Consolidated Annual Report

2014

(Free translation from the Portuguese version. In case of doubt or misinterpretation the Portuguese version will prevail)

31 December 2014

Grupo Pestana, S.G.P.S., S.A.

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Consolidated Management Report for 2014

Dear Shareholders,

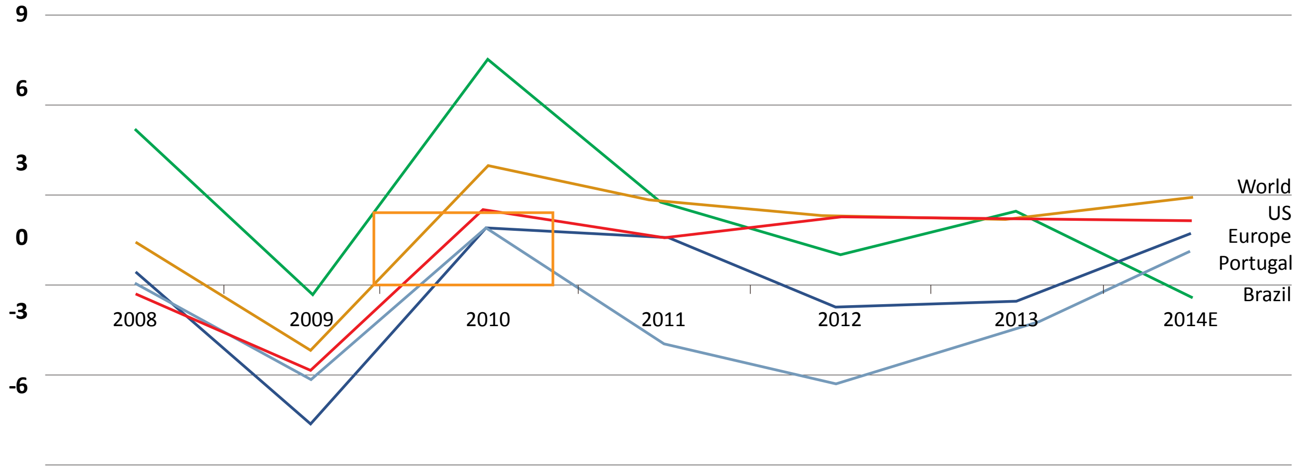
In the terms of the Corporate Law, we have the honor to submit for your appreciation and approval the consolidated management report and the consolidated financial statements for the year 2014.

1 Economic background

1.1. GDP growth

World GDP growth in 2014 should have achieved a value near 3% in nominal terms and 1% in real terms. Western countries continue to face difficulties in finding a sustainable pattern of growth which will allow them to overcome the recession. In emergent marketsa decline in GDP growth rates was witnessed due to geopolitical uncertainties, volatility of oil prices and macroeconomic imbalances, which led to the outflow of capital in some countries and to the limitation on foreign currency transfers in others, causing a lack of business confidence. In Brazil, we can even expect a negative growth rate for 2014.

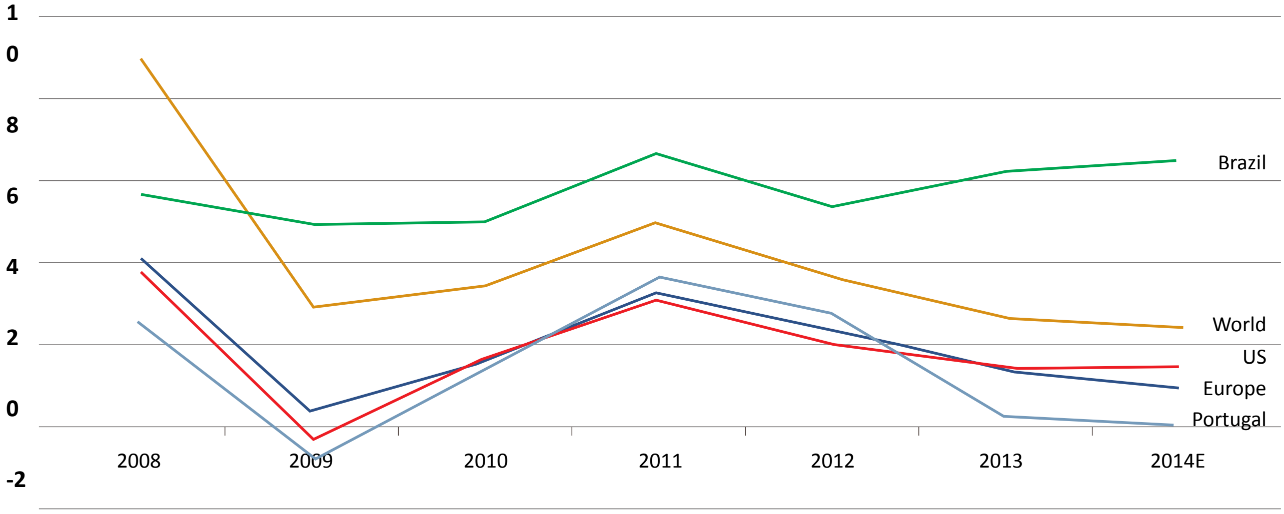
Table 1 - GDP Growth Rate (%)



Source: World Bank

The USA, in turn, consolidated last year the economic recovery, contrasting with the rest of the world. Confidence in the market is now more stable and the labor market and investment show signs of recovery. Despite GDP increase, uncertainty remains regarding the economic recovery in the Euro Zone due to a lower growth than expected in Germany and deflation signals.

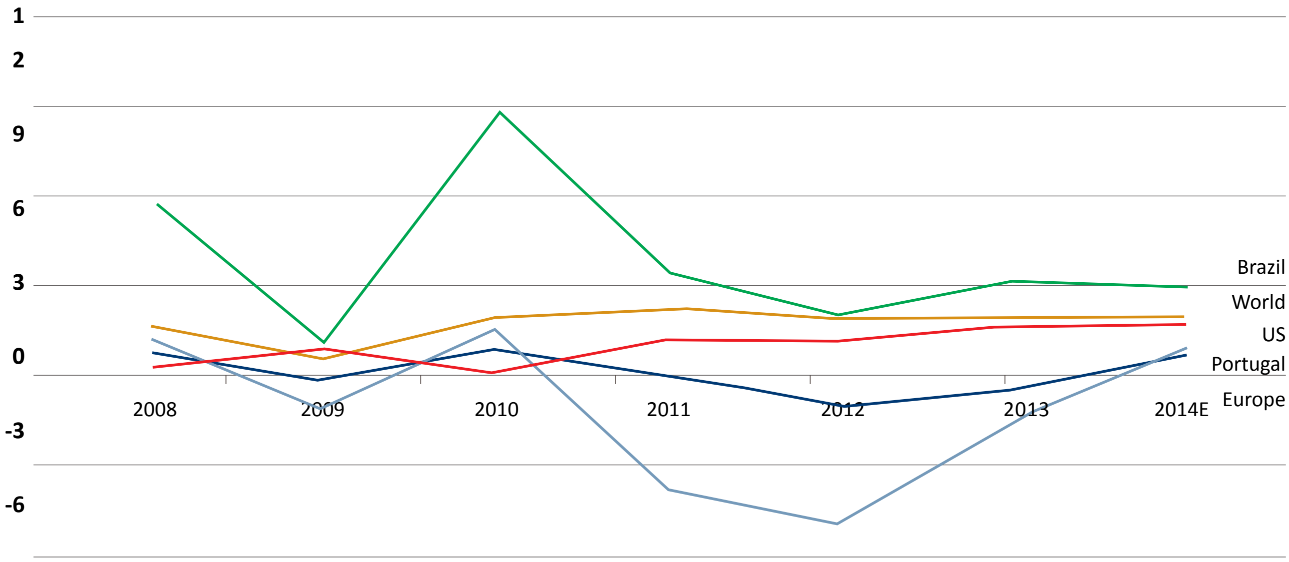
Table 2 – Inflation annual variation (%)



Source: World Bank, Trandingeconomics.com, EUROSTAT

Despite this scenario, global consumption continues to grow slowly due to a decrease in unemployment and increased economic confidence of the middle class, especially in Western countries. The investment intentions seem now to be stronger within the Euro Zone, despite the new Greek policy framework which is generating fear and uncertainty in certain sectors of economic activity.

Table 3 - Final consumption expenditure (annual % growth)



Source: World Bank. For 2014 same trend were applied based on indicative figures of Banco de Portugal, FMI

Middle-class spending habits continued to contribute significantly to the enhancement of tourism in Western countries, including Portugal. The diversification of issuing markets continued to grow, thus contributing to reducing the credit risk profile of the groups linked to tourism.

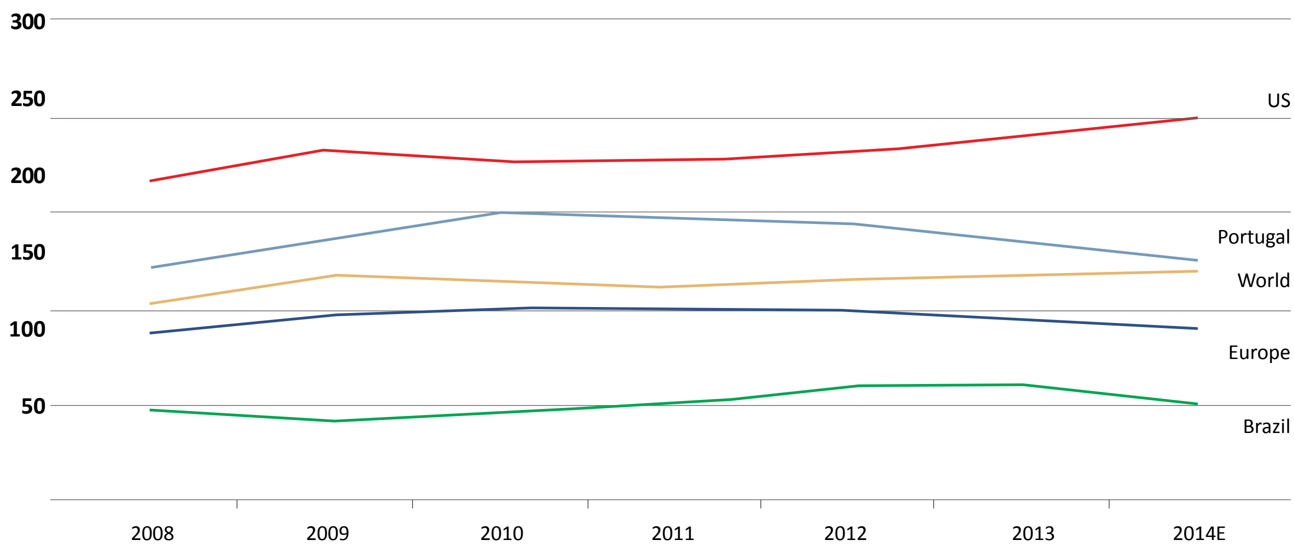
1.2. Liquidity and cost of funds

The limitation of the action of public authorities in countries such as Ireland, Spain and Portugal and the economic programs implemented based on the Troika measures along with the autonomous measures imposed by ECB regulating the activity of the financial sector explain the slow recovery of investment in most EU countries.

This tendency is likely to be affected by the credit flexibility program recently announced by the ECB, in order to increase GDP through a boost in investment and private consumption. This measure may enable the recovery of the interbank money market, based on a greater confidence of economic agents.

The USA credit flexibility policy ended as a result of the stabilization of market liquidity, in a low yield environment. Financial institutions are more capitalized, with few exceptions, which are being closely monitored by FED. Domestic credit concession remained, with the exception of some emerging markets such as Brazil due to government's imposition to increase the interest rate as a means to control inflation.

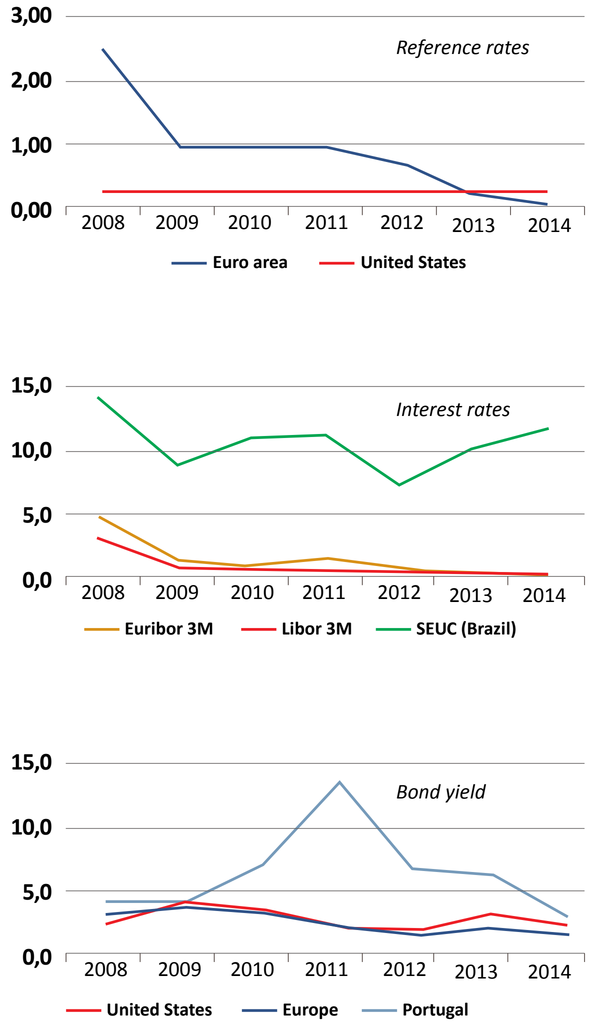
Table 4 - Domestic credit granted by banking sector (% of GDP)



Source: World Bank. For 2013 same trend were applied based on indicative figures of Banco de Portugal, FMI

In 2014, reference interest rates recorded historical minimum values, and companies with good credit risk, such as Pestana group, saw their overall cost of capital decrease significantly. This resulted from the improvement in the market risk perception, particularly in countries where Troika has established an economic recovery program and from a scenario where banking sector liquidity was more stable.

Table 5 - Reference rates evolution; Bond yields; Interest rates



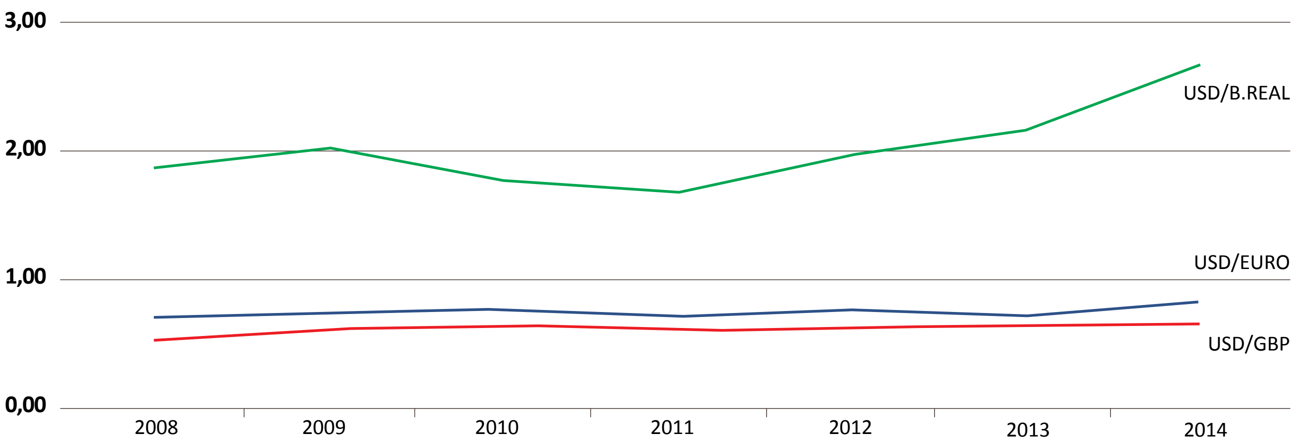
Source: World Bank; Euribor-rates.eu; BdP

The economic reforms implemented in 2014 in countries such as Portugal, allowed a reduction in risk premiums, following the trend started in the second half of 2013. The Credit Default Swaps (CDS 5Y) has dropped more than 123 bps in Portugal, from the beginning to the end of last year.

1.3. Exchange rates evolution

The major currencies that support the activity of the group recorded different developments. Euro depreciated against the USD, REAL and GBP, especially at the end of 2014.

Table 6 - Official exchange rates



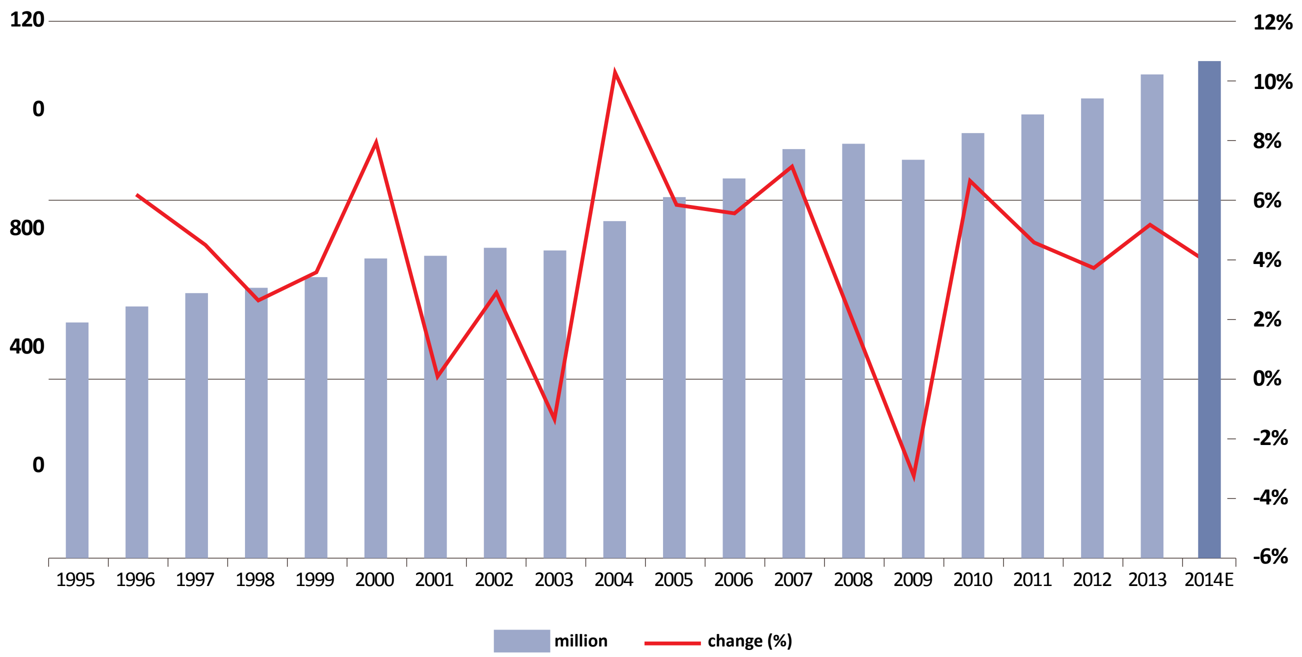
Source: World Bank

2 Tourism

2.1. World trend

Once again the tourism activity gave signs of strength and was important in several regions of the world in supporting local economies, including in the countries of the European Union, where the crisis has been deeper. International tourism arrivals in 2014 must have recorded a growth between 4% and 5%.

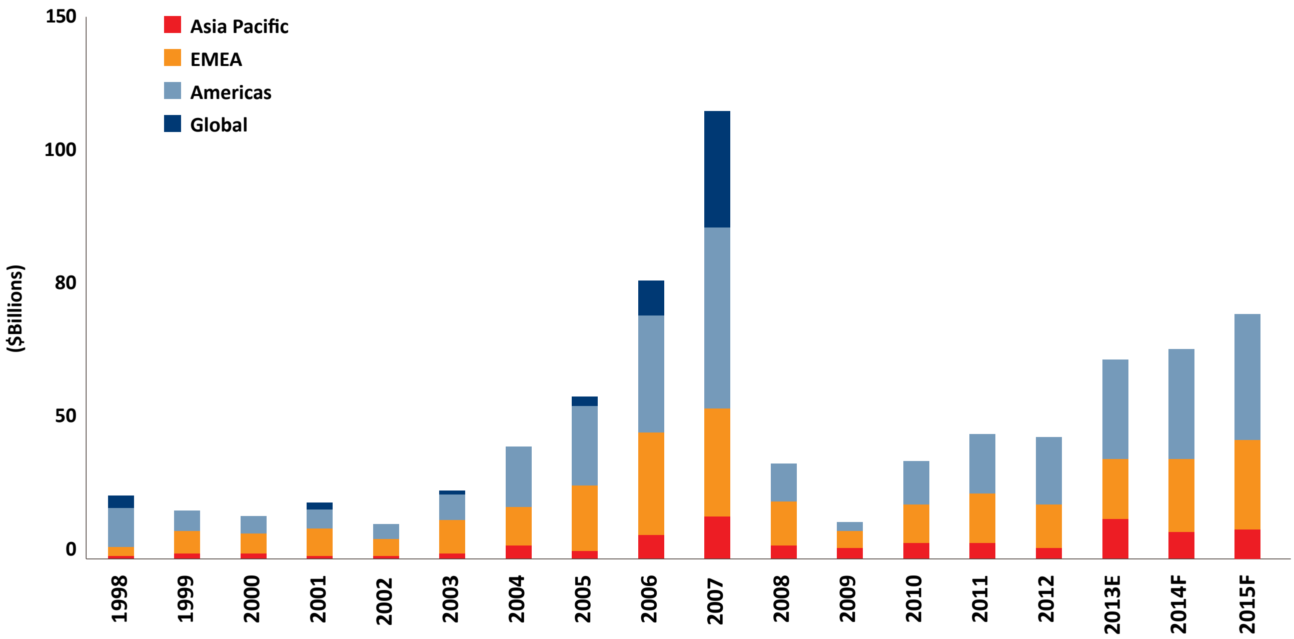
Table 7 - International tourist arrivals



Source: World Tourism Organization (UNWTO)

The investment in this sector (according to the last ‘Hotel Investment Outlook 2015’ produced by Jones Lang LaSalle) is expected to have grown about 10% in 2014, representing an increase of about 60 billion USD in terms of global investment. For 2015, the market should continue to grow and therefore a greater investment in the sector is expected. Europe will continue to record operations that will focus mainly on individual assets, with the emphasis in London and Paris, whereas portfolio transactions should record a greater flow of investments in UK and Germany.

Table 8 –Transaction volume evolution 1998-2015F



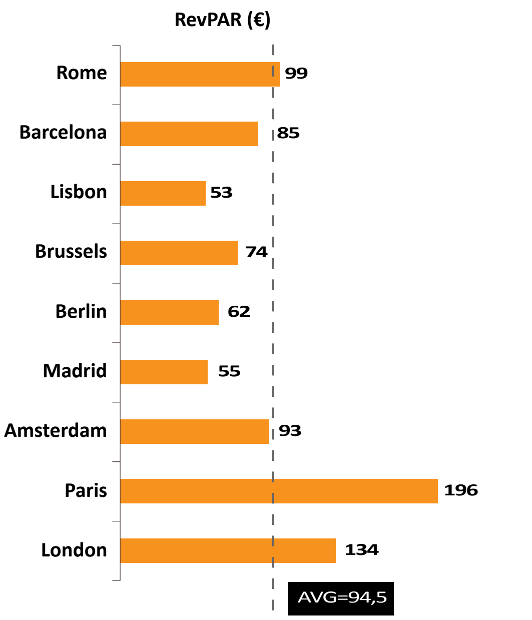
Source: Jones Lanh LaSalle in “Hotel Investment Outlook 2015 - A Yera of upward momentum

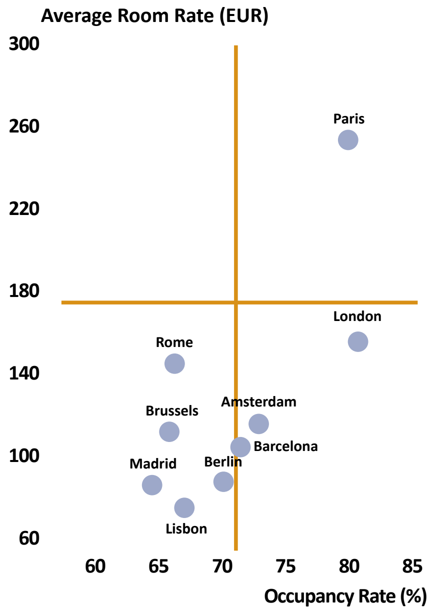
2.2. Europe

Tourism in Europe is also expected to grow between 4% and 5% in 2014, according to the World Tourism Organization, mainly due to the urban segment. The resort segment recorded a slightly recovery, with the accented change in tourism destinations. Demand kept moving from places where social distress persists (North Africa and some countries of the Middle East), focusing on destinations that offer greater safety and accessibility.

According to the European Travel Commission report for the third quarter of 2014, southern European countries have benefited from a balanced combination of guests, making them less vulnerable to market falls and crisis. These strategies were crucial for countries such as Malta (+8%), Croatia (+7%), Spain (+12%) and Portugal (+10%), where there were significant growths in tourist activity.

Table 9 - Revpar, Average room rate and occupancy rates YTD June 2014



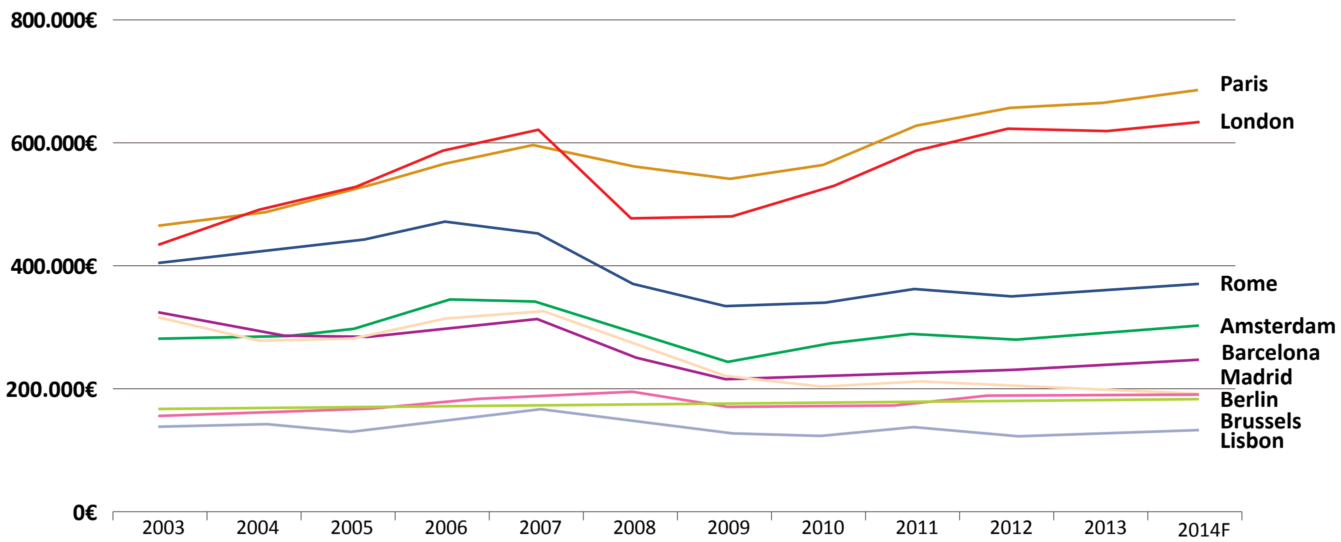


Source: STR Global, HotStat, Observatório Turismo de Lisboa

In the urban segment, the main European cities recording greater value per room in terms of investment were Paris and London. In the ranking of the prestigious north American consulting company HVS are some of the cities where Pestana group already has and will have hotels in a short-term, these being London and Amsterdam which are placed second and eighth, respectively, and also Barcelona (11th place), Madrid (19th place), Berlin (20th place) and Lisbon (27th place).

