FIBRA Macquarie

MACQUARIE

FIBRA MACQUARIE MÉXICO REPORTS FOURTH QUARTER AND FULL YEAR 2018 RESULTS

- AFFO per Certificate Increases 11.3% YoY -

- Delivered Record Leasing Volume, Retention and Year-End Consolidated Occupancy -

- Introduces 2019 Guidance -

MEXICO CITY, February 21, 2019 – FIBRA Macquarie México (FIBRAMQ) (BMV: FIBRAMQ), owner of one of the largest portfolios of industrial and retail property in Mexico, announced its financial and operating results for the quarter and year ended December 31, 2018.

FOURTH QUARTER 2018 HIGHLIGHTS

- Increase in AFFO per certificate of 11.3% YoY to Ps 0.5972
- Signed a record 3.7 million square feet of industrial leases, which drove record consolidated occupancy of 94.4%, up 146 bps YoY
- Average year end industrial and retail rental rates increased 3.9% and 3.7% YoY, respectively
- Authorization of a quarterly cash distribution of Ps 0.41 per certificate
- Repurchased 6.3 million certificates for cancellation

FULL YEAR 2018 HIGHLIGHTS

- Increase in AFFO per certificate of 7.6% YoY to Ps 2.4317
- Average occupancy for the year of 93.2%, up 57 bps from the prior year
- Executed a record number of leases totaling 8.4 million square feet in industrial and 35.4 thousand square meters in retail
- Sold 37 non-strategic assets, including two that remain under contract, for US$87.7 million of cash proceeds in 2018 as part of asset recycling program; in total has sold 44 assets for US$117.5 million in proceeds, 2.2% above book value
- Continued to execute on expansion initiative, with US$9.9 million deployed or committed, generating a projected yield of approximately 15.4%
- Repurchased 30.0 million certificates for cancellation, with a cumulative repurchase of 5.1% of certificates outstanding
- Completed 2018 with a record LTM industrial retention rate of 87%
- Paid distributions of Ps 1.60 per certificate in 2018, an increase of 6.7% from the prior year
- Further strengthened balance sheet by lowering LTV by 210 bps to 35.5% and increased liquidity by US$47.4 million to US$288 million, positioning FIBRAMQ for long-term growth

"2018 was a productive year for FIBRAMQ as we delivered solid AFFO growth, enhanced our portfolio composition through active asset management and recycled capital into accretive expansions, certificate buybacks and debt reduction," said Juan Monroy, FIBRA Macquarie's chief executive officer. "It was also an extremely active leasing year, where we increased occupancy in strong market conditions that allowed us to continue to accelerate renewals into the fourth quarter."

"As we move through 2019 we remain focused on value-enhancing initiatives. Despite some lingering macroeconomic uncertainty, we are encouraged by a number of positive indicators related to trade and consumer confidence. We remain confident in our portfolio and strategy, the attractive supply-demand dynamics in our key markets, and the proficiency of our internal property management platform. With a conservative and strong balance sheet, we continue to take a disciplined approach to growth. Drawing on our well-established relationships, we maintain a growth pipeline and anticipate continuing to pursue expansions along with selective development opportunities, with a managed risk profile."

FINANCIAL AND OPERATING RESULTS

Consolidated Portfolio

FIBRAMQ's total results were as follows:

TOTAL PORTFOLIO	4Q18	4Q17	Variance	FY18	FY17	Variance
Net Operating Income (NOI)	Ps 823.4m	Ps 794.9m	3.6%	Ps 3,307.2m	Ps 3,221.7m	2.7%
EBITDA	Ps 770.4m	Ps 735.7m	4.7%	Ps 3,087.5m	Ps 2,993.2m	3.2%
Funds From Operations (FFO)	Ps 531.6m	Ps 504.2m	5.4%	Ps 2,179.9m	Ps 2,110.4m	3.3%
FFO per Certificate	Ps 0.6887	Ps 0.6268	9.9%	Ps 2.7790	Ps 2.6089	6.5%
Adjusted Funds From Operations (AFFO)	Ps 461.0m	Ps 431.5m	6.8%	Ps 1,907.5m	Ps 1,828.2m	4.3%
AFFO per Certificate	Ps 0.5972	Ps 0.5363	11.3%	Ps 2.4317	Ps 2.2600	7.6%
NOI Margin	86.5%	85.2%	131 bps	87.5%	87.0%	54 bps
AFFO Margin	48.4%	46.2%	219 bps	50.5%	49.4%	112 bps
GLA ('000s sqm) EOP	3,216	3,423	-6.1%	3,216	3,423	-6.1%
Occupancy EOP	94.4%	92.9%	146 bps	94.4%	92.9%	146 bps
Average Occupancy	94.1%	92.8%	125 bps	93.2%	92.6%	57 bps
US$ denominated NOI EOP (%)	79%	77%	200 bps	79%	77%	200 bps

FIBRAMQ's same store portfolio results were as follows:

TOTAL PORTFOLIO - SAME STORE	4Q18	4Q17	Variance	FY18	FY17	Variance
Net Operating Income	Ps 821.0m	Ps 762.9m	7.6%	Ps 3,238.0m	Ps 3,083.7m	5.0%
Net Operating Income Margin	86.4%	85.4%	98	87.7%	87.2%	47
Number of Properties	253	253	0	252	252	0
GLA ('000s sqf) EOP	34,614	34,486	0.4%	34,468	34,340	0.4%
GLA ('000s sqm) EOP	3,216	3,204	0.4%	3,202	3,190	0.4%
Occupancy EOP	94.4%	94.1%	31 bps	94.6%	94.3%	31 bps
Average Monthly Rent (US$/sqm) EOP	5.24	5.11	2.5%	5.23	5.11	2.5%
Industrial Customer Retention LTM EOP	87.4%	85.3%	209 bps	87.4%	85.3%	209 bps
Weighted Avg Lease Term Temaining (years) EOP	3.8	3.6	3.4%	3.8	3.6	3.5%

Industrial Portfolio

The following table summarizes the results for FIBRAMQ's industrial portfolio:

INDUSTRIAL PORTFOLIO	4Q18	4Q17	Variance	FY18	FY17	Variance
Net Operating Income (NOI)	Ps 681.8m	Ps 655.0m	4.1%	Ps 2,731.4m	Ps 2,670.6m	2.3%
NOI Margin	89.9%	88.3%	164 bps	91.0%	90.2%	82 bps
GLA ('000s sqft) EOP	29,696	31,940	-7.0%	29,696	31,940	-7.0%
GLA ('000s sqm) EOP	2,759	2,967	-7.0%	2,759	2,967	-7.0%
Occupancy EOP	94.5%	92.6%	187 bps	94.5%	92.6%	187 bps
Average Occupancy	94.1%	92.5%	164 bps	93.0%	92.2%	80 bps
Average Monthly Rent (US$/sqm) EOP	$4.79	$4.61	3.9%	$4.79	$4.61	3.9%
Customer Retention LTM	87%	86%	44 bps	87%	86%	44 bps
Weighted Avg Lease Term Remaining (years) EOP	3.6	3.3	9.6%	3.6	3.3	9.6%

For detail on FIBRAMQ's same store industrial portfolio results, please refer to the Fourth Quarter 2018 Supplementary Information materials located at www.fibramacquarie.com/investors/bolsa-mexicana-de-valores-filings.

For the three months ended December 31, 2018, FIBRAMQ's industrial portfolio delivered net operating income (NOI) of Ps 681.8 million, an increase of 4.1% compared to Ps 655.0 million in the prior comparable period. NOI margin expanded by 164 basis points to 89.9% compared to 88.3% in the prior year, driven by higher occupancy and rental rates. For the year ended December 31, 2018, industrial portfolio NOI was Ps 2,731.4 million, a 2.3% increase from the prior year.

The industrial portfolio occupancy rate as of December 31, 2018 was 94.5%, up 187 basis points from the same quarter last year. The increase in occupancy was driven by leasing activity along with the third quarter sale of 35 non-strategic industrial assets, which had an occupancy lower than the portfolio average.

Rental rates at the end of the period improved compared to the same quarter last year, with a weighted average of US$4.79 per leased square meter per month, a 3.9% increase. This rate increase was driven primarily by contractual increases, positive renewal spreads, and the positive impact of the sale of 35 non-strategic industrial assets which had rental rates lower than the portfolio average.

FIBRAMQ signed 35 new and renewal leases in the fourth quarter of 2018, comprising 3.7 million square feet. Signed leases included four new leases totaling 248 thousand square feet and 31 renewal leases totaling 3.5 million square feet. Notable new leases in the quarter include a shelter operator in Ciudad Juárez, a hardware distributor, a scrap metal and plastic recycling center in Mexicali, and an industrial tool and equipment manufacturer in Puebla.

Renewal activity was robust with diversified representation across geographies and customer types. Renewals included the retention of a global home appliance manufacturer in Monterrey for a 1.0 million square foot property used as a key logistics hub.

For the twelve-month period ending December 31, 2018, FIBRAMQ achieved a record retention rate of 87% due to strong underlying market conditions and the proactive approach to pursuing early renewals.

Retail Portfolio

The following table summarizes the proportionally combined results of operations for FIBRAMQ's retail portfolio:

RETAIL PORTFOLIO	4Q18	4Q17	Variance	FY18	FY17	Variance
Net Operating Income (NOI)	Ps 141.6m	Ps 139.9m	1.2%	Ps 575.8m	Ps 551.2m	4.5%
NOI Margin	73.0%	73.1%	-8 bps	74.1%	74.2%	-13 bps
GLA ('000s sqm) EOP	457	456	0.3%	457	456	0.3%
Occupancy EOP	94.0%	95.1%	-119 bps	94.0%	95.1%	-119 bps
Average Occupancy	93.7%	95.1%	-134 bps	94.2%	95.2%	-92 bps
Average Monthly Rent (Ps/sqm) EOP	Ps 156.65	Ps 151.00	3.7%	Ps 156.65	Ps 151.00	3.7%
Customer Retention LTM	73%	76%	-364 bps	73%	76%	-364 bps
Weighted Avg Lease Term Remaining (years) EOP	4.3	4.8	-10.0%	4.3	4.8	-10.0%

For the quarter ended December 31, 2018, FIBRAMQ's retail portfolio delivered NOI of Ps 141.6 million, a 1.2% increase from the prior year period. For the twelve months ended December 31, 2018, the retail portfolio NOI was Ps 575.8 million, an increase of 4.5% from the prior year period. Year-over-year growth was driven by a 3.7% increase in average monthly rent, partially offset by a reduction in occupancy.

During the fourth quarter, FIBRAMQ signed 40 leases, representing 4.8 thousand square meters. This activity included 23 new leases and 17 renewals resulting in a sequential increase in occupancy of 32 bps to 94.0%.

PORTFOLIO ACTIVITY

FIBRAMQ continues to maintain a disciplined approach to portfolio growth as it executes its strategy to deploy available capital into accretive investments including expansions and selective developments.

Expansions

A key element of this strategy is the targeted expansion of existing properties on a pre-leased basis. In addition to generating attractive yields, these expansions allow FIBRAMQ to improve customer retention, satisfaction and lease term. For the full year of 2018, FIBRAMQ deployed or committed US$9.9 million to expansions generating a projected 15.4% NOI yield.

In the fourth quarter, FIBRAMQ continued a 47 thousand square foot expansion for a manufacturer of lighting products in Reynosa. FIBRAMQ also obtained permits to build a new approximately 2,200 square meter expansion at Multiplaza del Valle in Guadalajara, including 1,400 square meters for a leading cinema operator. It is expected to be completed in the second half of 2019.

Development

In January 2019, FIBRAMQ began construction of an industrial development project in Ciudad Juárez, Chihuahua. Given its strong economic and demographic trends, Ciudad Juárez is a strategic location to pursue FIBRAMQ's long-term objective of developing class A buildings in core markets. Over the medium term, FIBRAMQ intends to increase its investment in development projects to be not more than 5% of GLA, which will be the maximum volume of development at any point in time.

The project involves the construction of up to two buildings, totaling approximately 445,000 square feet. Development will be completed in two stages with an expected total investment, including land, of approximately US$20.4 million. The first-class A industrial building is expected to be completed in 2019 with an approximate investment of US$9 million.

Retail center remodeling

During 2019, as part of its proactive approach to asset management, FIBRAMQ will remodel three shopping centers in order to improve their image and vibrancy to maintain current tenants and attract new, high-quality tenants.

FIBRAMQ expects to commence these projects during the first quarter of 2019, with completion in the second half of 2019. These projects include shopping centers in the Mexico City metropolitan area with a total GLA of 179 thousand square meters. The expected total capital to be deployed for these remodels is approximately US$9.3 million. The centers will remain fully open with no major disruptions during renovation.

BALANCE SHEET

As of December 31, 2018, FIBRAMQ had approximately Ps 16.5 billion of debt outstanding, Ps 5.1 billion available on its undrawn revolving credit facility and Ps 588.0 million of unrestricted cash on hand. FIBRAMQ's indebtedness was 95% at a fixed rate with a weighted-average debt tenor remaining of 5.2 years.

FIBRAMQ's CNBV regulatory debt to total asset ratio was 35.5% and the debt service coverage ratio was 5.3x.

Subsequent to year end, on January 31st, FIBRAMQ repaid a Peso-denominated secured loan of approximately Ps 284 million, further improving the capital structure and flexibility of the balance sheet.

CAPITAL MANAGEMENT

The following table provides an overview of how FIBRA Macquarie has funded and deployed its cash to execute on its initiatives to maximize value to its certificate holders. FIBRA Macquarie remains committed to its disciplined approach of deploying capital across property expansions and developments, certificate repurchases for cancellation, and repayment of debt.

SOURCES AND USES OF CAPITAL (FY17-FY18)	**Ps equivalent**	**US$ equivalent**
Sources		
Retained AFFO	Ps 1,281.0m	US$ 67.1m
Asset Sales	Ps 1,698.9m	US$ 89.3m
Utilization of Surplus Cash	Ps 112.9m	US$ 5.3m
Total Sources	**Ps 3,092.8m**	**US$ 161.7m**
Uses		
Expansions & Developments	Ps 487.6m	US$ 25.7m
Certificates Re-purchased for Cancellation	Ps 871.9m	US$ 45.1m
Debt Repayment	Ps 1,599.1m	US$ 84.0m
Other	Ps 134.2m	US$ 6.9m
Total Uses	**Ps 3,092.8m**	**US$ 161.7m**

Note: Other includes US$2.2m of income-generating Above-Standard Tenant Improvements. Uses average FX of Ps 19.13 for 2017 and 2018.

CERTIFICATE BUYBACK FOR CANCELLATION PROGRAM

FIBRAMQ continued executing on its certificate buyback program, generating highly accretive returns as the certificates continue to trade at a discount to NAV.

In November, the Technical Committee and the Board of the Manager approved an increased buyback program of Ps 1.2 billion. Certificates will be repurchased on an opportunistic basis, taking into account other accretive opportunities, including expansions and development.

CERTIFICATE REPURCHASES	Number of certificates	Repurchase amount
Fourth Quarter 2018	6.3m	Ps 130.6
Since Program Commencement[1]	41.4m	Ps 871.9m
Maximum Remaining Through June 25, 2019	NA	Ps 845.5m

1. Includes the certificates repurchased from June 30, 2017 to February 21, 2019.

DISTRIBUTION

On February 21, 2019, FIBRAMQ declared a cash distribution for the quarter ended December 31, 2018 of Ps 0.41 per certificate. The distribution is expected to be paid on March 13, 2019 to holders of record on March 12, 2019. FIBRAMQ's certificates will commence trading ex-distribution on March 11, 2019.

