

FIBRA TERRAFINA

CI Banco, S.A. Institución de Banca Múltiple (formerly The Bank of New York Mellon, S.A., IBM), Trust F/00939 and Subsidiaries

**Consolidated financial statements for the periods ended
December 31, 2014 and 2013**

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CI Banco, S.A. Institución de Banca Múltiple (formerly The Bank of New York Mellon, S.A., IBM), Trust F/00939 and subsidiaries
Consolidated Statements of Financial Position
(Expressed in thousands of Mexican Pesos)

	Note	December 31, 2014	December 31, 2013
Assets			
Non-current assets			
Investment properties	7	\$ 24,298,809	\$ 21,146,337
(Cost: 12/31/2014 - \$23,843,700; 12/31/2013 - \$20,949,047)			
Derivative financial instruments	12	454	39,852
Current assets			
Other assets	9	54,020	77,280
Recoverable taxes	10	115,683	1,025,948
Prepaid expenses		8,858	8,409
Deferred rents receivables		98,643	41,282
Accounts receivable		40,898	79,077
(Net of allowance for doubtful accounts: 12/31/2014 - \$61,871; 12/31/2013 - \$49,279)			
Restricted cash		53,261	56,935
Cash and cash equivalents	7 and 8	5,002,554	728,550
Total assets		29,673,180	23,203,670
Net assets attributable to Investors			
Contributions, net	14	\$ 15,681,752	\$ 9,900,604
Retained (losses) earnings		-	246,413
Currency translation adjustment		2,500,872	511,856
Total net assets (Net Equity)		18,182,624	10,658,873
Liabilities			
Non-current liabilities			
Borrowings	7 and 13	\$ 10,974,936	\$ 11,183,919
(Principal Balance: 12/31/2014 - \$11,086,558; 12/31/2013 - \$11,311,842)			
Tenant deposits		161,876	147,986
Current liabilities			
Accounts payable	11	353,744	409,537
Borrowings	7 and 13	-	803,355
(Principal Balance: 12/31/2014 - \$-; 12/31/2013 - \$816,134)			
Total liabilities (excluding net assets attributable to the Investors)		11,490,556	12,544,797
Total net assets and liabilities		\$ 29,673,180	\$ 23,203,670

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

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CI Banco, S.A. Institución de Banca Múltiple (formerly The Bank of New York Mellon, S.A., IBM), Trust F/00939 and subsidiaries
Consolidated Statements of Comprehensive Income
(Expressed in thousands of Mexican Pesos)

		For the three months ended December 31, 2014	For the twelve months ended December 31, 2014	For the three months ended December 31, 2013	For the period from March 20 (inception) to December 31, 2013
Note					
	Rental revenues	\$ 464,175	\$ 1,784,262	\$ 437,797	\$ 966,883
16	Other operating income	45,256	199,725	59,857	121,187
17	Real estate operating expenses	(164,549)	(451,479)	(99,005)	(245,247)
18	Fees and other expenses	(68,467)	(241,682)	(59,000)	(183,226)
7	Realized gain from disposal of investment properties	-	703	(110,059)	4,297
7	Net (loss) gain unrealized from fair value adjustment on borrowings	20,056	(44,343)	139,876	139,876
7	Net gain unrealized from fair value adjustment on investment properties	22,061	205,921	153,191	184,269
	Net (loss) gain unrealized from fair value adjustment on derivative financial instruments	(2,566)	(39,973)	2,620	590
	Foreign exchange (loss) gain	(392,782)	(499,062)	(9,873)	46,009
	Operating profit (loss) before acquisition related expenses	(76,816)	914,072	515,404	1,034,638
	Less: acquisition related expenses	-	-	(4,404)	(79,828)
	Operating profit (loss)	(76,816)	914,072	511,000	954,810
19	Finance income	25,462	32,061	606	954
19	Finance cost	(109,865)	(458,617)	(209,973)	(441,909)
	Finance cost - net	(84,403)	(426,556)	(209,367)	(440,955)
	Profit (loss) for the period	\$ (161,219)	\$ 487,516	\$ 301,633	\$ 513,855
	Items that may be subsequently reclassified to profit or loss- currency transtaltion difference:	1,578,798	1,989,016	52,342	511,856
	Total Comprehensive income for the period	\$ 1,417,579	\$ 2,476,532	\$ 353,975	\$ 1,025,711

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CI Banco, S.A. Institución de Banca Múltiple (formerly The Bank of New York Mellon, S.A., IBM), Trust F/00939 and subsidiaries
Consolidated Statements of Changes in Net Assets (Net Equity)
For the period ended December 31, 2014 and from March 20 (inception) to December 31, 2013
(Expressed in thousands of Mexican Pesos)

	Note	Attributable to Investors			Net assets attributable to Investors
		Net contributions	Currency translation adjustment	Retained (losses) earnings	
Capital Contribution, net of issuing costs	14	\$ 9,900,604	\$ -	\$ -	\$ 9,900,604
Distributions to the Investors	14	-	-	(267,442)	(267,442)
Comprehensive Income					
Profit for the period		-	-	513,855	513,855
Other Comprehensive Income					
Currency Translation		-	511,856	-	511,856
Total Comprehensive income		-	511,856	513,855	1,025,711
Net Assets attributable to investors as of December 31, 2013	14	\$ 9,900,604	\$ 511,856	\$ 246,413	\$ 10,658,873
Balance at January 1, 2014	14	\$ 9,900,604	\$ 511,856	\$ 246,413	\$ 10,658,873
Capital Contribution, net of issuing costs	14	5,891,767	-	-	5,891,767
Distributions to the Investors	14	(110,619)	-	(733,929)	(844,548)
Comprehensive Income					
Profit for the period		-	-	487,516	487,516
Other Comprehensive (loss) income					
Currency Translation		-	1,989,016	-	1,989,016
Total Comprehensive income		-	1,989,016	487,516	2,476,532
Net Assets attributable to investors as of December 31, 2014	14	\$ 15,681,752	\$ 2,500,872	\$ -	\$ 18,182,624

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CI Banco, S.A. Institución de Banca Múltiple (formerly The Bank of New York Mellon, S.A., IBM), Trust F/00939 and subsidiaries
Consolidated Statements of Cash Flows
(Expressed in thousands of Mexican Pesos)