The evolution of the average room rate in these cities has been different. It has been increasing in a sustainable way in Paris, London and Barcelona, however in the last few years it has decreased in Lisbon and Amsterdam. Despite this, during 2013 and 2014 these markets recorded a slight increase in their investment amount per room.

Table 10 – Average values per room



Source: HVS - Values per room

2.3. Portugal

Tourism in Portugal grew in 2014, benefiting from higher demand of both international tourists and domestic market. The main highlights of the Portuguese market were the following:

Table 11 - Portuguese tourism highlights

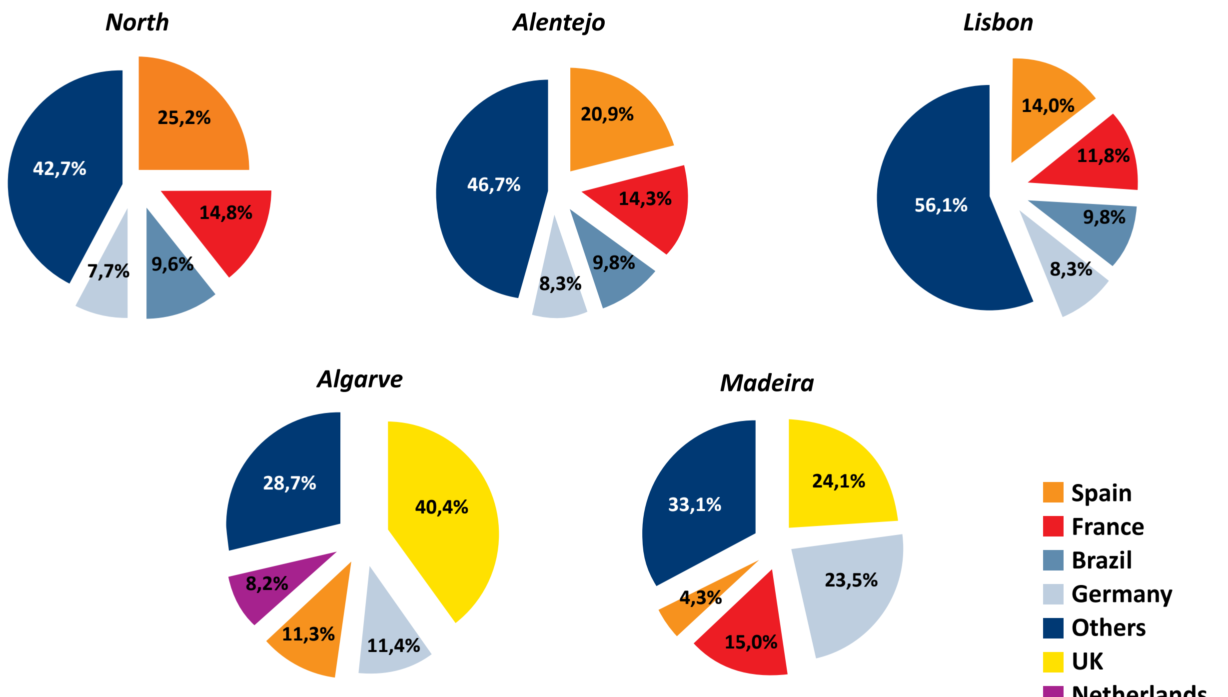
2014	Value	14/13
Domestic Visitors ('000)	6.776	12%
Internation Visitors ('000)	9.316	12%
Overnights by international visitors ('000)	32.349	10%
Estimated revenue (milions €)	10.000	12%
RevPAR (€)	33,00	9%
Feeder Markets (by number of visitors) ('000)	**Value**	**Weight**
UK	1.580	17%
Spain	1.442	15%
Germany	984	11%
France	1.000	11%
Brazil	579	6%
Others	3.730	40%
TOTAL	**9.316**	**100%**

Source: Turismo de Portugal; INE,BdP

In 2014, the main touristic regions in Portugal strengthened, particularly Algarve and Madeira in the resort segment, and Lisbon and Oporto (that concentrates the visitors of the North region) in the urban segment (city breaks).

International demand has strengthened in all these areas, in different intensities. They all showed a strong demand based in foreign issuing markets. The national market recovered about 12% in 2014, in number of visitors, when compared with the previous year. The signs of economic recovery (GDP grew slightly, supported by a surplus in the trade balance) helped reverse the negative trend in private consumption and spending on tourism and related activities.

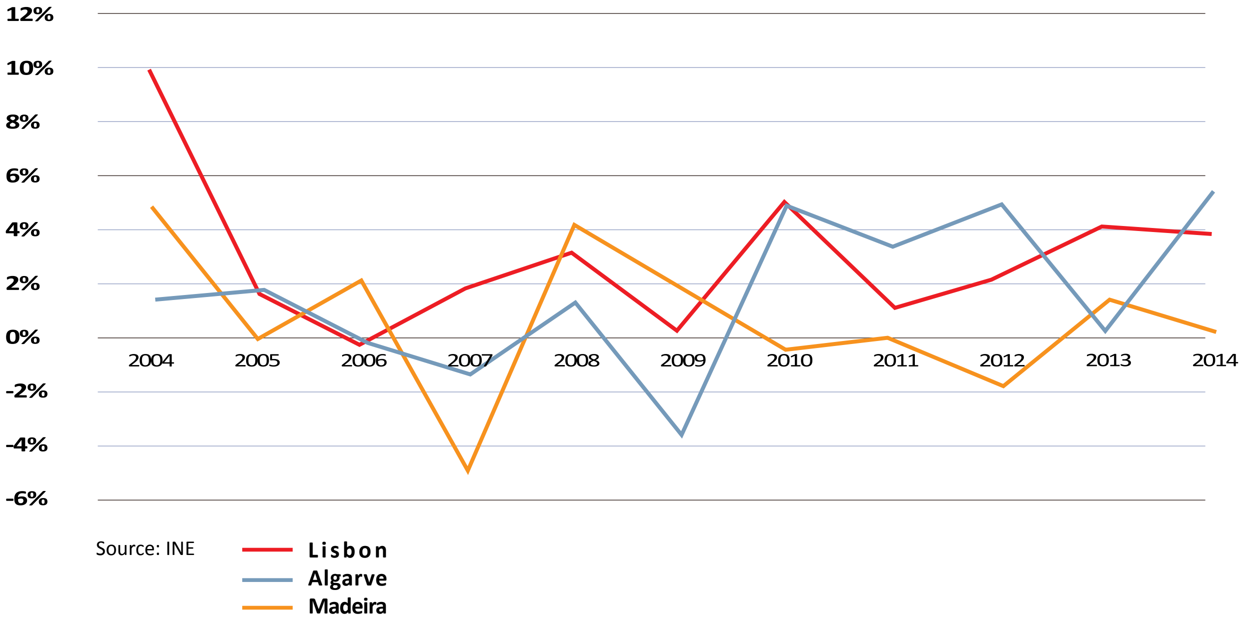
Table 12 - Portuguese feeder markets by region



Source: Turismo de Portugal

In 2014, there was a considerable increase in the number of available rooms, especially in Algarve and Lisbon, of about 6% and 4%, respectively. The Autonomous Region of Madeira, recorded a lower increase, of about 0.5%. This increase in available rooms was largely overcome by increased demand (measured in overnight stays), which showed a 12.7% increase in Lisbon, 9.5% in Algarve and 4.9% in Madeira, when compared with the previous year.

Table 13 - Available rooms evolution (%)



Source: INE

2.3.1. Madeira

Madeira Island, which is the place of origin of Pestana group, has been characterized in the last decade by its stable hotel offer (growing only 0.5% in 2014), and it continues to be a market dominated by non-resident tourists – about 90% of stays.

The demand focuses primarily in tourists from Germany, United Kingdom and France that represented 63% of visitors and more than half of the stays in 2014 (58%). As in previous years, these countries have not increased much its dominant position (+1%). The Spanish market has again lost strength, recording a fall of 3.5%. Despite having a high growth in 2013 (+18.4%), the English market grew again 7% in 2014, being the largest market in number of incoming tourists. The British market is the wider market of incoming tourists, however it has not yet managed to overcome Germany in the number of registered overnight stays, being Germany the main issuer, with a market share of 24% against 23% obtained by the English market.

Domestic demand – i.e. the Portuguese market – had already shown a good recovery in 2013, producing more 5.9% of overnight stays than in 2012, due to the slight economic recovery verified. This increase remained in 2014, with more 8.2% overnight stays in the region.

Table 14 - Evolution and structure of overnight stays in Madeira

Madeira – Overnight stays by feeder market					Weight			
Origin	**2014**	**2013**	**2012**	**2011**	**2014**	**2013**	**2012**	**2011**
Germany	1.413.406	1.309.714	1.250.490	1.136.070	23,8%	23,1%	24,0%	20,4%
UK	1.376.562	1.279.980	1.081.119	1.267.131	23,1%	22,6%	20,7%	22,8%
Top 2	**2.789.968**	**2.589.694**	**2.331.609**	**2.403.201**	**46,9%**	**45,8%**	**44,7%**	**43,2%**
Frande	656.658	632.917	572.152	479.605	11,0%	11,2%	11,0%	8,6%
Netherlands	209.605	208.285	214.897	218.482	3,5%	3,7%	4,1%	3,9%
Spain	187.557	194.128	193.467	178.056	3,2%	3,4%	3,7%	3,2%
Top 5	**3.843.788**	**3.625.024**	**3.312.125**	**3.279.344**	**64,6%**	**64,1%**	**63,5%**	**58,9%**
Scandinavia	529.600	478.600	449.687	412.544	8,9%	8,5%	8,6%	7,4%
Others	939.492	971.241	902.500	1.177.418	15,8%	17,2%	17,3%	21,2%
Foreign Markets	**5.312.880**	**5.074.865**	**4.664.312**	**4.869.306**	**89,3%**	**89,7%**	**89,4%**	**87,5%**
Portugal	636.417	584.069	551.357	695.980	10,7%	10,3%	10,6%	12,5%
Total	**5.949.297**	**5.658.934**	**5.215.669**	**5.565.286**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

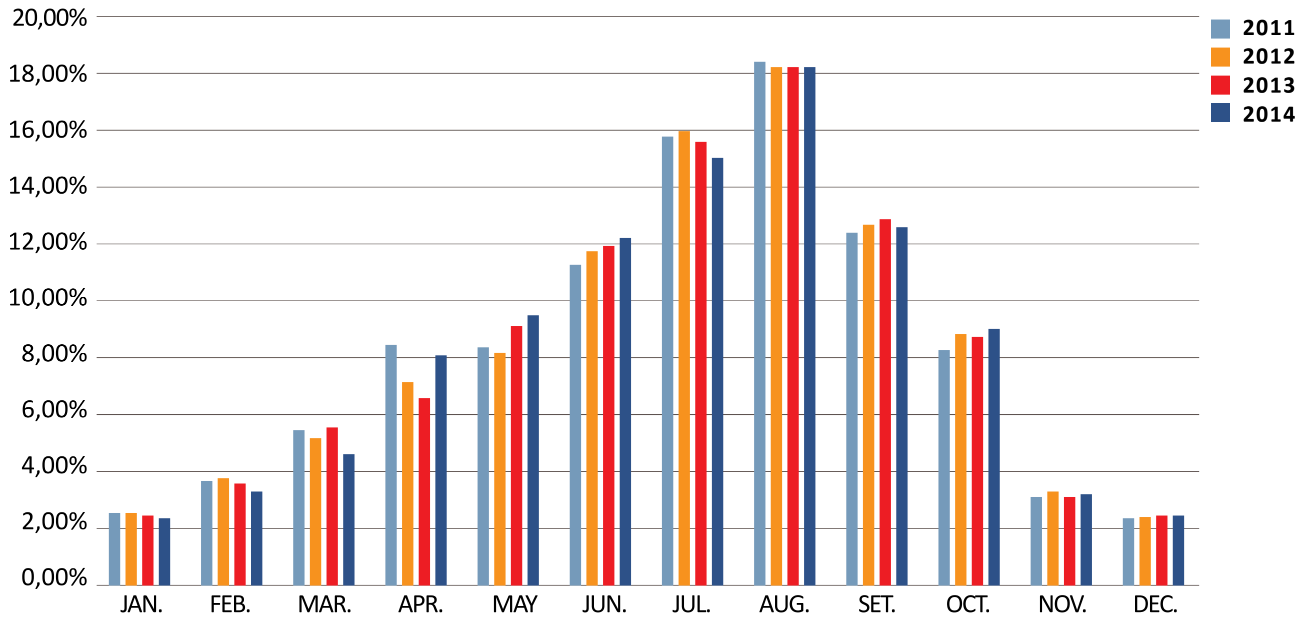
Source: INE. Data from January to November

2.3.2. Algarve

Algarve continued to represent the largest hotel offer at national level, having recorded an average annual growth of 1.8% in the last 10 years.

Tourism in this region is still very marked by the seasonality of demand with a large concentration of reservations in the summer months, especially July and August. However, and in accordance with what happened between 2011 and 2013, 2014 showed a decrease in demand in the peak season (July and August) and an increase in the months from Abril to June and October. This phenomenon is associated with an increase in the market demand for middle season, period that shows the largest margin to grow.

Table 15 - Seasonal evolution of overnights in Algarve (%)



Source Turismo de Portugal, I.P.; INE

As in the previous year, demand growth of hotel units in Algarve in 2014 was supported by the growth of UK (+8.3%), Spain (+ 26.0%), Ireland (5.7%), Germany (+ 3.5%) and Portugal (18.3%).

Unlike in previous years, markets that had registered a sharp drop in demand, such as Portugal and Spain, had a very considerable growth in 2014. Spain grew + 26.0%, as previously described and the internal market demand also grew double digits, of about 15.5% in overnight stays, when compared to the previous year.

Table 16 - Evolution and structure of overnight stays in Algarve

Algarve – Overnight stays by feeder market					Weight			
Origin	**2014**	**2013**	**2012**	**2011**	**2014**	**2013**	**2012**	**2011**
UK	5.197.609	4.768.255	4.405.881	4.140.976	32,5%	32,9%	31,4%	30,3%
Germany	1.553.074	1.498.782	1.364.036	1.268.816	9,7%	10,3%	9,7%	9,3%
Top 2	**6.750.683**	**6.267.037**	**5.769.917**	**5.409.792**	**42,2%**	**43,3%**	**41,2%**	**39,6%**
Netherlands	1.308.892	1.343.315	1.392.052	1.294.863	8,2%	9,3%	9,9%	9,5%
Irland	953.004	898.501	788.123	667.857	6,0%	6,2%	5,6%	4,9%
Spain	853.187	677.167	707.278	854.438	5,3%	4,7%	5,0%	6,3%
Top 5	**9.865.766**	**9.186.020**	**8.657.370**	**8.226.950**	**61,6%**	**63,4%**	**61,7%**	**60,3%**
Scandinavia	393.040	365.565	352.239	336.374	2,5%	2,5%	2,5%	2,5%
Others	1.813.996	1.605.323	1.568.829	1.414.691	11,3%	11,1%	11,2%	10,4%
Foreign Markets	**12.072.802**	**11.156.908**	**10.578.438**	**9.978.015**	**75,4%**	**77,0%**	**75,4%**	**73,1%**
Portugal	3.935.296	3.325.741	3.442.726	3.668.650	24,6%	23,3%	24,6%	26,9%
Total	**16.008.098**	**14.482.649**	**14.021.164**	**13.646.665**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

Source: INE. Data from January to November

2.3.3. Lisbon

During the last decade, Lisbon presented the greatest hotel offer growth rate in the country. The average annual growth rate during this period was 3.11%, which represents an increase in more than 8,100 rooms, as in the last 3 years 49 new hotels opened in the region.

Lisbon is also the Portuguese city with the greatest international projection in business tourism, holding half of the business events. This factor, along with a growing interest offered by the capital city in relation to leisure tourism in the international market, led to a less seasonal tourism when compared to other regions in the country.

The city has been experiencing significant touristic results, and recorded in 2014 a RevPar of 57.04€ (Source: Observatório Turismo de Lisboa), representing a growth around 14% when compared to the year 2013.

Although Lisbon is still heavily dependent on the Iberian market, which represents about 33% of overnight stays, Spain has been losing market share particularly for the French market (+23% of overnight stays). In 2014, the feeder market that grew the most was the English one, with +24.5% (+153,700 overnight stays), when compared with 2013.

Table 17 - Evolution and structure of overnight stays in Lisbon

Lisbon – Overnight stays by feeder market					Weight			
Origin	**2014**	**2013**	**2012**	**2011**	**2014**	**2013**	**2012**	**2011**
Spain	1.089.153	978.597	1.010.828	1.115.779	10,0%	10,3%	11,3%	13,2%
France	976.468	743.706	641.682	556.352	9,0%	7,8%	7,2%	6,6%
Top 2	**2.065.621**	**1.722.303**	**1.652.510**	**1.672.131**	**19,0%**	**18,1%**	**18,5%**	**19,8%**
Brazil	781.282	710.824	687.420	600.471	7,2%	7,5%	7,7%	7,1%
Germany	754.540	673.584	574.644	505.012	6,9%	7,1%	6,4%	6,0%
UK	627.697	473.994	452.737	421.887	5,8%	5,0%	5,1%	5,0%
Top 5	**4.229.140**	**3.580.705**	**3.367.311**	**3.199.501**	**38,9%**	**37,7%**	**37,7%**	**37,8%**
USA	444.104	442.037	393.671	348.483	4,1%	4,6%	4,4%	4,1%
Scandinavia	446.311	428.888	370.730	334.266	4,1%	4,5%	4,2%	4,0%
Others	3.639.803	2.780.930	2.486.645	2.155.690	33,4%	29,3%	27,8%	25,5%
Foreign Markets	**8.315.254**	**7.232.560**	**6.618.357**	**6.037.940**	**76,4%**	**76,1%**	**74,1%**	**71,4%**
Portugal	2.569.963	2.273.976	2.311.954	2.416.186	23,6%	23,9%	25,9%	28,6%
Total	**10.885.217**	**9.506.536**	**8.930.311**	**8.454.126**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

Source: INE. Data from January to November

3 Activity of Grupo Pestana, S.G.P.S., S.A.

3.1. Overall activity

During 2013, Grupo Pestana had performed a significant corporate reorganization of its participation structure in order to ease the management of the different business areas of the Group. This restructuring also had the merit of simplifying the reading of the Group accounts and its distribution by the different geographies

After this restructuring, the hotels Pestana Caracas and Pestana Buenos Aires, as well as the activity of Pestana Casablanca hotel, ceased to be consolidated by the full method, as a result of the sale by Grupo Pestana, S.G.P.S., S.A. of part of the participation that gave it the control of Pestana Inversiones to the international holding of the Group. Even though, Grupo Pestana S.G.P.S., S.A maintained a participation and a significant influence in Pestana Inversiones until June 2014, whereby it consolidated this sub-group by the equity method.

In July 2014, Grupo Pestana decided to dispose of the participation held on Pestana Inversiones, S.L..

In short, Grupo Pestana, S.G.P.S, S.A. now owns the majority of the business tourism units headquartered in Europe (Portugal included) and North America. This Company (through two brands “Pousadas” and “Pestana Hotels & Resorts”) has the property of 20 hotels and manages 55 hotel units (all of the “Pousadas” units are under management), which offer diversified hotel services. The Group´s offer complements itself with other business units in the tourism sector in different areas: golf, casino, holiday’s club, entertainment and touristic real state.

The main investments made during 2014 were as follow:

- Acquisition of IATH, an Azorean company which owns and operates Bahia Palace hotel in São Miguel island; the hotel is now operated by the Group, but the necessary renovation works will only take place in the winter of 2015/2016;
- Continuation of the conversion works in Praça do Comércio of the former building of the Ministry of Internal Administration to hold the future Pousada do Terreiro do Paço, in Lisbon, with 86 rooms; the work is expected to be finished and the unit is expected to open in June 2015;
- Continuation of the Pestana Porto extension project from 48 to 101 beds after the acquisition of two buildings next to the hotel; the rooms that compose this extension project are expected to open in July 2015.
- Continuation of the construction works of a new hotel in Alvor, Algarve, the future Pestana Alvor South Beach with about 80 rooms; this unit is expected to open during the second half of 2015, after the end of the construction works;
- Given the success of the first two stages, continuation of the development of the Tróia Eco-Resort project, through the execution of its third phase;

- Second year of operation of Pestana Colombos Resort, a five star hotel located in Porto Santo, with the expansion of the 100 rooms available during 2013 to an additional 78 apartments and 8 villas with typologies between T2 and T5; this resort is owned by FLIPTREL IV, which is a fund managed by ECS Capital, and was leased by Pestana Group;
- Throughout the year, Grupo Pestana invested in maintenance and capital expenses to maintain the assets under its management in the ideal conditions to optimize its exploitation; we highlight the efforts made in 2014 to provide wi-fi coverage to over a thousand accommodation units;
- Design, approval and beginning of the implementation of the new Strategic Plan of Pousadas de Portugal aiming the re-launch of the brand and the creation of conditions for the sustainability of the hotel chain;

Given the recent evolution of the touristic market that, after a deep crisis began a recovery process, Grupo Pestana started, in 2014, several projects either on the commercial area (e.g. reinforcing the investment in vouchers' sales) either in the information technology area, (e.g. in the reservation center) in order to increase its internal efficiency and effectiveness in the sale of its accommodation units. The goal is to create conditions to convert into significant improvements of the operating results the additional income resulted from the tourism market recovery.

At the end of 2014, Grupo Pestana issued a bond loan of 65 million Euros with five years and three months maturity, which had a demand above the available supply, thus increasing the maturity of the debt and significantly improving the adequacy of the service of that debt to the expected pace of cash flow release from the different business units.

Meanwhile, Grupo Pestana continued structuring a shared services center in Portugal, that provides back-office services to the several units of the group that are in different countries; this shared services center includes financial services, information technology services, monitoring investments and construction works, e-commerce, booking and human resources services. The goal is to have one of the most efficient shared service centers of the tourism industry in Portugal.

3.2. The results obtained

Grupo Pestana, S.G.P.S., S.A had a 222 million Euros revenue, which means a 11% annual growth.

This 22 million euros growth in sales resulted in a GOP growth of the tourism activity of 14 million euros, corresponding to over 20% against the same period. Therefore there was the ability to convert into free cash flow about 64% of the sales growth, which is a great indicator in the industry.

The recovery of the market, particularly in Madeira and Pousadas, allowed raising revenue from Grupo Pestana hotels in Portugal by more than 10%, which combined with the operating group efficiency resulted in an increase in operating results above 25%.

Hotel units in Algarve achieved an average growth in operating results of about 8% and Lisbon and Cascais units of 12%, which allowed them to increase their ability to free cash flows in 20%.

In the 2014 market recovery, in addition to the British, French and Scandinavian markets the internal market finally showed positive signs after the significant falls recorded between 2010 and 2012.

The Pousadas de Portugal network was the business unit which recorded the most positive evolution of GOP, with a growth of 30% when compared to the previous year.

Hotels in Europe generally maintained previous year's performance. The Miami unit which opened in February 2013 had its first full year of operation in 2014 and doubled its GOP, based on a 36% sales growth.

Pestana Vacation Club continued increasing its results, having grown 13% in 2014.

The Golf and Touristic real estate businesses had a good performance in the year, with the different business units maintaining the performance of previous years, with special emphasis on the great increase of Tróia project's results.

Madeira's casino has been showing a decrease in the past few years due to the economic crisis in Madeira Island and the competition from other types of games, including illegal gambling; this decrease has finally stopped in 2014 and Madeira's casino achieved a 6% growth.

If the GOP evolution was positive between 2013 and 2014, the same did not occur regarding EBITDA, EBITDAR and Net profit.

The factors explaining this different variation are as follows:

– Decrease of impairment reversals of 2.8 million Euros in 2014 when compared to 2013;

– Loss of about 5 million Euros in the sale of ESFG investments (this was the only investment that Grupo Pestana held in BES/GES and chose to record a loss as soon as the Espirito Santo group ran into difficulties);

– Increase of 2 million Euros in taxes paid, being one regarding property taxes (IMI) and the other regarding current income tax (IRC) (despite the decrease of the current income tax rate, the increase of the taxable profit had this effect);

– Exchange rate effect of British Pound that affected the Group's accounts by 2.4 million Euros;

– Decrease in gains resulting from the sale of assets in 2.3 million Euros;

– Change in indemnities paid net of indemnities received of 1.5 million Euros in 2014 when compared to the same period in 2013.

As can be seen these factors have an arbitrary and non-recurring character, much greater than the variation of the GOP that was the positive factor in 2014. Thus, it can be stated that the results of the year under analysis are substantially better than those obtained in the past, forming a strong basis for the future.

Table 19 – Financial data

	2014	2013
Rooms (Total keys)	6.615	6.444
Hotel units	57	57
(Amounts expressed in million Euros)		
Revenue	222,1	200,7
GOP of touristic activity (a)	80,5	66,6
EBITDAR	70,0	70,4
Rents paid to owners and concessions	-9,4	-11,7
EBITDA (b)	60,6	58,8
Amortization	-31,5	-31,4
EBIT	29,1	27,3
Net interest paid	-20,2	-16,7
Taxes paid (c)	-0,6	0,7
Net profit including non-controlling interests	9,6	13,0
GOP margin (%)	36%	33%
EBITDAR margin (%)	32%	35%
EBITDA margin (%)	27%	29%
EBIT margin (%)	13%	14%
ROE (%)	2,5%	3,3%
EPS	0,12	0,16
EBITDA/Net interest (..x)	-3,0	-3,5
Average cost of debt (%)	5,6%	4,9%

Notes:
(a) "gross operating profit" calculated in management's point of view (uniform system of accounts) only includes fully consolidated companies
(b) includes income and expenses from financial investments
(c) includes gambling tax paid by Casino

3.3. The structure of the Consolidated statement of financial position (“Balance sheet“)

Grupo Pestana, S.G.P.S, S.A. has a total capital expenditure of 757.4 million Euros, which mainly reflects the property of 2 hotels and 5 golf resorts. The equity and the free cash flow from the Holiday club activity that are shown in the balance sheet as a liability under deferred revenue, cover 51% of the adjusted assets, reflecting a good debt-to-equity ratio, being the remaining hedged by debt which results in a moderate leverage ratio.

Non-current funding finances the capital expenditures by 93% which exceeds the sum of Net fixed assets with Investment in financial assets. The bond loan issued at the end of the year contributed to this increase in Non-current funding and to the increase in the maturity of the Company’s debt profile.

Nowadays, Grupo Pestana, S.G.P.S., S.A. has a debt service aligned with its estimated capacity to generate funds; the corporate debt represents 30% of total debt, being the risk of refinancing controlled. Grupo Pestana, S.G.P.S., S.A has available credit lines in the 12 financial institutions that it works with in several regions, representing 15% of its total debt.

Grupo Pestana has followed a strategy of keeping its assets booked in the balance sheet, unlike other hotel chains which prefer to follow a strategy known as “asset light”. Consequently, there is an equivalent financial liabilities level.

It is expected that in 2015 some operations may be carried out placing assets in Institutional Investors but keeping the management of the operations of those units in Grupo Pestana. The implementation of some of these operations will allow reducing the debt ratio and Net debt/EBITDA ratio which has slightly increased last year.