From FY19 onwards, two of FIBRAMQ's four scheduled quarterly distributions will be paid in the first quarter of the subsequent fiscal year. As FIBRAMQ's historic retained tax losses may be exhausted in 2019, FIBRAMQ is proactively modifying its distribution schedule to ensure ongoing compliance with applicable FIBRA regulations pursuant to which FIBRAs must, on an annual basis, distribute at least 95% of their taxable income to investors by March 15 of the following year. As FIBRAMQ's taxable position is highly dependent on year-end FX, the new distribution schedule provides two distributions following year end when our taxable position will be known, allowing us to designate such distributions as return of capital, which are not subject to withholding tax, or distribution of taxable income, which may be subject to withholding tax, as may be required to comply with the distribution requirement. This flexibility reduces the risk of making unnecessary tax withholdings or unscheduled distribution payments. The new distribution phasing has the added benefit of reducing the maximum interval between any two quarterly distributions.

The new distribution schedule is below:

Distribution Quarter	Prior distribution schedule	New distribution schedule (indicative only)
1Q19	May 2019	June 2019
2Q19	August 2019	September 2019
3Q19	November 2019	January 2020
4Q19	March 2020	By March 15, 2020

All distributions paid in respect of FY2018, including the current quarter distribution, are designated as a return of capital and no withholding tax will be deducted. Further detail of FIBRA Macquarie's taxable position for FY2018 and its FY2019 taxable position outlook are provided in the Fourth Quarter 2018 Supplementary Information materials, located at www.fibramacquarie.com/investors/bolsa-mexicana-de-valores-filings.

2019 GUIDANCE

FIBRA Macquarie is introducing its guidance for 2019. FIBRAMQ estimates total AFFO of between Ps 2.45 and Ps 2.50 per certificate for the year. This guidance is driven by the following assumptions:

- The cash-generating capacity of its existing portfolio and an average exchange rate of Ps 19.25 per US dollar
- No new acquisitions or divestments, other than completion of the sale of the two remaining properties from the portfolio sale announced last summer
- Assumes no certificate repurchases
- The continued stable performance of the properties in the portfolio, and stable market conditions.

For full year 2019, FIBRAMQ expects to make cash distributions of approximately Ps 1.70 per certificate, to be paid in equal quarterly payments of Ps 0.425. This represents an expected increase of 6.3% from the prior year, while maintaining a prudent and stable AFFO payout ratio. The payment of cash distributions is subject to the approval of the board of directors of the Manager.

FINANCIAL REPORTING IMPROVEMENTS – ANNOUNCING AFFO METHODOLOGY UPDATE FOR FY2019

FIBRAMQ recognizes the important contribution that financial reporting and transparency provides in enhancing corporate governance. As part of this endeavor, and following a review of global REIT industry best practice measures, FIBRAMQ is updating its AFFO reporting methodology with effect from 1 January, 2019.

The updated methodology continues to reflect the guiding principal of FIBRAMQ fully including within AFFO all actual incurred expenditures in connection with sustaining and maintaining our existing portfolio. Backward-looking actual maintenance expenditure and related items will now be reported in AFFO, rather than the current FY18 methodology which used a mainly forecast-based approach. In addition, actual maintenance capex expenditure and related items will be reported on a rolling three-year average, allowing for continued stability of results.

Given that the FY18 AFFO methodology was already substantially representative of long-term maintenance capex requirements, the updated methodology impact to AFFO is relatively small. FIBRAMQ estimates that, had this methodology been implemented at the beginning of 2018, the pro forma AFFO result for 2018 would have been negatively impacted by Ps 0.03 per certificate.

A comprehensive overview of the FY19 AFFO reporting updates, along with the pro forma FY18 AFFO results, has been provided in the Fourth Quarter 2018 Supplementary Information materials, located at www.fibramacquarie.com/investors/bolsa-mexicana-de-valores-filings.

WEBCAST AND CONFERENCE CALL

FIBRAMQ will host an earnings conference call and webcast presentation on Friday, February 22, 2019 at 7:30 a.m. CT / 8:30 a.m. ET. The conference call, which will also be audio webcast, can be accessed online atwww.fibramacquarie.com or by dialing toll free +1 (877) 304 8957. Callers from outside the United States may dial +1 (973) 638 3235. Please ask for the FIBRA Macquarie Fourth Quarter 2018 Earnings Call with conference number 5574545.

An audio replay will be available by dialing +1-855-859-2056 or +1-404-537-3406 for callers from outside the United States. The passcode for the replay is 5574545. A webcast archive of the conference call and a copy of FIBRA Macquarie's financial information for the fourth quarter 2018 will also be available on FIBRA Macquarie's website, www.fibramacquarie.com.

ADDITIONAL INFORMATION

For detailed charts, tables and definitions, please refer to the Fourth Quarter 2018 Supplementary Information materials located at www.fibramacquarie.com/investors/bolsa-mexicana-de-valores-filings.

About FIBRA Macquarie

FIBRA Macquarie México (FIBRA Macquarie) (BMV:FIBRAMQ) is a real estate investment trust (fideicomiso de inversión en bienes raíces), or FIBRA, listed on the Mexican Stock Exchange (Bolsa Mexicana de Valores) targeting industrial, retail and office real estate opportunities in Mexico, with a primary focus on stabilized income-producing properties. FIBRA Macquarie's portfolio consists of 236 industrial properties and 17 retail/office properties, located in 20 cities across 16 Mexican states as of December 31, 2018. Nine of the retail/office properties are held through a 50/50 joint venture. For additional information about FIBRA Macquarie, please visit www.fibramacquarie.com.

Cautionary Note Regarding Forward-looking Statements

This release may contain forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ significantly from these forward-looking statements and we undertake no obligation to update any forward-looking statements.

None of the entities noted in this document is an authorized deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia). The obligations of these entities do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL). MBL does not guarantee or otherwise provide assurance in respect of the obligations of these entities.

THIS RELEASE IS NOT AN OFFER FOR SALE OF SECURITIES IN THE UNITED STATES, AND SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES ABSENT REGISTRATION OR AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED.

THIS ANNOUNCEMENT IS NOT FOR RELEASE IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA.

Investor relations contact:
Tel: +52 (55) 9178 7751
Email: fibramq@macquarie.com

Evelyn Infurna

Tel: +1 203 682 8265
Email: evelyn.infurna@icrinc.com

Nikki Sacks

Tel: +1 203 682 8263
Email: nikki.sacks@icrinc.com

For press queries, please contact:

Alejandro Sampedro Llorens

FleishmanHillard México
Tel: +52 (55) 5540 6031 ext. 249
Email: alejandro.sampedro@fleishman.com

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31, 2018 AND 2017

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

	Dec 31, 2018 $'000	Dec 31, 2017* $'000
Current assets		
Cash and cash equivalents	555,591	417,529
Trade and other receivables, net	102,078	74,539
Other assets	72,597	73,938
Investment properties held for sale	147,622	-
Total current assets	877,888	566,006
Non-current assets		
Restricted cash	-	50,289
Other receivables	424,411	-
Other assets	187,849	196,673
Equity-accounted investees	1,152,560	1,137,652
Goodwill	841,614	882,758
Investment properties	40,132,961	41,722,712
Derivative financial instruments	124,011	111,573
Total non-current assets	42,863,406	44,101,657
Total assets	43,741,294	44,667,663
Current liabilities		
Trade and other payables	398,314	630,784
Tenant deposits	33,182	39,295
Total current liabilities	431,496	670,079
Non-current liabilities		
Tenant deposits	304,610	313,719
Interest-bearing liabilities	15,537,190	16,318,550
Deferred income tax	19,178	6,277
Total non-current liabilities	15,860,978	16,638,546
Total liabilities	16,292,474	17,308,625
Net assets	27,448,820	27,359,038
Equity		
Contributed equity	17,497,483	18,118,973
Retained earnings	9,951,337	9,240,065
Total equity	27,448,820	27,359,038

* The Group has initially applied IFRS 9 and IFRS 15 at January 1, 2018. Under the transition methods chosen, comparative information has not been restated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS AND YEARS ENDED DECEMBER 31, 2018 AND 2017

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

	3 months ended		Year ended	
	Dec 31, 2018 $'000	Dec 31, 2017* $'000	Dec 31, 2018 $'000	Dec 31, 2017* $'000
Property related income	900,791	880,794	3,566,487	3,500,152
Property related expenses	(135,760)	(149,129)	(500,044)	(510,511)
Net property income	765,031	731,665	3,066,443	2,989,641
Management fees	(41,007)	(46,732)	(168,155)	(179,753)
Transaction related expenses	(602)	(346)	(1,626)	(4,962)
Professional, legal and other expenses	(11,895)	(12,379)	(50,756)	(48,526)
Total expenses	(53,504)	(59,457)	(220,537)	(233,241)
Finance costs	(224,090)	(224,796)	(893,803)	(884,789)
Financial income	7,669	4,963	21,123	13,820
Other income, net	-	9,785	-	9,785
Share of profits from equity-accounted investees	45,938	45,552	64,579	115,752
Foreign exchange (loss)/gain	(665,739)	(1,258,489)	24,658	840,147
Net unrealized foreign exchange gain/(loss) on foreign currency denominated investment property	1,512,744	2,538,635	(83,711)	(1,566,232)
Unrealized revaluation (loss)/gain on investment property measured at fair value	(155,186)	559,305	6,967	549,165
Gain/(loss) on disposal of investment property	-	45,110	(3,453)	45,789
Goodwill written off in respect of properties disposed	-	(48,847)	(41,144)	(48,847)
Net unrealized (loss)/gain on interest rate swaps	(17,847)	37,300	12,438	13,811
Profit before tax for the period/year	1,215,016	2,380,726	1,953,560	1,844,801
Current income tax	(71)	980	(381)	107
Deferred income tax	(12,901)	(4,610)	(12,901)	(4,610)
Profit for the period/year	1,202,044	2,377,096	1,940,278	1,840,298
Other comprehensive income				
Other comprehensive income for the period/year	-	-	-	-
Total comprehensive income for the period/year	1,202,044	2,377,096	1,940,278	1,840,298
Profit per CBFI**				
Basic profit per CBFI (pesos)	1.56	2.96	2.47	2.27

* The Group has initially applied IFRS 9 and IFRS 15 at January 1, 2018. Under the transition methods chosen, comparative information has not been restated.

***Real Estate Trust Certificates (Certificados Bursátiles Fiduciarios Inmobiliarios)*

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

	Contributed equity	Retained earnings	Total
	$'000	$'000	$'000
Total equity at January 1, 2017	18,369,994	8,666,697	27,036,691
Total comprehensive income for the year	-	1,840,298	1,840,298
Total comprehensive income for the year	-	1,840,298	1,840,298
Transactions with equity holders in their capacity as equity holders:			
- Distributions to CBFI holders	-	(1,266,930)	(1,266,930)
- Repurchase of CBFIs, including associated costs	(251,021)	-	(251,021)
Total transactions with equity holders in their capacity as equity holders	(251,021)	(1,266,930)	(1,517,951)
Total equity at December 31, 2017	18,118,973	9,240,065	27,359,038
Total equity at January 1, 2018	18,118,973	9,240,065	27,359,038
Total comprehensive income for the year	-	1,940,278	1,940,278
Total comprehensive income for the year	-	1,940,278	1,940,278
Transactions with equity holders in their capacity as equity holders:			
- Distributions to CBFI holders	-	(1,229,006)	(1,229,006)
- Repurchase of CBFIs, including associated costs	(621,490)	-	(621,490)
Total transactions with equity holders in their capacity as equity holders	(621,490)	(1,229,006)	(1,850,496)
Total equity at December 31, 2018	17,497,483	9,951,337	27,448,820

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

	Year ended	
	Dec 31, 2018	Dec 31, 2017*
	$'000	$'000
	Inflows / (Outflows)	Inflows / (Outflows)
Operating activities:		
Profit before tax for the year	1,953,560	1,844,801
Adjustments for:		
Net unrealized foreign exchange loss on foreign currency denominated investment property measured at fair value	83,711	1,566,232
Unrealized revaluation gain on investment property measured at fair value	(6,967)	(549,165)
Goodwill written off in respect of properties disposed	41,144	48,847
Straight line rental income adjustment	2,928	(10,055)
Loss/(gain) on disposal of investment property	3,453	(45,789)
Tenant improvement amortization	34,317	28,927
Leasing expense amortization	63,990	48,561
Financial income	(21,123)	(13,820)
Impairment loss on trade receivables	30,179	17,802
Net foreign exchange gain	(44,935)	(868,110)
Finance costs recognized in profit for the year	893,803	884,789
Share of profits from equity-accounted investees	(64,579)	(115,752)
Net unrealized gain on interest rates swaps	(12,438)	(13,811)
Movements in working capital:		
(Increase)/decrease in receivables	(95,698)	6,914
(Decrease)/increase in payables	(57,214)	3,202
Net cash flows from operating activities	2,804,131	2,833,573
Investing activities:		
Investment property acquired	(29,595)	-
Proceeds from investment properties disposed	1,189,353	525,087
Maintenance capital expenditure and other capitalized cost	(499,633)	(385,091)
Distributions received from equity-accounted investees	49,671	62,975
Net cash flows from investing activities	709,796	202,971
Financing activities:		
Financial income	21,123	13,820
Repayment of interest-bearing liabilities	(770,052)	(4,601,532)
Interest paid	(847,006)	(826,820)
Proceeds from interest-bearing liabilities, net of facility charges	-	3,672,621
Repurchase of CBFIs, including associated costs	(621,490)	(251,021)
Distribution to CBFI holders	(1,229,006)	(1,266,930)
Net cash flows from financing activities	(3,446,431)	(3,259,862)
Net increase/(decrease) in cash and cash equivalents	67,496	(223,318)
Cash and cash equivalents at the beginning of the year	467,818	663,173
Foreign exchange loss on cash and cash equivalents	20,277	27,963
Cash and cash equivalents at the end of the year**	555,591	467,818

* The Group has initially applied IFRS 9 and IFRS 15 at January 1, 2018. Under the transition methods chosen, comparative information has not been restated.

**Includes restricted cash balance of $nil (2017: $50.3 million) as at December 31, 2018.

FIBRA MACQUARIE MÉXICO

CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER AND FULL YEAR ENDED DECEMBER 31, 2018

Important: This English translation, available online at www.fibramacquarie.com, is for courtesy purposes only. The Spanish original prevails.

MACQUARIE

FIBRA Macquarie México

TABLE OF CONTENTS

Disclaimer

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31, 2018 AND 2017

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

	Note	Dec 31, 2018 $'000	Dec 31, 2017* $'000
Current assets			
Cash and cash equivalents	10	**555,591**	417,529
Trade and other receivables, net	11	**102,078**	74,539
Other assets	12	**72,597**	73,938
Investment properties held for sale	15	**147,622**	-
Total current assets		**877,888**	566,006
Non-current assets			
Restricted cash	10	**-**	50,289
Other receivables	11	**424,411**	-
Other assets	12	**187,849**	196,673
Equity-accounted investees	13	**1,152,560**	1,137,652
Goodwill	14	**841,614**	882,758
Investment properties	16	**40,132,961**	41,722,712
Derivative financial instruments	20	**124,011**	111,573
Total non-current assets		**42,863,406**	44,101,657
Total assets		**43,741,294**	44,667,663
Current liabilities			
Trade and other payables	17	**398,314**	630,784
Tenant deposits	18	**33,182**	39,295
Total current liabilities		**431,496**	670,079
Non-current liabilities			
Tenant deposits	18	**304,610**	313,719
Interest-bearing liabilities	19	**15,537,190**	16,318,550
Deferred income tax	21	**19,178**	6,277
Total non-current liabilities		**15,860,978**	16,638,546
Total liabilities		**16,292,474**	17,308,625
Net assets		**27,448,820**	27,359,038
Equity			
Contributed equity	22	**17,497,483**	18,118,973
Retained earnings	23	**9,951,337**	9,240,065
Total equity		**27,448,820**	27,359,038

* The Group has initially applied IFRS 9 and IFRS 15 at January 1, 2018. Under the transition methods chosen, comparative information has not been restated.