		For the twelve months ended December 31, 2014	For the period from March 20 (inception) to December 31, 2013
	Note		
Cash flows from operating activities			
Profit for the period		\$ 487,516	\$ 513,855
Adjustments:			
Net gain unrealized from fair value adjustment on investment properties	7	(205,921)	(184,269)
Net loss unrealized from fair value adjustment on derivative financial instruments		39,973	3,015
Net loss (gain) unrealized from fair value adjustment on borrowings	7	44,343	(139,876)
Realized gain from disposal of investment properties	7	(703)	(4,297)
Bad debt expense		38,701	12,011
(Increase) deferred rents receivables		(57,361)	(41,282)
Decrease (increase) in restricted cash		3,674	(56,935)
(Increase) in accounts receivable		(522)	(91,088)
Decrease (increase) in recoverable taxes		910,265	(1,025,948)
(Increase) in prepaid expenses		(449)	(8,409)
Decrease (increase) in other assets		23,260	(77,280)
Increase in tenant deposits		13,890	147,986
(Decrease) increase in accounts payable		(55,793)	409,537
Net cash generated from (used in) operating activities		1,240,873	(542,980)
Cash flows from investing activities			
Acquisition of investment properties	7	(8,101)	(18,796,668)
Improvements of investment properties	7	(240,839)	(194,916)
Proceeds from dispositions of investment properties	7	11,011	559,352
Net cash generated from (used in) investing activities		(237,929)	(18,432,232)
Cash flows from financing activities			
Acquisition of derivative financial instruments		(275)	(42,763)
Proceeds from borrowings		-	22,066,264
Principal payments on borrowings	7 and 13	(2,467,263)	(10,091,580)
Distributions to investors	14	(844,548)	(267,442)
Proceeds from CBFI, net of issuing cost	14	5,891,767	8,136,562
Net cash generated from (used in) financing activities		2,579,681	19,801,041
Net increase in cash and cash equivalents		3,582,625	825,829
Cash and cash equivalents at the beginning of the period		728,550	-
Exchange rate effects on cash and cash equivalents		691,379	(97,279)
Cash and cash equivalents at the end of the period		\$ 5,002,554	\$ 728,550
Supplemental disclosure of non cash flow information:			
Issuance of CBFI for the acquisition of investment properties		\$ -	\$ 1,764,042

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Notes to the Consolidated Financial Statements
for the year ended December 31, 2014 and for the period from March 20, 2013 (inception) to December 31, 2013

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

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 The Bank of New York Mellon, S.A., Institución de Banca Múltiple, which was recently acquired by 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 certificates “CBFI” holders.

The Trust started operations in March 2013, anchored by an industrial portfolio and 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 address is Presidente Masaryk 61, 7th floor, Col. Chapultepec Morales, Miguel Hidalgo, México D.F., 11570.

On March 15, 2013, a contribution agreement was entered into whereby the Contributing Trusts (as per definition of such term provided below) transferred to the Trust an aggregate amount of 145 properties (considered business units) (“Initial Portfolio”). The Initial Portfolio consists of warehouses and other light manufacture properties, located mainly in Central Mexico, the Bajío area and Northern Mexico. In exchange for 63,001,487 CBFI (with a sale restriction period of six months after the date of the Global Offering, as described below), including the over-allotment options described in subsections a and b below, and a payment in cash of \$4,266,633; the Trust indirectly acquired all beneficiary rights to the existing lease agreements for the properties comprising the Initial Portfolio.

The transaction was performed as follows:

- (i) The Contributing Trusts consisted of twenty Mexican trusts (PLA Industrial Fund I, LLC “PLA Fund I” comprised of 42 properties and PLA Industrial Fund II, LLC “PLA Fund II” comprised of 103 properties).
- (ii) 19 project trusts were created (the “Initial Properties Trusts”), to which all of the rights over the properties that were part of the Initial Portfolio; were directly or indirectly transferred. The Contributing Trusts were initially, in accordance with their participation, owners of the trust certificates of the Initial Properties Trusts.
- (iii) Two certified ordinary participation trust agreements were created and formalized through two irrevocable trust agreements identified with numbers F/1411 and F/1412 (“Trust CPO A” and “Trust CPO B” respectively, and jointly the “CPO Trusts”), both dated March 5, 2013, entered into by and among PLA XI LLC, as initial Trustor, Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero, Fiduciario, as Trustee, and The Bank of New York Mellon, S.A., Institución de Banca Múltiple, as common representative.

Trust CPO A indirectly acquired trust rights related to 116 properties (\$233.88 Million USD).

Trust CPO B indirectly acquired trust rights related to 29 properties (\$136.42 Million USD).

- (iv) The Contributing Trusts transferred their beneficiary rights in the Initial Properties Trusts to the CPO Trusts in exchange for Ordinary Participation Certificates (the “CPOs”) representing rights over the Initial Portfolio.
- (v) The Contributing Trusts indirectly transferred to Terrafina the Initial Portfolio through the transfer of the above mentioned CPOs, in exchange for the transfer of an aggregate amount of 63,001,487 CBFI and a cash payment of \$4,266,633 (\$336.2 Million USD).

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

1. GENERAL INFORMATION (continued)

- (vi) The Contributing Trusts distributed the CBFI to the original investors of prior beneficiaries, as well as cash funds.
- (vii) On March 19, 2013 date of issuance, Terrafina acquired the CPO Trusts and assumed the related debts.
- (viii) Part of the net proceeds from the Global Offering were used to repay part of a loan named “Credito JP Morgan” of \$35 Million USD, the aggregate amount of a loan named “Citibank” of \$364.64 Million USD and a loan named “Credito Cuautitlan”, for which a portion of the revolving credit line of \$10.59 Million USD was used.
- (ix) Upon completion of the Global Offering and Formation Transactions as described below, the Initial Portfolio consisted of 145 initial Properties (132 industrial properties and 13 land reserves in Mexico), Terrafina being the sole owner of each of the CPOs issued by the CPOs Trust, become subject to Mortgages and the Guaranty Trust.