Table 20 – Capital structure

(Amounts expressed in million Euros)

Capital expenditures	2014	% TOT	Var 14/13	2013	% TOT	Var 13/12	2012
Investments - Fixed assets	693,3	92%	4%	666,5	90%	-5%	698,6
Deferred tax liabilities	-35,9	-5%	1%	-35,5	-5%	-18%	-43,4
Total adjusted fixed assets	**657,4**	**87%**	**4%**	**631,0**	**86%**	**-4%**	**655,2**
Investment - Financial assets	40,3	5%	-35%	62,5	8%	30%	48,2
Other non-current assets	16,4	2%	6%	15,4	2%	0%	15,4
Assets - Operating liabilities	42,7	6%	50%	28,4	4%	-26%	38,6
Total capital expenditures	**756,8**	**100%**	**3%**	**737,3**	**100%**	**-3%**	**757,4**

Funding origins	2014	% TOT	Var 14/13	2013	% TOT	Var 13/12	2012
Equity	262,1	35%	-1%	264,7	36%	12%	300,1
Collected deferred revenue (a)	179,9	24%	1%	178,7	24%	-1%	180,6
Deferred sales costs (a)	-52,8	-7%	-2%	-53,9	-7%	-2%	-55,1
Total non-remunerated funding	**389,3**	**51%**	**0%**	**389,5**	**53%**	**-8%**	**425,6**
Long term financial debt	308,5	41%	10%	280,6	38%	11%	252,5
Other non-current liabilities	6,9	1%	-4%	7,1	1%	-52%	14,9
Total non-current funding	**704,6**	**93%**	**4%**	**677,2**	**92%**	**-2%**	**693,0**
Short term financial debt	100,7	13%	-2%	103,0	14%	-7%	110,9
Cash + Financial assets available for sale	-48,6	-6%	13%	-42,8	-6%	-8%	-46,6
Net current debt	**52,2**	**7%**	**-13%**	**60,2**	**8%**	**-6%**	**64,3**
Total funding origins	**756,8**	**100%**	**3%**	**737,3**	**100%**	**-3%**	**757,3**
Net debt (b)	360,7		6%	340,8		8%	316,8
EBITDA	60,6		3%	58,8		7%	54,8
Working capital	42,7		50%	28,4		-26%	38,6
Net capex (c)	20,5		-57%	47,7		281%	12,5
Net debt ratio	48%		3%	46%		11%	42%
Net debt / EBITDA ratio	5,95		3%	5,80		0%	5,78
Net debt / Equity ratio	0,93		6%	0,88		18%	0,74
Net debt / Total Assets ratio (%)	48%		3%	46%		11%	42%
Liquidity ratio (%)	12%		7%	11%		-11%	12%

(a) Collected sales of Holiday Club ("timeshare")
(b) Includes 16.9M of the entrance of Rauchastrasse 22, S.à.r.l. in the consolidation perimeter in 2014
(c) includes 30M repurchase of Pestana Carlton Madeira at the end of 2013 from a real estate fund

4

Objectives and policies of Pestana group regarding financial risk

Objectives and policies of Pestana group regarding financial risk

Pestana group's activities are exposed to a variety of financial risk factors, including the effects of changes in market prices, exchange rate risk, credit risk, liquidity risk and cash flow risk associated with interest rate, among others.

Risk management in Pestana group is controlled by the finance department under policies approved by the Board of Directors. Accordingly, the Board of Directors has defined the global risk management principles as well as specific policies that mitigate those risks.

The management criterion for these policies is described in the Notes to the consolidated financial statements.

5

Relevant issues occurred after the year end

Relevant issues occurred after the year end

As at January 2015, Grupo Pestana made a deposit in the amount of 250,000 Euros regarding the private usage concession of plots integrated in the infrastructure implemented in Praça do Mar, Funchal. This concession shall respect to a four-star hotel with 50 bedrooms in the center of Praça do Mar, near the sea and Funchal's harbor, with a splendid and wide view over Funchal's bay and amphitheater. This hotel will have a swimming pool and a solarium, as well as a restaurant area and terrace in the very busy Praça do Mar. By virtue of its location, décor and all environment, it is expected that this hotel will attract younger customer segments, less seasonal and more direct (less tour operation) than other hotels of the group in Funchal, therefore assuming that it will achieve a RevPAR which compares very well with the other hotels of the group in that region.

As at 30 January 2015, and according to the deliberation of the Board of Directors of July 2014, ratified on 15 December 2014, the investment of 48.5% in Pestana Inversiones, S.L. was disposed to Pestana International Holdings S.A. (19,500,000 Euros).

Moreover, in January 2015 a purchase and sale agreement of shares was concluded, in which the subsidiary Carvoeiro Golfe, S.A. acquired the investment of 85.71% that Pestana International Holdings S.A. held in Eurogolfe,S.A. by 17,000,000 Euros. With this operation, the consolidation perimeter of Grupo Pestana, S.G.P.S., SA now includes 100% of Eurogolfe, S.A..

6 The future

The future

According to the market information received during the first few months of 2015, the touristic demand for Portugal continues to show a positive dynamic, that Grupo Pestana hopes to embrace in an efficient way.

The recovery of the internal market and the good evolution of British, French and Nordic countries' markets this winter allows to foresee a good year for tourism.

This way, Grupo Pestana expects that this recovery movement started in mid-2013 will continue throughout 2015 and that this will have a positive impact in group's results.

London, Berlin, Barcelona and Miami hotels should maintain the performances achieved this year, remaining as very qualified and competitive offerings in their target markets.

There is also a good perspective regarding the recovery of the units of the Pousadas network. The implementation of the new Strategic plan started in the last quarter of 2014 has been giving very positive signs with the winter season of 2014/2015 presenting a very promising development in terms of the comparative results regarding the corresponding periods of the last three years.

Grupo Pestana will continue to focus on its own strategy, based in continuous improvement of operations flexibility and efficiency, in investing to grow and to improve existing units, paying special attention to innovation and technologies, in reinforcing the connection with the different stakeholders and in permanent compromises with its employees and communities.

7

Recognitions

Recognitions

All members of the Board of Directors want to express their acknowledged thanks to all public and private entities that, directly or indirectly, have supported and worked together with Pestana group.

It is particularly gratifying to note with high esteem the trust relationship that our customers, suppliers and other business partners, namely financial institutions and qualified service providers, have honored us with.

We appreciate the support and cooperation of the governing bodies of the group companies, members of the General Assembly and of Supervising Bodies, in carrying out their duties.

Finally, and it is not enough to stress out, that it is worthy of recognition the high spirit of professionalism and sense of duty of our employees. Their effort and dedication are the reason that makes possible the creation of value for Pestana group.

Please find attached a list drawn up pursuant to and for the purposes of article 448°, no. 4 of the Portuguese Corporate Law.

Funchal, 16 March 2015

The Board of Directors

Dionísio Fernandes Pestana
President

Pietro Luigi Valle
Member

José Alexandre Lebre Theotónio
Member

José de Melo Breyner Roquete
Member

Hermanus Roelof Willem Troskie
Member

Appendix list to the Consolidated Annual Report

(Pursuant to and for the purposes of article 448°, no. 4 of the Portuguese Corporate Law)

Shareholders that on 31 December 2014 hold more than half, more than one-third and more than one tenth of the share capital:

Name	%
Pestana International Holdings S.A.	99,00%
Dionísio Fernandes Pestana	1,00%

Funchal, 16 March 2015

The Board of Directors

Dionísio Fernandes Pestana
President

Pietro Luigi Valle
Member

José Alexandre Lebre Theotónio
Member

José de Melo Breyner Roquete
Member

Hermanus Roelof Willem Troskie
Member

Consolidated

Financial

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Consolidated statement of financial position

(Amounts expressed in Euros)		31 December	
	Notes	2014	2013
Assets			
Non-current			
Tangible fixed assets	6	725.205.873	698.292.693
Intangible assets	7	14.252.373	15.446.307
Investment properties	8	6.601.752	6.622.359
Investments in associates	9	10.266.745	32.644.957
Other financial investments	10	30.072.760	29.846.323
Deferred tax assets	11	7.705.845	8.382.510
Financial assets available for sale	12	202.053	5.177.040
Trade and other receivables	14	8.659.596	7.008.550
		802.966.997	**803.420.739**
Current			
Inventories	15	45.830.673	41.502.283
Trade and other receivables	14	49.467.405	41.487.344
Current tax assets	16	1.995.390	364.322
Cash and cash equivalents	17	48.354.669	37.604.529
Non-current assets held for sale	18	27.766.219	7.653.317
		173.414.357	**128.611.795**
Total Assets		**976.381.356**	**932.032.534**
Equity			
Capital	19	152.420.973	165.020.973
Other reserves	20	13.724.120	11.498.807
Retained earnings	21	65.326.126	55.367.244
Profit for the period attributable to shareholders		7.867.547	11.893.791
Non-controlling interests	22	22.798.537	20.893.802
Total equity		**262.137.303**	**264.674.617**
Liabilities			
Non-current			
Provisions	23	82.241	55.218
Loans and borrowings	24	303.626.769	275.093.891
Derivatives	25	6.768.136	6.031.170
Deferred tax liabilities	11	35.900.189	35.474.997
Deferred revenue	26	155.041.318	157.214.840
Trade and other payables	27	4.863.496	6.466.111
		506.282.150	**480.336.227**
Current			
Provisions	23	328.373	248.974
Loans and borrowings	24	97.977.271	101.902.798
Deferred revenue	26	24.894.217	21.479.673
Trade and other payables	27	78.819.208	58.887.209
Current tax liabilities	16	1.050.421	1.040.002
Non-current liabilities held for sale	18	4.892.414	3.463.034
		207.961.903	**187.021.690**
Total Liabilities		**714.244.053**	**667.357.917**
Total Equity and Liabilities		**976.381.356**	**932.032.534**

The following notes form an integral part of the Consolidated statement of financial position concerning the period ended 31 December 2014.

Consolidated income statement

(Amounts expressed in Euros)		Period	
	Notes	2014	2013
Revenue	28;29	222.102.054	200.733.272
Cost of sales	15	(27.136.135)	(25.989.842)
External services and supplies	30	(71.080.563)	(65.419.141)
Personnel expenses	31	(58.308.856)	(56.111.500)
Charges of depreciations and amortizations	6;7;8	(32.418.509)	(31.449.921)
Reversals of impairment losses of depreciable / amortizable assets	6	950.792	3.292.167
Impairment of receivables	14	(683.499)	(195.806)
Impairment of inventories	15	2.400	24.710
Provisions	23	(106.421)	124.085
Other income	32	10.997.825	12.796.618
Other expenses	33	(13.061.567)	(9.099.777)
Gains / (Losses) of investments in associates, other financial investments and non-current assets held for sale	34	(2.272.392)	429.033
Operating profit		**28.985.130**	**29.133.898**
Finance expenses	35	(23.203.566)	(19.693.438)
Finance income	35	3.258.949	2.486.192
Profit before tax		**9.040.514**	**11.926.652**
Income tax	36	797.527	2.152.302
Profit from continued operations		**9.838.040**	**14.078.954**
Discontinued operations			
Profit/ (Loss) from discontinued operations	37	(219.095)	(1.036.768)
Profit for the period		**9.618.946**	**13.042.186**
Profit for the period attributable to:			
Shareholders		7.867.547	11.893.791
Non-controlling interests		1.751.399	1.148.395
		9.618.946	**13.042.186**
Earnings per share		0,12	0,16
Earnings per share from continued operations		0,12	0,17
EBITDA		60.602.069	57.349.328
EBITDAR		70.033.347	69.009.839

The following notes form an integral part of the Consolidated income statement for the period ended 31 December 2014.

Consolidated statement of the comprehensive income

(Amounts expressed in Euros)		Period	
	Notes	**2014**	**2013**
Profit for the period		**9.618.946**	**13.042.186**
Itens that are recycled through profit or loss			
Other gains and losses recognized directly in equity resulting from associates	20	2.361.340	(11.985.281)
Foreign currency translation differences	20	480.544	568.111
Change in fair value of the financial assets available-for-sale	12	121.952	(436.472)
Impact of changes in tax rate	20	(99.545)	(359.889)
Change in the fair value of hedging derivatives	25	164.517	3.909.383
Tax impact in items booked directly in equity	11	(26.553)	(582.043)
Other comprehensive income for the period - net of income tax		**3.002.255**	**(8.886.191)**
Total comprehensive income for the period		**12.621.201**	**4.155.995**
Comprehensive income attributable to:		10.869.802	3.007.600
Shareholders		1.751.399	1.148.395
Non-controlling interests		**12.621.201**	**4.155.995**
Earnings per share			
-basic		0,15	0,05
-diluted		0,15	0,05

The following notes form an integral part of the Consolidated statement of the comprehensive income for the period ended 31 December 2014.

Consolidated statement of changes in equity

(Amounts expressed in Euros)	Attributable to shareholders							
	Share capital	Equity instruments	Share premium	Other reserves	Retained earnings	Profit for the period	Non-controling interests	Total
At 1 January 2013	81.530.000	50.000.000	33.690.973	5.105.970	72.906.159	8.652.501	48.252.823	300.138.426
Changes in the period								
Profit for the period application				668.752	7.983.749	(8.652.501)	-	-
Changes in the consolidation perimeter				(107.755)	(38.413.912)	-	(17.393.052)	(55.914.720)
Changes in the consolidation perimeter - Equity method				26.886.799	-	-	-	26.886.799
Other changes recognized in equity	-	-	-	(12.168.768)	12.891.248	-	(7.629.337)	(6.906.857)
	-	**-**	**-**	**15.279.028**	**(17.538.915)**	**(8.652.501)**	**(25.022.389)**	**(35.934.777)**
Change in fair value reserve (hedging derivates)				3.327.340	-	-	-	3.327.340
Change in fair value reserve (financial assets available for sale)				(436.472)	-	-	-	(436.472)
Impact of changes in tax rate				(359.889)	-	-	-	(359.889)
Foreign currency effect				568.111	-	-	-	568.111
Other gains and losses recognized directly in equity resulting from associates				(11.985.281)	-	-	-	(11.985.281)
Profit for the period						11.893.791	1.148.395	13.042.186
Comprehensive income				**(8.886.191)**	**-**	**11.893.791**	**1.148.395**	**4.155.995**
	81.530.000	**50.000.000**	**33.690.973**	**11.498.807**	**55.367.244**	**11.893.791**	**24.378.829**	**268.359.643**
Transaction with equity holders in the period								**-**
Capital increases	-	-	-	-	-	-	-	-
Share premium paid	-	-	-	-	-	-	-	-
Distributions	-	(200.000)	-	-	-	-	(3.485.027)	(3.685.027)
Entries to cover losses	-	-	-	-	-	-	-	-
Other operations	-	-	-	-	-	-	-	-
	-	(200.000)	-	-	-	-	(3.485.027)	(3.685.027)
At 31 December 2013	**81.530.000**	**49.800.000**	**33.690.973**	**11.498.807**	**55.367.244**	**11.893.791**	**20.893.802**	**264.674.617**

(Amounts expressed in Euros)

	Share capital	Equity instruments	Share premium	Other reserves	Retained earnings	Profit for the period	Non-controling interests	Total
				Attributable to shareholders				
At 1 January 2014	81.530.000	49.800.000	33.690.973	11.498.807	55.367.244	11.893.791	20.893.802	264.674.617
Change in the period								
Changes in accounting policies				-	-	-	-	-
Profit for the period application				722.027	11.171.764	(11.893.791)	-	-
Changes in the consolidation perimeter				-	(315.497)	-	3.780.711	3.465.214
Other changes recognized in equity	-	-	-	(1.323.805)	2.072.616	-	(537.375)	211.436
	-	**-**	**-**	**(601.778)**	**12.928.883**	**(11.893.791)**	**3.243.336**	**3.676.650**
Changes in fair value reserve (hedging derivatives)				137.964	-	-	-	137.964
Change in fair value reserve (financial assets held for sale)				121.952	-	-	-	121.952
Impact of changes in tax rate				(99.545)	-	-	-	(99.545)
Foreign currency effect				480.544	-	-	-	480.544
Other gains and losses recognized directly in equity resulting from associates				2.361.340	-	-	-	2.361.340
Profit for the period						7.867.547	1.751.399	9.618.946
Comprehensive income				**3.002.255**	**-**	**7.867.547**	**1.751.399**	**12.621.200**
				2.400.477	**12.928.883**	**(4.026.244)**	**4.994.735**	**16.297.850**
Transaction with equity holders in the period								**-**
Capital increases	-	-	-	-	-	-	-	-
Share premium paid	-	-	-	-	-	-	-	-
Distributions	-	(12.600.000)	-	(175.163)	(2.970.000)	-	(3.090.000)	(18.835.163)
Entries to cover losses	-	-	-	-	-	-	-	-
Other operations	-	-	-	-	-	-	-	-
	-	(12.600.000)	-	(175.163)	(2.970.000)	-	(3.090.000)	(18.835.163)
At 31 December 2014	**81.530.000**	**37.200.000**	**33.690.973**	**13.724.120**	**65.326.126**	**7.867.547**	**22.798.537**	**262.137.303**

The following notes form an integral part of the Consolidated statement of changes in equity for the period ended 31 December 2014.

Consolidated statement of cash flows

(Amounts expressed in Euros)		Period ended 31 December	
	Notes	2014	2013
Cash flow from operating activities			
Receipts from customers		232.630.714	227.516.697
Payments to suppliers		(105.302.379)	(110.961.435)
Payments to personnel		(57.076.390)	(56.384.395)
Cash generated from operations		70.251.945	60.170.867
Income tax received / (paid)		(2.987.703)	(1.694.174)
Other receipts / (payments)		(3.884.367)	(1.564.133)
Net cash from operating activities		**63.379.875**	**56.912.560**
Cash flow from investing activities			
Cash flow from entries in consolidation perimeter	40	678.743	21.166
Tangible and intangible assets		1.785.192	705.439
Financial investments		12.365.291	16.792.181
Interest income and similar		1.797.166	1.009.035
Dividends		-	1.042.105
Payments related to:			
Cash flow from exits from consolidation perimeter	40	-	(5.667.502)
Tangible and intangible assets		(24.164.444)	(49.325.957)
Financial investments		(8.618.566)	(10.648.468)
Other assets		(2.257.349)	
Net cash from investing activities		**(18.413.967)**	**(46.072.001)**
Cash flow from financing activities			
Receipts related to:			
Other financial operations		117.247.430	57.274.970
Change in loans and borrowings from entries in consolidation perimeter	40	16.916.254	
Payments related to:			
Financing obtained		(92.759.593)	(33.480.467)
Interest expenses and similar		(21.606.775)	(19.193.112)
Dividends	21;22	(6.235.163)	(3.485.027)
Share capital and other equity instruments decrease	19	(12.600.000)	(200.000)
Other financing operations		(602.777)	(1.493.469)
Net cash from financing activities		**359.375**	**(577.105)**
Changes in cash and cash equivalents		**45.325.282**	**10.263.454**
Effects of exchange differences		(565.970)	(188.393)
Cash and cash equivalents at beginning of the period	17	(16.699.121)	(26.774.182)
Cash and cash equivalents at end of the period	17	**28.060.192**	**(16.699.121)**

The following notes form an integral part of the Consolidated statement of cash flows for the period ended 31 December 2014 .

Notes to the consolidated Financial statements

1 General information

Pestana group, which origin dates back to 1972, with the establishment of M & J Pestana - Sociedade de Turismo da Madeira, S.A., to invest in the currently denominated Pestana Carlton Madeira, develops its activity mainly in the Tourism sector. The Group is led by its majority shareholder Mr. Dionísio Pestana, son of the founder of the Group.

In the late 90s the Group started its internationalization efforts, primarily in Africa and then in South America.

In 2003, Pestana group won the tender for the concession of the network “Pousadas de Portugal”, taking the operation of “Pousadas” in the national territory and promoting its internationalization.

Nowadays, Pestana group is by far the largest Portuguese group in the tourism sector, with an operation centered in hotels, but complemented by other activities such as timeshare, residential tourism, golf, touristic entertainment and retail. It also includes some investments in Industry and Financial services.

Through the promotion of two brands (Pestana Hotels & Resorts and “Pousadas de Portugal”) it currently operates 86 units of touristic lodging totaling approximately 10,409 rooms, which makes it the largest network with Portuguese origin, being in the top 25 of European hotels networks ranking and in top 75 worldwide.

In the leisure area, Pestana group currently holds, besides 26 hotels (11 in Madeira, 6 in Algarve, 3 in Lisbon/Cascais/Sintra, 1 in Oporto, 1 in Brazil, 1 in London, 1 in Berlin, 1 in Miami and 1 in Barcelona), 9 units of Vacation Club, 5 golf courses, 4 real estate/touristic resorts, 1 casino gambling concession in Madeira, 1 travel agency, 1 tour operator and the management of the 30 “Pousadas de Portugal”, including the one in Cascais.

In order to structure the Group investments, Grupo Pestana, S.G.P.S., S.A. (designated in this document as “Grupo Pestana”) was established in 2003, essentially to aggregate the investments in Europe and Miami.

These consolidated financial statements were approved by the Board of Directors in the meeting held on 16 March 2015. The Board of Directors believes that these consolidated financial statements give a true and fair view of the performance of the Company, as well as its consolidated financial position and its consolidated cash flows, including the following business units:

Units	Location
Pestana Carlton Madeira (a)	Madeira
Pestana Madeira Beach Club	Madeira
Pestana Casino Park Hotel	Madeira
Pestana Grand	Madeira
Pestana Grand Vacation Club	Madeira
Grand Private Collection	Madeira
Pestana Porto Santo	Madeira
Pestana Colombos (b)	Madeira
Pestana Promenade	Madeira
Pestana Promenade Vacation Club	Madeira
Pestana Miramar	Madeira
Pestana Miramar Vacation Club	Madeira
Pestana Village	Madeira
Pestana Village Vacation Club	Madeira
Pestana Palms	Madeira
Pestana Palms Vacation Club	Madeira
Palms Private Collection	Madeira
Pestana Bay (b)	Madeira
Pestana Atlantic Gardens (b)	Madeira
Madeira Magic	Madeira
Casino da Madeira	Madeira
Centro Intern. Neg. Madeira	Madeira
Pestana Palace	Lisbon
Pestana Porto	Porto
Pestana Cascais (b)	Cascais
Pestana Sintra Golf	Sintra
Pestana Beloura Golf Resort	Sintra
Pousadas de Portugal (Rede)	Portugal
Pousada de Cascais	Cascais
Pestana Tróia Eco resort	Tróia

Units	Location
Pestana Alvor Park	Algarve
Pestana Alvor Park Vacation Club	Algarve
Pestana Alvor Praia	Algarve
Pestana Alvor Beach Club	Algarve
Alvor Private Collection	Algarve
Pestana Dom João II	Algarve
Pestana Dom João II Beach Club	Algarve
Pestana Delfim (b)	Algarve
Pestana Viking	Algarve
Pestana Viking Vacation Club	Algarve
Pestana Alvor Atlantico	Algarve
Pestana Porches Praia	Algarve
Pestana Porches Praia Vacation Club	Algarve
Pestana Gramacho Golf Resort	Algarve
Pestana Vale da Pinta Golf Resort	Algarve
Pestana Silves Golfe Resort	Algarve
Pestana Alto Golfe Resort	Algarve
Pestana Vilasol Golfe Resort (b)	Algarve
Pestana Vilasol Hotel Resort (b)	Algarve
Pestana Convento Carmo	Brazil
Pestana Londres	United Kingdom
Pestana Berlim	Germany
Pestana Buenos Aires (e)	Argentina
Pestana Caracas (e)	Venezuela
Pestana Bogotá100 (b)	Colombia
Pestana Miami (c)	U.S.A.
Pestana Cayo Coc (b)	Cuba
Pestana Casablanca (b) (c) (e)	Marocco
Pestana Arena Barcelona (d)	Spain
Hotel Bahia Palace (f)	Azores

(a) - Rented until September 2013, with acquisition as at that date
(b) - Leased contract
(c) - Opened in February 2013
(d) - Acquisition in October 2013
(e) - Consolidated through Equity method (Notes 9 and 18)
(f) - Acquisition in September 2014

Grupo Pestana's consolidated financial statements and related notes are presented in Euros.

2 Accounting standards used in the preparation of the financial statements

The consolidated financial statements are prepared by Grupo Pestana in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as at 31 December 2014. IFRS include standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor Board. IFRS were adopted by Grupo Pestana for the first time in the year ended 31 December 2010.

Except for "Business combinations of activities under common control" regarding which Grupo Pestana has adopted as accounting policy the purchase method as set forth in IFRS 3 over the "Predecessor accounting", the accounting policies presented were applied consistently to all periods presented in the consolidated financial statements. This change had no impact in the comparative figures presented.

These consolidated financial statements have been prepared at cost, except for the derivative financial instruments and assets held for sale, valued at fair value.

The preparation of the consolidated financial statements in accordance with IFRS requires the use of estimates, assumptions and critical judgments in the process of determining the accounting policies to be adopted by Grupo Pestana, with significant impact on the book value of assets and liabilities, as well as of income and expenses of the reporting period.

Although, these estimates are based on the best experience of the Board of Directors and its best expectations in relation to the current and future actions and events, current and future events may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are presented in Note 5 (Main accounting estimates and judgments).

New standards

a) The impact of the adoption of the standards that became effective on 1 January 2014 is the following:

- **IAS 32** (amendment) 'Offsetting financial assets and financial liabilities'. This amendment is part of the IASB offsetting project which clarifies the meaning of "currently has a legal enforceable right to off-set" and clarifies that some gross settlements systems (clearing houses) may be equivalent to net settlement. The adoption of this amendment had no impact on the consolidated financial statements of Grupo Pestana.
- **IAS 36** (amendment) 'Recoverable amount disclosures for non-financial assets'. This amendment addresses the disclosure of information about the recoverable amount of impaired assets when based on fair value less costs to sale model. The adoption of this amendment had no impact on the consolidated financial statements of Grupo Pestana.
- **IAS 39** (amendment) 'Novation of derivatives and continuation of hedge accounting'. This amendment allows hedge accounting to continue in a situation where a derivative designated as a hedging instrument is novated to effect clearing with a central counterparty, as a result of laws and regulation. This amendment had no impact on the consolidated financial statements of Grupo Pestana.
- **Amendment to IFRS 10, 12 and IAS 27** 'Investment entities'. This amendment defines an Investment entity and introduces one exception to the application of consolidation under IFRS 10 for entities that qualify as Investment Entities, which investment in subsidiaries should be measured at fair value through profit or loss, by reference to IAS 39. Specific disclosures required by IFRS 12. These amendments had no impact on the consolidated financial statements of Grupo Pestana.

b) The following standards, amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on or after 1 July 2014 or later periods, but that have not been early adopted by Grupo Pestana:

- **IAS 1** (amendment), 'Review of disclosures' (effective for annual periods beginning on or after 1 January 2016). This amendment is still subject to endorsement by European Union. The amendment gives guidance as to the materiality and aggregation, presentation of subtotals, structure of financial statements and disclosure of accounting policies. Grupo Pestana will adopt this change in the year in which it becomes effective.
- **IAS 19** (amendment), 'Defined benefit plans – Employee contributions' (effective for annual periods beginning on or after 1 July 2014). This standard is still subject to endorsement by European Union. This amendment applies to contributions from employees or third parties to defined benefit plans and aims to simplify the accounting when contributions are independent of the number of years of service. This change will have no impact on the consolidated financial statements of Grupo Pestana.
- **IAS 16 and IAS 38** (amendment), 'Depreciation and amortization calculation methods allowed' (effective for annual periods beginning on or after 1 January 2016). This amendment is still subject to endorsement by European Union. This amendment clarifies that the use of methods of depreciation/amortization of assets based on the revenue are not usually suitable for the measurement of the consumption pattern of economic benefits associated with the asset. It is a prospective application. The adoption of this amendment will have no impact on the consolidated financial statements of Grupo Pestana.
- **IAS 16 and IAS 41** (amendment), Agriculture: plants that produce consumable biological assets' (effective for annual periods beginning on or after 1 January 2016). This amendment is still subject to endorsement by European Union. This amendment gives the definition of a plant that produces consumable biological assets and removes this type of assets from the application of IAS 41 - Agriculture to IAS 16 - Tangible assets, with a consequent impact on their measurement. Nevertheless, the biological assets produced by these plants remain under IAS 41 – Agriculture. The adoption of this amendment will have no impact on the consolidated financial statements of Grupo Pestana.
- **IAS 27** (amendment), 'Equity method in the separate financial statements' (effective for annual periods beginning on or after 1 January 2016). This amendment is still subject to endorsement by European Union. This amendment allows an entity to apply the equity method in the measurement of investments in subsidiaries, joint ventures and associates in the separate financial statements. This amendment is retrospective application. Currently, it is not expected that Grupo Pestana chooses to apply the equity method in its separate financial statements.
- **Amendment to IFRS 10 and IAS 28**, 'Sale or contribution of assets between an investor and its Associate or Joint Venture' (effective for annual periods beginning on or after 1 January 2016). This amendment is still subject to endorsement by European Union. This amendment clarifies that the gain/loss from the sale or contribution of assets between an investor and its associate or joint venture is recognized in full when the transferred assets constitute a business, and only partially (the share held by third parties) when the assets transferred do not constitute a business. These changes will have no impact on the consolidated financial statements of Grupo Pestana.
- **Amendment to IFRS 10, 12 and IAS 28**, 'Investment entities: application of the exemption from the obligation to consolidate' (effective for annual periods beginning on or after 1 January 2016). This amendment is still subject to endorsement by European Union. This amendment clarifies that the exemption from the obligation to consolidate applies to an intermediate holding company that constitutes a subsidiary of an investment entity. Additionally, the option of applying the equity method of accounting in accordance with IAS 28, extends to an entity which is not an investment entity, but holds an interest in an associate or joint venture that is an "investment entity ". These changes will have no impact on the consolidated financial statements of Grupo Pestana.