The above Consolidated Statements of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS AND YEARS ENDED DECEMBER 31, 2018 AND 2017

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

		3 months ended		Year ended	
	Note	Dec 31, 2018 $'000	Dec 31, 2017* $'000	Dec 31, 2018 $'000	Dec 31, 2017* $'000
Property related income	5(a)	**900,791**	880,794	**3,566,487**	3,500,152
Property related expenses	5(b)	**(135,760)**	(149,129)	**(500,044)**	(510,511)
Net property income		**765,031**	731,665	**3,066,443**	2,989,641
Management fees	28(c)	**(41,007)**	(46,732)	**(168,155)**	(179,753)
Transaction related expenses		**(602)**	(346)	**(1,626)**	(4,962)
Professional, legal and other expenses	5(c)	**(11,895)**	(12,379)	**(50,756)**	(48,526)
Total expenses		**(53,504)**	(59,457)	**(220,537)**	(233,241)
Finance costs	5(d)	**(224,090)**	(224,796)	**(893,803)**	(884,789)
Financial income	5(e)	**7,669**	4,963	**21,123**	13,820
Other income, net		**-**	9,785	**-**	9,785
Share of profits from equity-accounted investees	13	**45,938**	45,552	**64,579**	115,752
Foreign exchange (loss)/gain	5(f)	**(665,739)**	(1,258,489)	**24,658**	840,147
Net unrealized foreign exchange gain/(loss) on foreign currency denominated investment property	15,16	**1,512,744**	2,538,635	**(83,711)**	(1,566,232)
Unrealized revaluation (loss)/gain on investment property measured at fair value	15,16	**(155,186)**	559,305	**6,967**	549,165
Gain/(loss) on disposal of investment property	15	**-**	45,110	**(3,453)**	45,789
Goodwill written off in respect of properties disposed	14	**-**	(48,847)	**(41,144)**	(48,847)
Net unrealized (loss)/gain on interest rate swaps	20	**(17,847)**	37,300	**12,438**	13,811
Profit before tax for the period/year		**1,215,016**	2,380,726	**1,953,560**	1,844,801
Current income tax	21	**(71)**	980	**(381)**	107
Deferred income tax	21	**(12,901)**	(4,610)	**(12,901)**	(4,610)
Profit for the period/year		**1,202,044**	2,377,096	**1,940,278**	1,840,298
Other comprehensive income					
Other comprehensive income for the period/year		**-**	-	**-**	-
Total comprehensive income for the period/year		**1,202,044**	2,377,096	**1,940,278**	1,840,298
Profit per CBFI**					
Basic profit per CBFI (pesos)	9	**1.56**	2.96	**2.47**	2.27

* The Group has initially applied IFRS 9 and IFRS 15 at January 1, 2018. Under the transition methods chosen, comparative information has not been restated.

***Real Estate Trust Certificates (Certificados Bursátiles Fiduciarios Inmobiliarios)*

The above Consolidated Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

	Note	Contributed equity $'000	Retained earnings $'000	Total $'000
Total equity at January 1, 2017		18,369,994	8,666,697	27,036,691
Total comprehensive income for the year		-	1,840,298	1,840,298
Total comprehensive income for the year		-	1,840,298	1,840,298
Transactions with equity holders in their capacity as equity holders:				
- Distributions to CBFI holders	8	-	(1,266,930)	(1,266,930)
- Repurchase of CBFIs, including associated costs	22	(251,021)	-	(251,021)
Total transactions with equity holders in their capacity as equity holders		(251,021)	(1,266,930)	(1,517,951)
Total equity at December 31, 2017		18,118,973	9,240,065	27,359,038
Total equity at January 1, 2018		**18,118,973**	**9,240,065**	**27,359,038**
Total comprehensive income for the year		**-**	**1,940,278**	**1,940,278**
Total comprehensive income for the year		**-**	**1,940,278**	**1,940,278**
Transactions with equity holders in their capacity as equity holders:				
- Distributions to CBFI holders	8	**-**	**(1,229,006)**	**(1,229,006)**
- Repurchase of CBFIs, including associated costs	22	**(621,490)**	**-**	**(621,490)**
Total transactions with equity holders in their capacity as equity holders		**(621,490)**	**(1,229,006)**	**(1,850,496)**
Total equity at December 31, 2018		**17,497,483**	**9,951,337**	**27,448,820**

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

		Year ended	
	Note	Dec 31, 2018 $'000 Inflows / (Outflows)	Dec 31, 2017* $'000 Inflows / (Outflows)
Operating activities:			
Profit before tax for the year		**1,953,560**	1,844,801
Adjustments for:			
Net unrealized foreign exchange loss on foreign currency denominated investment property measured at fair value	15,16	**83,711**	1,566,232
Unrealized revaluation gain on investment property measured at fair value	15,16	**(6,967)**	(549,165)
Goodwill written off in respect of properties disposed	14	**41,144**	48,847
Straight line rental income adjustment		**2,928**	(10,055)
Loss/(gain) on disposal of investment property	15	**3,453**	(45,789)
Tenant improvement amortization	5(b)	**34,317**	28,927
Leasing expense amortization	5(b)	**63,990**	48,561
Financial income	5(e)	**(21,123)**	(13,820)
Impairment loss on trade receivables	5(b)	**30,179**	17,802
Net foreign exchange gain	5(f)	**(44,935)**	(868,110)
Finance costs recognized in profit for the year	5(d)	**893,803**	884,789
Share of profits from equity-accounted investees	13(c)	**(64,579)**	(115,752)
Net unrealized gain on interest rates swaps	20	**(12,438)**	(13,811)
Movements in working capital:			
(Increase)/decrease in receivables		**(95,698)**	6,914
(Decrease)/increase in payables		**(57,214)**	3,202
Net cash flows from operating activities		**2,804,131**	2,833,573
Investing activities:			
Investment property acquired	16	**(29,595)**	-
Proceeds from investment properties disposed	15	**1,189,353**	525,087
Maintenance capital expenditure and other capitalized cost		**(499,633)**	(385,091)
Distributions received from equity-accounted investees	13(b)	**49,671**	62,975
Net cash flows from investing activities		**709,796**	202,971
Financing activities:			
Financial income	5(e)	**21,123**	13,820
Repayment of interest-bearing liabilities		**(770,052)**	(4,601,532)
Interest paid		**(847,006)**	(826,820)
Proceeds from interest-bearing liabilities, net of facility charges		**-**	3,672,621
Repurchase of CBFIs, including associated costs	22	**(621,490)**	(251,021)
Distribution to CBFI holders	8	**(1,229,006)**	(1,266,930)
Net cash flows from financing activities		**(3,446,431)**	(3,259,862)
Net increase/(decrease) in cash and cash equivalents		**67,496**	(223,318)
Cash and cash equivalents at the beginning of the year		**467,818**	663,173
Foreign exchange loss on cash and cash equivalents	5(f)	**20,277**	27,963
Cash and cash equivalents at the end of the year**		**555,591**	467,818

* The Group has initially applied IFRS 9 and IFRS 15 at January 1, 2018. Under the transition methods chosen, comparative information has not been restated.

**Includes restricted cash balance of $nil (2017: $50.3 million) as at December 31, 2018.

The above Consolidated Statements of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

1. REPORTING ENTITY

FIBRA Macquarie México (“FIBRA Macquarie") was created under the Irrevocable Trust Agreement No. F/1622, dated November 14, 2012, entered into by Macquarie México Real Estate Management, S.A. de C.V., as settlor, and Deutsche Bank México, S.A., Institución de Banca Múltiple, División Fiduciaria as trustee (in such capacity, together with its successors and assigns in such capacity, the “FIBRA Macquarie Trustee”). FIBRA Macquarie is a real estate investment trust (Fideicomiso de Inversión en Bienes Raíces or “FIBRA”) for Mexican federal tax purposes.

FIBRA Macquarie is domiciled in the United Mexican States ("Mexico") and the address of its registered office is Av. Paseo de las Palmas, 215, Piso 7, Lomas de Chapultepec I Seccion, Miguel Hidalgo, Mexico City 11000 with effect from November 2, 2017. FIBRA Macquarie’s trust agreement was amended on November 20, 2012, amended and restated on December 11, 2012, to, among other things, add as parties to the Trust Agreement, Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero, as common representative, and Macquarie México Real Estate Management, S.A. de C.V., as manager (in such capacity, “MMREM” or the “Manager”), and further amended and restated on August 27, 2014 (such amended and restated trust agreement, the “Trust Agreement”). On October 31, 2017, Deutsche Bank Mexico, S.A., Institución de Banca Múltiple, División Fiduciaria, as substituted trustee, and CIBanco, S.A., Institución de Banca Múltiple ("CIBanco"), as substitute trustee, with the acknowledgment of MMREM as settlor and beneficiary in second place of the Trust Agreement, executed a trustee substitution agreement (hereinafter, the “Trustee Substitution Agreement”) whereby CIBanco agreed to act as the FIBRA Macquarie Trustee, assuming all the rights and obligations derived in such capacity from the Trust Agreement.

These consolidated financial statements comprise the trust and its controlled entities (together referred as the “Group” or “FIBRA Macquarie”).

FIBRA Macquarie was established with the purpose of investing in real estate assets in Mexico.

Background information

On December 14, 2012, FIBRA Macquarie was listed on the Mexican Stock Exchange under the ticker symbol “FIBRAMQ12” with an initial offering of 511,856,000 Real Estate Trust Certificates (Certificados Bursátiles Fiduciarios Inmobiliarios, or “CBFIs”), in a global offering including the exercise of an over-allotment option, for gross proceeds of $12.80 billion.

On September 23, 2014, FIBRA Macquarie completed a follow-on global offering of 206,612,583 CBFIs, including the exercise of an over- allotment option, for gross proceeds of $4.85 billion.

FIBRA Macquarie held its investment in real estate assets through Mexican irrevocable trusts, namely F/00923 MMREIT Industrial Trust I ("MMREIT Industrial Trust I"), F/00921 MMREIT Industrial Trust II ("MMREIT Industrial Trust II"), F/00922 MMREIT Industrial Trust III ("MMREIT Industrial Trust III"), F/01025 MMREIT Industrial Trust IV ("MMREIT Industrial Trust IV") , F/01005 MMREIT Retail Trust I (“MMREIT Retail Trust I”), F/01006 MMREIT Retail Trust II (“MMREIT Retail Trust II”), MMREIT Retail Trust III ("MMREIT Retail Trust III"), and F/01023 MMREIT Retail Trust V (“MMREIT Retail Trust V”).

On October 31, 2017, FIBRA Macquarie executed the reassignment of the trust estates of MMREIT Industrial Trust I and MMREIT Industrial Trust II into the estate of MMREIT Industrial Trust IV and the reassignment of the trust estates of MMREIT Retail Trust I and MMREIT Retail Trust II into the estate of MMREIT Retail Trust V, as well as the subsequent termination of MMREIT Industrial Trust I, MMREIT Industrial Trust II, MMREIT Retail Trust I and MMREIT Retail Trust II. Given the above, FIBRA Macquarie currently holds its investment in real estate assets through the following Mexican irrevocable trusts (“Investment Trusts”): MMREIT Industrial Trust III and MMREIT Industrial Trust IV (collectively, the “Industrial Trusts”), and MMREIT Retail Trust III and MMREIT Retail Trust V (collectively, the “Retail Trusts”).

The following material acquisitions have been completed to date:

On September 20, 2012, MMREIT Industrial Trust II and MMREIT Industrial Trust III entered into asset purchase agreements with affiliate entities of Corporate Properties of the Americas, LLC (“CPA”) pursuant to which they agreed to acquire 88 industrial properties. On October 25, 2012, MMREIT Industrial Trust I entered into an asset purchase agreement with affiliates of BRE Debt Mexico II, S.A. de C.V. SOFOM ENR ("BRE Debt Mexico", formerly GE Capital Real Estate Mexico S. de R.L. de C.V.), pursuant to which MMREIT Industrial Trust I agreed to acquire 155 industrial properties. The total consideration paid for both these acquisitions was US$1.5 billion (excluding transaction expenses and taxes), financed in part by BRE Debt Mexico loan facilities, Metropolitan Life Insurance Company (“MetLife”) loan facility and the balance by existing cash reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

1. REPORTING ENTITY (CONTINUED)

Background information (continued)

On October 17, 2013, MMREIT Industrial Trust I acquired a portfolio of 15 industrial properties from affiliates of DCT Industrial Inc. for US$82.7 million (excluding transaction costs and taxes), financed in part by loan facilities provided by BRE Debt Mexico and its affiliate.

On November 4, 2013, MMREIT Retail Trust V acquired a portfolio of two retail properties from companies controlled by Fondo Comercial Mexicano ("FCM") for $2.0 billion (excluding transactions costs and taxes), financed in part by Banco Nacional de México ("Banamex") loan facility.

MMREIT Retail Trust I and MMREIT Retail Trust II acquired a portfolio of six retail properties from Grupo Inmobiliario Carr and its partners, financed in part by loan facilities provided by BRE Debt Mexico and an affiliate of BRE Debt Mexico. Five of the properties were acquired on November 6, 2013 and the remaining property was acquired on March 27, 2014 for a total consideration of $2.8 billion (excluding transaction costs and taxes).

On March 28, 2014, MMREIT Retail Trust III acquired a 50% interest in a portfolio of nine retail properties and additional land from affiliates of Kimco Realty Corporation ("Kimco") for $1.5 billion, financed in part by BRE Debt Mexico and MetLife loan facilities. Grupo Frisa ("Frisa", or the “Joint Venture Partner”) owns the remaining 50% of the portfolio.

On February 18, 2015, MMREIT Industrial Trust IV acquired a two-building industrial property from Ridge Property Trust II for US$58.0 million (excluding transaction costs and taxes).

On July 23, 2015, MMREIT Industrial Trust IV acquired a portfolio of eight industrial properties including two build-to-suit ("BTS") development properties from Desarrollos Industriales Nexxus for US$29.9 million (excluding transaction costs and taxes).

On August 19, 2015, MMREIT Industrial Trust IV acquired a portfolio of ten industrial properties from an institutional industrial property owner and developer for US$105.0 million (excluding transaction costs and taxes).

On February 9, 2016, MMREIT Industrial Trust IV acquired a portfolio of two industrial properties and adjacent land from Los Bravos for a total of US$21.7 million (excluding transaction costs and taxes).

Where applicable, acquired properties and the cash flows derived from these properties are held in security trusts under the terms of the credit facilities with the relevant lenders.

Relevant activities

On January 16, 2018 MMREIT Industrial Trust IV acquired a land parcel in Ciudad Juárez for a consideration of US$3.2 million. 50% of this total consideration was paid at that date and the balance 50% is payable in April 2019.

On July 5, 2018, FIBRA Macquarie sold 35 non-strategic industrial assets for US$80.2 million of cash proceeds. Two additional industrial assets with an aggregate value of US$7.2 million remain under contract for sale and are expected to close at a later date. The sale proceeds of US$80.2 million for the 35 assets are to be received in three tranches. FIBRA Macquarie received US$61.0 million at closing and will receive US$11.2 million and US$8.0 million on January 5, 2020 and July 5, 2020, respectively. Initial proceeds were used to fully repay the US$40.0 million outstanding balance on FIBRA Macquarie’s revolver facility, with the remaining US$21.0 million held as unrestricted cash.