On March 19, 2013, Terrafina initiated the listing of its certificates in the Bolsa Mexicana de Valores (Mexican Stock Exchange) under Mexican Stock Exchange Symbol TERRA 13, with an initial issuance of 340,055,000 real estate trust certificates CBFI, which includes the option of over-allotment, through a Global Offering as follows:

- (a) An international offering of 180,055,000 CBFI which includes 156,569,565 CBFI and over-allotment option of 23,485,435 CBFI in the United States to qualified institutional buyers as defined in Rule 144A of the Securities Law of the United States and other countries other than Mexico and the United States for certain non US residents, as provided by Regulation S of the US Securities Law.
- (b) A simultaneous offering in Mexico of 160,000,000 CBFI which includes 139,130,435 CBFI and over-allotment option in Mexico of 20,869,565 CBFI.

Additionally, issuance of 40,959,635 CBFI for payment to the Contributing Trusts for the formation transaction described above.

On September 27, 2013, Terrafina acquired a portfolio of 84 industrial properties from Kimco Realty Corp and Parques American Industries, S.A. de C.V., for \$605,326 USD (\$7,876,437). The Trust also acquired all the rights to existing lease agreements.

On September 18, 2014, Terrafina carried out its second public placement of 221,472,434 CBFI which includes an over-allotment option, through a Global Offering as follows:

- (a) An international offering of 96,292,363 CBFI.
- (b) A simultaneous public offering in Mexico of 96,292,363 CBFI.
- (c) Over-allotment option of 28,887,708 CBFI.

For further details on the public placement please refer to Note 14.

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 PREI Latin 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”), in order for the latter to carry out certain management services on behalf of the Trust.

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for the year ended December 31, 2014 and for the period from March 20, 2013 (inception) to December 31, 2013

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

2. BASIS OF PREPARATION

The enclosed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Financial Reporting Standards Interpretation Committee (“IFRIC”) and the Standard Interpretation Committee (“SIC”), applicable at December 31, 2014.

The enclosed consolidated financial statements were authorized for their issuance by the Terrafina audit and technical committees on February 18, 2015.

The consolidated financial statements have been prepared on a going concern basis, applying a historical cost convention, except for the revaluation of investment properties, borrowings, financial instruments and derivatives, which have been measured at fair value.

Preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires Management to apply 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.

(a) New and amended standards adopted by the Trust.

No new or amended standards, nor existing standards interpretations, effective for the first time for the annual period beginning on or after January 1, 2014, are expected to have a material impact on the Trust.

(b) New standards, amendments and interpretations effective after January 1, 2014 that have not been adopted in advance

A number of new and revised standards are effective for annual periods beginning on or after January 1, 2014 and have not been adopted in the enclosed Financial Statements preparation. None of them is expected to have a material impact on the Trust Financial Statements.

3. RECLASSIFICATIONS

Certain amounts on the financial statements of prior periods have been reclassified according with current year’s presentation. Such reclassifications had not effect over the priory issued financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies adopted in preparing these consolidated financial statements are set out below:

A. CONSOLIDATION BASIS

These consolidated financial statements include assets, liabilities and results of operations of the entities listed below controlled by Terrafina for the periods from January 1 to December 31, 2014 and March 20 to December 31, 2013. 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 has the ability to 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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. CONSOLIDATION BASIS (continued)

Trustee: HSBC México, S. A., Institución de Banca Múltiple, Grupo Financiero HSBC, Trust Division as Trustee of the following trusts:

- Trust F/307823
- Trust F/307831
- Trust F/307840
- Trust F/307858
- Trust F/307866
- Trust F/307874
- Trust F/307882
- Trust F/307890
- Trust F/307904
- Trust F/307912
- Trust F/307920
- Trust F/307939
- Trust F/307947
- Trust F/307955
- Trust F/307963
- Trust F/307971
- Trust F/307980
- Trust F/308030
- Trust F/308048
- Trust F/308293
- Trust F/308285

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

- Trust F/1411
- Trust F/1412

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 (formerly The Bank of New York Mellon, S.A. Institución de Banca Múltiple), as Trustee of the following trusts:

- Trust F/666
- Trust F/463
- Trust F/824

TF Administradora, S. de R.L. de C.V.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BUSINESS COMBINATION

Terrafina applies the acquisition method in accounting for business combinations. The consideration transferred by Terrafina to obtain control of an entity is based on the fair value of the acquired entities' assets and liabilities incurred and the equity interest issued by Terrafina, if any; likewise includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Terrafina recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition date fair values.

C. FOREIGN CURRENCY TRANSLATION

a. Functional and reporting currency

Items included in these consolidated financial statements are measured using the US Dollar ("Dollar" or "USD") which is the functional currency for the Trust and converted into Mexican Pesos ("Pesos" or "MXN"), which is the reporting currency of the Trust for the purpose of this report.

b. Transactions and balances

Foreign currency transactions are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency denominated assets and liabilities are converted into the functional currency using the exchange rate prevailing at the date of the consolidated statement of financial position. Foreign exchange gains and losses arising from conversion are included in the exchange gain (loss).

c. Translation

The conversion of the Trust's consolidated financial statements as of and for the periods ended December 31, 2014 and 2013 was done as follows:

- (i) All assets and liabilities were converted at the closing rate at the date of the consolidated financial position;
- (ii) Net assets components were converted at the historical rate;
- (iii) Income and expenses of the consolidated statement of comprehensive income are converted 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 conversion to their historical amounts are recognized in other comprehensive income.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. FOREIGN CURRENCY TRANSLATION (continued)

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

Reporting period	Year-end rate	Average rate (*)
December 31, 2014 MXN/USD	14.7180	13.2899
December 31, 2013 MXN/USD	13.0765	12.7770

(*) For the periods from January 1, 2014 to December 31, 2014 and from March 20, 2013 to December 31, 2013.

D. LEASES

All leases, in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases (see Note 4M).

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

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 properties, the subsequent leasing fees are entered as expenses.

E. INVESTMENT PROPERTY

Properties held for long-term rental yields or for capital appreciation or both, that are not used by the owners, are classified as investment properties. Investment properties comprise of freehold land, freehold industrial buildings, and properties under construction or development for future use as investment properties.

Investment properties are measured initially at acquisition cost, including related transaction costs.