- **IFRS 11** (amendment), 'Accounting for the acquisition of interest in a joint operation' (effective for annual periods beginning on or after 1 January 2016). This amendment is still subject to endorsement by European Union. This amendment introduces guidance on the accounting for the acquisition of interest in a joint operation that qualifies as a business, by applying the principles of IFRS 3 - Business combinations. The adoption of this amendment will have no impact on the consolidated financial statements of Grupo Pestana.
- **Annual improvement 2010–2012**, (generally effective for annual periods beginning on or after 1 July 2014). These improvements are still subject to endorsement by European Union. The 2010-2012 annual improvements affects: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. Grupo Pestana will apply 2010-2012 annual improvements in the period it becomes effective.
- **Annual improvement 2011–2013**, (effective for annual periods beginning on or after 1 January 2015). The 2011-2013 annual improvements affects: IFRS 1, IFRS 3, IFRS 13 and IAS 40. Grupo Pestana will apply 2011-2013 annual improvements in the period it becomes effective, except for IFRS 1, because Grupo Pestana already reports under IFRS.
- **Annual improvement 2012–2014**, (generally effective for annual periods beginning on or after 1 January 2016). These improvements are still subject to endorsement by European Union. The 2012-2014 annual improvements affects: IFRS 5, IFRS 7, IAS 19 and IAS 34. Grupo Pestana will apply 2012-2014 annual improvements in the period it becomes effective.
- **IFRS 9** (new), 'Financial instruments' (effective for annual periods beginning on or after 1 January 2018). This standard is still subject to endorsement by European Union. IFRS 9 replaces the requirements of IAS 39 in respect of: (i) the classification and measurement of financial assets and liabilities; (ii) the recognition of impairment of receivables (through the expected loss model); and (iii) the requirements for the recognition and classification of hedge accounting. Grupo Pestana will apply IFRS 9 in the year in which it becomes effective.
- **IFRS 14** (new), 'Tariff deviations' (effective for annual periods beginning on or after 1 January 2016). This standard is still subject to endorsement by European Union. This standard allows IFRS first-time adopters to continue to recognize regulatory assets and liabilities in accordance to the policy followed in the previous accounting standards. Nevertheless, in order to allow the comparability between entities that have already adopted IFRS and have not recognized regulatory assets / liabilities, the referred amounts should be disclosed in the financial statements separately. This standard will have no impact on the consolidated financial statements of Grupo Pestana.
- **IFRS 15** (new), 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2017). This standard is still subject to endorsement by European Union. This new standard applies only to contracts regarding products or services delivery and requires the entity to recognize revenue when the contractual obligation to deliver the assets or services is satisfied and by the amount that reflects the consideration to which the entity is entitled, as foreseen in the five steps methodology. Grupo Pestana will apply IFRS 15 in the year in which it becomes effective.
- **IFRIC 21** (new), 'Government levies' (effective for annual periods beginning on or after 17 June 2014). IFRIC 21 is an interpretation of IAS 37 and the recognition of liabilities, clarifying that past event which results in a fee or tax payment obligation (excluding corporate income tax – IRC) corresponds to the activity described in the relevant legislation which requires the payment. Grupo Pestana will apply this new interpretation when it becomes effective.

3 Main accounting policies

The main accounting policies applied in the preparation of the consolidated financial statements are described below. These policies were consistently applied to all years presented, except for the change mentioned in Note 2, but which has no effect in the comparative figures presented.

3.1. Consolidation

3.1.1. Subsidiaries

Subsidiaries are all entities (including structured entities) over which Grupo Pestana has control. Grupo Pestana controls an entity when it is exposed to, or has rights over, the variable returns generated as a result of their involvement with the entity, and has the ability to affect those returns through the power it exerts on the relevant activities of the entity.

Subsidiaries are consolidated from the date the control is transferred to Grupo Pestana and are excluded from consolidation from the date that control ceases. Entities that qualify as subsidiaries are listed in Note 40.

The acquisition of subsidiaries is recorded under the purchase method. The cost of an acquisition is measured at fair value of assets delivered, equity instruments issued and liabilities incurred or assumed on the date of acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value on the acquisition date, independently of the existence of non-controlling interests.

The surplus of the acquisition cost over the fair value of identifiable net assets acquired is registered as goodwill. If the acquisition cost is less than the fair value of identifiable net assets acquired, the difference is directly recognized in the consolidated income statement.

In the case of acquisitions and dilutions of non-controlled interests without change of control, the differences resulting between the purchase price and non-controlled interests acquired / disposed are recorded against retained earnings.

Transactions, balances and unrealized gains in transactions with group companies are eliminated. Unrealized losses are also eliminated except if considered as an impairment indicator of the transferred asset.

The losses registered by the subsidiaries are attributed to non-controlled interests in proportion of their share in the capital of Grupo Pestana subsidiary.

The accounting policies of the subsidiaries are changed, whenever needed, to ensure its consistent application by all the Group companies.

3.1.2. Associates

Associates are entities in which Grupo Pestana owns between 20% and 50% of the voting rights or over which Grupo Pestana has significant influence in the definition of the financial and operating policies.

The surplus of the acquisition cost over the proportion of the fair value of identifiable net assets acquired, the goodwill, is recognized as part of the financial investment in the associate. If the acquisition cost is less than the fair value of acquired net assets, the difference is directly recognized as a gain in the consolidated income statement.

In the consolidated financial statements, investments in associates are measured by the equity method. Under this method, the financial statements include Grupo Pestana's share of the gains and losses recognized from the date that significant influence begins until the date it ends.

Dividends received from associates are deducted from the carrying amount of the investment in the consolidated statement of financial position. The accounting policies of the associates are changed, whenever needed, to ensure its consistent application by all the Group companies.

When the Group's share of losses of an associate exceeds its interest in the associate, additional losses are provided for only to the extent that the Group has incurred in obligations or made payments on behalf of the associate that are estimated as non-recoverable.

Entities that qualify as Associates are listed in Notes 9 and 40.

3.1.3. Other financial investments

Other financial investments are entities in which Grupo Pestana holds less than 20% of the voting rights or over which Gropo Pestana has no significant influence in the definition of the financial and operating policies.

The investments in these entities are measured at the acquisition cost less impairment losses, if any, and dividends are recognized as gains in the year in which they are assigned.

Entities that qualify as Other financial investments are listed in Notes 10 and 40.

3.2. Business combinations under common control

Business combinations under common control refers to transactions between group companies or companies controlled by the same shareholder, and might consist in a merger or acquisition.

Grupo Pestana accounts the transactions of acquisition of entities / businesses between entities under common control, which configure obtaining control over a business, in accordance with the principles associated with the application of the purchase method as set out in IFRS 3 - Business combinations. Therefore, the entity identified as the acquirer in the transaction proceeds to the allocation of the fair value of the consideration paid / delivered to the fair value of assets, liabilities and contingent liabilities acquired and any excess is recognized as goodwill. If the resulting difference is negative, a gain is recognized.

3.3. Foreign currency translation

i. Functional and presentation currency

Grupo Pestana consolidated financial statements and related notes are presented in Euros, the functional currency of Grupo Pestana.

ii. Transactions and balances

Transactions in currencies other than Euro are translated into the functional currency using the exchange rates at the dates of the transactions. The exchange rate gains or losses resulting from payments / receipts as well as from the conversion using the exchange rate on the financial reporting date, of monetary assets and liabilities denominated in foreign currencies, are recognized in the consolidated income statement, under finance expenses if related with loans, or under other income / expenses for all other balances / transactions.

iii. Foreign Operating Units

The results and financial position of the foreign operating units of Grupo Pestana which have a functional currency other than Euro and which are not in the currency of a hyperinflationary economy, are are translated into the presentation currency as follows:

(a) assets and liabilities of each statement of financial position presented are translated at the closing rate at the date;

(b) income and expenses in each statement of comprehensive income are translated at the average exchange rate and;

(c) all exchange rate differences are recognized as a separate component in equity.

The results and financial position of the foreign operating units of Grupo Pestana which have a functional currency other than Euro and which are in the currency of a hyperinflationary economy, such as Venezuela, are translated into the presentation currency at the closing exchange rate of the reporting period, after correcting the inflation effect.

On the disposal of investments in foreign subsidiaries, foreign exchange differences associated with that investment recorded in equity are recognized in profit or loss.

iv. Exchange rates used

The exchange rates used to translate balances in foreign currencies were as follows:

Currency	31/12/14	31/12/13
AUD - Australian dollar	1,4829	1,5423
BRL - Brazilian real	3,2207	3,2576
CAD - Canadian dollar	1,4063	1,4671
CHF - Swiss franc	1,2024	1,2276
DKK - Danish krone	7,4453	7,4593
GBP - Great Britain pound	0,7789	0,8337
NOK - Norwegian krone	9,0420	8,3630
SEK - Swedish krone	9,3930	8,8591
USD - United States dollar	1,2141	1,3791
ZAR - South African rand	14,0353	14,5660

3.4. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses. This cost includes: (a) the “deemed cost” determined at the date of transition to the IFRS, which in the case of land and buildings allocated to the hotel business, timeshare and golf, were almost all measured at revaluated amount, while for all the other assets corresponds to the net amount carried over from previous GAAP, including legal revaluations, and (b) the acquisition cost of assets acquired or constructed after that date.

The acquisition cost comprises the purchase price of the asset, costs directly attributable to the acquisition and costs incurred in preparing the asset to be placed in its final position for being used. The financial costs incurred with loans obtained for construction of tangible assets are recognized as part of the construction cost of the asset.

For buildings assigned in part or in whole to the timeshare business, initial direct costs incurred in negotiating and accepting these contracts, such as commissions paid to salesmen, were added to the carrying amount of the leased asset in accordance with IAS 17 - Leases.

Subsequent costs incurred with renovations and major repairs which result in increased lifetime or in the ability to generate further economic benefits are recognized in the carrying amount of the asset.

The cost of repairs and maintenance of current nature are recognized in the profit or loss as incurred.

Depreciationis calculated on a straight line basis, using estimated useful lives, being the most significant as follows:

	Years
Buildings and other constructions	
Hotels and timeshare	40 years
Golf	20 years
Other	Between 40 and 50 years
Basic equipment	Between 10 and 20 years
Transport equipment	Between 4 and 8 years
Tools	Between 4 and 10 years
Administrative equipment	Between 3 and 10 years
Other tangible assets	Between 10 and 20 years

Initial direct costs incurred in negotiating and accepting timeshare contracts, added to buildings leased, are recognized as an expense over the lease term on the same basis as the lease income, as required in IAS 17, and this period varies between 3 to 30 years.

Grupo Pestana estimates the residual value of tangible fixed assets at zero, since the expectation of management is to use all the assets over all of its economic life.

Tangible fixed assets associated with the concession of the Pousadas de Portugal and Gambling (Casino da Madeira) are reversible at the end of the contract free of charge. Therefore, its useful life corresponds to the economic life of the assets or the concession term, whichever is lower.

Useful lives of assets are reviewed at each financial reporting date, so that depreciation is charged in accordance with the consumption patterns of the assets. Changes to the useful lives, if any, are treated as a change in accounting estimate and are applied prospectively.

3.5. Intangible assets

Intangible assets are recognized only when: i) are identifiable, ii) it is probable that economic benefits will arise from them in the future, and iii) the cost can be reliably measured.

When purchased individually intangible assets are recognized at cost, which comprises: i) the purchase price, including costs related to intellectual property rights and fees after deducting any discounts, and ii) any costs directly attributable to preparing the asset for its intended use.

When purchased as part of a business combination, separate from goodwill, intangible assets are valued at fair value, determined by applying the purchase method as provided by IFRS 3 – Business Combinations.

Internally generated assets, including internal development costs are recorded as an expense when incurred if it is not possible to distinguish the research phase of the development phase, or is not possible to determine reliably the costs incurred in each phase or the probability flow of economic benefits to the Grupo Pestana.

Expenditures on research and evaluations conducted during the course of operating activities are recognized in the income statement in which they are incurred.

Intangible assets of Grupo Pestana are fundamentally related with concessions, software and websites.

Concession rights are related to the amounts paid for the acquisition of the right to explore the hotel units of “Pousadas de Portugal” and the gambling license in Madeira.

Goodwill relates to the difference between the acquisition cost of the investments in subsidiaries businesses and the fair value of the acquired assets and liabilities of those companies or businesses at the date of purchase. Goodwill is a residual amount and, therefore, it has no useful life, and corresponds to (a) the net value of the goodwill carried out over from the previous GAAP and subjected to impairment tests at the transition date and at the subsequent annual periods, and (b) the goodwill resulting from acquisitions occurred after the transition date, subject to annual impairment tests.

Goodwill is allocated to the cash generating units to which it belongs, for the purpose of carrying out the impairment tests, which are made at least once a year and during the month of December. The losses of goodwill are not reversible.

The website refers to the expenditures incurred in the development of internet sites to carry out bookings / services sales. The capitalized amount refers to costs incurred with the development of the application infrastructures, graphical design and base contents.

Subsequent expenditures on the development of contents to promote the Grupo Pestana and its services are registered in the profit or loss as incurred.

Amortizationis calculated on a straight line basis, using estimated useful lives, being the most significant as follows:

	Years
Concessions	Between 20 and 70 years
Website	6 years

The assets which, by their nature, do not have a defined useful life are not amortized and are subject to impairment tests annually or whenever they show signs of impairment.

3.6. Investment properties

Investment properties are real estate assets (land, buildings or parts of buildings) held for the purpose of capitalization value, obtaining rental income, or both and, therefore, not used in Grupo Pestana's operating activity. On the date of transition to IFRS, investment properties were valued at revaluated cost or the value carried from the previous standards. Subsequently, the Company continued to apply the cost model, which is applied to all assets classified as investment properties.

Properties that are still under construction or development and which are intended to be used as investment properties are also registered under this caption.

Depreciation is calculated on a straight line basis, using estimated useful lives, which are similar to the ones applied to Tangible fixed assets.

3.7. Impairment of non-financial assets

Assets with indefinite useful lives are not subject to depreciation / amortization and are subject to annual impairment tests. Grupo Pestana performs impairment tests every year, in December, whenever events or changes in surrounding conditions indicate that the book value may not be recoverable.

When the recoverable amount is less than the book value of assets, an impairment is recorded.

An impairment loss is recognized by the excess of the book value of the asset over its recoverable amount, being the recoverable amount, the higher between the fair value of an asset less costs to sell and its value in use. For the determination of impairment, assets are allocated to the lowest level for which there are separately identifiable cash flows (cash generating units).

The non-financial assets other than goodwill, for which have been recognized impairment losses are assessed, at each reporting date, on the possible reversal of impairment losses.

When there is a place to record an impairment loss or its reversal, the depreciation / amortization of its assets are recalculated prospectively in accordance with the recoverable amount adjusted by the impairment recognized.

3.8. Income Tax

The income tax for the period comprises current tax and deferred tax. The income taxes are recorded in the consolidated income statement, except when they relate to items recognized directly in equity. The amount of current tax payable is determined based on profit before tax, adjusted in accordance with the applicable tax rules.

Income tax is calculated in accordance with the tax criteria in place at the date of the consolidated statement of financial position.

Deferred taxes are recognized using the liability method based on the consolidated statement of financial position, considering temporary differences resulting from the difference between the tax basis of assets and liabilities and their amounts in the consolidated financial statements.

Deferred taxes are calculated based on the enacted tax rate, or already officially announced on the financial reporting date, that is expected to apply in the period when the deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit is available for the use of the temporary difference. Deferred tax liabilities are recognized for all taxable temporary differences, except those arising from: i) the initial recognition of goodwill; or ii) the initial recognition of an asset or liability in a transaction which is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit (loss). However, for taxable temporary differences associated with investments in equity interests, deferred tax liabilities should not be recognized to the extent that: i) the parent company Grupo Pestana is able to control the timing of the reversal of the temporary difference; and ii) it is probable that the temporary difference will not reverse in the foreseeable future.

3.9. Financial assets

The Board of Directors determines the classification of financial assets on the date of initial recognition, according to the purpose of its acquisition, re-evaluating this classification at each reporting date.

Financial assets can be classified as:

(i) Financial assets at fair value through profit or loss - include non-derivative financial assets held for trading with respect to short-term investments and assets at fair value through profit or loss at the time of initial recognition;

(ii) Loans and receivables - include non-derivative financial assets with fixed or determinable payments not listed in an active market;

(iii) Investments held to maturity - include non-derivative financial assets with fixed or determinable payments and fixed maturities that the entity has the intention and ability to hold to maturity;

(iv) Financial assets available for sale - include non-derivative financial assets that are designated as available for sale at initial recognition or do not fit the above categories. They are recognized as non-current assets unless there is intent to sell them within 12 months following the balance sheet date.

Purchases and sales of investments in financial assets are recorded at trade date, in other words, the date on which Grupo Pestana commits to purchase or sell the asset.

Financial assets at fair value through profit or loss are initially recognized at fair value, with transaction costs recognized in the consolidated income statement. These assets are subsequently measured at fair value, with gains and losses resulting from changes in fair value recognized in income for the period when they occur in net finance expenses, which also includes the amounts of interest income and dividends earned.

Financial assets available for sale are initially recognized at fair value plus transaction costs. In subsequent periods they are measured at fair value and the change in fair value recognized in the fair value reserve in equity. Investments in equity instruments can be measured at cost when the fair value cannot be reliably determined. Dividends and interest earned on financial assets available for sale are recognized in the income of the period, under other operating gains, when the right to receive payment is established.

Loans granted and receivables are classified in the statement of financial position as Trade and other receivables and are recognized at amortized cost using the effective interest rate method, less any impairment loss. The impairment loss of receivables is registered when there is objective evidence that Grupo Pestana will not receive the amounts due under the original terms of the transaction that originated them.

Grupo Pestana considers at each reporting date whether there is objective evidence that financial assets are impaired. In case of equity investments classified as financial assets available for sale, a significant or continued decline in fair value (+ 20%) below its cost is considered as an indicator that the financial asset is impaired. If there is evidence of impairment for financial assets available for sale, the cumulative loss - calculated as the difference between the acquisition cost and current fair value, less any impairment loss previously recognized in profit or loss - is removed from equity and recognized in profit or loss. Impairment losses of equity instruments recognized in the profit or loss are not reversed through profit or loss.

Financial assets are derecognized when the contractual rights to the cash flows expire or are transferred, as well as all risks and rewards of ownership of the financial asset.

3.10. Fair value of assets and liabilities

In determining the fair value of a financial asset or liability, if there is an active market, the market price is applied. This is the first level of the hierarchy of fair value.

In case there is no active market, generally accepted valuation techniques are used, based on market assumptions. This is the second level of the hierarchy of fair value.

Grupo Pestana applies valuation techniques for financial instruments not listed, such as derivatives and financial assets available for sale. The valuation models that are used most often are models of discounted cash flows and option valuation models that incorporate, for example, the curves of interest rate and market volatility.

For some types of assets and liabilities are used valuation models and assumptions that are not directly observable in the market, for which Grupo Pestana uses internal estimates and assumptions. This is the third level of the hierarchy of fair value.

3.11. Trade and other receivables

Trade and other receivables are initially recognized at fair value and subsequently measured at amortized cost, less impairment adjustments, where applicable. Impairment losses of trade and other receivables are recorded whenever there is objective evidence that they are not recoverable under the terms of the initial transaction. Identified impairment losses are recorded in the consolidated income statement under Impairment of receivables and are subsequently reversed through profit or loss when impairment triggers reduce or cease to exist.

3.12. Inventories

Inventories refer to goods, to finished goods and work in progress and the materials used in the activities of rendering services and construction.

Inventories are valued at acquisition cost, which includes all direct expenditure incurred with the purchase. Subsequently, inventories are valued at lower of cost and net realizable value.

Acquisition cost refers to all costs of purchase and other direct costs incurred in bringing inventories to their present location and present condition. On the other hand, the net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

As part of construction activities, finished goods are related to developed land for future sale and houses built for sale. Land and houses are valued at the lower of cost of acquisition / construction and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the cost to complete the work and selling expenses.

The products under construction refer to land under development (in process of approval and allotment), villas, apartments and townhouses under construction, measured at the cost of construction. The construction cost includes land acquisition costs, costs incurred in obtaining permits and licenses and in the case of housing, the costs of materials and labor incorporated in construction works.

Inventories also include materials, raw materials and consumables initially measured by the purchase price added by costs directly related to the acquisition.

The costing method used for registering the consumption / sale of most inventories is the weighted average cost. However, land, housing, apartments and townhouses are recognized at their specific cost.

3.13. Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other short-term investments of high liquidity and with original maturities up to 3 months.

Bank overdrafts are shown in the consolidated statement of financial position as current liabilities, under the heading Loans and borrowings, and are considered in the preparation of the consolidated cash flows statement as Cash and cash equivalents.

3.14. Non-current assets and liabilities (or disposable groups) held for sale

Non-current assets and liabilities (or disposable groups) are classified as assets held for sale when their carrying amount is intended to be recovered mainly through a sale transaction rather than continued use, and there is a decision of the Board of Directors defining the price and the search for a buyer that makes it possible to classify the sale as highly probable within a period of up to 12 months.

These assets and liabilities are measured at the lower of the carrying amount and fair value less costs to sell, on the date of classification as held for sale. Assets with finite useful lives are no longer depreciated / amortized from the date of classification as held for sale to the date of sale.

Discontinued operations are a group of assets held for sale that constitute a reportable operating segment, being its related transactions presented in the consolidated income statement in a separate caption from continued operations.

Regarding the classification of investments as held for sale:

(i) subsidiaries continue to be consolidated until the date of their disposal and all of its assets and liabilities are classified as held for sale and recorded at the lower of book value and fair value less costs to sell, ceasing the recording of depreciation/ amortization;

(ii) associates and joint ventures measured by the equity method start to be measured at the lower of book value and fair value less costs to sell, ceasing the application of equity method.

When Grupo Pestana decides to dispose of an activity, non-current assets or groups of assets and liabilities presentation does not changed to ‘held for sale’. Though, when they qualify as a reportable operating segment, the transactions made in the year of the disposal are presented separately from continued operations in the consolidated income statement.

3.15. Capital

Ordinary shares are classified as equity. Costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of taxes, to the amount resulting from the issuance.

3.16. Provisions

Provisions are recognized when Grupo Pestana has: i) a present legal or constructive obligation resulting from past events; ii) to which is more probable than not that an expense of internal resources will be necessary to settle the obligation; and iii) the amount can be reasonably estimated. Whenever one of the criteria is not met or the existence of the obligation is conditional on the occurrence (or non-occurrence) of a certain future event, Grupo Pestana discloses this fact as a contingent liability, unless the assessment of the expenditure of resources for the payment thereof is considered remote.

Grupo Pestana recognizes a provision for onerous contracts on the date it is determined that the costs necessary to fulfill the obligation exceed the estimated economic benefits. This analysis is performed for each individual contract in accordance with the information provided by each project manager.

Grupo Pestana recognizes a provision for estimated costs to be incurred in the future with the assurance given on the construction of villas and apartments sold. This provision is recorded on the date of sale, affecting the gain obtained. At the end of the legal warranty period, the remaining amount of the provision is reversed to the Consolidated income statement.

Provisions are measured at present value of estimated costs to settle the obligation using a pre-tax rate that reflects the market assessment for the period of the discount and the risk of the provision.

3.17. Financial liabilities

Financial liabilities are classified into two categories:

(i) Financial liabilities at fair value through profit or loss;

(ii) Other financial liabilities.

Other financial liabilities include Loans and borrowings and Trade and other payables. Liabilities classified as Trade and other payables are initially recognized at fair value and subsequently measured at amortized cost in accordance with the effective interest rate.

Financial liabilities are derecognized when the underlying obligations are extinguished by payment, are cancelled or expire.

3.18. Loans and borrowings

Loans and borrowings are initially recognized at fair value, net of transaction costs incurred. Loans and borrowings are subsequently measured at amortized cost, being the difference between nominal amount and the initial fair value recognized in the consolidated income statement during the loan term, using the effective interest rate method.

Loans and borrowings are classified as current liabilities unless Grupo Pestana has an unconditional right to defer the payment of the liability for at least 12 months after the balance sheet date, in which case they are classified as non-current liabilities.

3.19. Derivatives

Derivative financial instruments are initially recorded at fair value on the transaction date being subsequently measured at fair value. The method for recognizing gains and losses in fair value depends on the designation of the derivatives. When dealing with trading derivatives, gains and losses in fair value are recognized in the profit or loss for the period under finance income or finance expenses. When designated as hedging derivatives, the recognition of gains and losses in fair value depends on the nature of the hedged item, which may correspond to a fair value hedge or a cash flow hedge.

In hedging the fair value of an asset or liability (fair value hedge), the value of that asset or liability, determined based on the respective accounting policy, is adjusted to reflect the change in fair value attributable to the hedged risk. Changes in fair value of hedging derivatives are recognized in profit or loss, together with the changes in fair value of the hedged assets or liabilities attributable to the hedged risk.

In hedging the exposure to variability in future highly probable cash flows (cash flow hedge), the effective portion of changes in fair value of the hedging derivative is recognized in hedging reserves in equity, being transferred to profit or loss when the hedged item affects profit or loss. The ineffective portion of the hedging relationship is recorded in profit or loss.

3.20. Leases

Leases of fixed assets, for which Grupo Pestana owns substantially all the risks and benefits incidental to ownership of the asset are classified as finance leases. They are also classified as finance leases agreements that the analysis of one or more particular situations that point to the contract nature. All other leases are classified as operating leases.

Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased asset and the present value of minimum lease payments, each determined at the date of commencement of the contract. The debt resulting from a financial lease is recorded net of finance charges, under the heading Trade and other payables. Financial charges included in the rent and depreciation of leased assets, are recognized in the consolidated income statement in the period to which they relate to.

In operating leases, the rents payable are recognized in the consolidated income statement on a straight-line basis over the lease period.

3.21. Government grants and incentives

Grupo Pestana recognizes the grants of the Portuguese State, the European Union or similar establishments ("Government") at fair value when there is reasonable certainty that the grant will be received.

Operating subsidies are recognized as income in the consolidated income statement in the same period in which the related costs are incurred and recorded.

The support of the Government in the form of funding allocation repayable at a subsidized rate are discounted on the date of initial recognition based on market interest rate at grant date, being the discount value of the subsidy to be amortized over the period of financing or the acquisition whose assets aims to finance.

Non-reimbursable subsidies granted to Grupo Pestana to finance tangible fixed assets are recorded in the statement of financial position as deferred income and recognized in the consolidated income statement in proportion to the depreciation of the tangible assets subsidized.

3.22. Income and expenses

Income and expenses are recorded in the period to which they relate, regardless of the payment or receipt, according to the accrual basis. The differences between the amounts received and paid and the corresponding income and expenses are recognized as assets or liabilities, if they qualify as such.

3.23. Revenue

Revenue is the fair value of the amount received or receivable on the sale of products and / or services in the ordinary course of business of Grupo Pestana. Revenue is recorded net of any taxes, trade discounts and assigned financial discounts.

