

12. Fair value of financial instruments

This note provides information about how the Entity determines fair values of various financial assets and financial liabilities.

a. Fair value of the Entity's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Entity's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as of		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/14	31/12/13				
1) Foreign currency forward contracts (see Note 13)	Liabilities - \$27,112	Assets - \$4,889	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
2) Interest rate swaps, copper and aluminum shopping cart (see Note 13)	Liabilities - \$5,561	Assets - \$2,978; (designated for hedging)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
3) Contingent liabilities from the sale of investment in shares in Philip Morris Mexico (PMM) (see Notes 16c and 20)	Liabilities - \$1,669,305	Liabilities - \$1,297,021	Level 3	The value of the transaction will be computed by considering the PMM's average EBITDA of three fiscal years of PMM including the year of sale.	EBITDA average from 2012 to: 2014 \$378,475	EBITDA average from 2012 to 2014: \$385,842

The fair value of financial instruments presented below has been determined by the Entity using available market information or other valuation techniques that require judgment in developing and interpreting the estimates of fair values also makes assumptions that are based on market conditions existing at each of the dates of the statement of financial position. Consequently, the estimated amounts presented are not necessarily indicative of the amounts the Entity could realize in a current market exchange. The use of different assumptions and / or estimation methods may have a material effect on the estimated fair value amounts.

Financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels ranging from 1 to 3 based on the degree to which the fair value is observed are:

- Level 1 of fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 of the fair value measurements are those derived from indicators other than quoted prices included within Level 1 but including indicators that are observable for the asset or liability, either directly or indirectly quoted prices meaning derived from these prices; and
- Level 3 of fair value measurements are those derived from valuation techniques that include indicators for the asset or liability that are not based on observable market data (unobservable indicators).

The amounts of cash and cash equivalents of the Entity, as well as accounts receivable and payable to third parties and related parties, and the current portion of loans from financial institutions and long-term debt approximate their fair value because they short-term maturities. The long-term debt of the Entity are recorded at amortized cost and debt is interest at fixed and variable rates that are related to market indicators.

To obtain and disclose the fair value of long-term debt using quoted market prices or quotations for similar instruments operators. To determine the fair value of financial instruments using other techniques such as estimated cash flows, considering the dates flow curves intertemporal market and discounting these flows with rates that reflect the risk of the counterparty and the risk of the Entity for the reference period.

The fair value of interest rate swaps is calculated as the present value of estimated net cash flows in the future. The fair value of currency futures is determined using quoted forward exchange rates at the date of statement of financial position.

The carrying amounts of financial instruments by category and their estimated fair values are as follows:

	December 31, 2014		December 31, 2013	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Financial assets:				
Cash and cash equivalents	\$ 7,777,439	\$ 7,777,439	\$ 6,898,520	\$ 6,898,520
Instruments available-for-sale:				
Fixed-term securities	6,313,231	6,313,231	3,654,983	3,654,983
Derivative financial instruments (i)	214,006	214,006	255,585	255,585
Loans and receivables:				
Accounts receivable in the short and long-terms	18,482,150	19,011,098	21,479,049	22,157,275
Due to related parties	2,672,542	2,672,542	3,813,538	3,813,538
Accounts and notes payable:				
Notes payable to financial institutions including current portion of long-term debt and others	(2,720,326)	(2,720,326)	(3,882,871)	(3,879,508)
Debt securities	(5,000,000)	(4,993,588)	(5,000,000)	(4,999,951)
Trade accounts payable	(8,535,817)	(8,535,817)	(9,086,008)	(9,086,008)
Due to related parties	(1,211,685)	(1,211,685)	(2,014,008)	(2,014,008)
Other accounts payable, accrued liabilities and long-term provisions and the fair value adjustment as part of the gain on the sale of stock PMM	(5,670,962)	(5,670,962)	(4,944,222)	(4,944,222)
Derivative financial instruments ⁽ⁱ⁾	(671,170)	(671,170)	(841,098)	(841,098)
Total	\$ 11,649,408	\$ 12,184,768	\$ 10,333,468	\$ 11,015,106

The fair values shown at December 31, 2014 and 2013, except for the receivables to commercial customers and debt securities approximate their carrying value because the values observed in the market are very similar to those recorded in this period.

⁽ⁱ⁾ Represents financial instruments that are measured at fair value after initial recognition, grouped into levels ranging from 1 to 3 based on the degree to which the fair value is observed, and these Level 2 indicators derived from other than quoted prices, but including indicators that are observable for the asset or liability either directly or indirectly quoted prices that is to say derived from these prices. During the years ended December 31, 2014 and 2013 there were no transfers between levels, both years corresponded to Level 2.