After initial recognition, the investment properties are measured at fair value.

The Advisor determines the fair value of investment properties based on appraisal reports prepared by third party independent real estate appraisers. 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 judgment.

Real estate valuations are 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.

Valuations should be considered only as estimates of value and not a measure of realizable value. In addition, such valuations may be viewed as subject to change with the passing of time.

Fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

Fair value also reflects, on a similar basis, any cash outflows that could be expected in relation to the property.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. INVESTMENT PROPERTY (continued)

Fair value measurement of 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:

- The provisions 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 in the consolidated statement of 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 AND CASH EQUIVALENTS

Cash and cash equivalents include cash in banks and short-term deposits with initial maturity of less than three months, as well as investment funds titles and debt instruments (via a brokerage contract) with short term maturities. Interest income on short term deposits is recognized as it accrues.

G. RESTRICTED CASH

Restricted cash represents funds held in security trusts for payment of maintenance, interest and principal related to borrowings.

Reserves included in restricted cash are required by the lenders under loan documents, in order to cover interest payments in the event of default and for specific purposes such as tenant improvements or capital expenditures.

H. FINANCIAL ASSETS

Financial assets include other assets, prepaid expenses and accounts receivable that are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except when their maturities are greater than 12 months after the financial statement date, in which case they are classified as non-current assets.

Receivables are recognized initially at fair value and later are measured at their amortized cost, using the effective interest method, less allowance for doubtful accounts. The Trust assess at the end of each reporting period whether there is objective evidence that receivables are doubtful of collection and those provisions for doubtful accounts are recognized in operating profit (loss). An estimate of the amount of uncollectible receivables is made when it is no longer likely that a receivable will be collected in full based on objective evidence. Unrecoverable receivables are recognized as a loss immediately upon being identified as such.

The prepaid expenses include mainly prepaid insurance of investment properties which are charged to expense over the term of service.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. BORROWINGS

All borrowings are recorded at fair value, which reflects changes in interest rates, redemption premiums or discounts and maturity, in accordance with IAS 39 and IFRS 9.

Borrowings are classified as current liabilities unless the Trust has an unconditional right to defer settlement of the liability for at least 12 months after the period closing.

Given that the Trust manages and evaluates performance on a fair value basis in accordance with the investment strategy (Investment Properties), using a fair value option to measure borrowings is consistent with the Trust's risk management and investment strategy.

J. BORROWING COSTS

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset (that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of the asset. All other borrowing costs are charged to income or loss in the period in which they occur. Borrowing costs consist of the interest incurred by an entity in relation to loan of funds.

Interest is capitalized from the commencement of the development of the work until the date that assets are ready for their intended use or sale. Capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted.

Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

K. PROVISIONS

Provisions recognized in the consolidated statement of financial position represent current liabilities for which economic resources are likely to be required to settle the obligation. Those provisions have been recorded based on management's best reasonable estimate to pay current liabilities; however, actual results could differ from recognized provisions.

L. TENANT DEPOSITS

Tenant deposits are recognized as they are received from tenants and they represent the liability of the Trusts to return to tenants at the end of the lease term, under certain circumstances established in the respective agreements.

M. REVENUE RECOGNITION

Revenue includes rental income, service charges and property management charges.

The rental income from operating leases is recognized on a straight-line basis over the lease term.

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

When the Trust offers incentives to tenants, the cost of incentives is recognized over the lease term, on a straight-line basis, as a reduction of rental income. These incentives are presented in the deferred rents receivable in the consolidated statement of financial position.

Service and management charges are recognized in the accounting period in which services are rendered.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. RESULT BY CBFI

The earnings per CBFI are computed by dividing the Trust's profit attributable to the CBFI holders by the weighted average number of outstanding CBFI during the financial period.

O. DERIVATIVE FINANCIAL INSTRUMENTS

The Trust enters into interest rate caps ("Caps and Fixed Rate Options") transactions with unrelated major financial institutions.

The Trust uses interest rate caps and fixed rate options in order to minimize the effect of interest rate fluctuations or interest rate risk of certain investment properties' interest expense on variable rate loans. Such derivative financial instruments are initially recognized at historical cost, which is the fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are accounted for as assets when fair value is positive and as liabilities when the fair value is negative.

The Trust carries fair values of interest rate caps and fixed rate options under "Derivative Financial Instruments" in the consolidated statement of financial position. The resulting unrealized gain (loss) is included in the consolidated statement of comprehensive income under "Net unrealized gain (loss) from fair value adjustment of derivative financial instruments".

P. 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).

Q. TAXATION

Terrafina is taxed as a Real Estate Investment Trust (also known as a Mexican "FIBRA"), in accordance with Articles 187 and 188 of the Mexican Income Tax Law (LISR for Mexican tax purposes).

The Trust's intention is to operate in a manner enabling it to maintain its tax status as a Real Estate Investment Trust. As a result, the Trust will not be subject to income taxation to the extent that it distributes taxable income to its shareholders and complies with certain other requirements. The Trust plans to continue to operate so that it meets the requirements for taxation as a Real Estate Investment Trust. No provision has been made for income taxes in the accompanying financial statements.

R. NET ASSETS (NET EQUITY) ATTRIBUTABLE TO INVESTORS

CBFI's are classified as net assets (net equity) attributable to investors and are recognized at the fair value of the proceeds received by Terrafina. Placement transaction costs arising from the issuance of CBFI attributable to investors are recognized in net assets (net equity) 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 transactions, the economic position of the Trust and other factors considered as relevant by the Technical Committee.

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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, fair value estimation, financial risk and net assets (net equity) management risk.

a. Market risk

Foreign exchange risk

The Trust is exposed to foreign exchange risk arising from currency exposures in its operations, primarily with respect to investment properties, leasing agreements and debt, which are mostly denominated in US Dollars. Foreign exchange risk also arises from services provided by foreign suppliers.