Revenue from product sales is recognized when: i) the amount of revenue can be reliably estimated, ii) it is probable that economic benefits will flow to Grupo Pestana, and iii) a significant part of the risks and rewards have been transferred to the buyer.

Revenue from services is recognized in accordance with the percentage of completion or based on the length of the contract when the service is not associated with the execution of specific activities, but to the continuous provision of the service.

(i) Hotel business

In the hotel business, the revenue corresponds mainly to housing services, and sales related to the consumption of food and drinks in bars, restaurants and mini-bars, which are recorded on the date of consumption. For other hotel services the revenue is recorded on the day of the service.

Grupo Pestana has in force a points program, called PPG - Pestana Priority Guest, according to which regular customers can enjoy discounts and service offers in the future. When recording transactions qualifying for points, there is a segregation of the amount invoiced to the client between the revenue of product or services and the value of points awarded, based on the fair value of each element. Thus, the revenue of the product sold or service rendered is recognized immediately in the profit or loss, and the value assigned to the points is deferred until the date the customer uses the points on a purchase of a product / service, as agreed in the loyalty program, or when the points expire.

(ii) Timeshare

Grupo Pestana recognizes revenue from the timeshare contracts sale, depending on the transmission of risks and rewards associated to each contract.

As a rule, the timeshare sale contract gives the buyer the right to use a building or part of a property during a defined period (weeks), which is repeated annually over a number of years, ranging from 3 to 30 years.

In this case, the revenue from the sale of the timeshare contract is deferred for the period of the contract on a straight line basis, once Grupo Pestana retains all the risks and rewards related with the underlying asset (the building) in addition to maintaining its active management (possibility of lease to third parties during the period not sold as timeshare).

In cases of sale of Options contracts, in which the customer acquires the right to use the accommodation without having to determine at that time which specific hotel to use, this right is represented in points. The revenue associated with these points is recognized by usage or at its expiration date.When the receivable from timeshare sale is deferred, i.e., the sale is made with credit granted, and there shall be no interest charge, the amount of revenue to differ is calculated based on the present value of receivables. When interest is charged to customers, the amount of revenue is recorded by its nominal value.

Maintenance costs on timeshare periods sold are charged to buyers of the timeshare, regardless of the use of assets during the period established, being recognized as revenue annually.

(iii) Touristic real estate business

The revenue refers primarily to the sale of land and apartments, and there is, as well, recognition of revenue from rents on investment properties and management services for condominiums and real estate ventures.

Revenue from the sale of land and apartments is recognized when: i) the amount of revenue can be reliably estimated, ii) it is probable that economic benefits will flow to Grupo Pestana, and iii) a significant part of the risks and rewards have been transferred to the buyer.

In the case of land, the sales revenue is recognized, as a general rule, on the date that the deed of sale is signed. However, when certain conditions are met, revenue can be recognized at the date of signing the promissory sale agreement, such as: i) revenue received is significant, which by rule must exceed 50% of the total value ii) the buyer starts the construction works, evidencing a commitment to purchase, and iii) the costs and revenues can be estimated reliably.

In the case of housings, apartments and townhouses, built at the risk of Grupo Pestana for sale to third parties, revenue is recognized only when the deed on the property is signed, even if the full payment has been previously made, date on which all the risks and rewards are considered transferred to the buyer.

Revenue from management services for condominiums is recognized in the period corresponding to the service. Revenue to be recognized corresponds to the commission negotiated and does not include management costs of the building / real estate venture that are recharged to the owners.

(iv) Touristic entertainment

Revenue from gambling, both table games and gaming machines, is determined daily and recognized as revenue in the income statement under Services rendered, for the difference between the bets placed and the prizes won less the estimated premiums payable and accrued gambling tax.

(v) Management contracts

Management services represent fees received for managing hotels owned by third parties managed by Grupo Pestana, usually agreed under long-term contracts.

Revenue corresponds ordinarily to a percentage of the hotel revenue plus a payment of incentives that tend to be calculated by applying a percentage (fixed or variable) of the income and / or on the gross operating profits of the hotel (G.O.P.).

3.24. Construction contracts

Pestana group companies engaged in real estate activity negotiate contracts with clients to build assets (for example, housing), whose duration spans more than a year. The revenue of these contracts does not constitute the sale of an asset and is recognized based on percentage of completion over the duration of the construction.

The percentage of completion is determined based on costs incurred in each period versus the budgeted total cost of the contract, with the recognition of the estimated margin for the contract. In rare cases where it is not possible to estimate reliably the margin of the contract, Grupo Pestana records an amount of revenue equal to the costs incurred, not recognizing any margin.

The price adjustments are only considered as revenue when they have been accepted by the customer.

Whenever it is estimated that the costs associated with the construction services rendered exceeds the agreed revenue, Grupo Pestana recognizes a provision for onerous contracts.

As regards the guarantee of service construction, the potential estimated liability is recorded during the construction phase of the contract, constituting a component of the budgeted costs for the purposes of determining the percentage of completion of the contract. The calculation of this responsibility is carried out contract by contract, and any remaining amount should be reversed at the end of warranty period of each contract.

3.25. Subsequent events

Events after the statement of financial position date that provide additional information about conditions that existed at that date (adjusting events or events after the statement of financial position date that give rise to adjustments) are reflected in the consolidated financial statements. Events after the statement of financial position date that provide information on conditions occurring after that date (non-adjusting events or events after the statement of financial position date that lead to no adjustments) are disclosed in the consolidated financial statements, if considered to be material.

4 Financial risk management policies

4.1. Financial risk factors

Grupo Pestana's operations are exposed to a variety of financial risk factors, including the effects of changes in market prices: exchange rate risk, credit risk, liquidity risk and cash flow risk associated with interest rate, among others.

Grupo Pestana's risk management is controlled by the finance department under policies approved by the Board of Directors. Accordingly, the Board of Directors has defined the global risk management principles as well as specific policies for some areas.

The Board of Directors sets the principles for risk management as a whole and policies that cover specific areas, such as exchange rate risk, credit risk, interest rate risk, the use of derivatives and other non-derivative financial instruments, as well as the investment of liquidity surplus.

i. Exchange rate risk

The exchange rate risk refers to assets or liabilities denominated in other currencies than in the Grupo Pestana's functional currency, the Euro.

Grupo Pestana's operating activity is mainly developed in the country in which it operates and, therefore, the vast majority of its transactions are made in this country's currency. The policy covering this specific risk is to avoid, when possible, contracts expressed in foreign currencies.

In the case of the investments in foreign countries, the cash flows are generated mainly by operations in the currency of each subsidiary country, having the respective funding also been obtained in that currency. Thus, a natural hedge to exchange rate risk over cash flows is obtained. Grupo Pestana's financial statements, expressed in Euros, are subject to exchange rate impact caused by the periodic revaluation of its debt, which will tend to faint in the long term.

ii. Credit risk

Grupo Pestana's credit risk mainly arises from corporate customers and tour operators and from the other remaining receivables from third parties. The follow up of credit risk is made centrally by the finance department of Pestana group, overseen by the Board of Directors, by proper risk assessment conducted prior to the acceptance and the regular monitoring of credit limits assigned to each customer against the amounts due.

iii. Liquidity risk

The cash requirements are managed centrally by the finance department of Pestana group, overseen by the Board of Directors, managing the liquidity surpluses and deficits of each of the Group's companies. The specific needs of cash are covered, first by the existing funds available in other Group companies and then by maintaining lines of credit negotiated with financial institutions.

The liquidity risk can occur if the sources of financing, such as operating cash flows, disinvestment cash flows and cash flows from funding operations, do not meet the liquidity needs, such as the cash outflows for operating and financing activities, for investments, for shareholders remuneration and debt repayment.

These consolidated financial statements were prepared on a going concern basis. Despite the fact that the Grupo might present negative working capital (current liabilities excluding deferred revenue, less current assets) at year-end, this results in part from the seasonal nature of the activity, being these responsibilities properly planned within the overall cash management of Grupo Pestana. There are short-term credit lines not used and that are more than sufficient to meet the short-term obligations with third parties (Note 24).

Regular reviews are carried out to estimated cash flows both in the short term and in the medium and long term, so as to adjust the forms and volumes of appropriate financing.

The following table analyzes Grupo Pestana's financial liabilities and derivative financial instruments, on a net basis, by relevant maturity groups, based on the remaining period to the contractual maturity, at the date of the financial reporting. The amounts in the table are undiscounted contractual cash flows:

31 December 2014	Less than 1 year	Between 1 and 5 years	More than 5 years
Loans and borrowings:	97.998.199	150.753.356	155.713.406
- bank loans	54.815.259	147.595.668	90.713.406
- bond loans	20.000.000	-	65.000.000
- commercial paper	-	3.000.000	-
- bank overdrafts	20.294.477	-	-
- interests payable - accrual	2.888.463	157.689	-
Trade and other payables - non-group	19.750.364	2.019.152	2.844.344
Derivatives	2.328.689	4.815.121	313.683

31 December 2013	Less than 1 year	Between 1 and 5 years	More than 5 years
Loans and borrowings:	101.978.770	182.568.981	94.809.168
- bank loans	45.131.953	135.218.494	94.809.168
- bond loans	–	20.000.000	–
- commercial paper	–	27.000.000	–
- bank overdrafts	54.303.650	–	–
- interests payable - accrual	2.543.167	350.487	–
Trade and other payables - non-group	18.137.482	3.192.880	3.273.231
Derivatives	2.430.119	3.648.684	106.566

iv. Interest rate risk

The risk associated with fluctuating interest rate impacts the debt service. The interest rate risks are primarily related with the interest charges incurred with several loans with variable interest rates.

For long-term loans, and as a way to cover a possible change in long-term interest rate, Grupo Pestana engages, whenever appropriate, derivative financial instruments to hedge the respective cash flows (interest rate swaps). It represents hedging of those long-term loans and has the possibility to equally choose to fix the interest rate in the first years of the loans and analyze, later, the possibility to engage interest rate swaps to cover the cash flows of the remaining period of the funding contracts.

Sensitivity analysis of the finance expenses to changes in interest rate:

A sensitivity analysis was performed, based on Grupo Pestana's total debt deducted of the cash and cash equivalents as at 31 December 2014 and 2013.

Considering Grupo Pestana's net debt as at 31 December 2014, an increase of 0.25% in the interest rate would result in the increase in the net finance expenses for the year of approximately 883,000 Euros (31 December 2013: 850,000 Euros).

4.2. Capital risk management

Grupo Pestana's goal in relation to capital management, which is a broader concept than the capital reflected in the face of the statement of financial position, is to maintain an optimal capital structure, through the prudent use of debt.

The hiring of debt is periodically analyzed through the weighting of such factors as the cost of financing and the needs for investment.

As a rule, the loans are obtained in order to leverage the investments, being directly allocated to them. However, there is always a concern to ensure that the estimated investment cash flows ensure its sustainability in the long term, being sufficient to meet the debt service and compensate the capital invested by the Shareholder.

Before the start of each year, detailed budgets are prepared by business unit which, after being approved, will guide its management during the year. The results generated by operations are monitored on a regular and detailed basis to ensure that the expected results are met or exceeded.

The gearing ratios as at 31 December 2014 and 2013 were as follows:

	31-12-2014		31-12-2013
Total loans and borrowings	401.604.039	(i)	376.996.689
Less: cash and cash equivalents	48.354.669		37.604.529
Net debt	353.249.370		339.392.160
Equity	262.137.303		264.674.617
Total capital	615.386.673		604.066.777
Gearing	**57%**		**56%**

If we consider the deferred revenue from timeshare sales (Note 28) as a component of equity and not as liability, since they do not represent future cash payments, the gearing would be as follows:

	31-12-2014		31-12-2013
Total loans and borrowings	401.604.039	(i)	376.996.689
Less: cash and cash equivalents	48.354.669		37.604.529
Net debt	353.249.370		339.392.160
Adjusted equity	427.814.936		429.474.413
Total capital	781.064.306		768.866.573
Adjusted Gearing	**45%**		**44%**

(i) The balance of Loans and borrowings in 2014 includes 16,916,245 Euros concerning the entry in consolidation perimeter of the subsidiary Hotel Rauchstrasse 22, S.À.R.L, which owns Pestana Berlin Tiergarten Hotel (Note 40).

4.3. Accounting for derivative financial instruments

As at 31 December 2014 and 2013, and whenever appropriate, Grupo Pestana has hedged its economic exposure to cash flows from existing loans and borrowing through interest rate swaps. If a derivative financial instrument is not assigned as hedging it is classified as trading.

The loans subject to hedged instrument have implicit spreads much more reduced than the ones that are being currently practiced in the market. Consequently, the total cost of the loans that are being penalized by these derivatives is not higher than the other loans of the group.

5 Main accounting estimates and judgments

The estimates and judgments that have an impact on Grupo Pestana's consolidated financial statements are continuously assessed, representing at each reporting date the best estimate of the Board of Directors, taking into account the historical performance, the accumulated experience and the expectations about future events considered reasonable under the circumstances.

The intrinsic nature of estimates may lead to the actual impact of situations under estimation, for financial reporting purposes, being different from the estimated amounts. The key estimates and judgments that have a significant risk of causing a material adjustment to the net book value of assets and liabilities in the following year are as follows:

5.1. Tangible assets and Investment property

The determination of the useful lives of assets, as well as the depreciation method to apply is crucial to determine the amount of depreciations to be recognized each year in the consolidated income statement.

These two parameters are defined in accordance with the best judgment of the Board of Directors for the specific assets and businesses, also considering the practices adopted by other companies in the same sector abroad.

5.2. Impairment

The determination of whether a potential impairment loss exists may be triggered by the occurrence of various events, many of which are beyond Grupo Pestana's control, such as: the future availability of financing, the cost of capital, as well as for any other changes, either internal or external to the Group.

The identification of impairment indicators, the estimate of future cash flows and the computation of the fair value of assets imply a high degree of judgment by the Board of Directors regarding the identification and evaluation of different impairment triggers, expected cash flows, applicable discount rates and useful lives. Grupo Pestana's results obtained in this sector, during the last 40 years, are, however, a good indicator to assess the estimates that have been used.

5.3. Provisions

Grupo Pestana periodically reviews potential liabilities arising from past events and that should be recognized or disclosed in the consolidated financial statements.

The inherent subjectivity in determining the probability and amount of internal resources necessary to settle the obligations may lead to adjustments, either by changes in assumptions or future recognition of provisions previously disclosed as contingent liabilities.

6 Tangible fixed assets

During the period ended as at 31 December 2014 the movements occurred in Tangible fixed assets were as follows:

	Land	Buildings and other constructions	Basic equipment	Transport equipment	Administrative equipment	Tools	Other tangible asstes	Assets under construction	Total
1 January 2014									
Acquisition cost	146.598.324	804.668.127	207.640.689	3.097.126	18.118.991	634.611	20.232	43.315.922	1.224.073.790
Accumulated depreciation	–	(361.038.175)	(135.944.477)	(2.673.525)	(16.589.278)	(570.050)	(20.232)	–	(516.815.505)
Accumulated impairment	(407.322)	(8.185.894)	(23.172)	–	(5.155)	–	–	(344.049)	(8.965.593)
Net book value	**146.191.002**	**435.444.057**	**71.673.040**	**423.602**	**1.524.559**	**64.561**	**–**	**42.971.873**	**698.292.693**
Changes in 2014									
Perimeter entrances - acquisition cost	8.709.791	45.237.794	4.465.100	57.842	67.086	8.873	-	-	58.546.486
Perimeter entrances - accumulated depreciation	-	(16.946.497)	(4.348.059)	(57.842)	(63.846)	(7.382)	-	-	(21.423.626)
Additions	1.915.660	3.393.944	2.305.798	81.180	357.069	69.664	-	12.602.698	20.726.013
Disposals	(191.115)	(840.121)	(189.127)	-	-	-	-	-	(1.220.363)
Transfers and write-offs	(123.637)	73.384	(1.185.550)	(77.568)	(24.031)	(1.091)	994.281	(89.298)	(433.510)
Depreciation	-	(22.094.534)	(8.005.270)	(138.225)	(490.552)	(34.740)	-	-	(30.763.321)
Depreciation - transfers, disposals and write-offs	-	1.147.414	85.801	115.404	(25.554)	10.981	(924.967)	-	409.079
Impairment - reversal	-	950.792	-	-	-	-	-	-	950.792
Impairment - disposals and write-offs	11.886	85.273	23.172	-	1.300	-	-	-	121.631
Net book value	**156.513.587**	**446.451.505**	**64.824.905**	**404.393**	**1.346.031**	**110.866**	**69.314**	**55.485.273**	**725.205.873**
31 December 2014									
Acquisition cost	156.909.023	852.533.128	213.036.910	3.158.580	18.519.115	712.057	1.014.512	55.829.322	1.301.712.648
Accumulated depreciation	-	(398.931.792)	(148.212.005)	(2.754.188)	(17.169.230)	(601.191)	(945.199)	-	(568.613.605)
Accumulated impairment	(395.436)	(7.149.829)	-	-	(3.855)	-	-	(344.049)	(7.893.170)
Net book value	**156.513.587**	**446.451.505**	**64.824.905**	**404.393**	**1.346.031**	**110.866**	**69.314**	**55.485.273**	**725.205.873**

During the period ended as at 31 December 2013 the movements occurred in Tangible fixed assets were as follows:

	Land	Buildings and other constructions	Basic equipment	Transport equipment	Administrative equipment	Tools	Other tangible asstes	Assets under construction	Total
1 January 2013									
Acquisition cost	140.559.102	795.241.749	208.815.004	3.137.048	17.631.080	633.065	–	53.997.923	1.220.014.973
Accumulated depreciation	–	(331.494.268)	(131.342.889)	(2.658.564)	(16.202.345)	(546.341)	–	–	(482.244.406)
Accumulated impairment	(491.527)	(10.103.360)	–	–	(3.855)	–	–	(344.049)	(10.942.791)
Net book value	**140.067.575**	**453.644.122**	**77.472.115**	**478.484**	**1.424.881**	**86.725**	**–**	**53.653.874**	**726.827.776**
Changes in 2013									
Perimeter entrances - acquisition cost	9.710.189	6.564.656	2.532.174	–	76.368	3.875	–	127.183	19.014.445
Perimeter entrances - accumulated depreciation	–	(1.462.154)	(2.154.206)	–	(22.790)	(3.140)	–	–	(3.642.290)
Perimeter entrances - impairment	–	(1.278.620)	–	–	–	–	–	–	(1.278.620)
Perimeter exits - acquisition cost	(11.541.028)	(51.325.250)	(7.194.180)	–	(486.948)	(4.912)	–	–	(70.552.318)
Perimeter exits - accumulated depreciation	–	1.666.527	6.422.458	–	204.634	2.103	–	–	8.295.722
Additions	7.500.000	35.289.417	1.642.973	102.941	181.549	1.417	–	4.129.366	48.847.663
Disposals	(1.460)	(781.152)	(348.886)	–	(14.895)	–	–	–	(1.146.392)
Transfers	–	8.309.909	2.193.604	–	731.836	1.165	–	(11.236.513)	–
Transfers from Investment properties - acquisition cost (Note 8)	455.726	11.248.244	–	–	–	–	–	–	11.703.970
Transfers from Investment properties - accumulated depreciation (Note 8)	–	(8.973.449)	–	–	–	–	–	–	(8.973.449)
Transfers to Inventories (Note 15)	–	–	–	–	–	–	–	(3.702.037)	(3.702.037)
Depreciation	–	(20.774.832)	(8.869.840)	(157.824)	(568.776)	(22.673)	–	–	(30.393.945)
Impairment - charge	–	(1.498.480)	(23.172)	–	(1.300)	–	–	–	(1.522.952)
Impairment - reversal	–	4.815.119	–	–	–	–	–	–	4.815.119
Net book value	**146.191.002**	**435.444.057**	**71.673.040**	**423.602**	**1.524.559**	**64.561**	**–**	**42.971.873**	**698.292.693**
31 December 2013									
Acquisition cost	146.598.324	804.668.127	207.640.689	3.097.126	18.118.991	634.611	–	43.315.922	1.224.073.790
Accumulated depreciation	–	(361.038.175)	(135.944.477)	(2.673.525)	(16.589.278)	(570.050)	–	–	(516.815.505)
Accumulated impairment	(407.322)	(8.185.894)	(23.172)	–	(5.155)	–	–	(344.049)	(8.965.593)
Net book value	**146.191.002**	**435.444.057**	**71.673.040**	**423.602**	**1.524.559**	**64.561**	**–**	**42.971.873**	**698.292.693**

Changes in the consolidation perimeter

In 2014 the changes in the consolidation perimeter relate to the addition of Pestana Berlin Tiergarten Hotel, owned by the company Hotel Rauchstrasse 22, S.à.r.l., and of Bahia Palace Hotel, owned by Indústria Açoreana Turístico – Hoteleira (I.A.T.H.), S.A. (Note 40). In 2013, the changes were related to the addition of Pestana Arena Barcelona Hotel and to the disposals of Pestana Buenos Aires Hotel (Argentina) and Pestana Caracas Hotel (Venezuela) (Note 40).

Additions

Additions in 2014 mainly relate to the construction of Pestana South Beach Hotel and of Pousada de Lisboa (in Lisbon).

The additions as of 31 December 2014 and 2013 also relate to refurbishment and replacements in hotels, timeshare commercialization costs (Note 3.4) and works on remodeling houses.

Additions in 2013 include the acquisition of the building of Pestana Carlton Madeira Hotel, in September 2013, by 30,000,000 Euros. Until this date the building was rented as an operating lease.

As at 31 December 2014, Grupo Pestana capitalized finance expenses of 352,909 Euros (31 December 2013: 220,463 Euros).

Transfers

In 2013, transfers mainly relate to the transfer of Gramacho golf camp from Investment properties to Tangible fixed assets (Note 8).

Depreciation

The 2014 depreciation of the hotel units that entered in the consolidation perimeter of Grupo Pestana, namely Pestana Berlin Tiergarten Hotel and Bahia Palace Hotel, was 737,299 Euros and 118,482 Euros, respectively.

In 2014, the increase in depreciation related to Pestana Carlton Madeira was 468,866 Euros.

Impairment losses

The reversal of the impairment loss recorded in 2014, of 950,792 Euros, resulted from the performance of the unit Madeira Magic that was beyond initial expectations (511,869 Euros) as well as the performance improvement of the golf camp – Pestana Alto Golf (438,924 Euros), both assets with a cash flow generation greater than originally estimated and for which a continuous improvement is expected in the near future. In the impairment test made as at 31 December 2014 it was verified that the fair value of these assets was higher than their actual net book value, considering the usage value of the assets, which was determined based on the estimated gross operating profits (G.O.P.) from 2015 to 2019, using a discount rate derived from the WACC and other assumptions associated with the respective activities of the Group.

The charge of the impairment loss in 2013, in the amount of 1,522,952 Euros, relates to Madeira Magic, due to the fact that, at that date, the estimated cash flows were not sufficient to assure the future recoverability of its carrying amount. The correspondent impairment test was made with reference to 31 December 2013 resulting that the recoverable value was lower when compared to its net book value, considering the estimated future cash flows and the WACC rate applicable.

The reversal of the impairment loss in 2013, of 4,815,119 Euros, is related to Pestana Porto Santo hotel as a result of the excellent performance that this hotel unit had demonstrated, by generating higher cash flows than the estimated and foreseen improvement in the near future. Thus, considering the estimated future cash flows and the WACC rate applied, it was determined that the fair value of the asset was greater than its net book value.

Assets under construction

The most significant items included in Assets under construction are related to the following projects:

	2014	2013
Quinta da Amoreira project (Algarve)	15.981.106	15.981.106
Tróia project (Note 15)	12.370.631	11.408.792
Pousada Lisboa project	5.260.135	168.281
Extension of Pestana Porto	4.317.346	2.166.585
Lisbon downtown building	3.848.092	3.612.439
Pestana South Beach project (Algarve)	3.226.518	867.495
D. Fernando land (Algarve)	1.926.288	1.926.288
North of Gramacho land (Algarve)	1.826.117	1.873.825
Project in Silves area (Algarve)	1.215.396	1.215.396
Golf course project (Algarve)	1.199.852	1.236.445
Si-turismo projects (Madeira)	666.429	–
Pestana Atlantic Gardens/Bay - Hotel improvements (Madeira)	515.033	389.611
Vale do Pinta adjacent lands (Algarve)	354.900	354.900
Amsterdam project	324.685	146.098
Pestana Arena Hotel redecoration (Barcelona)	314.537	127.183
Quinta S. Pedro land (Algarve)	298.886	298.886
Others	1.839.321	1.198.543
	55.485.273	**42.971.872**

Quinta da Amoreira project is a 4-star tourist resort, characterized from the beginning by its irreverence. This is a project with a low density of construction, consisting of a block of flats and a set of villas and bungalows, in a total of 860 beds.

With the merger occurred as at 31 January 2014 with the subsidiary Sociedade Imobiliária Tróia B3, the Tróia project was incorporated in Carvoeiro Golfe, S.A. (Note 15). This project consists on the construction of one Apartment Hotel and an area of shopping / services, including the land for the construction of the apart hotel as well as the expenses incurred with permits, licenses and allotment and also the study and development of the general infrastructures.

Pousada de Lisboa project consists of 1,769.1 m² of land, 1,628 m² of total implementation area and capacity for 86 rooms corresponding to 171 beds, as well as space for restaurant / bar with 60-80 people capacity, meetings and events rooms, gym, solarium and indoor pool, which is expected to be completed in June 2015.

The Pestana Porto extension project relates to the acquisition of two buildings next to the current Pestana Porto hotel. This extension project will allow doubling the room capacity, and it is expected to be concluded in July 2015.

The Lisbon downtown building is a project started with the acquisition of a building with capacity for building a 4-star hotel in that area.

Pestana South Beach Resort is a 4-star hotel localted on the first line of Alvor’s coast, spreading for several kilometers and being fully integrated with local natural resources and the features of a modern hotel. It is another project that has as differentiation factor its low density, with approximately 80 beds. The conclusion of this hotel is expected for the beginning of the second semester of 2015.

The project D.Fernando is being developed in a land with total area of 30 hectares in Algarve, where the construction of one hotel and a 9-hole golf course is projected.

The project for the land in North of Gramacho, in Algarve, with total area of approximately 100 hectares, also known as ‘Quinta de S. Pedro’, is in an early stage of development, and includes building an 18-hole golf course and a real estate area.

The project in Silves area, Algarve, concerns land in which will be developed a tourism project to enhance the nature component, with walking paths, bird watching areas and specific zones for hunting, and for which Grupo Pestana is developing a series of actions, together with the City Hall of Silves.

The Golf course project is related to a 20 hectares land surrounding Pestana Alvor Praia hotel and Pestana Delfim. Given its location, near Alvor beach, Algarve, and aiming towards the diversification of services offered, it is intended to build a 9-hole golf course in this land.

The land adjoining Vale da Pinta resort, with an area of 8,171 hectares, has several development possibilities, namely the extension of the real estate project of Vale de Pinta in a forthcoming amendment to the city plans of development (Plano Director Municipal – PDM) of Lagoa and the construction of a hotel unit.

The amount of Si-turismo project relates to a project financed by an incentives system for producing touristic excellence of the Autonomous Region of Madeira for the production of photovoltaic energy.

Assets reversible to the State

Grupo Pestana has recognized in its Financial statements assets related with gambling and with the concession of the network of Pousadas de Portugal which are reversible to the State at the end of the respective concessions, without the right to any consideration. The net value of these assets as at 31 December 2014 is 7,986,238 Euros (31 December 2013: 7,767,125 Euros), and their useful life corresponds to their economic life or to the concession term, whichever is lower.