On November 1, 2018, FIBRA Macquarie announced an increase in the size of its certificates repurchase program. The Technical Committee and the Board of Directors of the Manager have approved an increased buyback program size of $1.2 billion for the twelve months ending June 25, 2019, to fully align with the program size and duration approved by certificates holders at the 2018 annual general meeting.

2. BASIS OF PREPARATION AND PRESENTATION

a) Statement of compliance

On February 21, 2019, the Technical Committee authorized the issuance of these consolidated financial statements and related notes thereto.

These consolidated financial statements are for the Group and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Group has elected to present a single statement of comprehensive income and presents its expenses by nature.

The Group reports cash flows from operating activities using the indirect method. Rental income, together with deposits received and repaid will be treated as cash flows from operating activities. The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities.

The Group has initially applied IFRS 15 and IFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information has not been restated.

b) Historical cost convention

These consolidated financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investment properties at fair value.

c) Critical accounting judgments and estimates

During the preparation of the consolidated financial statements, the Manager is required to make judgments, estimations and estimates of uncertainties at December 31, 2018 that affect the application of accounting policies. The notes to the consolidated financial statements set out areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the consolidated financial statements such as:

(i) Judgements

- Estimation of fair value of investment properties: Critical judgments are made with respect to the fair values of investment properties. The fair values of investment properties are reviewed regularly by management with reference to independent property valuations and market conditions existing at the reporting date, using generally accepted market practices. The independent valuators are experienced, nationally recognized and qualified in the professional valuation of industrial and retail buildings in their respective geographic areas. Since inception, FIBRA Macquarie has performed yearly independent appraisals.

- Estimation of fair value of derivative financial instruments: The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as credit risk and volatility. Changes in assumptions about these factors could materially affect the reported fair value of financial instruments. See note 20 for further details.

- Classification of joint arrangements into joint ventures: Critical judgments are made with respect to the fair values of investment properties included in the JV with Grupo Frisa. See note 13 for further details.

(ii) Assumptions and estimation of uncertainties

- Critical assumptions relating to the valuation of investment properties at fair value include the receipt of contractual rents, expected future market rents, renewal rates, capital expenditures, discount rates that reflect current market uncertainties, capitalization rates and recent investment property transactions. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may change materially. See notes 3(k) and 16 for further details.

- Trade and other receivable: The portfolio are measured based on a forward-looking 'Expected Credit Loss' ("ECL") model. This requires considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. Any change in management´s estimates can result in modification of the impairment loss of trade receivables. See notes 3(i) and 11 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

2. BASIS OF PREPARATION AND PRESENTATION (CONTINUED)

c) Critical accounting judgments and estimates (continued)

(ii) Assumptions and estimation of uncertainties (continued)

- Income tax and deferred income tax: The recognition and measurement of deferred tax assets or liabilities is dependent on management's estimate of future taxable profits and income tax rates that are expected to be in effect in the period the asset is realised or the liability is settled. Any changes in management's estimates can result in changes in deferred tax assets or liabilities as reported in the balance sheet. See note 21 for further details.

- Goodwill is tested for impairment at least annually, and when circumstances indicate that the carrying value may be impaired based on key assumptions underlying to the portfolio premium.

Management believes that the estimates used in preparing the consolidated financial statements are reasonable. Actual results in the future may differ from those reported and therefore it is possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from our assumptions and estimates could result in an adjustment to the carrying amounts of the assets and liabilities previously reported.

d) Measurement of fair value

The Group measures financial instruments, such as derivatives and non-derivatives financial assets and investment properties, at fair value at every reporting date. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market for the asset or liability.

All asset and liabilities for which fair value is measured or discloses in the consolidated financial statements are categorized in the level three 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements and that of the previous year are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. See note 4 for further details.

a) Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after January 1, 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Of those standards that are not yet effective, IFRS 16 Leases is expected to have no material impact on the Group's financial statements in the period of initial application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Standards issued but not yet effective (continued)

IFRS 16 Leases

The Group is required to adopt IFRS 16 from January 1, 2019. The Group is currently assessing to the potential impact of initial application, and does not expect any material impact on its consolidated financial statements.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

(i) Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases of administrative offices facilities. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Until December 31, 2018, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

The Group does not expect the adoption of IFRS 16 to impact its ability to comply with any relevant maximum leverage threshold loans covenants.

(ii) Leases in which the Group is a lessor

No significant impact is expected for other leases in which the Group is a lessor.

Other standards

The following amended standards and interpretations are not expected to have any significant impact on the Group's consolidated financial statements:

- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.

b) Principles of consolidation

The consolidated financial statements of FIBRA Macquarie incorporate the assets and liabilities of its controlled entities as at December 31, 2018 and 2017 and their results for the three months and years then ended. The effects of intra-Group balances and transactions, and any unrealized income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Principles of consolidation (continued)

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. For the three months and years ended December 31, 2018 and 2017, the Group consolidated the financial results of its three subsidiaries – MMREIT Property Administration Services, A.C. ("MPAS"), MMREIT Property Administration, A.C. ("MPA") and MMREIT Property Administration Holding, A.C. ("MPAH").

(ii) Business Combinations

Accounting for business combinations under IFRS 3 applies if a business has been acquired. Business combinations are accounted for using the acquisition method as at the acquisition date. Cost is measured as the aggregate of the fair values (at the date of acquisition) of assets acquired, equity instruments issued or liabilities incurred or assumed at the date of exchange.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values on the acquisition date. The Group can elect, on a transaction-by-transaction basis, to measure Non-Controlling Interests ("NCI") relating to ordinary shares either at fair value or at the NCI's proportionate share of the fair values of the identifiable assets and liabilities. The excess of the consideration payable over the Group's share of the fair value of the identifiable net assets acquired is recorded as goodwill. If the consideration is less than the Group's share of the fair value of the identifiable net assets of the business acquired, the difference is recognized directly in the Consolidated Statements of Comprehensive Income, after a reassessment of the identification and measurement of the net assets acquired. Any contingent consideration payable is measured at fair value at the acquisition date. Subsequent changes in the fair value of these contingent consideration liabilities are recognized in the Consolidated Statement of Comprehensive Income.

Transaction costs, other than those associated with the issue of debt or equity securities, in connection with a business combination are expensed as incurred.

Where settlement of a portion of the cash consideration is deferred, the amounts payable in the future are discounted to their present value. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions

Distinguishing between whether assets or a business is acquired involves judgement. The Group uses the following factors in identifying a business combination:

- the Group's acquisition strategy when commencing its operations;
- the nature of the Group's industry and business model, which affects the nature of an input, process or output;
- whether the acquisition included a majority of the critical inputs (e.g. tangible or intangible assets and intellectual property) and a majority of the critical processes (e.g. strategic processes, skilled and experienced workforce);
- the relative ease of replacing the critical processes not acquired by either integrating within the Group's existing processes or sub-contracting them to third parties; and
- the presence of goodwill.

(iii) Joint Arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending upon the contractual rights and obligations each investor has, and the legal structure of the joint arrangement. Interests in joint ventures are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases. The Group has two joint ventures with Grupo Frisa whereby it holds 50% of a portfolio of nine retail assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, have been identified as the Chief Executive Officer of the Group. See note 6 for further information. The segment results include proportionately combined results of the joint ventures which are then shown as reconciling items in the segment reconciliations.

d) Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements of foreign operations are measured using the currency of the primary economic environment in which the foreign operation operates (the functional currency). The consolidated financial statements are presented in Mexican Pesos (the presentation currency), which is also the functional currency of FIBRA Macquarie and its controlled entities. Management has conducted a detailed review of the key factors that determine the functional currency under IAS 21, based on a number of factors including the location of the Group, the currency of its equity and distribution and the location of the Group's investments.

Transactions and balances

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 resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Consolidated Statement of Comprehensive Income.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of fair value gain/loss in the Consolidated Statement of Comprehensive Income. Non-monetary items that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Controlled entities

The results and financial position of all operations recorded in a currency other than Mexican peso are translated into Mexican Pesos as follows:

- assets and liabilities presented are translated at the closing exchange rate at the date of that Consolidated Statements of Financial Position;

- income and expenses presented are translated at actual exchange rates at the dates of the transactions; and

- all resulting exchange differences are recognized as a separate line item in the Consolidated Statements of Comprehensive Income.

e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized for each major revenue stream as follows:

Rental income

Rental income from investment properties is recognized as revenue in the Consolidated financial statements in line with the terms of lease agreements with tenants, and on a straight-line basis over the period of each lease.

Termination fees paid out in relation to the early termination of lease agreements are also included in rental income and recognized in full in the period in which the Group is legally entitled to this income. Recoveries relating to expenses that are recharged to tenants are recognized over the same period as the relevant expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Revenue recognition (continued)

Rental income (continued)

Lessees may be offered incentives as an inducement to enter into non-cancellable operating leases. These incentives may take various forms including rent-free periods, upfront cash payments, or a contribution to certain lessee costs such as a fit out of premises. Incentives are capitalized in the Consolidated Statements of Financial Position and amortized over the term of the lease as an adjustment to rental income. See note 5 for further details.

Other income

In 2017, other income comprises of certain amounts received as a discount from a vendor in respect of an industrial property expansion, net of related expenses paid to the tenant.

f) Property expenses

Property related expenses including taxes and other property payments incurred in relation to investment properties where such expenses are the responsibility of the Group are recognized as expensed on an accrual basis. Repairs and maintenance costs are charged as expenses when incurred.

Leases of administrative facilities are under operating leases. The agreements typically run for a period between 2 and 7 years, with an option to renew the lease after that date. Leases are recognised as expenses in the Statements of Comprehensive Income.

g) Income and other taxes

FIBRA Macquarie is deemed to be a real estate investment trust for Mexican federal income tax purposes. Under Articles 187 and 188 of the Mexican Income Tax Law, it is required to distribute an amount equal to at least 95% of its net tax result to its CBFI holders on a yearly basis. If the net tax result during any fiscal year is greater than the distributions made to CBFI holders during the twelve months ended March of such fiscal year, FIBRA Macquarie is required to pay the corresponding tax at a rate of 30% of such excess. Due to this, FIBRA Macquarie does not have any deferred tax effect for the year ended December 31, 2018 and 2017. However, the Group's subsidiaries are subject to income tax and hence the tax effects have been recognized in these Consolidated Financial Statements.

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. In determining the expected manner of realisation of an investment property measured at fair value, a presumption exists that its carrying amount will be recovered through sale. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

FIBRA Macquarie is a registered entity for Value Added Tax ("VAT") or Impuesto al Valor Agregado (“IVA”) in Mexico. IVA is triggered on a cash-flow basis upon the performance of specific activities carried out within Mexico.

h) Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statements of Financial Position comprise cash at bank and short-term deposits with an original maturity of 90 days or less from the respective deposit start date that are subject to an insignificant risk of change in their fair value. These balances are readily convertible to known amounts of cash and are used by the Group in the management of its short-term commitments.

Restricted cash relates to cash held in escrow accounts as well as capital reserves held by lenders in relation to certain interest bearing liabilities. See note 10 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Trade and other receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date. Collectability of receivables is reviewed on an ongoing basis. Amounts that are determined to be uncollectible are provided for by reducing the carrying amount directly.

Impairment on trade receivables

For trade receivables with no significant financing component and a short duration, the company applies the simplified approach, which means that the Expected Credit Loss (ECL) is measured over the expected life of the financial assets.

The Group defined two different models for ECL calculation to its portfolios (Retail and Industrial); collective and individually assessed. The individually assessed model is applied on tenant-by-tenant payment behavior. In addition, the collective model considers similar level of risks characteristics such as duration and other commercial terms. See note 4 for further details.

j) Goodwill

Goodwill recognized represents the difference between consideration given and the fair value of the assets acquired at the acquisition date.

Goodwill is tested for impairment at least annually, and when circumstances indicate that the carrying value may be impaired.

k) Investment properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held either to earn rental income, for capital appreciation or for both but not for sale in the ordinary course of business. Investment properties are initially measured at cost and subsequently at fair value with any change therein recognized in the Consolidated Statements of Comprehensive Income. Cost includes expenditure that is directly attributable to the acquisition of the investment property, except business combinations.

At each reporting date, the fair values of the investment properties are assessed with reference to the Manager's assessment or independent valuation reports where available.

Disposals of investment properties are firstly classified and measured as “Investment properties held for sale” in accordance with IFRS 5; once the properties have been sold, the gain or loss of the transaction is recognized in the Consolidated Statements of Comprehensive Income. For further information see notes15 and 16.

l) Distributions

A distribution payable is recognized for the amount of any distribution declared, or publicly recommended by the directors on or before the end of the year but not distributed at balance sheet date.

m) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing goodwill impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating units).

n) Trade and other payables

Liabilities are recognized at fair value when an obligation exists to make future payments as a result of a purchase of assets or services, whether or not billed. Trade creditors are generally settled within 60 days.

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year, which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. They are recognized initially at fair value and subsequently measured at amortized cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Interest bearing liabilities

Interest bearing liabilities are initially recognized at fair value, net of transaction costs incurred and are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the Consolidated Statements of Comprehensive Income over the period of the borrowing using the effective interest rate method. Borrowing costs associated with the acquisition or construction of a qualifying asset, including interest expense, are allowed to be capitalized as part of the cost of that asset during the period that is required to complete and prepare the asset for its intended use. So far, the Group has not capitalized any such interest expense. All other borrowing costs and interest expenses are charged to Consolidated Statements of Comprehensive Income in the period in which they occur.

p) Financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Group has entered into interest rate swaps but since these instruments do not qualify as hedging instruments per IFRS, the resulting gain or loss arising from changes in the fair value of these derivatives are taken directly to Consolidated Statements of Comprehensive Income. Refer to note 20 for further information.

Prior to January 1, 2018, the Group classified non-derivative financial assets into the following categories: financial assets at fair value through profit or loss and, loans and receivables. From January 1, 2018, The Group classifies non-derivative financial liabilities into the other financial liabilities category, in line with IFRS 9.

(i) Non-derivative financial assets and financial liabilities - recognition and de-recognition

The Group initially recognizes loans and receivables and cash and cash equivalents issued on the date when they are originated. Trade and other receivables, trade and other payables, interest bearing liabilities are initially recognized on the transaction date.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. Any gain or loss on derecognition is also recognised in the Consolidated Statement of Comprehensive Income.

(ii) Non-derivative financial assets and liabilities - measurement

These financial assets (unless it is a trade receivable without a significant financing component) and financial liabilities are initially recognized at fair value plus any directly attributable transaction costs, subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit & loss ("FVPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Non-derivative financial assets and liabilities: initial recognition – Policy applicable from January 1, 2018.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair Value Through Other Comprehensive Income (“FVOCI”); and Fair Value Through Profit and Loss (“FVTPL”).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Financial instruments (continued)

(ii) Non-derivative financial assets – measurement (continued)

Non-derivative financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

Non-derivative financial assets and liabilities: Subsequent measurement – Policy applicable from January 1, 2018.

Non-derivative financial assets at amortized cost: these assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit and loss. Any gain or loss on derecognition, is also recognized in Consolidated Statement of Comprehensive Income.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the Consolidated Statement of Comprehensive Income.

q) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

r) Earnings per CBFI

Basic earnings per CBFI are calculated by dividing the Group's profit attributable to CBFI holders by the weighted average number of CBFIs outstanding during the year.

s) Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount reported on the Consolidated Statements of Financial Position, when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the financial asset and settle the financial liability simultaneously.

t) Contributed equity

The CBFIs are classified as equity and recognized at the fair value of the consideration received by FIBRA Macquarie. Transaction costs arising on the issue of equity are recognized directly in equity as a reduction in the proceeds of CBFIs to which the costs relate.