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

The effect on net assets (net equity) of converting US Dollar denominated assets and liabilities to Mexican Pesos for the periods ended December 31, 2014 and 2013 was as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Currency translation effect on net assets	\$ 2,500,872	\$ 511,856

A sensitivity analysis prepared by management illustrates how changes in the currency rates affect the net assets in Mexican Pesos at December 31, 2014 and 2013:

Sensitivity analysis	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Exchange rate	14.7180	13.0765
Weakening 10% (+)	16.1898	14.3842
Strengthening 10% (-)	13.2462	11.7689
Net assets	\$ 18,182,624	\$ 10,658,873
Adjusted Net Assets (weakness)	20,000,886	11,724,760
Adjusted Net Assets (strength)	16,364,362	9,592,986

Price risk

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

Cash flow and fair value 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, 2014 and 2013, all borrowings are set at variable rates and in US dollars. In order to cover such risk, the Trust has acquired financial derivative instruments.

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5. FINANCIAL RISK MANAGEMENT (continued)

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 appropriate credit history. To reduce such risk, the Trust has security deposits and 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.

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 market positions. Given the dynamic nature of the underlying businesses, Management aims to maintain certain funding flexibility by keeping sufficient committed credit lines available.

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, those loan agreements include, among other conditions, events of default and various covenants and representations. As of December 31, 2014 and 2013, the Trust had no past due/callable loans.

A decline in market value of the Trust's assets may also have particular adverse consequences in instances where the Trust borrowed money based on the fair value of specific assets. A decrease in market 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 Trusts 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.

d. Capital (Net equity) risk management

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 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 sufficient financial resources to mitigate risks and unforeseen events.

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6. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgments are continuously evaluated based on historical experience adjusted for current market conditions and other factors.

Management prepares estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are outlined below:

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 on the basis of comparable prices in the local market or of discounted net cash inflows to present value using a discounted cash flow method. Valuations are made on the basis of 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 of the uncertainty in the amount and timing of cash flows. (See Note 7 for further details on assumptions).

Fair value of the investments in securities and other cash equivalents

Best evidence of fair value of investments in securities and other cash equivalents are the current transaction prices in an active market for the diverse titles that integrate the Trust investments portfolio, based on the current market conditions at the end of the reported period.

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 7 for further details on assumptions).

Fair value of borrowings

The fair value of borrowings is determined by using valuation techniques. Management uses their judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Management has been using generally accepted valuation method. (See note 7 for further details on assumptions).

7. FAIR VALUE MEASUREMENTS

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 disclosure summarizing fair value measurements. This standard provides a three-level hierarchy based on inputs used in the valuation process. The level in the fair value hierarchy under 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:

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7. FAIR VALUE MEASUREMENTS (continued)

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.

For items classified as Level 3, a reconciliation of the beginning and ending balances, as shown in tables 3 and 4 below, is also required.

Tables 1 and 2 below summarize assets 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, 2014 using					
	Cost at 12/31/2014	Amounts measured at fair value 12/31/2014	Quoted prices in active markets for identical net assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:					
Investment properties	\$ 23,843,700	\$ 24,298,809	\$ -	\$ -	\$ 24,298,809
Short term investments	2,506,624	2,510,904	2,510,904	-	-
Total	\$ 26,350,324	\$ 26,809,713	\$ 2,510,904	\$ -	\$ 24,298,809

Fair Value Measurements at December 31, 2013 using					
	Cost at 12/31/2013	Amounts measured at fair value 12/31/2013	Quoted prices in active markets for identical net assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:					
Investment properties	\$ 20,949,047	\$ 21,146,337	\$ -	\$ -	\$ 21,146,337
Total	\$ 20,949,047	\$ 21,146,337	\$ -	\$ -	\$ 21,146,337

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7. FAIR VALUE MEASUREMENTS (continued)

Table 2

	Fair Value Measurements at December 31, 2014 using				
	Cost at 12/31/2014	Amounts measured at fair value 12/31/2014	Quoted prices in active markets for identical net liabilities (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities:					
Borrowings	\$ 11,086,558	\$ 10,974,936	\$ -	\$ -	\$ 10,974,936
Total	\$ 11,086,558	\$ 10,974,936	\$ -	\$ -	\$ 10,974,936

	Fair Value Measurements at December 31, 2013 using				
	Cost at 12/31/2013	Amounts measured at fair value 12/31/2013	Quoted prices in active markets for identical net liabilities (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities:					
Borrowings	\$ 12,127,976	\$ 11,987,274	\$ -	\$ -	\$ 11,987,274
Total	\$ 12,127,976	\$ 11,987,274	\$ -	\$ -	\$ 11,987,274

a. Investment Properties

In general terms, the valuation techniques used for estimations are based on property appraisal reports prepared by independent real estate appraisers (members of the National Appraisal Institute or an equivalent organization) within a reasonable amount of time following the acquisition of real estate and no less frequently than annually thereafter. The Chief Real Estate Appraiser of Prudential Investment Management, Inc. (PIM), 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. PIM has contracted an affiliate independent firm to assist the Chief Real Estate Appraiser in maintaining and monitoring the independence and accuracy of the appraisal process.

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 based on conventional valuation approaches, all of which require the exercise of subjective judgment. The three approaches are: (1) current cost of replacement of the real estate less impairment and functional and economic obsolescence; (2) discounting a series of income cash flows and their reversion at a specific yield or by directly capitalizing a single year's income by an appropriate factor; and (3) the value shown for recent sales of comparable real estate on the market. Key inputs and assumptions include rental income and expense amounts, discount rates and capitalization rates. In reconciling those three approaches, an independent appraiser uses one or a combination of these approaches to arrive at the approximate value of Investment properties in the market.

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.

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7. FAIR VALUE MEASUREMENTS (continued)

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 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 net assets (net equity) benefits in an opinion of net present value. The discount rate as of December 31, 2014 and 2013, ranges between 9% and 12% and between 9% and 13% respectively.
- Market yield growth rate: Based on information gathered from surveys, as well as market experience and Management's projections. Market yield growth rate as of December 31, 2014 and 2013 ranges between 2% and 3% and between 2.4% and 3% respectively.
- 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.

Significant increases (decreases) in the discount rate would probably 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.

Table 3 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 periods from January 1 to December 31, 2014 and from March 20 to December 31, 2013.