Tangible fixed assets acquired through finance leases

In the period ended 31 December 2014 and 2013, the net book value of these assets is as follows:

	2014	2013
Gross amount	15.069.957	15.287.796
Accumulated depreciation	(6.505.906)	(6.127.805)
	8.564.051	**9.159.991**

7 Intangible assets

The evolution of Intangible assets for the periods presented is as follows:

	Software	Concessions	Website	Total
1 January 2014				
Acquisition cost	1.049.587	28.677.628	441.812	29.790.721
Accumulated amortization	(557.301)	(13.270.706)	(260.288)	(13.709.991)
Accumulated impairment	–	(634.423)	–	(634.423)
Net book value	**492.286**	**14.772.498**	**181.524**	**15.446.307**
Additions	260.343	104.992	–	365.335
Disposals	–	–	–	–
Amortization	(148.423)	(1.309.649)	(110.874)	(1.568.947)
Amortization - transfers and write-offs	6.315	3.360	–	9.675
Impairment - charge	–	–	–	–
Impairment - reversal	–	–	–	–
Net book value	**118.235**	**(1.201.297)**	**(110.874)**	**(1.193.937)**
31 December 2014				
Acquisition cost	1.309.930	28.782.620	441.812	30.534.362
Accumulated amortization	(699.409)	(14.576.995)	(371.162)	(15.647.566)
Accumulated impairment	–	(634.423)	–	(634.423)
Net book value	**610.521**	**13.571.202**	**70.650**	**14.252.373**

	Software	Concessions	Website	Total
1 January 2013				
Acquisition cost	851.259	29.565.538	420.596	30.837.392
Accumulated amortization	(706.615)	(11.854.498)	(153.078)	(12.714.192)
Accumulated impairment	–	(634.423)	–	(634.423)
Net book value	**144.644**	**17.076.616**	**267.518**	**17.488.778**
Additions	43.927	–	21.216	65.143
Disposals	–	(670.533)	–	(670.533)
Changes in the perimeter	422.948	(864.229)	–	(441.281)
Amortization	(119.233)	(769.356)	(107.210)	(995.799)
Impairment - charge	–	–	–	–
Impairment - reversal	–	–	–	–
Net book value	**492.286**	**14.772.498**	**181.524**	**15.446.308**
31 December 2013				
Acquisition cost	1.049.587	28.677.628	441.812	29.790.721
Accumulated amortization	(557.301)	(13.270.706)	(260.288)	(13.709.991)
Accumulated impairment	–	(634.423)	–	(634.423)
Net book value	**492.286**	**14.772.498**	**181.524**	**15.446.307**

The balance of Concessions includes:

- The right to operate the network “Pousadas de Portugal”, from 2003 until 2023 inclusive, obtained under the Exploitation Assignment Agreement of “Rede de Pousadas”, signed on 8 August 2003 with Enatur - Empresa Nacional de Turismo, S.A..
- The gambling license rights, including the operation of games of chance in the permanent area of Funchal, until 2023 inclusive, representing the amount capitalized to the amount paid to the Regional Government of Madeira.
- The concession right of “Palácio do Freixo”, for a period of 50 years, obtained through a contract with the City Hall of Oporto, where “Pousada” of Oporto operates since October 2010.
- The concession right of “Cidadela de Cascais”, for a period of 70 years, through a contract signed in 26 November 2009 with Fortaleza de Cascais, E.M., where “Pousada” of Cascais exists since March 2012.
- In addition to the concessions above described Grupo Pestana also holds other concessions which are impaired, in the total amount of 634,423 Euros.

8 Investment properties

Investment properties presented the following movements:

	2014	2013
1 January		
Acquisition cost	9.816.377	21.520.347
Accumulated depreciation	(2.552.626)	(11.465.897)
Accumulated impairment	(641.392)	(641.392)
Net book value	**6.622.359**	**9.413.058**
Additions	65.634	-
Disposals	(16.575)	-
Transfers to Tangible fixed assets (Note 6)	-	(11.703.970)
Depreciation	(86.241)	(60.178)
Depreciation - Transfers (Note 6)	-	8.973.449
Depreciation - transfers, disposals and write-offs	16.575	-
Impairment - charge	-	-
Impairment - reversal	-	-
	(20.607)	**(2.790.698)**
31 December		
Acquisition cost	9.865.436	9.816.377
Accumulated depreciation	(2.622.292)	(2.552.626)
Accumulated impairment	(641.392)	(641.392)
Net book value	**6.601.752**	**6.622.359**

Investment properties are intended, mainly, to be rented.

During 2013, transfers to Tangible fixed assets relate to the transfer of Gramacho golf course from Investment properties to Tangible fixed assets (Note 6).

As at December 2014 and 2013, the fair value of each one of the assets classified as Investment properties is not less than its carrying amount.

9 Investments in associates

The movement in Investments in associates during the years 2014 and 2013 is as follows:

	2014	2013
1 January	32.644.957	12.726.498
Gains / (losses) of the equity method (Note 34)	1.552.074	703.847
Gains / (losses) recognized directly in equity resulting from associates - equity method	2.361.340	(11.985.281)
Impairment losses (Note 34)	(55.405)	–
Transfers to Non-current assets held for sale (Note 18)	(19.500.000)	–
Loans reimbursed	(1.400.252)	–
Transfers to current accounts (Note 14)	(6.048.965)	–
Transfers from current accounts (Note 14)	712.995	–
Changes in perimeter- equity method	–	26.886.800
Changes in perimeter - loans granted	–	7.387.987
Other changes in equity	–	(3.074.894)
31 December	**10.266.745**	**32.644.957**

In July 2014, Grupo Pestana has decided to dispose of the investment held on Pestana Inversiones, S.L.. Therefore, the referred investment, of 19,500,000 Euros, was transferred from Associates to Non-current assets held for sale (Note 18). This transferred amount corresponds to the lower between the book value, determined based on the equity method over the consolidation of this sub-group until 30 June 2014 and that ceased in that date, and the fair value less estimated costs to sell.

The application of the equity method generated a gain of 1,332,757 Euros (Note 34) in the Income statement and of 2,361,340 Euros in Other reserves (Note 20). The calculation of the fair value less estimated costs to sell resulted in an impairment loss of 55,404 Euros.

After obtaining the reimbursement of 1,400,252 Euros, still as a result of the transfer of the investment held on Pestana Inversiones, S.L. to Non-current assets held for sale, the loans of 6,048,965 Euros granted to this associate were transferred to Trade and other receivables (current) (Note 14), and its collection is expected to occur in the short term.

During 2013, Grupo Pestana sold 10% of its participation in Pestana Inversiones S.L. to Pestana International Holdings S.A. for the amount of 2,852,181 Euros, generating a gain of 1,247,160 Euros (Note 34). This way, Grupo Pestana owned a 48.35% participation in this company's equity, which was presented as an associate in the line Change in perimeter (Note 40).

The losses recognized directly in equity, in 2013, arising from equity method applied to associate companies, of 11,985,281 Euros, mainly respect to the devaluation of Venezuelan Bolivar Fuerte, in accordance with the new exchange regulation issued by the Venezuelan Govern which created a new mechanism denominated SICAD that generated a negative effect of 10,803,452 Euros. This mechanism anticipated an exchange of 11.36 Bolivars Fuerte per dollar. As a consequence, there were two exchange rates published that qualified to the conversion of the financial statements of companies that operate in Venezuela, in accordance with IAS 21: SICAD and CADIVI (official exchange rate – 6.3 Bolivars Fuerte per dollar).These losses are net from the hyperinflation effect of the year 2013, of total amount 609,501 Euros.

To be cautious, Grupo Pestana considered SICAD exchange rate as being the most adequate to value the net assets held in Venezuela (Note 3.3. iv), included in the sub-group Pestana Inversiones, S.L..

As at 31 December 2014, Investment in associates relates to the following entities:

		Financial investment			Loans granted				
Entity	% Owned	Equity method	Impairment loss	Total	Investment amount	Impairment loss	Total (Note 42)	Total investment	Goodwill included
SDEM - Sociedade de Desenvolvimento Empresarial da Madeira, SGPS, S.A. (i)	3,75%	372.291	-	372.291	–	–	–	372.291	–
Enatur - Empresa Nacional de Turismo, S.A.	49,00%	8.121.269	-	8.121.269	1.190.593	–	1.190.593	9.311.862	3.837.382
Albar - Sociedade Imobiliária do Barlavento, S.A.	49,81%	582.592	-	582.592	–	–	–	582.592	–
		9.076.152	**-**	**9.076.152**	**1.190.593**	**–**	**1.190.593**	**10.266.745**	**3.837.382**

As at 31 December 2013, Investment in associates relates to the following entities:

		Financial investment			Loans granted				
Entity	% Owned	Equity method	Impairment loss	Total	Investment amount	Impairment loss	Total (Note 42)	Total investment	Goodwill included
SDEM - Sociedade de Desenvolvimento Empresarial da Madeira, SGPS, S.A. (i)	3,75%	819.563	–	819.563	–	–	–	819.563	–
Enatur - Empresa Nacional de Turismo, S.A.	49,00%	7.514.348	–	7.514.348	477.598	–	477.598	7.991.946	3.837.382
Albar - Sociedade Imobiliária do Barlavento, S.A.	49,81%	584.153	–	584.153	–	–	–	584.153	–
Pestana Inversiones, S.L.	48,35%	15.861.308	–	15.861.308	7.387.987	–	7.387.987	23.249.295	–
		24.779.372	**–**	**24.779.372**	**7.865.585**	**–**	**7.865.585**	**32.644.957**	**3.837.382**

(i) Grupo Pestana S.G.P.S., S.A. owns only 15% of SDM – Sociedade de Desenvolvimento da Madeira, S.A. but still controls this entity via the shareholder agreement signed with Mr. Dionisio Pestana for the assignment of voting rights corresponding to 55% of the voting rights of the entity. Therefore, Grupo Pestana holds 25% of the voting rights of SDEM – Sociedade de Desenvolvimento Empresarial da Madeira, S.G.P.S., S.A.

The summary of the separate financial stataments of these associates is presented in Note 40.

10 Other financial investments

The movements in Other financial investments during 2014 and 2013 are as follows:

	2014	2013
1 January	29.846.323	35.463.816
Acquisitions	4.500.000	3.499.604
Loans granted / (reimbursed)	765.493	5.815.992
Disposals	(3.285.866)	(563.399)
Impairment losses	(1.753.190)	(1.273.622)
Perimeter exits	-	(13.096.068)
31 December	**30.072.760**	**29.846.323**

The acquisitions in 2014 and 2013 exclusively relate to the capital increase in Imóveis Brisa – F.I.I.F., subscribed by Grupo Pestana in December 2014 and during 2013.

In 2014, a loan of 1,000,000 Euros was granted to Eurogolfe, S.A., and there was a reimbursement of 234,507 Euros concerning the loan granted to Salvintur, S.G.P.S., S.A.. In 2013, the balance of this caption fully relates to loans granted to Salvintur, S.G.P.S., S.A..

The 2014 disposals of 3,285,866 Euros relate to the disposal of 15% of EuroAtlantic Airways, Transportes Aéreos, S.A., resulting in a gain of 3,030,643 Euros (Note 34).

The impairment losses in 2014 and 2013 fully relate to the devaluation of the market value of Imóveis Brisa – F.I.I.F. participation units, being this market value issued by the Portuguese Securities Market Commission (Note 34).

In 2013, the changes in the perimeter respect only to Brasturinvest, S.A., investment that the group held through Pestana Inversiones, S.L.. With the disposal in 2013 of 10% of this subsidiary, the investment that was recognized in this caption exited the consolidation perimeter, as explained in Note 9.

As at 31 December 2014, Other financial investments relates to the following entities:

		Acquisition cost			Accessory contributions/Loans granted			
Entity	**% Owned**	**Investment amount**	**Impairment loss**	**Total**	**Investment amount**	**Impairment loss**	**Total (Note 42)**	**Total investment**
Imóveis Brisa - F.I.I.F.	-	18.147.823	8.790.264	9.357.559	–	–	–	9.357.559
Salvintur - Sociedade de Investimentos Turísticos, S.G.P.S., S.A.	19,00%	241.683	51.723	189.960	37.020.180	21.335.048	15.685.132	15.875.092
Eurogolfe, S.A.	14,30%	144.400	–	144.400	4.400.000	–	4.400.000	4.544.400
Others	-	503.871	208.162	295.709	–	–	–	295.709
		19.037.777	**9.050.149**	**9.987.629**	**41.420.180**	**21.335.048**	**20.085.132**	**30.072.760**

As at 31 December 2013, Other financial investments relates to the following entities:

		Acquisition cost			Accessory contributions/Loans granted			
Entity	**% Owned**	**Investment amount**	**Impairment loss**	**Total**	**Investment amount**	**Impairment loss**	**Total (Note 42)**	**Total investment**
Imóveis Brisa - F.I.I.F.	-	13.647.823	7.037.074	6.610.749	–	–	–	6.610.749
Euro Atlantic Airways - Transportes Aéreos, S.A.	15,00%	3.285.866	–	3.285.866	–	–	–	3.285.866
Salvintur - Sociedade de Investimentos Turísticos, S.G.P.S., S.A.	19,00%	241.683	51.723	189.960	37.254.686	21.335.048	15.919.638	16.109.599
Eurogolfe, S.A.	14,30%	144.400	–	144.400	3.400.000	–	3.400.000	3.544.400
Others	-	503.871	208.162	295.709	–	–	–	295.709
		17.823.643	**7.296.959**	**10.526.684**	**40.654.686**	**21.335.048**	**19.319.638**	**29.846.323**

The summary of the separate financial statements of the entities concerning to Other investments is presented in Note 40.

11 Deferred tax assets and liabilities

As at 31 December 2014 and 2013, the balances recognized as Deferred taxes are presented in the Statement of financial position at their gross value.

The impact of movements occured in deferred tax items for the years presented was as follows:

	2014	2013
Effect in Income statement		
Deferred tax assets	(786.984)	(428.752)
Deferred tax liabilities	3.174.109	4.941.809
	2.387.125	4.513.057
Effect in change in the perimeter		
Deferred tax assets	186.808	(263.579)
Deferred tax liabilities	(3.846.129)	11.648.175
	(3.659.321)	11.384.596
Effect in equity	(76.489)	(941.932)
Deferred tax assets	246.828	(8.663.133)
Deferred tax liabilities	170.339	(9.605.065)
Net effect of deferred tax	**(1.101.857)**	**6.292.588**

By a decision approved in 2014 in Portugal, there is a change in the income tax rate from 23% to 21% from 2015 onwards. In 2013 it had also been approved a reduction of the income tax rate from 25% to 23% for 2014.

Thus, as at 31 December 2014 and 2013, the deferred tax position was recalculated being determined a positive impact in equity of 2,838,407 Euros and 2,324,052 Euros, respectively (positive impact in net profit for the year of 2,426,803 Euros and of 1,964,163 Euros, respectively).

This variation is explained by the reduction of deferred tax assets and deferred tax liabilities, of 303,092 Euros and 3,141,499 Euros, respectively. In 2013, this variation was also explained by the reduction of deferred tax assets and deferred tax liabilities, of 612,855 Euros and 2,936,907 Euros, respectively.

The movements occurred in Deferred tax assets for the years presented are as follows:

	Impairment losses on trade receivables	Changes in fair value	Hedging reserves	Impairment losses on tangible fixed assets	Tax losses	Loyalty program (PPG)	Others	Total
1 January 2014	353.285	1.618.527	1.171.322	1.885.854	779.720	490.563	2.083.240	8.382.510
Perimeter entrances (Note 41)	-	-	110.944	-	75.864	-	-	186.808
Constitution / reversal through equity	-	-	(76.489)	-	-	-	-	(76.489)
Reversal through profit or loss	(179.935)	(860.443)	(6.138)	(382.554)	(53.931)	-	(23.939)	(1.506.940)
Constitution through profit or loss	37.318	-	-	-	374.849	88.440	219.349	719.956
Changes on period	**(142.617)**	**(860.443)**	**28.317**	**(382.554)**	**396.782**	**88.440**	**195.410**	**(676.665)**
31 December 2014	**210.668**	**758.084**	**1.199.639**	**1.503.300**	**1.176.502**	**579.003**	**2.278.649**	**7.705.845**

The caption Other includes the deferred tax asset related to Provisions and to intra-group margins write-off.

	Impairment losses on trade receivables	Changes in fair value	Hedging reserves	Impairment losses on tangible fixed assets	Tax losses	Loyalty program (PPG)	Others	Total
1 January 2013	240.455	-	2.132.391	3.366.099	1.305.657	230.982	2.741.189	10.016.773
Constitution through profit or loss	201.149	-	-	584.166	5.929	259.581	295.819	1.346.644
Perimeter entrances (Note 41)	74.291	-	-	545.907	-	-	-	620.198
Constitution / reversal through equity	-	-	(947.904)	-	-	-	5.972	(941.932)
Reversal through profit or loss	(131.236)	-	(13.165)	(215.043)	(2.430)	-	(193.705)	(555.579)
Reversal through RETGS	-	-	-	-	(1.219.817)	-	-	(1.219.817)
Perimeter exits	-	-	-	-	-	-	(883.778)	(883.778)
Reclassifications	(31.375)	1.618.527	-	(2.395.276)	690.381	-	117.743	-
Changes on period	**112.830**	**1.618.527**	**(961.069)**	**(1.480.246)**	**(525.937)**	**259.581**	**(657.950)**	**(1.634.263)**
31 December 2013	**353.285**	**1.618.527**	**1.171.322**	**1.885.854**	**779.720**	**490.563**	**2.083.240**	**8.382.510**

The movements occurred in Deferred tax liabilities for the years presented are as follows:

	Deemed cost (IFRS 1)	Revaluation reserve (previous GAAP)	Changes in fair value	Others	Total
1 January 2014	34.062.643	374.623	96.939	940.791	35.474.997
Perimeter entrances (Note 41)	-	-	3.688.269	157.860	3.846.129
Constitution / reversal through equity	-	-	(246.828)	-	(246.828)
Constitution through profit or loss	-	-	-	43.101	43.101
Reversal through profit or loss	(3.104.573)	(42.872)	(64.568)	(5.197)	(3.217.210)
Changes on period	**(3.104.573)**	**(42.872)**	**3.376.873**	**195.764**	**425.192**
31 December 2014	**30.958.070**	**331.751**	**3.473.812**	**1.136.555**	**35.900.189**

	Deemed cost (IFRS 1)	Revaluation reserve (previous GAAP)	Changes in fair value	Others	Total
1 January 2013	42.852.510	445.777	96.939	6.622	43.401.848
Perimeter entrances (Note 41)	80.291	-	-	-	80.291
Constitution / reversal through equity	8.664.558	-	-	(1.425)	8.663.133
Reversal through profit or loss	(4.950.947)	(71.154)	-	-	(5.022.101)
Perimeter exits	(11.648.175)	-	-	-	(11.648.175)
Transfers	(935.594)	-	-	935.594	-
Changes on period	**(8.789.867)**	**(71.154)**	**-**	**934.169**	**(7.926.851)**
31 December 2013	**34.062.643**	**374.623**	**96.939**	**940.791**	**35.474.997**

The revaluations performed under the previous accounting framework (POC), denominated as tax revaluations, result from updating the assets' value based on Governmental regulations where coefficients of currency devaluation are defined. The effect of this deferred tax reflects the non-deductibility for tax purposes of 40% of these revaluations.

12 Financial assets available for sale

As at 31 December 2014 and 2013, Grupo Pestana has participation units in some listed entities valued at 202,053 Euros and 5,177,040 Euros, respectively.

The financial assets available for sale are recorded at fair value, being the valuation changes since the date of acquisition are recognized against Hedging reserve – Financial assets available for sale (Note 20), net of impairment. In the case of a significant or continued decline in the fair value (+20%) or below its cost it is considered as an impairment indicator, being the fair value changes recorded in profit or loss (Note 3.9).

The variations in Financial assets available for sale are as follows:

	2014	2013
1 January	5.177.040	5.422.247
Acquisitions	–	225.758
Disposals	(4.959.183)	–
Fair value change (Note 20)	(15.803)	(436.472)
Perimeter exits	–	(34.493)
Changes on period	(4.974.986)	(245.207)
31 December	**202.053**	**5.177.040**

The shares held of Espirito Santo Financial Group were disposed in 26 November 2014 for 10,204 Euros (corresponding selling price of 1 cent per share), generating a loss of 4,948,979 Euros (Note 34).

The fair value of the participation units was determined as at 31 December 2014 and 2013 based on market prices, which correspond to the first level of the hierarchy of fair value, according to the accounting policy described on Note 3.10.

13 Financial assets and liabilities

The accounting policies for measuring financial instruments in accordance with IAS 39 were applied to the following financial assets and liabilities:

	Cash and receivables	Financial assets available for sale	Other financial liabilities	Non-financial assets/ liabilities	Total
31 December 2014					
Financial assets					
Cash and cash equivalents	48.354.669	-	-	-	48.354.669
Trade and other receivables	41.463.736	-	-	16.663.266	58.127.002
Financial assets available for sale	-	202.053	-	-	202.053
	89.818.405	**202.053**	**-**	**16.663.266**	**106.683.724**
Financial liabilities					
Loans and borrowings	-	-	401.604.039	-	401.604.039
Derivatives	-	-	6.768.136	-	6.768.136
Trade and other payables	-	-	49.717.582	33.965.122	83.682.704
	-	**-**	**458.089.757**	**33.965.122**	**492.054.879**

	Cash and receivables	Financial assets available for sale	Other financial liabilities	Non-financial assets/ liabilities	Total
31 December 2013					
Financial assets					
Cash and cash equivalents	37.604.529	-	-	-	37.604.529
Trade and other receivables	34.569.371	-	-	13.926.523	48.495.894
Financial assets available for sale	-	5.177.040	-	-	5.177.040
	72.173.900	**5.177.040**	**-**	**13.926.523**	**91.277.463**
Financial liabilities					
Loans and borrowings	-	-	376.996.689	-	376.996.689
Derivatives	-	-	6.031.170	-	6.031.170
Trade and other payables	-	-	37.137.982	28.215.338	65.353.320
	-	**-**	**420.165.841**	**28.215.338**	**448.381.179**

According to IFRS 13 requirements, Grupo Pestana establishes the way it obtains the fair value of its financial assets and liabilities measured at fair value. The levels used are presented in Note 3.10.

	31-12-2014			31-12-2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Financial assets available for sale	202.053	-		5.177.040	-	-
	202.053	**-**	**-**	**5.177.040**	**-**	**-**
Financial liabilities						
Derivatives	-	6.768.136	-	-	6.031.170	-
	-	**6.768.136**	**-**	**-**	**6.031.170**	**-**

14 Trade and other receivables

In the year ended 31 December 2014 and 2013, Trade and other receivables is detailed as follows:

	31-12-2014			31-12-2013		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables (i)	28.101.993	-	28.101.993	25.875.737	-	25.875.737
Other receivables (ii)	12.643.861	-	12.643.861	7.697.748	-	7.697.748
Prepayments (iii)	3.975.725	8.659.596	12.635.321	3.048.031	7.008.550	10.056.581
Accrued income	717.880	-	717.880	995.886	-	995.886
Taxes receivable (iv)	4.027.946	-	4.027.946	3.869.942	-	3.869.942
	49.467.405	**8.659.596**	**58.127.001**	**41.487.344**	**7.008.550**	**48.495.894**

i) Trade receivables

	31-12-2014			31-12-2013		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables - intercompany (Note 42)	7.238.951	-	7.238.951	7.480.603	-	7.480.603
Trade receivables - other	20.863.042	-	20.863.042	18.395.134	-	18.395.134
Doubtful debtors	11.368.570	-	11.368.570	10.638.648	-	10.638.648
	39.470.563	-	39.470.563	36.514.385	-	36.514.385
Impairment of trade receivables	(11.368.570)	-	(11.368.570)	(10.638.648)	-	(10.638.648)
	28.101.993	**-**	**28.101.993**	**25.875.737**	**-**	**25.875.737**

Impairment – movements of the year:

	2014	2013
1 January	10.638.648	10.346.974
Increases	1.626.620	2.013.365
Reversals	(870.531)	(1.040.100)
Utilizations	(26.167)	(681.591)
31 December	**11.368.570**	**10.638.648**

ii) Other receivables

	31-12-2014			31-12-2013		
	Current	Non-current	Total	Current	Non-current	Total
Other receivables - intercompany (Note 42)	9.746.450	-	9.746.450	5.583.573	-	5.583.573
Other receivables - other	3.242.737	-	3.242.736	2.493.275	-	2.493.275
Personnel	25.971	-	25.971	64.788	-	64.788
Impairment	(371.298)	-	(371.298)	(443.888)	-	(443.888)
	12.643.861	**-**	**12.643.861**	**7.697.748**	**-**	**7.697.748**

As at 31 December 2014 and 2013, Other receivables – intercompany includes 712,995 Euros and 1,425,990 Euros, respectively, to be received from the associate Enatur arising from outflows on expanding the facilities of the Pousadas network and that are not part of the complementary expansion plan. In 2014, part of the receivable was converted into shareholders loans (712,995 Euros), as the construction license was issued during 2014. The remaining amount will be converted into shareholders loans up to the 75th day after the date of issuance of the touristic use license, namely for the development of Pousada do Terreiro do Paço.

This caption also includes 6,048,965 Euros of shareholders loans granted to Pestana Inversiones, S.L., classified in 2014 as Non-current asset held for sale (Notes 9 and 18).

As at 31 December 2013, Other receivables – intercompany includes 3,685,000 Euros to be received regarding the sale of Djebel – S.G.P.S., S.A., which correspond to the last settlement.

Impairment – movements of the year:

	2014	2013
1 January	443.888	1.489.322
Increases	8.274	–
Reversals	(80.864)	(777.459)
Utilizations	–	(267.975)
31 December	**371.298**	**443.888**

iii) Prepayments

	31-12-2014			31-12-2013		
	Current	Non-current	Total	Current	Non-current	Total
Comissions	761.855	8.659.596	9.421.451	568.072	7.008.550	7.576.622
Rentals	765.193	–	765.193	886.289	–	886.289
Insurances	589.575	–	589.575	169.459	–	169.459
Maintenance	90.764	–	90.764	38.705	–	38.705
Other services	1.768.337	–	1.768.337	1.385.506	–	1.385.506
	3.975.725	**8.659.596**	**12.635.321**	**3.048.031**	**7.008.550**	**10.056.581**

As at 31 December 2014 and 2013, Commissions respects in full to the deferral of costs associated with sales of Timeshare – Options (Note 3.23 ii).

iv) Taxes receivable

As at 31 December 2014 and 2013, this caption is mainly related to VAT receivable.

15 Inventories

As at 31 December 2014 and 2013, Inventories is detailed as follows:

	2014	2013
Goods	4.391.594	3.828.945
Raw and subsidiary materials	564.432	585.736
Finished goods	4.050.693	12.587.297
Work in progress	36.936.413	24.615.164
	45.943.132	41.617.142
Impairment of inventories	(112.459)	(114.859)
	45.830.673	**41.502.283**

The amounts regarding finished goods and work in progress included in Inventories refer to:

	2014	2013
Tróia project	23.562.428	18.888.999
North of Gramacho land (Note 6)	6.828.552	7.000.419
Abrunheira project	6.291.949	6.291.949
V.Pinta adjacent lands (Note 6)	3.191.588	3.895.626
Apartments	620.993	–
Work in progress	491.596	996.118
	40.987.106	**37.073.111**

The Tróia project is mainly related to the construction of villas and respective infrastructures of the touristic village. This asset was included in the subsidiary Carvoeiro Golfe, S.A. through the merger with the subsidiary Sociedade Imobiliária Tróia B3, S.A. (owner of the mentioned property) as at 1 January 2014, for 18,888,990 Euros. The change occurred is related to the construction development, wherein 23 deeds related to 14 accommodation units were carried out.

The Abrunheira project is related to a development project in a land with gross area of approximately 450 hectares, which will be composed by a set of 10 tourist villages with houses and flats, fitted within the typical environment of Portalegre.

The Cost of sales in 2014 was 27,136,135 Euros (31 December 2013: 25,989,842 Euros).

The movements in Impairment of inventories are as follows:

	2014	2013
1 January	114.859	139.569
Increases	–	17.936
Reversals	(2.400)	(42.646)
31 December	**112.459**	**114.859**

As at 31 December 2014, Grupo Pestana capitalized financial expenses of 252,548 Euros (31 December 2013: 615,066 Euros).

