIBUTABLE TO THE INVESTORS

On April 11, 2018, the Trust's Technical Committee approved a CBFI's repurchase program in accordance with the terms of the trust agreement and instructed the trustee to purchase the certificates exclusively, which will subsequently be canceled in the following twelve months. As of December 31, 2018, the repurchase of 411,832 CBFIs for an amount of $10,070 Mexican Pesos (including transaction costs) has been carried out, which are holding in treasury.

As of December 31, 2019, and 2018, the Trust net contributions amount to $21,324,824 and consists of 790,602,803 outstanding CBFI's, as follows:

No. of CBFI's	Details		
791,014,635	**As of December 31, 2017**	**$**	**21,334,894**
411,832	CBFI's repurchase		(10,070)
790,602,803	**As of December 31, 2018**	**$**	**21,324,824**
790,602,803	**As of December 31, 2019**	**$**	**21,324,824**

Terrafina paid distributions to investors on the following dates and amounts, which were previously approved by the Technical Committee.

Distribution Date		Amount
March 11, 2019	$	522,649
March 14, 2019		254,352
May 10, 2019		465,292
August 09, 2019		480,724
November 11, 2019		550,987
Total Distribution 2019	**$**	**2,274,004**

(All amounts in thousands of Mexican Pesos, unless otherwise stated)

16. NET ASSETS ATTRIBUTABLE TO THE INVESTORS (continued)

Distribution Date		Amount
March 13, 2018	$	484,870
May 11, 2018		505,423
August 10, 2018		555,293
November 09, 2018		553,120
November 21, 2018		141,001
Total Distribution 2018	**$**	**2,239,707**

With respect to 2019, the distributions were considered as distribution of the fiscal result, the distribution of $254,352 of Mexican Pesos corresponds to an extraordinary distribution.

With respect to 2018, the distribution of $484,870 Mexican Pesos was considered as follows: $412,786 as tax distribution and $72,084 as capital reimbursement (redemption), $505,423 and $555,293 Mexican Pesos were considered as capital reimbursement (redemption), $553,120 Mexican Pesos was considered as tax distribution and $141,001 Mexican Pesos was an extraordinary distribution.

17. CASH FLOW INFORMATION

Cash and cash equivalents is integrated as follows:

		December 31, 2019		December 31, 2018
Banks	$	1,266,322	$	1,412,651
Investments		-		145,000
Cash	**$**	**1,266,322**	**$**	**1,557,651**

Debt net reconciliation

Analysis of net debt and movements in net debt of the periods presented

		December 31, 2019		December 31, 2018
Cash	$	1,266,322	$	1,557,651
Borrowings – payable within a year		(543,545)		(148,698)
Borrowings – payable more than a year		(19,555,269)		(19,395,814)
Debt net		**(18,832,492)**		**(17,986,861)**
Cash		1,266,322		1,557,651
Debt net – fixed rate		(14,855,145)		(11,569,172)
Debt net – variable rate		(5,243,669)		(7,975,340)
Debt net	**$**	**(18,832,492)**	**$**	**(17,986,861)**

	Cash	Borrowings payable within a year	Borrowings payable more than a year	Total
Debt net as of January 1, 2019	$ 1,557,651	$ (148,698)	$(19,395,814)	$ (17,986,861)
Cash flow	1,315,007	(260,966)	(635,543)	418,498
Currency translation adjustment	(214,941)	(133,881)	663,146	314,324
Other movements non-cash	(1,391,395)	-	(187,058)	(1,578,453)
Debt net as of December 31, 2019	**$ 1,266,322**	**$ (543,545)**	**$(19,555,269)**	**$ (18,832,492)**

(All amounts in thousands of Mexican Pesos, unless otherwise stated)

18. CONCENTRATION OF RISK

Investment Properties from Terrafina are concentrated in the industrial sector; accordingly, the investment portfolio may be subject to more rapid change in value than would be the case if the Trust was to maintain a wide diversification among investment sectors. The Trust mitigates this risk by concentrating their investment in various regions of Mexico.

At December 31, 2019 and December 31, 2018, the Trust has real estate investments located throughout Mexico. The concentration based on the fair values and established regions is as follows:

	2019			2018		
	Region		Estimated Fair Value	Region		Estimated Fair Value
North	59%	$	27,014,484	60%	$	27,528,127
Bajio	23%		10,531,070	23%		10,552,449
Central	18%		8,241,707	17%		7,799,635
Total	**100%**	**$**	**45,787,261**	**100%**	**$**	**45,880,211**

Rental revenue concentration by region for the periods between January 1 to December 31, 2019 and January 1 to December 31, 2018, is as follows:

	2019			2018		
	Region		Rental Revenues	Region		Rental Revenues
North	59%	$	2,412,620	62%	$	2,352,797
Bajio	23%		804,207	22%		834,863
Central	18%		612,728	16%		607,173
Total	**100%**	**$**	**3,829,555**	**100%**	**$**	**3,794,833**

Because the percentage of occupancy of Investment Properties is 96.5% on average, operating expenses that generate income are considered in that same proportion.