For the year ended December 31, 2018 and 2017, distributions were paid out from the trust equity in accordance with Mexican Trust Law. For financial statement presentation purposes, these distributions have been classified in retained earnings.

According to the Mexican Income Tax Law, whilst FIBRA Macquarie is in a tax loss position for the 2018 and 2017 fiscal years, the distributions have been classified as a capital return for Mexican Federal income tax purposes.

Repurchased CBFIs including the related costs are deducted from equity. No gain or loss is recognized in the profit for the year and such certificates are maintained as "treasury certificates" to be cancelled subsequently.

u) Rounding of amounts

Amounts in the consolidated financial statements have been rounded to the nearest thousand Mexican Pesos unless otherwise indicated.

4. CHANGES IN ACCOUNTING POLICIES

The Group has initially applied IFRS 9 and IFRS 15 from January 1, 2018.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, except for separately presenting impairment loss on trade receivables.

IFRS 9 Financial Instruments

The Group adopted *IFRS 9 Financial Instruments* on January 1, 2018.

The nature and effects of the key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarized below.

IFRS 9 Financial Instruments, sets out requirements for recognising and measuring financial assets, financial liabilities and certain contracts to buy or sell non-financial items. This standard replaces *IAS 39 Financial Instruments: Recognition and Measurement*. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit & loss ("FVPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'Expected Credit Loss' ("ECL") model. This requires considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model applies to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Furthermore, IFRS 9 requires the Group to ensure that hedge accounting relationships are aligned with the Group's risk objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. IFRS 9 also introduces new requirements on rebalancing hedge relationships and prohibiting voluntary discontinuation of hedge accounting. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

Regarding Classification and Measurement, the Group did not reestablish financial information for the comparative year given that the business models of financial assets will not originate any accounting difference between the adoption and comparative year. Therefore, the comparative figures under IFRS 9 and IAS 39 will be consistent. Furthermore, The Group, currently, does not designates any derivative as hedge instrument, therefore there was no impact with regards to the new hedge accounting rules. In relation to Impairment, the adoption was not retrospective, therefore the financial information did not need to be restated for prior periods.

The Group performed a qualitative and quantitative assessment of the impact of IFRS 9. The activities that have been carried out are:

- Review and documentation of the business models for financial assets, accounting policies, processes and internal controls related to financial instruments.

- Analysis of financial assets and their impact in the expected loss model required under IFRS 9.

- Determination of the model to compute the loss allowances based on the Expected Loss model.

- Analysis of the new disclosures required by IFRS 9 and its impacts on internal processes and controls for the Group.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected credit losses ("ECL") to be recognized upon initial recognition of such receivable. To measure the ECL, the Group has established and uses a combination of two models, the Collective Model and Individual Assessment Model, based on the business characteristics and collection profile.

- The Collective Model calculates the ECL on Trade receivables by using a provision matrix composed of fixed provision rates based on an aging profile, adjusted for forward-looking factors specific to a tenant and economic environment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 9 Financial Instruments (continued)

- Individual Model determines the ECL of a client individually, evaluating each receivable on a specific basis for collectability using historical experience, in-place collateral, relevant credit information and adjusted for forward-looking information and on-going negotiations with the client to determine the duration and expected future collectability.

To monitor external factors that would impact the credit risk, the Group conducts regular follow-ups of the receivable balances, analyzing the collectability and aging profile, incorporating financial information of each client which provides with an insight of their future economic conditions.

A provision for impairment is recorded through an impairment loss on trade receivables, and the amount is recognized in the consolidated statement of comprehensive income within property expenses. Any subsequent recoveries of amounts previously provided for are credited against property expenses in the consolidated statement of comprehensive income.

The initial recognition as at January 1, 2018 of the impairment loss on trade receivable amounted $2.3 million which is included in the Comprehensive Income for the year. The adjustments are primarily the result of the adoption of the new standard, rather than a change in the behavior of accounts receivable or a reclassification between categories.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 each class of the Group's financial assets and the financial liabilities as at January 1, 2018:

Balance sheet items	Note	Original classification under IAS 39	New classification under IFRS 9	Carrying amount under IAS 39 $'000	Carrying amount under IFRS 9 $'000
Financial Assets					
Interest rate swaps	20	Fair value through P&L	Fair value through P&L	111,573	111,573
Cash and cash equivalents	10	Held to maturity	Amortized cost	417,529	417,529
Account receivables	11	Loans and receivables	Amortized cost	147,878	147,878
Provision for bad debt[1]	11	Loans and receivables	Amortized cost	(73,339)	(75,694)
Restricted Cash	10	Held to maturity	Amortized cost	50,289	50,289
Financial Liabilities					
Interest-bearing liabilities	19	Other financial liabilities	Other financial liabilities	16,318,550	16,318,550
Tenant deposits	18	Other financial liabilities	Other financial liabilities	353,014	353,014

[1] Initial adoption of IFRS 9 for a consideration of $2.3 million was considered as impairment in trade receivables.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see Note 3 (p).

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued *IFRS 15 - Revenue from Contracts with Customers* (''IFRS 15'') which replaced *IAS 18 - Revenue* and *IAS 11 - Construction Contracts* and other related revenue interpretations effective January 1, 2018. IFRS 15 establishes the principles that the Group applies to report useful information about the nature, amount and timing of revenue arising from a contract with a customer.

As the Group's most material revenue stream of rental revenue is outside the scope of the new standard, the adoption of the new standard did not have a material impact on the consolidated statement of comprehensive income. The recovery of costs related to common area maintenance services and car park income are considered within the scope of IFRS 15 and the Group has concluded that the pattern of revenue recognition remains unchanged. As the Group is already presenting its main components of revenue in separate line items (refer to Note 5), there are no changes to disclosures relating to the adoption of the new standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

5. PROFIT FOR THE PERIOD/YEAR

The profit for the period/year includes the following items of revenue and expenses:

	3 months ended		Year ended	
	Dec 31, 2018 $'000	Dec 31, 2017 $'000	**Dec 31, 2018 $'000**	Dec 31, 2017 $'000
a) Property related income				
Lease related income	**840,259**	824,598	**3,319,985**	3,286,715
Car park income	**13,763**	13,270	**55,218**	53,366
Expenses recoverable from tenants	**46,769**	42,926	**191,284**	160,071
Total property related income	**900,791**	880,794	**3,566,487**	3,500,152
b) Property related expenses				
Property administration expense	**(18,196)**	(26,493)	**(71,905)**	(74,483)
Property insurance	**(6,017)**	(7,040)	**(24,755)**	(29,539)
Property tax	**(15,437)**	(16,195)	**(63,527)**	(65,247)
Repairs and maintenance	**(34,398)**	(49,562)	**(107,152)**	(131,996)
Industrial park fees	**(10,979)**	(6,615)	**(31,453)**	(37,181)
Security services	**(5,359)**	(5,671)	**(22,206)**	(20,574)
Property related legal and consultancy expenses	**(1,631)**	(2,959)	**(6,254)**	(14,278)
Tenant improvements amortization	**(7,450)**	(7,532)	**(34,317)**	(28,927)
Leasing expenses amortization	**(12,665)**	(12,431)	**(63,990)**	(48,561)
Utilities	**(5,735)**	(4,400)	**(19,074)**	(19,067)
Marketing costs	**(4,112)**	(614)	**(13,465)**	(10,225)
Car park operating fees	**(2,195)**	(2,938)	**(8,577)**	(11,119)
Impairment loss on trade receivables*	**(11,053)**	(6,450)	**(30,179)**	(17,802)
Other property related expenses	**(533)**	(229)	**(3,190)**	(1,512)
Total property related expenses	**(135,760)**	(149,129)	**(500,044)**	(510,511)
c) Professional, legal and other expenses				
Tax advisory expenses	**(744)**	(816)	**(2,928)**	(3,622)
Accountancy expenses	**(2,930)**	(804)	**(9,534)**	(8,041)
Valuation expenses	**(873)**	(1,876)	**(4,241)**	(7,204)
Audit expenses	**(981)**	(924)	**(4,549)**	(4,302)
Other professional expenses	**(2,359)**	(4,902)	**(12,977)**	(13,515)
Other expenses	**(4,008)**	(3,057)	**(16,527)**	(11,842)
Total professional, legal and other expenses	**(11,895)**	(12,379)	**(50,756)**	(48,526)
d) Finance costs				
Interest expense on interest-bearing liabilities	**(215,925)**	(215,095)	**(845,369)**	(821,595)
Finance costs under effective interest method	**(8,165)**	(9,701)	**(48,434)**	(63,194)
Total finance costs	**(224,090)**	(224,796)	**(893,803)**	(884,789)
e) Financial income				
Returns earned on Mexican government bonds	**7,669**	3,374	**21,123**	12,231
Inflationary adjustment in respect of VAT refunds	**-**	1,589	**-**	1,589
Total financial income	**7,669**	4,963	**21,123**	13,820
f) Foreign exchange (loss)/gain				
Net unrealized foreign exchange (loss)/gain on monetary items	**(682,385)**	(1,270,883)	**21,894**	798,351
Net realized foreign exchange gain	**16,646**	12,394	**2,764**	41,796
Total foreign exchange (loss)/gain	**(665,739)**	(1,258,489)	**24,658**	840,147

* Includes $2.3 million in respect of initial adoption of IFRS 9, for the year ended December 31, 2018.

At December 31, 2018, the Group had 69 employees (December 31, 2017: 60 employees) in its vertically integrated internal property management platform and the total wages and salaries (including insurance contributions, termination benefits, annual leave and discretionary bonus accruals) in relation to staff employed amounted to $77.7 million for the year ended December 31, 2018 (2017: $74.4 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

6. SEGMENT REPORTING

The chief operating decision-maker is the person that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its chief operating decision-maker is the Chief Executive Officer ("CEO") of the Group. The Manager has identified the operating segments based on the reports reviewed by the CEO in making strategic decisions.

The operating segments derive their income primarily from lease rental income derived from tenants in Mexico divided into two segments (Industrial and Retail). During the period/year, there were no transactions between the Group's operating segments.

The segment information includes proportionately consolidated results of the joint ventures which are eliminated in the segment reconciliations. The CEO monitors the performance of the Group based on the location of the investment properties, as follows:

	Industrial				Retail[1,2,3]		Total
3 months ended December 31, 2018	**North East $'000**	**Central $'000**	**North West $'000**	**North $'000**	**South $'000**	**Central $'000**	**$'000**
Revenue from external customers[1]	**313,144**	**150,683**	**173,293**	**121,375**	**14,296**	**179,522**	**952,313**
Segment net profit[2]	**768,372**	**361,180**	**327,743**	**276,807**	**11,275**	**191,347**	**1,936,724**
Included in profit for the period:							
Foreign exchange loss	**(42,142)**	**(32,830)**	**(67,513)**	**(31,342)**	**-**	**(6)**	**(173,833)**
Net unrealized foreign exchange gain on US$ denominated investment property	**624,265**	**315,481**	**321,401**	**251,596**	**-**	**-**	**1,512,743**
Unrealized revaluation (loss)/gain on investment property measured at fair value	**(72,595)**	**(41,374)**	**(53,969)**	**(34,003)**	**8,277**	**73,552**	**(120,112)**
Finance costs[3]	**(14,255)**	**(11,355)**	**(21,437)**	**(9,640)**	**(5,215)**	**(13,679)**	**(75,581)**

¹ The retail south segment and the retail central segment include revenues relating to joint ventures amounting to $14.30 million and $37.23 million, respectively.

² The retail south segment and the retail central segment include operating profit relating to joint ventures amounting to $11.28 million and $34.32 million, respectively.

³ The retail south segment and the retail central segment include finance costs relating to the joint ventures amounting to $5.21 million and $13.68 million, respectively.

	Industrial				Retail[1,2,3]		Total
3 months ended December 31, 2017	**North East $'000**	**Central $'000**	**North West $'000**	**North $'000**	**South $'000**	**Central $'000**	**$'000**
Revenue from external customers[1]	309,443	147,395	162,613	122,769	12,855	178,438	933,513
Segment net profit[2]	1,253,210	671,092	602,397	623,474	10,780	300,221	3,461,174
Included in profit for the period:							
Foreign exchange (loss)/gain	(100,127)	(75,056)	(141,535)	6,985	-	(539)	(310,272)
Net unrealized foreign exchange gain on US$ denominated investment property	981,808	546,438	532,966	477,422	-	-	2,538,634
Unrealized revaluation gain on investment property measured at fair value	128,092	108,240	86,766	76,990	7,727	184,274	592,089
Goodwill written off in respect of properties disposed	-	(30,691)	(6,283)	(11,873)	-	-	(48,847)
Finance costs[3]	(6,623)	(4,933)	(11,778)	(30,773)	(4,622)	(14,297)	(73,026)

¹ The retail south segment and the retail central segment include revenues relating to joint ventures amounting $12.8 million $33.9 million, respectively.

² The retail south segment and the retail central segment include operating profits relating to joint ventures amounting to $10.8 million and $34.5 million, respectively.

³ The retail south segment and the retail central segment include finance costs relating to the joint ventures amounting to $4.62 million and $14.30 million, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

6. SEGMENT REPORTING (CONTINUED)

	Industrial				Retail[1,2,3]		Total
Year ended December 31, 2018	North East	Central	North West	North	South	Central	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue from external customers[1]	**1,257,285**	**585,825**	**681,006**	**476,860**	**51,383**	**725,664**	**3,778,023**
Segment net profit[2]	**988,628**	**475,614**	**522,099**	**336,584**	**15,466**	**450,748**	**2,789,139**
Included in profit for the year:							
Foreign exchange (loss)/gain	**(1,027)**	**(71)**	**758**	**(98)**	**1**	**(29)**	**(466)**
Net unrealized foreign exchange loss on US$ denominated investment property	**(35,437)**	**(20,860)**	**(18,077)**	**(9,337)**	**-**	**-**	**(83,711)**
Unrealized revaluation gain/(loss) on investment property measured at fair value	**14,193**	**9,063**	**15,409**	**8,184**	**3,213**	**(29,868)**	**20,194**
Goodwill written off in respect of properties disposed	**(29,387)**	**10,628**	**(3,891)**	**(18,494)**	**-**	**-**	**(41,144)**
Finance costs[3]	**(55,766)**	**(42,428)**	**(82,372)**	**(38,643)**	**(18,233)**	**(56,829)**	**(294,271)**

¹ The retail south segment and the retail central segment include revenues relating to the joint ventures amounting to $51.38 million and $160.15 million, respectively.

² The retail south segment and the retail central segment include net profits relating to the joint ventures amounting to $15.48 million and $48.21 million, respectively.

³ The retail south segment and the retail central segment include finance costs relating to the joint ventures amounting to $18.23 million and $56.82 million, respectively.

	Industrial				Retail[1,2,3]		Total
Year ended December 31, 2017	North East	Central	North West	North	South	Central	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue from external customers[1]	1,242,133	582,304	650,761	485,368	47,056	695,553	3,703,175
Segment net profit[2]	483,887	184,488	274,016	192,781	26,564	794,640	1,956,376
Included in profit for the year:							
Foreign exchange gain/(loss)	31,966	22,412	40,867	20,408	10	(616)	115,047
Net unrealized foreign exchange loss on US$ denominated investment property	(689,662)	(335,215)	(289,399)	(251,956)	-	-	(1,566,232)
Unrealized revaluation gain on investment property measured at fair value	130,403	57,808	32,453	40,559	14,644	336,478	612,345
Goodwill written off in respect of properties disposed	-	(30,691)	(6,283)	(11,873)	-	-	(48,847)
Finance costs[3]	(49,742)	(37,233)	(73,015)	(34,753)	(17,389)	(57,636)	(269,768)

¹ The retail south segment and the retail central segment include revenues relating to the joint ventures amounting to $47.06 million and $155.97 million, respectively.