Table 3:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Investment Properties	
	December 31, 2014	December 31, 2013
Initial balance / initial contribution	\$ 21,146,337	\$ 11,155,153
Additions to investment properties:		
Acquisitions	8,101	9,405,557
Capital expenditures	240,839	194,916
Unrealized (loss) gain from fair value adjustment on investment properties	205,921	184,269
Realized gain from disposal of investment properties	703	4,297
Dispositions of investment properties	(11,011)	(559,352)
Currency conversion	2,707,919	761,497
Ending balance	\$ 24,298,809	\$ 21,146,337

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7. FAIR VALUE MEASUREMENTS (continued)

b. Borrowings

Valuation process for Trust borrowings:

The valuations for financial reporting purposes, including Level 3 fair values are prepared by an independent third party. Discussions of valuation processes and results are held between the Director of capital markets and the appraiser at least once every year.

The main Level 3 inputs used by the Trusts are derived and evaluated as follows:

- Discount rates: These rates are estimated based on the weighted average cost of capital of public companies that are, in the opinion of the Trust, comparable to the loans under valuation. The Trust has not contracts with brokers that allow the Trust to gather such information. The discount rate as of December 31, 2014 ranges between 4% and 8%.
- Management has estimated fair values and historical data based on its experience, which is in line with internal credit policies. The unobservable inputs used in the fair value measurement of borrowings are the discount rates, for which a significant increase (decrease) would result in a significantly lower (higher) fair value measurement.

Changes in all Level 2 and 3 fair values are analyzed at each reporting date during quarterly valuation discussions between the parties involved in the process. As part of this discussion, the team presents a report that explains the reasons for the fair value transactions.

Table 4 below shows the reconciliation of the beginning and ending balances for all liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the periods from January 1, 2014 to December 31, 2014 and from March 20, 2013 to December 31, 2013.

Table 4:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Borrowings	
	December 31, 2014	December 31, 2013
Initial contribution	\$ 11,987,274	\$ -
Net gain (loss) unrealized from fair value on borrowings	44,343	(139,876)
Currency conversion	1,410,582	152,466
Acquisitions / Issuances	-	22,066,264
Disposals / Liquidations	(2,467,263)	(10,091,580)
Ending Balance	\$ 10,974,936	\$ 11,987,274

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7. FAIR VALUE MEASUREMENTS (continued)

c. Derivative financial instruments

The Trust records interest rate caps and fixed rate options at fair value, which is determined using discounted cash flow models. Models' key assumptions include the contractual terms of the agreement, along with significant observable inputs, including interest rates, credit spreads and other factors including the Trust's nonperformance risk as well as that of the Trust's counterparties. Those derivatives are traded in the over-the-counter (OTC) market and are classified within Level 2 in the fair value hierarchy. OTC derivatives classified within Level 2 are valued using models generally accepted in the financial services industry that use actively quoted or observable market input values from external market data providers, non-binding broker-dealer quotations, third-party pricing vendors and/or recent trading activity.

d. Investments in securities and other cash equivalents

The trust records the investments in securities and other cash equivalents at fair value, which is determined by using the valuation of the investment instruments that comprise the Trust portfolio at the end of the reported period. The portfolio securities funds titles and the debt instruments are negotiated into the active stock market and are valued by using generally accepted models that include information that use actively quoted or observable market input values from external market data providers, non-binding broker-dealer quotations, third-party pricing vendors and/or recent trading activity.

8. INVESTMENT IN SECURITIES AND OTHER CASH EQUIVALENTS

On October 27, 2014, Terrafina signed a brokerage contract with Monex Casa de Bolsa, S. A. de C. V., Monex Grupo Financiero (the Broker), investing in such contract a net amount of \$2,500,000. The Broker invests the resources in titles of securities investment funds and in debt instruments. As of December 31, 2014 the Trust's investment portfolio is diversified among government securities such as: Investment funds titles, debt instruments, and notes with interest payable at maturity.

At December 31, 2014, investments in securities and other cash equivalents are shown as follows:

Beginning balance	\$ -
Additions (cost)	2,946,832
Disposals (cost)	(440,208)
Unrealized net gain (loss) from fair value adjustment on investment in securities and other cash equivalents	4,280
Ending balance	<u>\$ 2,510,904</u>

9. OTHER ASSETS

Details for other assets are as follows:

	December 31, 2014	December 31, 2013
Payments in advance for construction	\$ 29,082	\$ 18,455
Guarantee reserve for borrowing	14,718	13,730
VAT recoverable outstanding	6,492	38,767
Guarantee deposits	1,784	452
Receivables from PLA, Industrial I and Industrial II	-	3,724
Others	1,944	2,152
	<u>\$ 54,020</u>	<u>\$ 77,280</u>

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10. RECOVERABLE TAXES

Recoverable taxes consist of the following:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
VAT Recoverable	\$ 108,344	\$ 980,923
Income Tax withheld	7,339	45,025
	<u>\$ 115,683</u>	<u>\$ 1,025,948</u>

On September 27, 2013, Terrafina acquired a portfolio of 84 industrial properties. The transaction generated a recoverable VAT in the amount of \$971,699 of which \$920,524 were reimbursed to the Trust by the Mexican Tax Authorities during 2014.

11. SUPPLIERS AND OTHER ACCOUNTS PAYABLE

Accounts payable are integrated as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Guarantee deposit	\$ 148,664	\$ -
Interest payable	56,603	61,553
Accounts payable to suppliers	45,047	29,125
Tax payable	37,709	30,780
Accrued management fee	34,810	30,703
Accrued fees	18,716	31,107
Payroll payable	8,655	521
Other	3,540	11,179
Accounts payable to KIMCO	-	214,569
	<u>\$ 353,744</u>	<u>\$ 409,537</u>

12. DERIVATIVE FINANCIAL INSTRUMENTS

During 2014 and 2013, the Trust purchased some interest rate derivatives in order to cover the borrowings described in Note 13. 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 to 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.