16 Corporate income tax

During the years ended 31 December 2014 and 31 December 2013, the balances related to Corporate income tax are as follows:

	31-12-2014		31-12-2013	
	Debtor	Creditor	Debtor	Creditor
Current income tax	1.995.390	1.050.421	364.322	1.040.002
	1.995.390	**1.050.421**	**364.322**	**1.040.002**

The balance of Current income tax is detailed as follows:

	2014	2013
Advance payments	1.601.991	313.747
Withholding tax	393.399	50.575
Current income tax estimate	(1.050.421)	(1.040.002)
	944.970	**(675.680)**

Since 2012, Grupo Pestana, S.G.P.S, S.A. is taxed under the Special Taxation Regime for Groups (RETGS). Consequently, the current income tax is calculated based on the taxable profit or loss of the companies included in the consolidation and in this regime, according to RETGS rules (Note 36).

As at 31 December 2014, the current income tax is presented as follows:

Companies	2014
M & J Pestana, S.A.	(1.726.429)
Salvor - Sociedade de Investimento Hoteleiro, S.A.	(845.175)
Carvoeiro Golfe, S.A.	(489.022)
Pestana Management, S.A.	(464.159)
Carlton Palácio, S.A.	(140.539)
Viquingue - Sociedade Turística, S.A.	(118.668)
Carvoeiro Golfe Sociedade Mediação Imobiliaria, Lda.	(81.438)
Hotéis do Atlântico, S.A.	(58.632)
Intervisa, Lda.	(43.805)
Sociedade de Investimento Hoteleiro D. João II, S.A.	(25.479)
Pestana Cidadela - Investimentos Turisticos, S.A.	(12.864)
Pinheiro Mar, S.A.	(3.062)
Sociedade Imobiliária Tróia B3, S.A.	-
Sociedade Investimento Imobiliário Eira da Loba, Lda.	-
Cota Quarenta, S.A.	1.985
Rio de Prata - Consultadoria e Participações, S.A.	5.312
Natura XXI, Lda.	10.440
Amoreira - Aldeamento Turístico, Lda.	11.519
Rolldown Golfe, Lda.	43.746
Mundo da Imaginação - Projectos de Animação Turística, S.A.	49.761
Quinta da Beloura Golfe, S.A.	147.251
Grupo Pestana, S.G.P.S., S.A.	4.678.520
Companies in the tax consolidation perimeter	**939.262**
ITI - Soc. de Investimentos Turísticos na Ilha da Madeira, S.A.	(149.683)
SDM - Soc. Desenvolvimento da Madeira, S.A.	(77.101)
Ponta da Cruz - Soc. Imobiliária e de Gestão de Hotéis, S.A.	(67.791)
Porto Carlton - Soc. de Construção e Exploração Hoteleira, S.A.	(6.767)
Pestana Berlin, S.À.R.L	(1.965)
Desarrollos Hoteleros Barcelona 2004, S.A.	27.356
Pestana Management UK, Limited	35.858
Grupo Pestana Pousadas - Investimentos Turísticos, S.A.	224.147
Other companies	**5.708**
Total current income tax	**944.970**

17 Cash and cash equivalents

The breakdown of Cash and cash equivalents as at 31 December 2014 and 2013 is as follows:

	31-12-2014	31-12-2013
Cash	1.136.782	909.734
Bank deposits	47.217.887	36.694.795
	48.354.669	**37.604.529**

Bank deposits include balances in foreign currency of 9,180,436 USD and 5,611,745 GBP (31 December 2013: 8,242,685 USD and 4,592,994 GBP).

The detail of the amount considered as final balance in Cash and cash equivalents for the purposes of the preparation of the Consolidated statement of cash flows for the year ended 31 December 2014 and 2013 is presented as follows:

	31-12-2014	31-12-2013
Cash	1.136.782	909.734
Bank overdrafts	(20.294.477)	(54.303.650)
Bank deposits	47.217.887	36.694.795
	28.060.192	**(16.699.121)**

18 Non-current assets held for sale

As at 31 December 2014 and 2013, Non-current assets and liabilities held for sale are presented as follows:

	2014	2013
Groups of assets held for sale		
Investment in Pestana Inversiones, S.L. (i)	19.500.000	–
Investment in Wildbreak 29 (PTL), Ltd. (ii)	5.645.186	6.364.014
Group of assets of Convento do Carmo, S.A. held for sale (iii)	2.621.033	1.289.303
	27.766.219	**7.653.317**
Group of liabilities of Convento do Carmo, S.A. held for sale (iii)	(4.892.414)	(3.463.034)
	22.873.806	**4.190.283**

(i) Pestana Inversiones, S.L.

On 15 December 2014, the Board of Directors of Grupo Pestana S.G.P.S., S.A. ratified the decision of July 2014 to dispose of the investment held on Pestana Inversiones, S.L. for the value of 19,500,000 Euros. Thus, this participation was reclassified from Investments in associates to Non-current assets held for sale.

(ii) Wildbreak 29 (PTL), Ltd.

The investment and shareholders' loans in Wildbreak 29 (PTL), Ltd., were classified as held for sale after the approval of its disposal by the Board of Directors of Salvor – Sociedade de Investimento Hoteleiro, S.A..

(iii) Convento do Carmo

The assets and liabilities of Convento do Carmo, S.A. were classified as held for sale after being approved for sale by the Board of Directors of Grupo Pestana Pousadas, S.A..

As at 31 December 2014, the Board of Directors maintains its belief in the sale of these investments and has been making all efforts to accomplish these sales.

19 Capital

As at 31 December 2014 and 2013, Capital is as follows:

	2014	2013
Share capital (i)	81.530.000	81.530.000
Other equity instruments:		
Accessory contributions (ii)	37.200.000	49.800.000
Share premium (iii)	33.690.973	33.690.973
	152.420.973	**165.020.973**

(i) Share capital

As at 31 December 2014 and 2013, share capital of Grupo Pestana, S.G.P.S., S.A., of 81,530,000 Euros, was fully subscribed and paid up, and was represented by 81,530,000 shares of 1 Euro each.

As at 31 December 2014, Share capital is detailed as follows:

Shareholders	Number of shares	Share capital
Pestana International Holdings S.A.	80.714.700	80.714.700
Mr. Dionísio Fernandes Pestana	815.300	815.300
	81.530.000	**81.530.000**

Upon the 2013 Group corporate restructuring process, Mr. Dionísio Pestana made a contribution in kind of 59,714,700 shares of Grupo Pestana S.G.P.S, S.A., which represents 73.24% of the entity's share capital, in order to increase the capital of Pestana International Holdings S.A..

(ii) Accessory contributions

The accessory contributions of capital cannot be reimbursed if after its reimbursement equity will become lower than the sum of the share capital and legal reserve in the separate financial statements of the Company.

As at 31 December 2014, the accessory contributions of capital were granted by the two shareholders of Grupo Pestana, S.G.P.S., S.A. in the following amounts: 34,700,000 Euros paid up by Mr. Dionisio Pestana and 2,500,000 Euros paid up by Pestana International Holdings S.A. (2013: 47,300,000 Euros and 2,500,000 Euros, respectively).

During 2014, 12,600,000 Euros of accessory contributions were reimbursed, after proposal by the Board of Directors of Grupo Pestana S.G.P.S.,S.A..

(iii) Share premium

This caption relates to the excess of fair value of the assets delivered to Grupo Pestana, S.G.P.S., S.A., by its shareholders by the time of the share capital realization. This balance can only be used for incorporation into future share capital increases.

20 Others reserves

Other reserves had the following movements during the period ended 31 December 2014 and 2013:

	Legal reserve (i)	Free reserves	Fair value reserve C.F.H. (ii)	Fair value reserve A.F.S. (iii)	Equity method (iv)	Currency translation differences (v)	Other changes in equity	Total
1 January 2013	14.102.018	-	(7.375.385)	290.816	-	-	(1.911.480)	5.105.970
Perimeter entrances (Note 40)	31.779	2.155	-	-	-	(141.689)	-	(107.755)
Changes in perimeter - Equity method (Note 9)	-	-	-	-	26.886.800	-	-	26.886.800
Profit for the period application	631.198	37.554	-	-	-	-	-	668.752
Other gains and losses recognized directly in equity resulting from associates - Equity method (Note 9)	-	-	-	-	(11.985.281)	-	-	(11.985.281)
Changes in other reserves (cash flow hedge) net of tax	-	-	3.327.340	-	-	-	-	3.327.340
Changes in the fair value reserve (financial assets available for sale) net of tax (Note 12)	-	-	-	(436.472)	-	-	-	(436.472)
Currency translation differences	-	-	-	-	-	568.111	-	568.111
Impact of changes in tax rate	-	-	(359.889)	-	-	-	-	(359.889)
Transfers, including to Retained earnings and Non-controlling interests	-	595.773	-	-	(14.415.608)	(260.413)	1.911.480	(12.168.768)
31 December 2013	**14.764.995**	**635.482**	**(4.407.934)**	**(145.656)**	**485.911**	**166.009**	**-**	**11.498.807**
Perimeter entrances (Note 40)	-	-	(20.345)	-	-	-	-	(20.345)
Profit for the period application	722.027	-	-	-	-	-	-	722.027
Other gains and losses recognized directly in equity resulting from associates - Equity method (Note 9)	-	-	-	-	2.361.340	-	-	2.361.340
Currency translation differences	-	-	-	-	-	480.544	-	480.544
Changes in other reserves (cash flow hedge) net of tax	-	-	158.309	-	-	-	-	158.309
Changes in the fair value reserve (financial assets available for sale) net of tax (Note 12)	-	-	-	121.952	-	-	-	121.952
Impact of changes in tax rate	-	-	(99.545)	-	-	-	-	(99.545)
Dividends	-	(175.165)	-	-	-	-	-	(175.165)
Transfers to Retained earnings	-	-	-	-	(1.322.947)	(858)	-	(1.323.805)
31 December 2014	**15.487.022**	**460.317**	**(4.369.515)**	**(23.704)**	**1.524.304**	**645.695**	**-**	**13.724.120**

(i) Legal reserve

In accordance with the applicable commercial law, in Portugal, as well as in a few other countries, at least 5% of net profit for the year, if positive, must be set aside in a legal reserve until that reserve is equal to at least 20% of the Company's issued share capital. This reserve is not available for distribution until the Company's liquidation but may be used to absorb losses, after all other available reserves have been extinguished, and to increase share capital.

(ii) Fair value reserve C.F.H. (Cash flow hedge)

This reserve includes the effective portion of changes in fair value of hedging derivatives (Note 25).

(iii) Fair value reserve A.F.S. (Financial assets available for sale)

Cumulative changes in fair value net of impairment losses existing at the Statement of financial position date, relating to financial assets available for sale, are recorded in this caption (Note 12).

(iv) Equity method

This caption includes all changes occurred in equity of the Associates owned by the group related to the items that are recycled through profit or loss, namely those presented in the Statement of comprehensive income. The accumulated values, by Associate, are presented as follows:

	2014	2013
Pestana Inversiones, S.L.	9.838.326	7.476.987
Enatur – Empresa Nacional de Turismo, S.A.	(7.310.752)	(5.975.921)
Soc. Desenvolvimento Empresarial da Madeira, S.G.P.S., S.A.	–	(14.129)
Albar - Sociedade Imobiliária do Barlavento, S.A.	(1.003.270)	(1.001.026)
	1.524.304	**485.911**

(v) Currency translation differences

The differences arising from the conversion of the Income statement and the conversion of the Statement of financial position of the subsidiaries that have a functional currency other than Euro, as described in Note 3.3.iii), are recognized under this caption. The accumulated translation differences, by currency, are presented as follows:

	2014	2013
BRL - Brazilian real	567.361	569.277
GBP - Great Britain pound	19.876	(11.635)
USD - United States dollar	58.459	(392.491)
Others	–	858
	645.695	**166.009**

21 Retained earnings

As at 31 December 2014 and 2013, Retained earnings presented the following movements:

	Total
1 January 2013	**72.906.159**
Profit for the period application	7.983.749
Changes in the perimeter (Note 40)	(38.413.912)
Transfers from Other reserves (Note 20) and Non-controlling interests (Note 22)	18.978.002
Others	(6.086.754)
31 December 2013	**55.367.244**
Dividends	(2.970.000)
Profit for the period application	11.171.764
Changes in the perimeter	(315.496)
Transfers from Non-controlling interests	690.525
Transfers from Other reserves (Note 20)	1.323.805
Others	58.284
31 December 2014	**65.326.126**

22 Non-controlling interests

Non-controlling interests movements are as follows:

	2014	2013
1 January	20.893.802	48.252.822
Changes in the perimeter (i)	3.780.711	(17.393.053)
Dividends	(3.090.000)	(3.485.027)
Profit for the period	1.751.399	1.148.395
Other changes in equity	153.150	(820.103)
Transfers to Retained earnings	(690.525)	(6.809.234)
31 December	**22.798.537**	**20.893.802**

The movements recorded in 2014 as changes in the consolidation perimeter relate to the entrance in the consolidation perimeter of Rauchstrasse 22, S.à.r.l. and of Indústria Açoreana Turístico – Hoteleira (I.A.T.H.), S.A.. In 2013, the movements in this caption resulted from the loss of control of Pestana Inversiones, S.L., as a consequence of the disposal of 10% of this company's capital and from the liquidation of Prolameda, S.A. (Note 40).

Transfers to Retained earnings in 2014 are mainly related to the 8.56% increase in the investment in the subsidiary Grupo Pestana Pousadas – Invest. Turísticos, S.A..

In 2014 and 2013, the dividends were distibuted by SDM - Sociedade de Desenvolvimento da Madeira, S.A..

The ultimate shareholder of Pestana International Holdings S.A., Mr. Dionísio Pestana, directly owns 10,465,109 Euros of Non-controlling interests, as follows:

	31-12-2014		31-12-2013	
	% Owned	Amount	% Owned	Amount
SDM - Sociedade de Desenvolvimento da Madeira, S.A.	55,00%	10.507.989	55,00%	11.691.278
Pinheiromar, S.A.	12,00%	(58.222)	12,00%	(97.499)
Hoteis Atlântico - Sociedade Imobiliária e de Gestão de Hotéis, S.A.	0,08%	18.084	0,08%	18.201
		10.467.851		**11.611.980**

Non-controlling interests refers to the following investments:

	31-12-2014		31-12-2013	
	% Owned	Amount	% Owned	Amount
ITI - Sociedade de Investimentos Turísticos na Ilha da Madeira, S.A.	0,01%	144	0,01%	190
Hoteis do Atlântico - Sociedade Imobiliária e de Gestão de Hotéis, S.A.	0,08%	18.084	0,08%	15.478
Ponta da Cruz - Sociedade Imobiliária e de Gestão de Hotéis, S.A.	48,17%	6.834.925	48,17%	6.154.003
SDM - Sociedade de Desenvolvimento da Madeira, S.A.	85,00%	16.239.620	85,00%	18.068.338
Mundo da Imaginação - Projectos de Animação Turística, S.A.	11,25%	198.519	11,25%	165.209
Grupo Pestana Pousadas - Investimentos Turísticos, S.A.	15,12%	(3.637.062)	23,68%	(3.377.320)
Porto Carlton - Sociedade de Construção e Exploração Hoteleira, S.A.	40,00%	1.152.953	40,00%	1.087.767
Intervisa Viagens e Turismo, Lda.	0,10%	-	0,10%	74
Herdade da Abrunheira - Projectos de Desenv.Turístico e Imobiliário, S.A.	33,33%	(368.010)	33,33%	474.015
Indústria Açoreana Turístico-Hoteleira (I.A.T.H.), S.A.	15,00%	104.419	n.a.	-
Salvor - Sociedade de Investimento Hoteleiro, S.A.	1,01%	1.226.702	1,02%	1.190.699
Sociedade Investimento Imobiliário Eira da Loba, Lda.	1,01%	(9.344)	8,44%	(11.857)
Pinheiro Mar, S.A.	12,00%	(58.222)	12,00%	(97.499)
Convento do Carmo, S.A.	25,00%	(2.424.617)	25,00%	(2.647.444)
Pestana Miami LLC	0,08%	(758)	0,08%	(1.183)
Pestana Management UK, Limited	0,08%	(2.239)	0,08%	-
Hotel Rauchstrasse 22, S.À R.L.	26,56%	3.759.848	n.a.	-
Pestana Berlim S.A.R.L.	26,56%	(236.743)	41,55%	(127.015)
Desarollos Hoteleros de Barcelona	0,08%	318	0,08%	347
		22.798.537		**20.893.802**

The effect of the changes in the perimeter in Non-controlling interests is presented in Note 41.

23 Provisions

The changes in Provisions are as follows:

	Customer guarantees	Litigation and claims in progress	Other provisions	Total
1 January 2014	48.549	86.352	169.292	304.193
Allocations	31.719	34.622	74.577	140.918
Decreases	-	(19.816)	(14.681)	(34.497)
Transfers	55.218	15.250	(70.468)	-
Changes on period	86.937	30.056	(10.572)	106.421
31 December 2014	**135.486**	**116.408**	**158.720**	**410.614**
Current balance	53.245	116.408	158.720	328.373
Non-current balance	82.241	-	-	82.241
	135.486	**116.408**	**158.720**	**410.614**

	Customer guarantees	Litigation and claims in progress	Other provisions	Total
1 January 2013	165.837	94.402	245.997	506.235
Utilizations	(77.959)	-	-	(77.959)
Decreases	(39.329)	(8.050)	(76.706)	(124.085)
Changes on period	(117.288)	(8.050)	(76.706)	(202.042)
31 December 2013	**48.549**	**86.352**	**169.292**	**304.192**
Current balance (Note 14)	48.549	86.352	114.073	248.974
Non-current balance	-	-	55.218	55.218
	48.549	**86.352**	**169.292**	**304.192**

The detail of Provisions accounted for and main reasons for the movements occurred are as follows:

(i) Provisions for guarantees

Based on the history and type of works developed, this provision includes the estimated costs to be incurred in the future under the guarantee that has been given on the construction of villas and apartments sold.

(ii) Litigation and claims

There are lawsuits and arbitration proceedings ongoing against certain companies of the Group classified as probable losses. These provisions were recorded based on the opinion of internal and external legal advisors, in order to address the probable outflow of resources from Grupo Pestana with these claims.

(iii) Other provisions

As at 31 December 2014 and 2013, the balance of Other provisions results from ordinary and business related risks.

24 Loans and borrowings

The classification of Loans and borrowings concerning the term (current and non-current) and nature, at the end of the year, is as follows:

	31-12-2014			31-12-2013		
	Current	Non-current	Total	Current	Non-current	Total
Bank loans	54.815.259	238.309.074	293.124.334	45.131.953	230.027.662	275.159.615
Bank overdrafts	20.294.477	-	20.294.477	54.303.650	-	54.303.650
Commercial paper	-	3.000.000	3.000.000	-	27.000.000	27.000.000
Bond loans	20.000.000	65.000.000	85.000.000	-	20.000.000	20.000.000
	95.109.736	306.309.074	401.418.811	99.435.603	277.027.662	376.463.265
Interests payable - accrual	2.888.463	157.689	3.046.151	2.543.167	350.487	2.893.654
Interests paid - deferral	(20.928)	(2.839.994)	(2.860.922)	(75.972)	(2.284.258)	(2.360.230)
	97.977.271	**303.626.769**	**401.604.039**	**101.902.798**	**275.093.891**	**376.996.689**

Loans and borrowings includes, in 2014, 16,916,245 Euros concerning the entry of the subsidiary Hotel Rauchstrasse 22, S.À.R.L., owner of Pestana Berlin Tiergarten Hotel, in the consolidation perimeter (Note 40).

In November 2014, the Company signed with BPI bank a paying agent service contract related to the issuance by private subscription of 6,500 bonds represented by securities in book-entry form and bearer with a par value of 10,000 Euros for a total of 65,000,000 Euros, called “Grupo Pestana 2014/2020”. This operation was issued and placed in the same month, and the registering entity is the Centralized System Securities managed by Interbolsa.

Bank loans have as collateral the mortgage over some assets of Grupo Pestana (Note 38).

As at 31 December 2014 Grupo Pestana has a set of credit lines contracted with financial institutions and not used of 90 million Euros. This amount includes subscribed commercial paper of 33,500,000 Euros to be used, being the remaining mostly current accounts, of 57,686,166 Euros and 2,000,000 USD, respectively.

Loans and borrowings engaged by the group companies include, in some cases, clauses that require specific covenants to be accomplished such as: i) the maintenance of the subsidiaries share capital inside the group; ii) maintenance of ratios related to the capital structure and others. As at 31 December 2014, no exceptions have been identified in any of these covenants.

The future payments of the outstanding commercial paper, bonds and bank loans, by currency of denomination as at 31 December 2014 and 2013 are as follows:

	2015	2016	2017	2018	2019	Following years	Total
Soft loans							
Euro	1.973.203	1.109.085	1.285.556	1.312.291	943.542	62.287	6.685.964
	1.973.203	**1.109.085**	**1.285.556**	**1.312.291**	**943.542**	**62.287**	**6.685.964**
Bank loans							
Euro	51.397.881	46.431.384	32.851.606	30.597.285	26.532.665	59.410.780	247.221.601
Sterling pound	890.679	946.848	1.011.041	1.075.234	1.115.355	20.951.021	25.990.178
United States dollar	553.496	553.496	553.496	553.496	553.496	10.459.107	13.226.587
	52.842.056	**47.931.728**	**34.416.143**	**32.226.015**	**28.201.516**	**90.820.908**	**286.438.366**
Commercial papper							
Euro	-	-	3.000.000	-	-	-	3.000.000
	-	**-**	**3.000.000**	**-**	**-**	**-**	**3.000.000**
Bond loans							
Euro	20.000.000	-	-	-	-	65.000.000	85.000.000
	20.000.000	**-**	**-**	**-**	**-**	**65.000.000**	**85.000.000**
	74.815.259	**49.040.813**	**38.701.699**	**33.538.306**	**29.145.058**	**155.883.195**	**381.124.334**

	2014	2015	2016	2017	2018	Following years	Total
Soft loans							
Euro	1.567.111	1.109.085	1.109.085	1.109.085	959.350	629.824	6.483.540
	1.567.111	**1.109.085**	**1.109.085**	**1.109.085**	**959.350**	**629.824**	**6.483.540**
Bank loans							
Euro	42.688.980	42.376.214	36.595.048	23.459.483	22.886.161	63.411.867	231.417.753
Sterling pound	794.650	832.134	884.611	944.584	1.004.558	20.615.929	25.076.466
United States dollar	81.212	487.274	487.274	487.274	487.274	10.151.548	12.181.856
	43.564.842	**43.695.622**	**37.966.933**	**24.891.341**	**24.377.993**	**94.179.344**	**268.676.075**
Commercial papper							
Euro	-	9.500.000	17.500.000	-	-	-	27.000.000
	-	**9.500.000**	**17.500.000**	**-**	**-**	**-**	**27.000.000**
Bond loans							
Euro	-	20.000.000	-	-	-	-	20.000.000
	-	**20.000.000**	**-**	**-**	**-**	**-**	**20.000.000**
	45.131.953	**74.304.707**	**56.576.018**	**26.000.426**	**25.337.343**	**94.809.168**	**322.159.615**

Loans presented in the table above are due to variable interest rate of 6M and 3M Euribor plus spread.

25 Derivatives

As at 31 December 2014 and 2013, Grupo Pestana had interest rate swaps (hedging derivatives) as follows:

	31-12-2014		31-12-2013	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap – non-current	–	6.768.136	–	6.031.170
Interest rate swap – current	–	–	–	–
	–	**6.768.136**	**–**	**6.031.170**

Detailed information about the characteristics and fair value of the swaps:

Subsidiary	IAS 39 classification	Reference amount	Maturity	Payment period	Rate receivable/ payable	Fair value at 31-12-2014	Fair value at 31-12-2013	Change on period
Grupo Pestana S.G.P.S., S.A.	Hedge	10.000.000	30-12-2019	Semiannual	Eur 6M / 3,04%	(576.951)	(579.980)	3.029
Grupo Pestana S.G.P.S., S.A.	Hedge	15.000.000	30-12-2016	Semiannual	Eur 6M / 2,71%	(192.688)	(338.125)	145.437
Grupo Pestana S.G.P.S., S.A.	Hedge	10.000.000	28-12-2019	Semiannual	Eur 6M / 3,08%	(583.603)	(590.203)	6.600
M & J Pestana, S.A.	Hedge	5.000.000	30-12-2019	Semiannual	Eur 6M / 3,04%	(288.177)	(289.511)	1.334
M & J Pestana, S.A.	Hedge	5.000.000	18-12-2019	Semiannual	Eur 6M / 3,08%	(291.802)	(295.101)	3.299
M & J Pestana, S.A.	Hedge	8.750.000	02-07-2017	Semiannual	Eur 6M / 0,88%	(47.902)	(45.189)	(2.713)
ITI Soc.Inves. Tur. Ilha Madeira, S.A. (i)	Partial hedge	7.000.000	26-09-2022	Semiannual	Eur 6M / 4,74%	(901.733)	(855.894)	(45.839)
ITI Soc.Inves. Tur. Ilha Madeira, S.A.	Hedge	6.000.000	10-10-2016	Semiannual	Eur 6M / 4,82%	(81.564)	(166.442)	84.878
Hoteis Atlantico, S.A.	Hedge	11.000.000	28-05-2020	Quarterly	Libor GBP 3M / 3,43%	(1.262.629)	(805.866)	(456.763)
Carlton Palácio, S.A.	Hedge	5.000.000	30-12-2019	Semiannual	Eur 6M / 3,04%	(288.476)	(289.843)	1.367
Carlton Palácio, S.A.	Hedge	6.000.000	30-12-2016	Semiannual	Eur 6M / 2,71%	(77.075)	(135.250)	58.175
Carlton Palácio, S.A.	Hedge	5.000.000	30-12-2019	Semiannual	Eur 6M / 3,08%	(291.802)	(295.101)	3.299
Quinta Beloura, S.A.	Hedge	9.600.000	30-07-2019	Semiannual	Eur 6M / 4,77%	(464.170)	(560.609)	96.439
Salvor, S.A.	Hedge	5.000.000	30-12-2019	Semiannual	Eur 6M / 3,04%	(286.388)	(287.527)	1.139
Salvor, S.A.	Hedge	7.000.000	30-12-2016	Semiannual	Eur 6M / 2,71%	(89.921)	(157.792)	67.871
Salvor, S.A.	Hedge	5.000.000	28-12-2019	Semiannual	Eur 6M / 3,08%	(291.802)	(295.101)	3.299
Salvor, S.A.	Trading	3.000.000	22-06-2015	Semiannual	Eur 6M / 4,77%	(5.542)	(32.108)	26.566
Intervisa-Viagens e Turismo, Lda.	Hedge	500.000	13-03-2017	Quarterly	Eur 3M / 4,16%	(6.283)	(11.529)	5.246
Hotel Rauchstrasse 22, S.à r.l. (ii)	Hedge	3.000.000	29-01-2017	Semiannual	Eur 6M / 2,44%	(66.876)	-	(66.876)
Hotel Rauchstrasse 22, S.à r.l. (ii)	Hedge	2.000.000	29-01-2020	Semiannual	Eur 6M / 3,52%	(304.238)	-	(304.238)
Hotel Rauchstrasse 22, S.à r.l. (ii)	Hedge	2.000.000	29-01-2018	Semiannual	Eur 6M / 3,12%	(146.716)	-	(146.716)
Hotel Rauchstrasse 22, S.à r.l. (ii)	Hedge	2.000.000	29-01-2019	Semiannual	Eur 6M / 3,30%	(221.800)	-	(221.800)
						(6.768.136)	**(6.031.171)**	**(736.965)**

(i) This derivative is designated as proportional hedge in 75%. The remaining 25% are considered as trading and its fair value was recorded against profit or loss (Note 35).

(ii) This subsidiary was out of the consolidation perimeter in 2013.

From the market fair value change in 2014, the negative amount of 36,376 Euros (31 December 2013: positive in 3,723,490 Euros) was booked in Equity, as Fair value reserves, and the ineffective hedging amount, 148,165 Euros (31 December 2013: 185,893 Euros) was transferred to profit or loss, in accordance with the applicable accounting policy (Note 3.19).