² The retail south segment and the retail central segment include net profits relating to the joint ventures amounting to $26.56 million and $88.04 million, respectively.

³ The retail south segment and the retail central segment include finance costs relating to the joint ventures amounting to $17.39 million and $57.63 million, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

6. SEGMENT REPORTING (CONTINUED)

	Industrial*				Retail		Total
	North East	Central	North West	North	South	Central	
As at December 31, 2018	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total segment assets*	**14,912,860**	**7,961,635**	**7,850,086**	**5,442,593**	**496,835**	**7,282,584**	**43,946,593**
Total segment liabilities	**(1,335,805)**	**(958,139)**	**(1,686,739)**	**(817,896)**	**(216,876)**	**(732,249)**	**(5,747,704)**
As at December 31, 2017							
Total segment assets*	15,468,859	7,875,917	7,917,509	6,104,851	470,416	7,376,308	45,213,860
Total segment liabilities	(1,811,940)	(1,174,433)	(1,933,389)	(1,034,978)	(206,738)	(980,660)	(7,142,138)

*During the year ended December 31, 2018, the Group disposed of 35 non-strategic industrial assets as follows: 16 properties in North East, 14 in North and 5 in North West. During the prior year ended December 31, 2017, the Group disposed of two properties in North West, two in North and one in Central Industrial segments.

The Group's non-current assets are primarily comprised of investment properties located in Mexico.

Segment revenue and operating profit is reconciled to total revenue and operating profit as follows:

	3 months ended		Year ended	
	Dec 31, 2018	Dec 31, 2017	**Dec 31, 2018**	Dec 31, 2017
	$'000	$'000	**$'000**	$'000
Total segment revenue	**952,312**	933,513	**3,778,023**	3,703,175
Revenue attributable to equity-accounted investees	**(51,522)**	(52,719)	**(211,536)**	(203,023)
Financial income	**7,669**	4,963	**21,123**	13,820
Other income	**-**	9,785	**-**	9,785
Total revenue for the period/year	**908,459**	895,542	**3,587,610**	3,523,757
Segment profit	**1,936,724**	3,461,174	**2,789,139**	1,956,376
Unallocated amounts:				
Property expenses not included in reporting segments	**933**	449	**3,408**	2,225
Finance costs not included in reporting segments[1]	**(167,403)**	(170,690)	**(674,594)**	(690,047)
Financial income	**7,669**	4,963	**21,123**	13,820
Items attributable to equity-accounted investees	**347**	309	**907**	1,149
Other income	**-**	9,785	**-**	9,785
Foreign exchange (loss)/gain[2]	**(491,903)**	(948,217)	**25,129**	725,134
Realized gain/(loss) on disposal of investment property	**-**	45,110	**(3,453)**	45,789
Net unrealized (loss)/gain on interest rate swaps	**(17,847)**	37,300	**12,438**	13,811
Management fees[3]	**(41,007)**	(46,732)	**(168,155)**	(179,753)
Transaction related expenses	**(602)**	(346)	**(1,626)**	(4,962)
Professional, legal and other expenses	**(11,895)**	(12,379)	**(50,756)**	(48,526)
Income tax expense	**(12,972)**	(3,630)	**(13,282)**	(4,503)
Profit for the period/year	**1,202,044**	2,377,096	**1,940,278**	1,840,298

¹ A portion of existing debt is in the form of unsecured facilities at FIBRA Macquarie level and consequently, in 2018 and 2017 finance cost is considered as a reconciling item.

² Unrealized foreign exchange (loss)/gain arising in respect of the unsecured debt revaluation at the end of the relevant period.

³ Fees related with the Manager in respect of the existing management agreement entered into on December 11, 2012 (the "Management Agreement"), for further details see Note 28.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

6. SEGMENT REPORTING (CONTINUED)

Segment assets and liabilities are reconciled to total assets and liabilities as follows:

	Year ended	
	Dec 31, 2018	Dec 31, 2017
	$'000	$'000
Segment assets	**43,946,593**	45,213,860
Items non included in segment assets:		
Cash, cash equivalents and restricted cash[1]	**489,675**	158,973
Trade and other receivables, net	**15,224**	356
Other assets	**58,642**	74,877
Assets attributable to equity-accounted investees[2]	**(2,045,411)**	(2,029,628)
Investment in equity-accounted investees[2]	**1,152,560**	1,137,652
Derivative financial instruments not included in reporting segment	**124,011**	111,573
Total assets	**43,741,294**	44,667,663
Segment liabilities	**(5,747,704)**	(7,142,138)
Items non included in segment liabilities:		
Interest-bearing liabilities[3]	**(11,422,373)**	(12,193,973)
Trade and other payables[4]	**3,931**	1,141,787
Liabilities attributable to equity-accounted investees[2]	**892,849**	891,976
Deferred income tax liability	**(19,178)**	(6,277)
Total liabilities	**(16,292,475)**	(17,308,625)

[1] Corresponds to bank balances in Mexican peso and US dollars at FIBRA Macquarie level.

[2] Corresponds to the net assets of the equity-accounted investees and the balance of the investment in JV at FIBRA Macquarie level.

[3] Corresponds to existing debt at FIBRA Macquarie level and consequently, in 2018 and 2017, finance cost is considered as a reconciling item.

[4] Relates to payable balances at FIBRA Macquarie level.

7. SEASONALITY OF OPERATIONS

There are no material seasonal fluctuations for the Group operations given the characteristics of the properties and lease contracts.

8. DISTRIBUTIONS PAID OR PROVIDED FOR

During the year ended December 31, 2018, FIBRA Macquarie made four distributions payments amounting to $1,229.0 million (December 31, 2017: $1,266.9 million), the first distribution amounting to $297.1 million (0.375 per CBFI), paid on March 9, 2018, the second distribution amounting to $309.0 million (0.390 per CBFI) paid on May 10, 2018, the third distribution amounting to $305.9 million (0.390 per CBFI) paid on August 10, 2018, and the fourth distribution amounting to $317.0 million (0.410 per CBFI) paid on November 9, 2018.

9. PROFIT PER CBFI

	3 months ended		Year ended	
	Dec 31, 2018	Dec 31, 2017	**Dec 31, 2018**	Dec 31, 2017
	$'000	$'000	**$'000**	$'000
Profit per CBFI				
Basic profit per CBFI ($)	**1.56**	2.96	**2.47**	2.27
Basic profit used in the calculation of earnings per CBFI				
Net profit for basic earnings per CBFI ($'000)	**1,202,044**	2,377,096	**1,940,278**	1,840,298
Weighted average number of CBFIs used as the denominator in calculating basic earnings per CBFI ('000)	**771,875**	804,431	**784,438**	808,940

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

10. CASH AND CASH EQUIVALENTS

	Dec 31, 2018 $'000	Dec 31, 2017 $'000
Operating accounts	**555,591**	417,529
Restricted cash - non current	**-**	50,289
Total cash and cash equivalents	**555,591**	467,818

a) Operating accounts

The majority of the cash and cash equivalents are held in investment accounts earning interest at market rates.

b) Restricted accounts

As at December 31, 2017 the non-current restricted cash included cash held as interest reserves as required under the MMREIT Industrial Trust III credit agreement with MetLife. In July 2018, this restricted cash was replaced with an in-place letter of credit for the same amount and the balance was transferred to unrestricted cash.

11. TRADE AND OTHER RECEIVABLES, NET

	Dec 31, 2018 $'000	Dec 31, 2017 $'000
Trade and other receivable - Current		
Rental income receivable, net	**86,995**	74,539
Other receivables	**15,083**	-
Total trade and other receivables, net	**102,078**	74,539
Other receivable - Non-Current		
Other receivable	**424,411**	-
Total trade and other receivables, net	**424,411**	-

Rental income receivable, net

This balance is shown net of an impairment loss on trade receivables accounts amounting $86.8 million as at December 31, 2018 (December 31, 2017: $73.3 million). The impairment on trade receivables are determined based on the Expected Credit Loss model.

The group has initially applied IFRS 9 and recognizes the impairment loss on trade receivable, the effect of initially applying is described in note 3 (i) and 4.

Other receivable – non current

This amount relates to the balance receivable in respect of the 35 properties sold in July, 2018. Out of the total sale proceeds of US$80.2 million, FIBRA Macquarie received US$61.0 million at closing and will receive the remaining US$11.2 million and US$8.0 million on January 5, 2020 and July 5, 2020, respectively. These amounts are measured at amortized cost and are presented net of an impairment of $2.89 million based on the Expected Credit Loss model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

12. OTHER ASSETS

	Dec 31, 2018 $'000	Dec 31, 2017 $'000
Other assets - current		
Prepaid expenses	**31,208**	28,221
Prepaid management fees	**40,115**	45,717
Income tax recoverable	**1,274**	-
Total other assets - current	**72,597**	73,938
Other assets - non-current		
Straight-line rental adjustment	**177,370**	180,969
Other assets	**10,479**	15,704
Total other assets - non-current	**187,849**	196,673

13. EQUITY-ACCOUNTED INVESTEES

MMREIT Retail Trust III entered into two joint arrangements with Grupo Frisa through which it acquired a 50% interest in two joint venture trusts ("JV Trusts"). These have been classified as joint venture trusts under *IFRS 11 – Joint Arrangements* as MMREIT Retail Trust III has a right to 50% of the net assets of the JV Trusts. The debt used to finance the purchase of the assets held by the JV Trusts is at the JV Trust level. FIBRA Macquarie and/or MMREIT Retail Trust III have an exposure in relation to this debt solely in their capacity as joint obligors and only in exceptional circumstances which do not currently exist.

a) Carrying amounts

Name of the entity	Country of establishment / Principal activity	Ownership interest as at Dec 31, 2018	Ownership interest as at Dec 31, 2017	Dec 31, 2018 $'000	Dec 31, 2017 $'000
JV Trust CIB/589	Mexico / Own and lease retail property	**50%**	50%	**250,905**	267,956
JV Trust CIB/586	Mexico / Own and lease retail property	**50%**	50%	**901,655**	869,696

b) Movement in carrying amounts

	Year ended Dec 31, 2018 $'000	Year ended Dec 31, 2017 $'000
Carrying amount at the beginning of the year	**1,137,652**	1,084,875
Distributions received during the year	**(49,671)**	(62,975)
Share of profits after income tax	**51,350**	52,570
Share of revaluation gain on investment property measured at fair value	**13,229**	63,182
Carrying amount at the end of the year	**1,152,560**	1,137,652

c) Summarized financial information for joint ventures

The below table provides summarized financial information for the JV Trusts since these are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the JV Trusts and not FIBRA Macquarie's share of those amounts. These have been amended to reflect adjustments made by the Group using the equity method including adjustments and modifications for differences in accounting policy between FIBRA Macquarie and the JV Trusts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

13. EQUITY-ACCOUNTED INVESTEES (CONTINUED)

c) Summarized financial information for joint ventures (continued)

Summarized Statement of Financial Position	JV Trust CIB/589 Dec 31, 2018 $'000	JV Trust CIB/589 Dec 31, 2017 $'000	JV Trust CIB/586 Dec 31, 2018 $'000	JV Trust CIB/586 Dec 31, 2017 $'000
Total current assets[1,2]	20,417	26,040	67,337	60,905
Total non-current assets	1,072,069	1,115,358	2,931,001	2,856,952
Total current liabilities	(583,163)	(43,171)	(26,634)	(25,674)
Total non-current liabilities[3]	(7,514)	(562,315)	(1,168,393)	(1,152,791)
Net assets	**501,809**	535,912	**1,803,311**	1,739,392

[1] Includes cash and cash equivalents of $64.7 million (December 31, 2017: $49.4 million).

[2] Includes restricted cash of $29.8 million (December 31, 2017: $28.5 million).

[3] Current and non-current financial liabilities (excluding trade and other payables and provisions) amounts to $1,717.0 million (non-current financial liabilities December 31, 2017: $1,718.5 million).

Summarized Statement of Financial Position	JV Trust CIB/589 Dec 31, 2018 $'000	JV Trust CIB/589 Dec 31, 2017 $'000	JV Trust CIB/586 Dec 31, 2018 $'000	JV Trust CIB/586 Dec 31, 2017 $'000
Reconciliation to carrying amounts:				
Opening net assets[1]	535,912	504,060	1,739,392	1,665,690
Net movements for the year	(34,103)	31,852	63,919	73,702
Net assets	**501,809**	535,912	**1,803,311**	1,739,392
FIBRA Macquarie's share (%)	**50%**	50%	**50%**	50%
FIBRA Macquarie's share ($)	**250,905**	267,956	**901,655**	869,696
FIBRA Macquarie's carrying amount	**250,905**	267,956	**901,655**	869,696

[1] During the year ended December 31, 2018 FIBRA Macquarie paid VAT on behalf of the JV Trusts amounting to $22.6 million (2017: $19.7 million). These recoverable amounts have been settled against the distributions received by FIBRA Macquarie from the JV Trusts.

Summarized Statement of Comprehensive Income	JV Trust CIB/589 Year ended Dec 31, 2018 $'000	JV Trust CIB/589 Year ended Dec 31, 2017 $'000	JV Trust CIB/586 Year ended Dec 31, 2018 $'000	JV Trust CIB/586 Year ended Dec 31, 2017 $'000
Revenue:				
Property related and other income	113,097	114,597	309,975	291,449
Revaluation of investment property measured at fair value	(50,566)	50,000	77,023	76,363
Financial income	648	801	2,770	2,073
Total revenue	**63,179**	165,398	**389,768**	369,885
Expenses:				
Finance costs	(48,874)	(48,921)	(101,249)	(101,128)
Other expenses	(40,911)	(36,446)	(132,754)	(117,282)
Total expenses	**(89,785)**	(85,367)	**(234,003)**	(218,410)
(Loss)/profit for the year	**(26,606)**	80,031	**155,765**	151,475
FIBRA Macquarie's share (%)	**50%**	50%	**50%**	50%
FIBRA Macquarie's share	**(13,303)**	40,015	**77,882**	75,737

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

13. EQUITY-ACCOUNTED INVESTEES (CONTINUED)

d) Share of contingent liabilities of joint venture

As at December 31, 2018 and 2017, there was no share of contingent liabilities incurred jointly with the Joint Venture Partner and no contingent liabilities of the JV Trusts for which FIBRA Macquarie is liable.

14. GOODWILL

	Dec 31, 2018 $'000	Dec 31, 2017 $'000
Carrying amount at the beginning of the year	**882,758**	931,605
Goodwill written off in respect of properties disposed	**(41,144)**	(48,847)
Carrying amount at the end of the year	**841,614**	882,758

Goodwill recognized represents the difference between consideration given and the fair value of the assets acquired at the acquisition date.

Goodwill is tested for impairment at least annually, and when circumstances indicate that the carrying value may be impaired. As at December 31, 2018 and 2017, since the portfolio premium in respect of the portfolio on which goodwill was initially recognized as assessed by the Independent Valuer is higher than the carrying value, no impairment of goodwill has been recognized.