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12. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

As of December 31, 2014 and 2013, outstanding derivative financial instruments contracts are summarized as follows:

December 31, 2014						
Derivative type	Bank	Notional amount (USD)	Underlying variable rate	Strike price	Fair value	Maturity date
Cap	Banamex	5,000	3M Libor	2.00%	\$ -	June 6, 2015
Cap	Banamex	85,000	3M Libor	2.00%	-	June 29, 2015
Cap	Banamex	305,000	3M Libor	2.00%	27	March 25, 2016
Fixed Rate Option	HSBC	272,800	3M Libor	3.00%	70	September 4, 2018
Fixed Rate Option	HSBC	47,850	1M Libor	3.00%	357	October 1, 2018
Total					\$ 454	

December 31, 2013						
Derivative type	Bank	Notional amount (USD)	Underlying variable rate	Strike price	Fair value	Maturity date
Cap	Banamex	105,000	3M Libor	2.00%	\$ -	March 25, 2014
Cap	Banamex	5,000	3M Libor	2.00%	10	June 6, 2015
Cap	Banamex	85,000	3M Libor	2.00%	209	June 29, 2015
Cap	Banamex	305,000	3M Libor	2.00%	6,634	March 25, 2016
Fixed Rate Option	HSBC	272,800	3M Libor	3.00%	27,827	September 4, 2018
Fixed Rate Option	HSBC	47,850	1M Libor	3.00%	5,172	October 1, 2018
Total					\$ 39,852	

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13. BORROWINGS

Borrowings include mortgage loans payable as summarized below:

Credit Entity [1], [2], [3] & [4]	December 31, 2014		December 31, 2013		Interest Rate (p.a.) [7], [8] & [9]	Maturity date	Terms [5]
	Principal balance	Fair Value	Principal balance	Fair Value			
Citibank	\$ 6,402,330	\$ 6,352,552	\$ 6,531,189	\$ 6,459,769	3 months Libor + 3.50%	March, 2016	I
Banorte	-	-	511,928	504,896	1 month Libor + 3.30%	May, 2016	P&I
GEREM	4,020,240	3,967,137	3,707,188	3,664,286	3 months Libor + 3.75%	September, 2018	P&I
HSBC	663,988	655,247	627,671	620,274	1 month Libor + 3.75%	September, 2018	P&I
HSBC	-	-	750,000	738,049	28 days TIIE + 2.60%	September, 2014	I
Total Borrowings	<u>\$ 11,086,558</u>	<u>\$ 10,974,936</u>	<u>\$ 12,127,976</u>	<u>\$ 11,987,274</u>			

[1] Citibank = Citibank, N.A.

[2] Banorte = Banco Mercantil del Norte, S.A.

[3] GEREM = GE Real Estate México, S. de R.L. de C.V.

[4] HSBC = HSBC México, S.A.

[5] P&I = Principal & interests; I = Only interest

[6] At December 31, 2014 and 2013, 1 month Libor rate was 0.17125% and 0.1677% respectively and the 3 months Libor rate was 0.2556% and 0.2461% respectively.

[7] p.a. = per annum

[8] TIIE = Interbank Balance Interest Rate

[9] At December 31, 2014 and 2013, 28 days TIIE rate was 3.3110% and 3.7900% respectively.

As of December 31, 2014 and 2013, borrowings are collateralized by investment properties with an aggregate estimated fair value of \$ 24,298,809 and \$21,146,337, respectively.

As of December 31, 2014 and 2013, principal amounts of borrowings are payable as follows:

	<u><1 year</u>	<u>1-3 years</u>	<u>> 3 years</u>	<u>Total</u>
2014	\$ -	\$ 6,584,924	\$ 4,390,012	\$ 10,974,936
2013	\$ 803,355	\$ 7,413,580	\$ 3,770,339	\$ 11,987,274

All the borrowings are denominated in United States dollars, except for the \$ 750,000 HSBC borrowing that, at December 31, 2013 was denominated in Mexican pesos.

Terrafina gets benefit from no paying principal amortizations in respect of the following facilities until the following dates: Citibank until its respective maturity date; GEREM and HSBC (USD) until October 2016.

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13. BORROWINGS (continued)

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 either a fixed rate or a floating rate with fixed rate options agreements to control the Trust's exposure in the event of rising interest rates.

All of the Trust's current borrowings are variable-rate borrowings. Therefore, the Trust carries exposure to the risk from changes in interest rates related to these borrowings. Said risk decreases due to the use of interest rate cap agreements and fixed rate option derivatives described in Note 12.

During 2014, the Trust paid principal amounts over the borrowings contracted as follows:

Bank	Payment					Total
	Quarter 1	Quarter 2	Quarter 3	Quarter		
Banorte	\$ 6,862	\$ 6,943	\$ 7,281	\$ 552,666	\$	573,752
HSBC	-	-	-	42,476		42,476
(usd)						
HSBC	119,891	48,291	581,818	-		750,000
(mxp)						
GEREM	-	-	-	152,313		152,313
Citibank	-	-	-	948,722		948,722
Total	\$ 126,753	\$ 55,234	\$ 589,099	1,696,177	\$	2,467,263

14. NET ASSETS ATTRIBUTABLE TO INVESTORS (NET EQUITY)

Net Assets Attributable to Investors (Net Equity) constitutes the initial contribution and the proceeds from the CBFI's issued.

As discussed in Note 1, on March 19, 2013, Terrafina carried out a public placement of 340,055,000 CBFI in Mexico together with private offerings in other international markets, and 40,959,635 CBFI for payment to the Contributing Trusts, for an amount equivalent to \$10,668,410 (\$28 absolute pesos for each CBFI's). The issuing costs of \$767,806 were recognized as a reduction to the Net Assets Attributable to the Investors (Net Equity).

For the purpose of the offering, the properties which are part of the Initial Portfolio as described in Note 1 were contributed by the contributing Trusts in exchange for 63,001,487 CBFI's and a payment of \$4,266,633 (see Note 1).

On September 18, 2014, Terrafina carried out a second public placement of 221,472,434 real estate trust certificates CBFI's in Mexico, together with private offerings in other international markets (including an over-allotment option), for an amount equivalent to \$6,090,492 (\$27.50 for each CBFI). The issuing costs of \$198,725 were recognized as a reduction from the proceeds from the public placement and shown as capital contributions, net of issuing costs in the Net Assets Attributable to the Investors (Net Equity) which amounts up to \$ 5,891,767.

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14. NET ASSETS ATTRIBUTABLE TO INVESTORS (NET EQUITY) (continued)

As of December 31, 2014 and 2013, the net contribution is \$15,792,371 and \$9,900,604, respectively, and is composed of 602,487,069 and 381,014,635, respectively, of CBFI's in circulation and is shown as follows.