Gross leasable area by segment for the periods between January 1 to December 31, 2019 and January 1 to December 31, 2018, is as follows:

	2019 %	2018 %
Automotive	32.8%	35.1%
Industrial properties	20.3%	20.0%
Consumer goods	14.8%	13.7%
Aviation	10.0%	9.8%
Logistics and trade	9.9%	9.7%
Electronics	8.3%	8.0%
Non-durable consumer goods	3.9%	3.7%
Total	**100%**	**100%**

(All amounts in thousands of Mexican Pesos, unless otherwise stated)

19. REVENUES

Rental revenues were as follows:

	Twelve months ended December 31, 2019		Twelve months ended December 31, 2018	
Rental revenues	$	3,829,555	$	3,794,833
Total	**$**	**3,829,555**	**$**	**3,794,833**

Rental revenues includes variable payments for insurance and property taxes.

Other operative income were as follows:

	Twelve months ended December 31, 2019		Twelve months ended December 31, 2018	
Maintenance reimbursement	$	31,697	$	29,428
Recovery of expenses		29,357		34,099
Late charges		4,008		872
Other Income		33,012		33,131
Total	**$**	**98,074**	**$**	**95,730**

20. REAL ESTATE OPERATING EXPENSES

Real estate operating expenses were as follows:

	Twelve months ended December 31, 2019		Twelve months ended December 31, 2018	
Repair, maintenance and facilities	$	215,652	$	165,281
Property tax and other taxes		131,955		115,829
Leasing commission		100,463		60,395
Property management fees		73,847		74,175
Broker fees		51,824		16,743
Bad debt expense		18,839		55,098
Property insurance		14,702		27,363
Security		11,707		11,971
Property appraisals		11,686		15,494
Electricity		6,288		7,706
Advertising		1,827		1,324
Bank commissions		1,676		1,177
Other expenses		9,264		8,934
Total	**$**	**649,730**	**$**	**561,490**

(All amounts in thousands of Mexican Pesos, unless otherwise stated)

21. FEES AND OTHER EXPENSES

Fees and other expenses were as follows:

	Twelve months ended December 31, 2019	Twelve months ended December 31, 2018
Management fee	$ 232,809	$ 228,400
Administrative fee	66,197	86,720
Payroll	32,895	26,344
Other professional fees	31,736	21,898
Legal fees	28,314	21,619
Trustee fees	12,145	4,664
Other expenses	30,159	31,016
Total	**$ 434,255**	**$ 420,661**

22. FINANCE COSTS - NET

	Twelve months ended December 31, 2019	Twelve months ended December 31, 2018
Interest income on bank accounts	$ 6,457	$ 12,160
Interest income on loan receivable	1,246	2,119
	$ 7,703	**$ 14,279**

	Twelve months ended December 31, 2019	Twelve months ended December 31, 2018
Interest expense	$ 969,885	$ 945,449
Borrowing costs bank commissions	436,642	72,887
	$ 1,406,527	**$ 1,018,336**

23. RELATED PARTIES

The following detail, includes the outstanding Trust related parties activities:

Manager

The Trust reimburses the Manager for all costs incurred in carrying out its functions plus VAT.

The reimbursed costs for the periods ended December 31, 2019 and December 31, 2018 were $49,666 and $43,141 thousands of Mexican Pesos, respectively, and were eliminated at consolidation.

At year-end, there were no outstanding balances.

Advisor

The payment of commission to the Advisor is equivalent to 0.5% per annum of the fair market value of real estate assets plus VAT. The management fee accrued for the year ended December 31, 2019 and December 31, 2018 were $232,809 and $228,400 thousands of Mexican Pesos, respectively.

(All amounts in thousands of Mexican Pesos, unless otherwise stated)

24. LEASES

Agreements entered between the Trust and its tenants are classified as operating leases under IFRS 16. The Trust is therefore the lessor in many and varied operating leases on its Investment Properties. Some fixed-term leases include renewal options for tenants. These agreements, without considering renewal options, have expiration dates ranging from January 1, 2020 to January 31, 2031.

The minimum lease payments represent the net accumulated rent over the lease term or up to the earliest possible termination date by the lessee (*tenant*), regardless of the probability of the tenant terminating or not exercising an option to renew.

Minimum lease payments from existing leases that the Trust will receive in future years are as follows:

December 31, 2019	**<1 year**	**1-5 years**	**>5 years**	**Total**
Minimum future lease payments	$4,101,938	$10,505,823	$2,414,031	$17,021,792
	24%	62%	14%	100%

25. RECLASIFICATIONS

Regarding to the presentation of previous year, Rental revenues, Other operating income and Real estate operating expenses on the Consolidated statements of income and other comprehensive income, have been reclassified according with the presentation of the current year. Such reclassifications had not impact over the previously issued consolidated financial statements.

26. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business there can be various legal actions related to properties of the Trust. At December 31, 2019, the Trust's management was not aware of any such matter that had or would have a material effect on Trust's financial condition or results of operations.

27. SUBSEQUENT EVENTS

On February 26, 2020, the Technical Committee approved a dividend payment of $499,105 pesos corresponding to $0.6313 cents per CBFI.

28. AUTHORIZATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Trust were authorized for issuance on February 26, 2020 by the Audit Committee and by Terrafina´s Technical Committee, which has power to modify the accompanying consolidated financial statements.