15. INVESTMENT PROPERTIES HELD FOR SALE

	Dec 31, 2018 $'000	Dec 31, 2017 $'000
Carrying amount at the beginning of the year	**-**	284,130
Additions/disposals during the year:		
Transfers from investment properties[1]	**1,753,449**	198,289
Disposals[2]	**(1,571,168)**	(478,934)
Net unrealized foreign exchange loss on USD denominated investment property	**(12,243)**	(7,985)
Revaluation of investment property measured at fair value	**(22,416)**	4,500
Carrying amount at the end of the year	**147,622**	-

[1] Investment properties reclassified as 'Investment property held for sale' are based on the Group's expectations of the likelihood that assets will be sold in a period no more than 12 months and the asset is being actively marketed in accordance with IFRS 5.

[2] During the year ended December 31, 2018, the Group disposed of 35 properties in Chihuahua, Ciudad Juárez, Matamoros, Reynosa and Tijuana. Goodwill amounting to $41.1 million associated with those properties has been de-recognized from the Consolidated Statement of Financial Position and transferred to the Consolidated Statement of Comprehensive Income. The loss on disposal amounting to $3.5 million solely relates to transaction related costs. During the prior year ended December 31, 2017, the Group disposed of five properties in Tijuana, La Paz, Ascención, Durango and Villahermosa.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

16. INVESTMENT PROPERTIES

	Note	Dec 31, 2018 $'000	Dec 31, 2017 $'000
Carrying amount at the beginning of the year		**41,722,712**	42,466,715
Additions during the year:			
Asset acquisition		**61,244**	-
Capital expenditure (including tenant improvements)		**123,660**	305,328
Transfers from Investment property under construction		**124,849**	172,643
Investment property under construction	16(a)	**(95,149)**	(17,986)
Net unrealized foreign exchange loss on US$ denominated investment property		**(71,468)**	(1,558,247)
Transfer to investment properties held for sale	15	**(1,753,449)**	(198,289)
Revaluation of investment property measured at fair value		**29,383**	544,665
Leasing commissions, net of amortization		**(8,821)**	7,883
Carrying amount at the end of the year		**40,132,961**	41,722,712

a) Investment property under construction*

	Dec 31, 2018 $'000	Dec 31, 2017 $'000
Carrying amount at the beginning of the year	**156,312**	174,298
Capital expenditure	**29,700**	154,657
Transfer to completed investment properties	**(124,849)**	(172,643)
Carrying amount at the end of the year	**61,163**	156,312

*Investment property under construction is initially recognized at cost since the fair value of these properties under construction cannot reasonably be measured as at that date. At the year end or date of completion, whichever is earlier, any difference between the initial recognition and the fair value at that date will be taken to the income statement.

b) Asset-by-asset valuation

Valuations of investment properties are carried out at least annually by a qualified valuation specialist independent of FIBRA Macquarie (the "Independent Valuer"). CBRE Mexico, an internationally recognized valuation and advisory firm with relevant expertise and experience, was engaged as the Independent Valuer to conduct an independent appraisal of FIBRA Macquarie's investment properties as at December 31, 2018 and 2017, respectively.

The valuation methods – cost, market value and capitalization analysis – are applied by the Independent Valuer in order to estimate that market value of the acquired properties applying primarily an income analysis, using direct capitalization as well as discounted cash flow analysis.

The fair value measurement for all investment properties was determined based in the inputs to the valuation techniques mentioned below and its categorised as a Level 3.

The significant inputs and assumptions in respect of the valuation process are developed in consultation with management. The valuation process and fair value changes are reviewed by FIBRA Macquarie's independent auditor and the Board of Directors of the Manager at each reporting date. The inputs used in the internal valuations at December 31, 2018 were as follows:

- The average annualized net operating income ("NOI") yield range across all properties was 7.25% to 10.25% (2017: 7.25% to 10.00%) for industrial properties and 8.00% to 9.00% (2017: 8.00% to 9.00%) for retail properties.

- The range of reversionary capitalisation rates applied to the portfolio were between 7.50% and 10.50% (December 31, 2017: 7.50% and 10.25%) for industrial and 8.25% and 9.50% (December 31, 2017: 8.25% and 9.50%) for retail properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

16. INVESTMENT PROPERTIES (CONTINUED)

b) Asset-by-asset valuation (continued)

- The discount rates applied range between 8.50% and 11.50% (December 31, 2017: 8.50% and 11.50%) for industrial properties and 9.25% and 10.25% (December 31, 2017: 9.25% and 10.50%) for retail properties.

- The vacancy rate applied for retail properties ranged between 3.00% and 5.00% (December 31, 2017: 3.00% and 5.00%), with a weighted average of 4.80%. (2017:4.80%).

The estimated fair value increases if the estimated rental increases, vacancy levels decline or if discount rates (market yields) and reversionary capitalisation rates decline. The valuations are sensitive to all four assumptions. Changes in discount rates attributable to changes in market conditions can have a significant impact on property valuations.

The difference between the above fair value for financial reporting purposes and the carrying value at the end of the year is primarily on account of capitalized leasing costs and tenant improvements which are carried at historical cost.

17. TRADE AND OTHER PAYABLES

	Dec 31, 2018 $'000	Dec 31, 2017 $'000
Capital expenditures	**151,889**	408,675
Other payables	**92,182**	34,697
Property related expenses[1]	**53,789**	121,496
VAT Payable and others	**46,051**	41,113
Deferred payable in respect of land acquired	**31,649**	-
Interest payable	**20,077**	21,714
Audit and tax advisory expenses	**2,437**	2,102
Transaction related expenses	**240**	987
Total trade and other payables	**398,314**	630,784

[1] Includes seniority premium liability as December 31, 2018 of $0.02 million (December 31, 2017: $0.01 million) in accordance with IAS 19 Employee Benefits.

18. TENANT DEPOSITS

	Dec 31, 2018 $'000	Dec 31, 2017 $'000
Security deposits from tenants - current	**33,182**	39,295
Security deposits from tenants - non-current	**304,610**	313,719
Total tenant deposits	**337,792**	353,014

Security deposits are determined under the terms of the relevant lease and retained by the Group until the expiry of the applicable lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

19. INTEREST BEARING LIABILITIES

	Dec 31, 2018 $'000	Dec 31, 2017 $'000
The Group has access to:		
Loan facilities - undrawn		
Undrawn US$-denominated notes	**3,474,032**	2,693,882
Undrawn MXN-denominated notes	**1,604,806**	1,604,806
Total undrawn loan facilities	**5,078,838**	4,298,688
Loan facilities - drawn		
US$-denominated term funding	**9,211,596**	9,236,166
US$-denominated notes	**6,396,943**	6,414,005
US$-denominated revolving credit facility	**-**	789,416
Unamortized transaction costs	**(71,349)**	(121,037)
Total loan facilities, net of unamortized transaction costs	**15,537,190**	16,318,550

Information about the Group's exposure to interest rate, foreign currency and liquidity risks is included in note 24.

The relevant credit facilities are summarised as follows:

Lenders / Facility Type	Currency	Facility Limit $' million	Drawn Amount $' million	Interest Rate p.a.	Maturity Date	Carrying Amount Dec 31, 2018 $'000	Carrying Amount Dec 31, 2017 $'000
Various Banks through a Credit Facility - Term Loan	US$	258.0	258.0	90 day Libor + 3.125%[2]	Jun-20[1]	**5,032,814**	5,018,554
Various Insurance Companies through a Note Purchase and Guaranty Agreement	US$	250.0	250.0	5.55%	Jun-23	**4,915,838**	4,928,018
MetLife - Term Loan[3]	US$	210.0	210.0	5.38%	Sep-27	**4,114,818**	4,124,576
Various Insurance Companies through a Note Purchase and Guaranty Agreement	US$	75.0	75.0	5.44%	Sep-26	**1,473,720**	1,477,399
Various Banks through a Credit Facility - Revolving Credit Facility	US$	176.5	-	30 day Libor + 2.75%	Jun-19[1]	**-**	770,003
Balance at the end of the year						**15,537,190**	16,318,550

[1] Extendable by one year at FIBRA Macquarie's discretion, subject to certain conditions being satisfied.

[2] Fixed by interest rate swap. Refer to note 20.

[3] Thirty-nine Industrial properties are secured pursuant to this Term Loan.

Interest-bearing liabilities – Current

As December 31, 2018, FIBRA Macquarie doesn't have any wholly-owned debt maturity during the next 12 months to be considered as interest bearing liability current. On July 9, 2018, the Group made a prepayment in respect of the US$40.0 million drawn revolving credit facility.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

19. INTEREST BEARING LIABILITIES (CONTINUED)

Reconciliation of movements of interest-bearing liabilities to cash flows arising from financing activities.

	Dec 31, 2018 $'000	Dec 31, 2017 $'000
Carrying amount at the beginning of the year	**16,318,550**	18,014,426
Changes from financing cash flows:		
Proceeds from interest-bearing liabilities, net of facility charges	**-**	3,672,621
Repayments of interest-bearing liabilities	**(770,052)**	(4,601,532)
Total changes for financing cash flow	**(770,052)**	(928,911)
Total effect of changes in foreing exchange rate	**(59,742)**	(830,159)
Liability-related other changes:		
Amortization of capitalized borrowing costs	**48,434**	63,194
Carrying amount at the end of the year	**15,537,190**	16,318,550

20. DERIVATIVE FINANCIAL INSTRUMENTS

On August 31, 2016 and then subsequently on September 27, 2016, FIBRA Macquarie entered into interest rate swap contracts with various counterparties, whereby FIBRA Macquarie on a quarterly basis pays an annual fixed rate of interest of 1.25% and 1.134% on its respective interest rate swap contracts and receives a variable rate based on 3 month US$ LIBOR. The swaps fully hedge the exposure to the variable interest rate payments associated with the US$258.0 million unsecured credit facility (term loan).

Below is a summary of the terms and fair value of the interest rate swap agreements. The loans and the interest rate swaps have the same key terms.

Counterparties	Trade date	Maturity date	Notional amount	Dec 31, 2018 $'000	Dec 31, 2017 $'000
Various Banks	Aug 31, 2016	Jun 30, 2020	US$155.5 million	**71,553**	63,827
Various Banks	Sep 27, 2016	Jun 30, 2020	US$102.5 million	**52,458**	47,746
Total estimated fair value				**124,011**	111,573

21. TAXATION

FIBRA Macquarie is deemed to be a real estate investment trust for Mexican federal income tax purposes. Under Articles 187 and 188 of the Mexican Income Tax Law, it is required to distribute an amount equal to at least 95% of its net tax result to its CBFI holders on a yearly basis. If the net tax result during any fiscal year is greater than the distributions made to CBFI holders during the twelve months ended March of such fiscal year, FIBRA Macquarie is required to pay the corresponding tax at a rate of 30% of such excess.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

21. TAXATION (CONTINUED)

The Group's subsidiaries are subject to income tax and hence the tax effects have been recognized in these consolidated financial statements. Deferred income taxes are calculated on the basis of income taxes at the rate applicable in the period in which the reversal of the corresponding temporary differences is expected. The major components of the income tax expense for the year ended December 31, 2018 and December 31, 2017 with respect to the results of the Group's subsidiaries are:

	Dec 31, 2018 $'000	Dec 31, 2017 $'000
Current income tax		
Opening balance as of January 1	**-**	-
Current income tax for the year	**381**	(107)
Advance tax paid	**1,655**	107
Income tax recoverable	**1,274**	-
Deferred income tax		
Opening balance as of January 1	**6,277**	1,667
Relating to temporary differences provision	**12,901**	4,610
Deferred income tax	**19,178**	6,277

22. CONTRIBUTED EQUITY

	No. of CBFIs '000	$'000
Balance at January 1, 2017	**811,364**	18,369,994
CBFIs repurchased for cancellation during the year	**(11,385)**	(251,021)
CBFIs outstanding at December 31, 2017	**799,979**	18,118,973
Balance at January 1, 2018	**799,979**	18,118,973
CBFIs repurchased for cancellation during the year	**(29,979)**	(621,490)
CBFIs outstanding at December 31, 2018	**770,000**	17,497,483

On June 25, 2017, FIBRA Macquarie's Technical Committee approved a CBFI buy-back program under the terms of the Trust Agreement and provided instructions to the Fund Trustee to carry out the repurchase of certificates for subsequent cancellation.

Subsequently, on June 26, 2018, FIBRA Macquarie's Technical Committee approved the extension of this program through to June 25, 2019.

As of December 31, 2018, a total of 41,363,500 CBFIs, amounting to $872.5 million (including transaction costs), have been repurchased.

23. RETAINED EARNINGS

	$'000
Balance as at January 1, 2017	8,666,697
Total comprehensive income for the year	1,840,298
Distributions paid	(1,266,930)
Balance as at December 31, 2017	9,240,065
Balance as at January 1, 2018	**9,240,065**
Total comprehensive income for the year	**1,940,278**
Distributions paid	**(1,229,006)**
Balance as at December 31, 2018	**9,951,337**

24. CAPITAL AND FINANCIAL RISK MANAGEMENT

Risk management

The Group manages its capital through the mix of available capital sources whilst complying with statutory, constitutional capital and distribution requirements, maintaining leverage, interest cover ratios and other covenants within approved limits and continuing to operate as a going concern. The Group assesses its capital management approach as a key part of its overall strategy and this is regularly reviewed by management and the Board of the Manager.

The Group's principal financial instruments comprise cash and cash equivalents, receivables, payables and interest bearing liabilities. The Group's activities expose it to a variety of financial risks: credit risk, market risk (foreign exchange risk and interest rate risk) and liquidity risk.

The Group manages its exposure to these financial risks in accordance with the Group's financial risk management policy. The policy sets out the Group's approach to managing financial risks, the policies and controls utilized to minimize the potential impact of these risks on its performance and the roles and responsibilities of those involved in the management of these financial risks.

The Group uses various measures to monitor exposures to these types of risks. The main methods include foreign exchange and interest rate sensitivity analysis, ageing analysis and counterparty credit assessment, and the use of future rolling cash flow forecasts.

The effect of initially applying IFRS 9 on the Group's financial instruments is described in Note 4. Due to the transition method chosen, comparative information has not been restated to reflect the new requirements,

a) Credit risk

Credit risk is defined as the risk of a counterparty failing to complete its contractual obligations when they fall due. The consequent loss is either the amount of the loan not paid back, or the loss expected in replicating a trading contract with a new counterparty. The Group has exposure to credit risk on all of its financial assets included in the Consolidated Statements of Financial Position. Concentrations of credit risk are minimized primarily by:

- ensuring counterparties, together with the respective credit limits, are approved; and
- ensuring that transactions are undertaken with a large number of counterparties.

Trade and other receivables

The Group manages its risk on tenant receivables by performing credit reviews of prospective tenants, obtaining tenant collateral where appropriate and performing detailed reviews on any tenant arrears. The Group has policies that limit the amount of credit exposure to any financial institution where practical and commercially appropriate. Cash transactions are limited to investment grade counterparties in accordance with the risk management policy. The Group monitors the public credit rating of its key counterparties.

The Group has policies to review the aggregate exposures of receivables and tenancies across its portfolios. The Group has no significant concentration of credit risk on its receivables. At December 31, 2018, the largest individual tenant represents 3.4% (2017: 4.0%) of the total rental income. The Group holds certain collateral, including in the form of security deposits.

The current ECL model for customers as at January 1 and December 31, 2018 is described in Note 4 (i). As at December 31, 2018, the gross carrying amount of trade receivable was $173.7 million and the provision for impairment loss was $86.8 million. (Impaired trade receivables at December 31, 2017 had a gross carrying amount of $147.8 million. At December 31, 2017 there was an impairment loss of $73.3 million).

Cash and Cash equivalents

The Group held cash and cash equivalents of $555.6 million at December 31, 2018 (December 31, 2017: $417.5 million). The cash and cash equivalents are held mainly with Banco Nacional De Mexico, S.A. ("Citibanamex") and HSBC México S.A., Institución de Banca Múltiple ("Grupo Financiero HSBC"), financial institution counterparties, which are rated A-2 by certain rating agencies as at December 31, 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

24. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit risk (Continued)

Other assets - Current

Other assets comprised mainly of property insurance prepayments and prepaid MMREM management fees.