No. of CBFI's	Details	
340,055,000	CBFI's issued through the initial public offer	\$ 8,753,734
40,959,635	CBFI's issued for the payment to the contributing trusts	1,146,870
381,014,635	As of December 31, 2013	\$ 9,900,604
192,584,726	CBFI's issued through the second public offer	5,097,355
28,887,708	CBFI's issued as over-allotment option	794,412
602,487,069	As of December 31, 2014	\$ 15,792,371

The Technical Committee approved and paid distributions as an upfront payment to the CBFI's holders based on the tax result of the year during the periods from January 1 to December 31, 2014 and from March 20 to December 31, 2013, as follows:

Distribution date	Amount
June 10, 2013	\$ 16,270
August 30, 2013	125,308
November 22, 2013	<u>125,864</u>
Total Distributions 2013	\$ 267,442
March 21, 2014	\$ 181,690
May 21, 2014	199,806
August 20, 2014	219,789
November 14, 2014	<u>243,263</u>
Total Distributions 2014	\$ 844,548

Because of the tax result for the period from January 1 to December 31, 2014 is a loss, such distributions should be considered as capital reimbursement for tax purposes.

	<u>2014</u>	<u>2013</u>
Net Asset per basic CBFI	\$ 30.19 (absolute pesos)	\$ 27.97 (absolute pesos)

15. CONCENTRATION OF RISK

The investment properties 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 mitigate this risk by concentrating their investment in various regions.

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15. CONCENTRATION OF RISK (continued)

At December 31, 2014 and 2013, the Trust has real estate investments located throughout Mexico. The concentration based on the estimated fair values and established regions is as follows:

	2014		2013	
	Region	Estimated Fair Value	Region	Estimated Fair Value
North	55 %	\$ 13,364,345	56 %	\$ 11,841,950
Central	24 %	5,831,715	24 %	5,075,121
Bajío	21 %	5,102,749	20 %	4,229,266
Total	100 %	\$ 24,298,809	100 %	\$ 21,146,337

Rental revenue concentration by region for the periods between January 1 to December 31, 2014, and between March 20 to December 31, 2013, is as follows:

	2014		2013	
	Region	Rental Revenues	Region	Rental Revenues
North	58%	\$ 1,034,872	57%	\$ 551,124
Central	22%	392,538	22%	212,715
Bajío	20%	356,852	21%	203,044
Total	100%	\$ 1,784,262	100%	\$ 966,883

16. OTHER OPERATING INCOME

Other operating income was as follows:

	Twelve months ended December 31, 2014	Period from March 20 to December 31, 2013
Service charge income	\$ 145,081	\$ 104,621
Other operating income	54,644	16,566
Total	\$ 199,725	\$ 121,187

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17. REAL ESTATE OPERATING EXPENSES

Real estate operating expenses for the periods from January 1 to December 31, 2014 and from March 20 to December 31, 2013, were as follows:

	<u>Twelve months ended December 31, 2014</u>	<u>Period from March 20 to December 31, 2013</u>
Repairs, maintenance, and facilities	\$ 114,986	\$ 91,501
Property tax and other taxes	101,757	24,230
Property management fees	39,386	20,165
Bad debt expense	38,701	12,011
Electricity	37,397	22,008
Leasing commission	32,862	22,086
Broker fees	26,032	16,440
Property insurance	24,058	12,445
Security	13,485	9,023
Advertising	1,564	2,352
Other expenses	21,251	12,986
Total	<u>\$ 451,479</u>	<u>\$ 245,247</u>

18. FEES AND OTHER EXPENSES

The Trust incurs all advisory and professional fees, including administrative management, auditors, property appraisers, legal advisors, and other administrative expenses.

Fees and other expenses for the periods from January 1 to December 31, 2014 and from March 20 to December 31, 2013, were as follows:

	<u>Twelve months ended December 31, 2014</u>	<u>Period from March 20 to December 31, 2013</u>
Management fees	\$ 108,298	\$ 61,134
Administrative fees	71,413	18,906
Payroll	21,120	9,521
Legal fees	15,480	44,988
Professional fees	12,570	38,279
Trustee fees	4,644	2,398
Other expenses	8,157	8,000
Total	<u>\$ 241,682</u>	<u>\$ 183,226</u>

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19. FINANCE COSTS - NET

Financing costs were as follows:

	<u>Twelve months ended December 31, 2014</u>	<u>Period from March 20 to December 31, 2013</u>
Interest income on bank accounts	\$ 32,061	\$ 954
Interest expense	447,054	185,830
Borrowing costs	11,563	256,079
Total	\$ 458,617	\$ 441,909

20. RELATED PARTIES

The following detail includes the outstanding Trust related parties activities:

Trustor

The Trust reimburses to the Manager all costs incurred in carrying out its functions plus Value Added Tax.

The reimbursed cost for the periods from January 1 to December 31, 2014 and from March 20 to December 31, 2013 was \$29,536 and \$18,266 respectively and was eliminated at consolidation.

Advisor

The Trust pays a management fee to the Advisor, equivalent to 0.5% per annum of the gross cost of the real estate assets plus the annual inflation rate and Value Added Tax.

The management fee accrued for the periods from January 1 to December 31, 2014 and from March 20 to December 31, 2013 was \$ 108,298 and \$ 61,134 respectively.

21. LEASES

Agreements entered into between the Trust and its tenants are classified as operating leases under IAS 17. The Trust is therefore the lessor in many and varied operating leases on its investment properties. Some fixed-term leases include renewal options for the tenants. These agreements, without considering renewal options, have expiration dates ranging from January 1, 2015 to January 31, 2024.

The minimum lease payments are 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, 2014	<1 year	1-5 years	>5 years	Total
Minimum future lease payments	\$ 1,783,281 27%	\$ 4,417,248 66%	\$ 443,062 7%	\$ 6,643,591 100%

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22. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business there can be various legal actions related to properties of the Trusts. As of December 31, 2014, 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.

23. SUBSEQUENT EVENTS

On February 18, 2015, the Technical Committee approved a dividend payment of \$254,652 corresponding to \$.4227 cents per CBFI.