The table below details the concentration of credit exposure of the Group's assets to counterparty types. The amounts shown represent the maximum credit risk of the Group's assets as of December 31, 2018 and 2017 respectively.

As at Dec 31, 2018	Cash and cash equivalents* $'000	Other assets $'000	Trade and other receivables $'000	Total $'000
Financial institutions	**555,591**	**-**	**15,083**	**570,674**
Other	**-**	**72,597**	**86,995**	**159,592**
Total	**555,591**	**72,597**	**102,078**	**730,266**

As at Dec 31, 2017	Cash and cash equivalents* $'000	Other assets $'000	Trade and other receivables $'000	Total $'000
Financial institutions*	467,818	-	-	467,818
Other	-	73,938	74,539	148,477
Total	467,818	73,938	74,539	616,295

*Includes restricted cash

At December 31, the ageing of net rental income receivables that were not impaired were as follows:

	2018 $'000	2017 $'000
Neither past due nor impaired	**57,520**	39,354
Past due < 30 days	**11,852**	16,650
Past due 31 - 90 days	**11,780**	5,560
Past due > 90 days	**5,843**	12,975
Total of rental income receivables, net	**86,995**	74,539

Management believes that the unimpaired amounts that are past due by more than 30 days may nevertheless be collectable in full, based on payment history and a credit analysis of individual tenants.

b) Liquidity risk

The Group's liquidity position is monitored on a continuous basis by management and is reviewed quarterly by the Board of the Manager. A summary table with a maturity profile of financial liabilities presented below is used to manage liquidity risks. The amounts disclosed in the tables below are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position, as the impact of discounting is not significant. The amount of contractual undiscounted cash flows related to bank borrowings and other loans is based on variable and fixed interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

24. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Liquidity risk (Continued)

The maturity analysis of financial liabilities at December 31 is as follows:

2018	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Total $'000
Trade and other payables	**(398,314)**	**-**	**-**	**(398,314)**
Tenant deposits	**-**	**(33,182)**	**(304,610)**	**(337,792)**
Interest bearing liabilities*	**-**	**-**	**(15,608,539)**	**(15,608,539)**
Total	**(398,314)**	**(33,182)**	**(15,913,149)**	**(16,344,645)**

* Excludes unamortized debt establishment costs amounting to $71.3 million.

2017	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Total $'000
Trade and other payables	(630,784)	-	-	(630,784)
Tenant deposits	-	(39,295)	(313,719)	(353,014)
Interest bearing liabilities*	-	-	(16,439,587)	(16,439,587)
Total	(630,784)	(39,295)	(16,753,306)	(17,423,385)

* Excludes unamortized debt establishment costs amounting to $121.0 million.

c) Market risk

Foreign currency risk

Foreign currency risk is associated with the changes in foreign exchange rates of Mexican peso value which could affect the Group's foreign denominated financial assets and liabilities. Foreign currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency.

(i) Non functional currency income

Through investing in assets generating US dollar rents, the Group earns foreign denominated income. The net property income derived is partially offset by US dollar denominated expenses, including interest expense.

(ii) Non functional currency foreign investments.

The Group aims to minimize the impact of fluctuations in foreign currency exchange rates on its net investments by borrowing in US dollar to partially fund its US dollar denominated investment properties. Currently, the Group does not further reduce any unhedged exposure caused where Mexican peso denominated equity is used to finance US dollar denominated assets.

The Group is exposed to foreign currency risk through investing in US dollar denominated investment properties and deriving income from those properties. The Group has been marketed as giving its investors exposure to US dollar risk. Management does not deem it necessary to undertake any further measures to mitigate or reduce the existing foreign currency risk relating to US dollar exposures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

24. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk (continued)

	2018 USD exposures* $'000	2017 USD exposures* $'000
Investment properties	**33,797,901**	35,323,406
Other receivables	**424,411**	-
Cash and cash equivalents (including restricted cash)	**244,483**	287,961
Other assets	**174,422**	24,328
Investment properties held for sale	**147,622**	-
Trade and other receivables	**55,544**	11,834
Trade and other payables	**(267,535)**	(46,816)
Tenant deposits	**(293,132)**	(333,847)
Interest-bearing liabilities	**(15,537,190)**	(16,318,550)
Net exposure	**18,746,526**	18,948,316

*The amounts presented are in Mexican pesos.

A movement in foreign currency exchange rates applied to the net exposures in the table above would result in a change to the net assets of the Group. In assessing the impact of changes in period end closing US dollar to Mexican peso foreign exchange rate, a 10% movement has been applied.

	Sensitivity of operating profit*	
	FX movement of +10%	FX movement of -10%
As at 2018	**$'000**	**$'000**
US dollar exposure	**1,874,653**	**(1,874,653)**
As at 2017		
US dollar exposure	1,894,832	(1,894,832)

*The amounts presented are in Mexican pesos.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will impact the earnings of the Group. The Group is exposed to interest rate risk predominantly through floating rate borrowings and manages this exposure on a 'look through' basis including exposures generated by the borrowings of the Industrial Trusts.

In order to manage interest rate risk, the Group has entered into certain fixed interest rate swap contracs, where possible. The Group has entered into interest rate swaps to change the variable interest rate of US$258.0 million term loan to a fix interest rate (for more details refer to note 20). Consequently, as at December 31, 2018, 100% (December 31, 2017: 95%) of the Group's debt funding has a fixed interest rate.

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

24. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk (Continued)

Sensitivity analysis

The table below reflects the potential net increase/(decrease) in the Group's profit, resulting from changes in interest rates applicable at December 31, with all other variables remaining constant.

	2018 $'000	2017 $'000
Variable interest rate		
Cash and cash equivalents	**547,456**	142,799
Interest bearing liabilities (with variable interest rates)	**-**	(789,416)
Net variable interest rate exposure	**547,456**	(646,617)

A movement in variable interest rates (3 month US$ LIBOR or overnight CETES) applied to the net exposures in the table above would result in a change to the net profit of the Group.

	Sensitivity of operating profit	
As at 2018	Movement of +100bps in interest rates $'000	Movement of -100bps in interest rates $'000
Effect of net floating exposure	**5,475**	**(5,475)**
As at 2017		
Effect of net floating exposure	(6,466)	6,466

25. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The Group measures the following assets and liabilities at fair value and further information about the assumptions made in measuring fair values is included in the following notes:

- Investment properties held for sale, (Note 15).

- Investment properties, (Note 16).

- Derivative financial instruments, (Note 20).

Fair value reflects the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date.

The values derived from applying these techniques are affected by the choice of valuation model used and the underlying assumptions made regarding inputs such as timing and amounts of future cash flows, discount rates, credit risk, volatility and correlation.

The investment property valuations were determined using discounted cash flow projections, based on significant unobservable inputs. These inputs include:

- Future rental cash flows: based on the location, type and quality of the properties and supported by the terms of any existing lease or other contracts or external evidence such as current market rents for similar properties;

- Discount rates: reflecting current market assessments of the uncertainty in the amount and timing of cash flows;

- Vacancy rates: based on current and expected future market conditions after expiry of any current leases;

- Maintenance costs: including necessary investments to maintain functionality of the property for its expected useful life;

- Capitalisation rates: based on location size and quality of the properties and taking into account market data at the valuation date; and

- Terminal value: taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

The Management regularly reviews significant unobservable inputs and valuations adjustments. if third party information, such as broker quotes or pricing services, is used to measure fair value, then the Management assesses the evidence obtained from the third parties to support the conclusion about these valuations meet the requirements of IFRS, including the level in the FV hierarchy in which the valuations should be classified. Significant valuation issues are reported to the Board of Directors

The fair value of derivative financial instruments is calculated as the present value of the estimated future cash flows.

Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates.

Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps.

Financial instruments measured at fair value are categorized in their entirety, in accordance with the levels of the fair value hierarchy as outlined below:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The appropriate level for an instrument is determined on the basis of the lowest level input that is significant to the fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

25. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The effect of initially applying IFRS 9 on the Group's financial instruments is described in Note 4.

Due to the transition method chosen, comparative information has not been restated to reflect the new requirements.

The following table sets out the fair value of financial instruments (net of unamortized acquisition costs) not measured at fair value and analyzes them by the level in the fair value hierarchy into which each fair value measurement is categorized.

As at December 31, 2018	Level 2 $'000	Total fair value $'000	Total carrying amount $'000
Trade and other receivables	**514,370**	**514,370**	**526,489**
Interest-bearing liabilities*	**15,343,108**	**15,343,108**	**15,537,190**
As at December 31, 2017			
Trade and other receivables	74,539	74,539	74,539
Interest-bearing liabilities*	16,425,514	16,425,514	16,318,550

*Net unamortized transaction costs.

The following table summarizes the levels of the fair value hierarchy for financial instruments measured at fair value of the Group:

As at December 31, 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Derivative financial instruments	**-**	**124,011**	**-**	**124,011**
Investment properties held for sale	**-**	**-**	**147,622**	**147,622**
Investment properties	**-**	**-**	**40,132,961**	**40,132,961**
As at December 31, 2017				
Derivative financial instruments	-	111,573	-	111,573
Investment properties	-	-	41,722,712	41,722,712

The fair value of the interest rate swaps is based on independent third party broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the term and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The fair value of the interest rate swaps reflects the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty, where appropriate.

The following table presents the changes in Level 3 of the fair value hierarchy for the Group:

	Dec 31, 2018 $'000	Dec 31, 2017 $'000
Balance at the beginning of the year	**41,722,712**	42,466,715
Capital expenditure/leasing commision, net of amortization	**144,539**	467,868
Transfer to investment properties held for sale	**(1,753,449)**	(198,289)
Asset acquisitions	**61,244**	-
Net unrealized foreign exchange loss on US dollar denominated investment property	**(71,468)**	(1,558,247)
Unrealized revaluation gain on investment property measured at fair value	**29,383**	544,665
Balance at the end of the year	**40,132,961**	41,722,712

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CURRENCY AMOUNTS EXPRESSED IN THOUSANDS OF MEXICAN PESOS (UNLESS OTHERWISE STATED)

26. LEASES

Agreements entered into by the Group and its tenants have been classified as operating leases under IAS 17. The Group is the lessor of the leases entered into with third parties in respect of its investment properties. Of the leases entered into by the Group, there are a certain amount that are fixed-term leases which include renewal options exercisable by the respective tenant. Notwithstanding these particular leases, the lease agreements entered into by the Group have expiration dates raging from January 1, 2018 to April 30, 2048.

Where the minimum lease payments are considered to be the net accumulated rent over the lease term, which is defined as the earliest possible termination date available to the tenant, irrespective of the probability of the tenant terminating or not exercising available renewal options; the minimum lease payments to be received by the Group going forwards are as laid out below:

December 31, 2018	<1 year	1-5 years	>5 years	Total
Minimum future lease collections (US$'000)	126,789	335,168	71,687	533,644
Minimum future lease collections ($'000)	28,829	78,312	13,297	120,438

For the year ended December 31, 2018 and 2017 the Group recognised in the Consolidated Statement of Comprehensive Income $4.7 million and $4.8 million, respectively, as a leasing expense in relation to the administrative offices under the provisions of *IAS 17 Leases* applicable until December 31, 2018.

27. COMMITMENTS AND CONTINGENT LIABILITIES

The Group has no significant contingent liabilities as at December 31, 2018.

28. RELATED PARTY INFORMATION

FIBRA Macquarie is listed on the Mexican Stock Exchange and its CBFIs are understood by the Manager to be widely held. The following summary provides an overview of the Group's key related parties:

a) Transactions with key management personnel

The key management personnel in respect of the Group are employed and remunerated by the Manager.

b) Trustee

Since the execution of the Trustee Substitution Agreement on October 31, 2017, CIBanco, S.A., Institución de Banca Multiple is the FIBRA Macquarie Trustee, whose registered office is at Av. Paseo de las Palmas, 215, Piso 7, Lomas de Chapultepec I Sección, Miguel Hidalgo, Mexico City, 11000.

The trustee of the Investment Trusts is CIBanco, Sociedad Anónima, Institución de Banca Múltiple whose registered office is at Av. Paseo de las Palmas 215, piso 7, Lomas de Chapultepec I Sección, Miguel Hidalgo, Mexico City, 11000 ("Investment Trust Trustee"). The other trustee within the Group is Banco Nacional de Mexico, S.A., integrante del Grupo Financiero Banamex. For the three months and year ended December 31, 2018, the trustees' fees for the Group amounted to $0.8 million (December 31, 2017: $1.1 million) and $3.2 million (December 31, 2017: $4.5 million), respectively.

As at December 31, 2018, fees due to the trustees amounted to $nil (December 31, 2017: $0.1 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. RELATED PARTY INFORMATION (CONTINUED)

c) Manager

MMREM acts as manager of FIBRA Macquarie and has its registered office is at Pedregal 24, piso 21, Col. Molino del Rey, Miguel Hidalgo, Mexico City, 11040.

Under the terms of the Management Agreement, MMREM is entitled to a base management fee of $41.0 million (December 31, 2017: $46.7 million) and $168.1 million (December 31, 2017: $179.8 million) respectively, for the three months and year ended December 31, 2018. The base management fee is calculated as 1% per annum of the value of the market capitalization of FIBRA Macquarie for the relevant calculation period. The fee is calculated on April 1 and October 1 respectively for the subsequent six month period. The market capitalization is calculated as the product of: (i) the average closing price per CBFI during the last 60 trading days prior to the calculation date and, (ii) the total number of outstanding CBFIs at the close of trading on the calculation date.

MMREM is also entitled to receive a performance fee, which is calculated as 10% of an amount comprising the market capitalization, per above, plus the aggregate amount of all distributions made to CBFI holders, increased at a rate equal to the aggregate of 5% per annum and an annual cumulative Mexican inflation rate from their respective payment dates, minus the aggregate issuance price of all issuances of CBFIs, plus the aggregate amount of all repurchases of CBFIs, in each case, increased at a rate equal to the aggregate of 5% per annum and the annual cumulative Mexican inflation rate from their respective issuance or repurchase dates, less any performance fees previously paid. This potential fee is payable on the last business day of each two-year period commencing on December 19, 2012 and must be reinvested into FIBRA Macquarie CBFIs for a minimum duration of one year. As at December 31, 2018, no performance fee was payable by FIBRA Macquarie.

d) Other associated entities

During the three months and year ended December 31, 2018, the Group accrued expenses totaling $0.4 million (December 31, 2017: $0.2 million) and $1.4 million (December 31, 2017: $0.8 million), respectively, in respect of out of pocket expenses incurred by affiliate entities of MMREM, in performance of its duties as Manager.

As at December 31, 2018, expenses due to MMREM amounted to $1.4 million (December 31, 2017: $0.4million).

As at December 31, 2018, Macquarie Infrastructure and Real Asset Holding Pty Limited, an affiliate entity of MMREM, held 36,853,632 CBFIs and received a distribution of $57.7 million during the year ended December 31, 2018 (December 31, 2017: $57.7 million).

From time to time, other related subsidiaries or associates of Macquarie Group Limited may hold CBFIs on their own account or on account of third parties.

29. EVENTS OCCURING AFTER REPORTING PERIOD

FIBRA Macquarie and Grupo Frisa repaid their respective 50% share of JV level debt totaling $567.8 million.

FIBRA Macquarie's Technical Committee has evaluated all other subsequent events through to the date these consolidated financial statements were issued and has determined there are no other subsequent events requiring recognition or disclosure.