Derivatives classified as trading are financial instruments contracted to hedge economic risks in Grupo Pestana (Note 4) but which are not eligible under IFRS for the application of hedge accounting and so the changes in fair value are recognized in the income statement.

The fair value of the interest rate swaps corresponds to the mark-to-market value determined based on the agreed terms and the estimated interest rate yields as at the statement of financial position date, which corresponds to level 2 on the hierarchy of fair value (Note 13).

Grupo Pestana records derivative financial instruments in accordance with IAS 39. However, it cannot fail to mention that bank loans underlying these derivatives have an all-in below the current market conditions taking into account that the spreads of these loans are lower than the ones currently practiced.

26 Deferred revenue

As at 31 December 2013 and 2014, the detail of Deferred revenue is as follows:

	31-12-2014			31-12-2013		
	Current	Non-current	Total	Current	Non-current	Total
Pestana Vacations Club (i)	14.242.350	124.754.002	138.996.353	13.891.238	131.358.876	145.250.114
Pestana Vacations Club – Options (ii)	2.212.323	24.468.957	26.681.280	1.629.882	19.494.272	21.124.154
Government grants (iii)	1.964.798	5.818.359	7.783.157	734.666	6.361.692	7.096.358
Customer loyalty program (PPG) (iv)	2.573.349	-	2.573.349	2.002.680	-	2.002.680
Others	3.901.397	-	3.901.397	3.221.207	-	3.221.207
	24.894.217	**155.041.318**	**179.935.535**	**21.479.673**	**157.214.840**	**178.694.513**

(i) Pestana Vacations Club

This balance refers to values obtained from the sale of timeshare rights, which are deferred over the period of the award of temporary right of use of hotels and apartments at Grupo Pestana (Note 3.23 ii)), whose recognition period will end between 2015 and 2039.

(ii) Pestana Vacations Club – Options

This item refers to the sale of the program timeshare Options, whose revenue is recognized according to its use and its expiration date (Note 3.23 ii)). The customer acquires the right to use accommodation without having to choose the specific hotel at that time, right which is represented in points.

(iii) Government grants

This balance respects to grants obtained, whose revenue is recognized throughout the useful life of the subsidized assets.

(iv) Customer loyalty program (PPG)

This item refers to the customer loyalty program of Pestana group, named PPG - Pestana Priority Guest. The program consists of points earned in consumption and stays in hotels of Grupo Pestana, enabling the exchange of points to stays in units of the Group and direct discounts at restaurants and bars as well as other benefits to participating customers. The revenue is recognized when the customer uses the points on a purchase of a product / service, as agreed in the loyalty program, or when the points expire.

27 Trade and other payables

As at 31 December 2014 and 2013, the detail of Trade and other payables is as follows:

	31-12-2014			31-12-2013		
	Current	Non-current	Total	Current	Non-current	Total
Trade payables						
Suppliers (i)	18.580.341	-	18.580.341	14.624.157	-	14.624.157
Other payables						
Other payables (ii)	1.710.902	-	1.710.902	3.852.980	953.242	4.806.222
Other payables - intercompany (Note 42) (iii)	13.807.683	-	13.807.683	2.683.375	-	2.683.375
Suppliers of tangible assets (iv)	2.746.215	4.863.496	7.609.711	2.243.367	5.474.184	7.717.551
Advances from customers (v)	20.833.129	-	20.833.129	15.552.169	-	15.552.169
Taxes payable (vi)	3.306.960	-	3.306.960	3.790.474	-	3.790.474
Accrued expenses						
Holiday and subsidy pay	9.825.033	-	9.825.033	8.872.695	-	8.872.695
Others	8.008.945	-	8.008.945	7.267.992	38.685	7.306.677
	78.819.208	**4.863.496**	**83.682.704**	**58.887.209**	**6.466.111**	**65.353.320**

(i) Suppliers

	31-12-2014			31-12-2013		
Description	Current	Non-current	Total	Current	Non-current	Total
Suppliers - intercompany (Note 42)	2.488.062	–	2.488.062	2.583.022	–	2.583.022
Other suppliers	16.092.279	–	16.092.279	12.041.135	–	12.041.135
	18.580.341	**–**	**18.580.341**	**14.624.157**	**–**	**14.624.157**

(ii) Other payables

As at 31 December 2013 this balance includes the remaining amount of 2,457,492 Euros payable for the acquisition of 20% of the capital of the subsidiary Sociedade Imobiliária Tróia B3, S.A. (this company was merged in the meantime).

(iii) Other payables – intercompany

As at 31 December 2014, this caption includes 13,400,000 payable to Pestana International Holdings S.A., for the acquisition of the investment in Hotel Rauchstrasse 22, S.à.r.l..

(iv) Suppliers of tangible assets

This caption mainly includes leasing contracts, which summary of responsabilities is presented as follows:

	31-12-2014	31-12-2013
Less than 1 year	634.424	1.070.516
Between 1 and 5 years	2.019.152	2.200.953
More than 5 Years	2.844.344	3.273.231
	5.497.920	**6.544.701**

(v) Advances from customers

Advances from customers mainly concern timeshare annual maintenance fees advances, amounting to 6,332,891 Euros (31 December 2013: 6,272,349 Euros), amounts received when touristic real estate promissory sales agreements are signed, as well as to the amounts received during construction works, amounting to 12,915,982 Euros (31 December 2013: 7,080,891 Euros). The remaing respects to reservations made by tour operators.

(vi) Taxes payable

	31-12-2014			31-12-2013		
Description	Current	Non-current	Total	Current	Non-current	Total
Personnel income tax withheld	831.580	–	831.580	734.081	–	734.081
Value added tax (VAT)	1.314.159	–	1.314.159	1.819.118	–	1.819.118
Social security contributions	1.042.054	–	1.042.054	1.059.461	–	1.059.461
Others	119.167	–	119.167	177.814	–	177.814
	3.306.960	**–**	**3.306.960**	**3.790.474**	**–**	**3.790.474**

28 Revenue

The amount of Revenue recognized in the income statement is detailed as follows:

	2014	2013
Hotel business and Food & beverages	149.860.300	134.323.554
Timeshare	26.739.696	26.490.623
Real estate sale and management services (i)	18.843.157	12.912.199
Golf	9.210.088	9.746.955
Entertainment	10.043.314	9.508.630
Others	7.405.498	7.751.311
	222.102.054	**200.733.272**

(i) Includes construction contracts (Note 29)

In 2014, sales and services rendered related to hotel units opened in 2013, namely the hotels Pestana Miami and Pestana Arena Barcelona, were 6,239,431 Euros (31 December 2013: 3,306,194 Euros).

Sales and services rendered in 2014 related to the subsidiaries that entered in the consolidation perimeter were 287,116 Euros (Note 41).

The detail of services rendered in Hotel business and Timeshare by country of origin of the customers, for 2014 and 2013, is as follows:

	Hotel business	
Country	**2014**	**2013**
United Kingdom	25,8%	23,3%
Portugal	23,0%	27,6%
Germany	12,5%	12,1%
France	4,4%	4,8%
United States of America	4,1%	2,8%
Spain	3,6%	3,9%
Brazil	3,2%	2,4%
Switzerland	1,9%	2,3%
Sweden	1,9%	1,4%
Netherlands	1,9%	2,3%
Belgium	1,8%	1,8%
Russia	1,5%	2,7%
Ireland	1,5%	2,1%
Norway	1,3%	1,8%
Others	11,6%	8,8%
	100%	**100%**

	Timeshare	
Country	**2014**	**2013**
United Kingdom	57,0%	57,5%
Portugal	10,7%	10,2%
Germany	8,4%	8,1%
Finland	7,2%	14,2%
Sweden	3,6%	3,6%
Others	13,1%	6,3%
	100%	**100%**

29 Construction contracts

As at 31 December 2014 and 2013, all revenue from Construction contracts was recognized according to the stage of completion of existing contracts at those dates, applying the percentage of completion method.

For all Construction contracts in progress it was possible to make a reliable estimate of their outcome. Accordingly, the following costs incurred and revenue were recognized:

Description of the agreement	Costs incurred 2014	Costs incurred 2013	Revenue recognized 2014	Revenue recognized 2013
Construction contracts	2.941.556	1.504.895	3.673.981	1.882.964
	2.941.556	**1.504.895**	**3.673.981**	**1.882.964**

30 External services and supplies

The detail of External services and supplies is as follows:

	2014	2013
Subcontracts	3.734.858	1.623.879
Rents	13.099.373	14.745.390
Maintenance and repair	5.193.063	4.694.915
Advertising	3.610.404	2.921.354
Insurance	1.162.122	877.659
Professional fees	13.283.225	11.477.904
Energy	9.354.984	9.054.942
Hygiene/Cleaning	12.888.495	11.790.436
Commisions	4.023.427	3.780.860
Others	4.730.614	4.451.801
	71.080.563	**65.419.141**

In 2014, the costs incurred with hotels opened in 2013, Pestana Miami and Pestana Arena Barcelona, were 2,324,334 Euros (31 December 2013: 1,347,729 Euros).

Costs incurred in 2014 regarding the subsidiaries that entered in the consolidation perimeter were 154,737 Euros (Note 41).

Detail of Rent as at 31 December 2014 and 2013 is as follows:

	2014	2013
Lease	6.242.447	6.931.144
Pestana lease (i)	436.838	1.942.276
Concession	2.688.218	2.778.398
Other operating rents	3.731.870	3.093.572
	13.099.373	**14.745.390**

(i) These leases are related to companies which are included in the consolidation perimeter of Pestana International Holdings S.A.. The decrease in this caption is explained by the entry in the consolidation perimeter in 2014 of Hotel Rauchstrasse 22, S.à.r.l., owner of Hotel Pestana Berlim (Note 41).

31 Personnel expenses

Personnal expenses incurred in 2014 and 2013 are as follows:

	2014	2013
Board of Directors		
Wages and salaries	2.965.048	3.233.244
Social security contributions	592.373	336.683
	3.557.421	**3.569.927**
Staff		
Wages and salaries	43.410.972	41.335.370
Social security contributions	9.002.906	8.902.144
Others	2.337.557	2.304.059
	54.751.435	**52.541.573**
	58.308.856	**56.111.500**

The average number of employees of the companies included in the consolidation permiter of Grupo Pestana in 2014 was 2,603 (consolidation perimeter of 2013: 2,678).

The costs incurred by hotel units opened in 2013, Pestana Miami and Pestana Arena Barcelona, were, in 2014, 1,774,470 Euros (31 December 2013: 1,087,641 Euros).

Personnel expenses include, in 2014, 1,358,825 Euros of estimated costs with profit sharing for the year (2013: 336,000 Euros).

Staff – others includes expenses with compensation for termination of employment contracts by mutual agreement of 702,477 Euros (31 December 2013: 598,360 Euros).

Costs incurred in 2014 regarding the subsidiaries that entered in the consolidation perimeter were 219,233 Euros (Note 41).

32 Other income

The detail of Other income is presented as follows:

	2014	2013
Gains on disposal of non-current assets held for sale	–	3.286.948
Foreign currency exchange gains	3.112.760	2.082.260
Supplementary income	3.951.702	3.938.977
Government grants amortization	789.742	729.456
Gains on disposal of tangible assets	1.723.243	862.884
Others	1.420.378	1.896.093
	10.997.825	**12.796.618**

As at 31 December 2013, Gains on disposal of non-current assets held for sale relates to the gains from disposing of 19.75% of the investment in Djebel, S.G.P.S., S.A..

As at 31 December 2014, the caption Gains on disposal of tangible assets mainly relates to the disposal of the fractions K, L, M, N, O and P of the Grand Residence resort, which consists of two blocks, A and B, being these fractions part of block B. The gain obtained with this disposal was 1,087,000 Euros.

Other income related with the hotel units opened in 2013, Pestana Miami and Pestana Arena Barcelona, was, in 2014, 7,173 Euros (2013: 48,970 Euros).

Other income related to subsidiaries that entered in the consolidation perimeter was, in 2014, 38,611 Euros (Note 41).

33 Other expenses

The detail of Other expenses is presented as follows:

	2014	2013
Taxes	5.524.424	4.669.532
Commissions on credit cards	1.168.769	1.099.977
Losses on inventories	7.161	40.096
Disposal of tangible assets	24.599	128.046
Foreign currency exchange losses	2.323.597	1.625.880
Goodwill	677.047	–
Compensating indemnities	1.050.000	–
Others	2.285.970	1.536.245
	13.061.567	**9.099.777**

Taxes mainly includes the payment of property taxes (IMI and similar).

Compensating indemnities relates to a financial compensation for non-compliance of some of the obligations assumed in a promissory exchange agreement between M.&J. Pestana, S.A., owner of Grand Residence resort, which includes several properties for residential and commercial purposes, and the owners of several rural buildings.

During the construction of this resort in 2005, this subsidiary had signed with several property owners a promissory exchange agreement in which it committed to deliver them all real estate included in block B in absolutely habitable conditions and the owners of the rural buildings promised to grant and deliver to the subsidiary these same rural buildings free of encumbrances and charges.

Upon termination of the agreeement it was understood that the subsidiary had not fulfilled all obligations assumed and as such it signed an extrajudicial agreement in which it has assumed payment of the financial compensation referred to above.

Other expenses regarding the hotel units opened in 2013, Pestana Miami and Pestana Arena Barcelona, were, in 2014, 418,975 Euros (2013; 180,351 Euros).

Other expenses related to the subsidiaries that entered in the consolidation perimeter were, in 2014, 78,607 Euros (Note 41).

34 Gains and losses in investments in associates, other financial investments and non-current assets held for sale

Gains and losses in investments in associates, other financial investments and non-current assets held for sale is detailed as follows:

	2014	2013
Disposal of the investment held on Pestana Inversiones, S.L. (Note 9)	–	1.247.160
Gains / (Losses) on the equity method (Note 9):		
Pestana Inversiones, S.L.	1.332.757	958.525
Enatur - Empresa Nacional de Turismo, S.A.	600.519	37.225
SDEM - Soc. de Desenv. Empr. da Madeira, S.G.P.S., S.A.	(379.640)	(289.668)
Albar - Sociedade Imobiliária do Barlavento, S.A.	(1.561)	(2.235)
Disposal of the investment held on EuroAtlantic Airways - Transportes Aéreos, S.A. (Note 10)	3.030.643	–
Impairment loss - Imóveis Brisa - F.I.I.F. (Note 10)	(1.753.190)	(1.509.439)
Financial assets held for sale (Note 12):		
Loss	(4.948.979)	–
Change in fair value	(40.818)	–
Loss on the acquisition of non-controlling interests - Pestana Berlin	(150.000)	–
Loss on transfer to Assets held for sale - Pestana Inversiones, S.L.	(55.404)	–
Others	93.282	(12.535)
	(2.272.392)	**429.033**

35 Finance expenses and income

Finance expenses and income is detailed as follows:

	2014	2013
Finance expenses		
Interest expenses	15.984.135	14.949.128
Interest rate swaps	3.266.480	2.849.155
Foreign currency exchange losses	1.944.733	527.260
Commissions and guarantee fees	1.848.593	1.182.002
Derivatives	159.625	185.893
	23.203.566	**19.693.438**
Finance income		
Interest income	1.488.712	996.466
Interest rate swaps	368.116	70.077
Foreign currency exchange gains	1.282.623	1.280.161
Changes in swaps fair value	26.566	136.845
Others	92.933	2.643
	3.258.949	**2.486.192**

In 2014, Finance expenses and income related with hotel units opened in 2013, Pestana Miami and Pestana Arena Barcelona, were 961,335 Euros and 48 Euros, respectively (31 December 2013: 450,550 Euros concerning finance expenses).

Derivatives include 148,165 Euros concerning the ineffective portion of cash flow hedging of derivatives designated as hedging (Note 25).

Changes in swaps fair value refers to the changes in the market value of derivatives designated as held for trading (Note 25).

Foreign currency exchange losses mainly relates to the currency adjustment of the loan contracted in Pounds by the subsidiary Hotéis do Atlântico, S.A..

Finance expenses and income of the subsidiaries that entered in the consolidation perimeter in 2014 were 822,501 Euros and 30,272 Euros, respectively (Note 41).

36 Income tax

The detail of Income tax for the year recognized in the financial statements is as follows:

	2014	2013
Current income tax	(1.589.598)	(2.360.755)
Deferred tax	2.387.125	4.513.057
	797.527	**2.152.302**

Since 2012, Grupo Pestana, S.G.P.S, S.A. is taxed under the Special Taxation Regime for Groups (RETGS). Consequently, the current income tax is calculated based on the taxable profit or loss of the companies included in the consolidation and in this regime, according to RETGS rules.

RETGS includes all subsidiaries directly or indirectly detained by least 75% of the share capital and that are resident in Portugal as well as taxed under the Corporate Income Tax.

For companies not covered by the special tax rules, current income tax is calculated based on their respective taxable profit or loss, according to the tax rules in the country of each company.

37 Discontinued operations

As mentioned in Note 18 - Assets and liabilities held for sale, the Board of Directors of the subsidiary Grupo Pestana Pousadas, S.A. has approved the sale of Convento do Carmo, S.A.. Thus, since this hotel corresponds to a separate reportable segment within Grupo Pestana, its activity is presented as a discontinued operation in 2014 and in 2013.

As at 31 December 2014, the Board of Directors maintains the belief in the sale of this investment and has been making all efforts to accomplish it.

In 2013, besides the above mentioned, the subsidiary Prolameda was also presented as a discontinued operation. This subsidiary had a project of urban development for land located in “Alameda das Linhas de Torres, 20”, in Lisbon. The land is about 9,500 m2 and building expectations under this project were of about 18,000 m2 of floor area above the ground, fitted in the city plans of development (Plano Director Municipal – PDM).

Despite all the efforts carried out by the parties involved in the process, it was not possible to obtain the relevant approval from the City Hall in Lisbon. This fact affected the corporate purpose of this subsidiary, leading the Board of Directors to consider the possibility of extinguishing it in 2012, which became effective in 2013.

The impact in each item in the Consolidated income statement is as follows:

	Period	
	2014	2013
Revenue	2.018.781	1.771.640
Cost of sales	(302.630)	(293.218)
External services and supplies	(1.390.625)	(1.294.585)
Personnel expenses	(448.578)	(392.837)
Other income	447.647	42.074
Other expenses	(100.393)	(734.558)
Operating result	**224.202**	**(901.484)**
Finance expenses	(447.758)	(158.055)
Finance income	4.461	–
Profit before tax	**(219.095)**	**(1.059.539)**
Income tax	–	22.771
Result of discontinued operations	**(219.095)**	**(1.036.768)**

38 Commitments

Grupo Pestana's commitments as at 31 December 2014 and 2013 are as follows:

	2014	2013
Purchase of shares of Grupo Pestana Pousadas from C.G.D.	–	3.065.381
Put option of Fundo Turismo investment on Pestana Berlim, S.à.r.l.	(a)	(a)
Put option of Fundo Turismo investment on Hotel Rauchstrasse 22, S.à.r.l.	(a)	–
Put option of SDEM investment on Mundo Imaginação, S.A.	(a)	(a)
	–	**3.065.381**

(a) value to be determined based on the assessment to be made at the time of the put option.

In 2014, the group proceeded with the anticipation of the purchase of the remaining shares and shareholders loans of the subsidiary Grupo Pestana Pousadas, S.A. to Caixa Capital – Sociedade de Capital de Risco, S.A..

As at 2014, the subsidiary Grupo Pestana Pousadas, S.A. is making renovations of structures, redevelopment of facilities and features as well as maintenance of the network of Pousadas, fulfilling the requirement in the Exploitation Assignment Agreement. Consequently, by the end of 2014 it has spent an annual sum of not less than 3 million Euros.

39 Contingencies

Grupo Pestana has the following contingent liabilities arising from bank guarantees given:

	2014	2013
Mortgages		
Mortgages over hotel units	144.471.898	138.412.318
Mortgages over land	9.274.356	9.274.356
	153.746.254	**147.686.674**
Guarantees		
Guarantees and liability covers	4.912.555	5.594.093
Bank guarantees	31.938.031	27.670.748
Endorsements	–	250.000
	36.850.586	**33.514.841**

Contingent liabilities

As at 31 December 2014, Grupo Pestana had contingent liabilities of approximately 569,487 Euros (31 December 2013: 346,900 Euros) arising from the ordinary course of business.

As at 31 December 2014, Grupo Pestana has a tax execution procedure ongoing related to the deductibility of Special Advance Tax Payments paid by the controlled companies before joining the Special Taxation Regime for Groups, and for which a bank guarantee of 326,192 Euros was provided. It is the understanding of the Board that the outcome will be favorable and that the companies included in the Special Taxation Regime for Groups will not have to pay the amount deducted in the 2013 annual income tax form.

Contingent Assets

In December 2013 and in accordance with the Exceptional Regime of Tax Debt Settlement, established in Decree law no. 151-A/2013, of October 31, the subsidiary Carlton Palácio, S.A. made the full payment of the amount of the case no. 312320101010700 concerning a process of SISA (former tax over property transactions), of 439,472 Euros, getting free of payment of arrears and penalty interest and without any loss in the course of judicial proceedings before the competent courts terms. The Board of Directors continues to believe that the outcome will be favorable and this amount will be returned to Carlton Palácio, S.A..

40 Consolidation perimeter

The subsidiaries included in the consolidation perimeter (full consolidation) as at 31 December 2014 are as follows:

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Revenue	Profit / (Loss)	% Interest	% Control
Amoreira - Aldeamento Turístico, Lda.	Portugal	Real estate	31-12-2014	4.917.072	6.418.051	1.500.979	9.800	(22.721)	98,99%	100,00%
Beloura Hotel e Golfe - Invest. Turísticos, S.A.	Portugal	Hotel business	31-12-2014	4.984.517	14.959.903	9.975.385	2.739.401	(245.051)	100,00%	100,00%
Carlton Palácio - Soc. Const. e Explor. Hoteleiras, S.A.	Portugal	Hotel business	31-12-2014	21.196.076	50.641.495	29.445.418	11.281.745	300.109	100,00%	100,00%
Carvoeiro Golfe Soc. Mediação Imobiliária, Lda.	Portugal	Real estate	31-12-2014	292.641	501.261	208.620	711.202	265.285	98,99%	100,00%
Carvoeiro Golfe, S.A.	Portugal	Golf and Real estate	31-12-2014	37.544.775	80.067.004	42.522.229	20.461.648	1.172.361	98,99%	100,00%
Convento do Carmo, S.A.	Brazil	Hotel business	31-12-2014	(5.212.720)	3.960.908	9.173.627	1.956.995	(540.513)	57,24%	75,00%
Cota Quarenta, S.A.	Portugal	Real estate	31-12-2014	5.106.783	35.719.855	30.613.073	-	(5.615)	100,00%	100,00%
Desarrollos Hoteleros Barcelona 2004, S.A.	Spain	Hotel business	31-12-2014	4.704.869	14.940.736	10.235.867	2.312.716	(34.949)	99,92%	100,00%
Grupo Pestana Pousadas - Invest. Turísticos, S.A.	Portugal	Hotel business	31-12-2014	9.388.780	73.514.152	64.125.372	28.983.661	(2.508.351)	84,88%	84,88%
Herdade da Abrunheira, S.A.	Portugal	Real estate	31-12-2014	1.095.969	6.545.226	5.449.258	-	(326.074)	66,67%	66,67%
Hotéis Atlântico - Soc. Imob. e de Gest. de Hotéis, S.A.	Portugal	Hotel business	31-12-2014	32.426.740	74.094.487	41.667.748	5.206.480	84.460	99,92%	99,92%
Hotel Rauschtrasse 22, S.A.R.L.	Luxembourg	Hotel business	31-12-2014	6.136.436	20.986.785	14.850.349	2.000.090	633.580	73,44%	73,44%
Intervisa - Viagens e Turismo, Lda.	Portugal	Touristic Distribution	31-12-2014	487.426	1.746.358	1.258.932	1.101.034	259.685	99,90%	99,90%
Industria Açoreana Turistico Hoteleira IATH, S.A.	Portugal	Hotel business	31-12-2014	1.373.716	4.850.909	3.477.193	1.096.807	(778.750)	85,00%	85,00%
ITI - Soc. de Invest. Turísticos na Ilha da Madeira, S.A.	Portugal	Hotel business and Entertainment	31-12-2014	45.726.015	79.087.886	33.361.871	27.061.985	4.252.061	100,00%	100,00%
M. & J. Pestana - Soc. de Turismo da Madeira, S.A.	Portugal	Hotel business / Timeshare	31-12-2014	133.337.380	360.656.608	227.319.229	48.275.727	22.340.863	100,00%	100,00%
Mundo da Imaginação, S.A.	Portugal	Touristic Entertainment	31-12-2014	1.362.794	3.932.718	2.569.923	684.199	(105.733)	89,17%	88,75%
Natura XXI, Lda.	Portugal	Real estate	31-12-2014	1.486.472	1.536.008	49.536	135	(35.919)	98,99%	100,00%
Pestana Berlin S.À.R.L	Luxembourg	Hotel business	31-12-2014	(889.039)	2.356.465	3.245.505	5.221.114	(584.498)	73,44%	73,44%
Pestana Cidadela - Investimentos Turísticos, S.A.	Portugal	Hotel business	31-12-2014	6.078.615	18.737.515	12.658.900	5.016.725	131.064	100,00%	100,00%

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Revenue	Profit / (Loss)	% Interest	% Control
Pestana Management, S.A.	Portugal	Services	31-12-2014	3.420.302	13.002.419	9.582.117	21.979.856	411.287	100,00%	100,00%
Pestana Management UK, Ltd.	United Kingdom	Hotel business	31-12-2014	889.734	4.816.138	3.926.403	14.250.218	564.257	99,92%	100,00%
Pestana Miami, LLC	USA	Hotel business	31-12-2014	3.710.915	17.761.044	14.050.129	4.296.457	80.002	99,92%	100,00%
Pinheiromar, S.A.	Portugal	Hotel business	31-12-2014	(493.783)	3.726.903	4.220.686	7.334.803	327.308	88,00%	88,00%
Ponta da Cruz - Soc. Imob. e de Gest. de Hotéis, S.A.	Portugal	Hotel business / Timeshare	31-12-2014	14.224.947	28.669.220	14.444.273	7.267.804	1.413.484	51,83%	51,83%
Porto Carlton - Soc. Constr. e Explor. Hoteleira, S.A.	Portugal	Hotel business	31-12-2014	2.882.383	10.439.562	7.557.179	1.827.243	162.966	60,00%	60,00%
Rio de Prata - Consultadoria e Participações, S.A.	Portugal	Services	31-12-2014	29.812	5.871.427	5.841.615	-	(17.783)	99,98%	99,98%
Rolldown Golfe, Lda.	Portugal	Golf	31-12-2014	725.636	5.791.906	5.066.270	1.115.675	263.114	98,99%	100,00%
Salvor - Soc. de Investimento Hoteleiro, S.A.	Portugal	Hotel business / Timeshare	31-12-2014	122.825.250	179.655.204	56.829.954	23.646.547	2.529.631	98,99%	98,99%
SDM - Soc. Desenvolvimento da Madeira, S.A. a)	Portugal	Services	31-12-2014	20.375.250	23.580.484	3.205.234	8.733.112	2.116.631	15,00%	70,00%
Soc. de Investimento Hoteleiro D. João II, S.A.	Portugal	Hotel business / Timeshare	31-12-2014	1.248.252	4.234.054	2.985.802	680.951	109.647	98,99%	100,00%
Soc. Investimento Imobiliário Eira da Loba, Lda.	Portugal	Real estate	31-12-2014	(77.490)	298.886	376.376	-	(38.345)	91,56%	92,50%
Viquingue, Soc. Turística, S.A.	Portugal	Hotel business / Timeshare	31-12-2014	10.321.962	16.750.104	6.428.142	4.188.172	252.420	98,99%	100,00%

a) Company owned only 15% by Grupo Pestana, S.G.P.S., S.A., who, however, controls the entity via the shareholder agreement signed with Mr. Dionísio Pestana who transferred to Grupo Pestana 55% of the voting rights over the company.

Subsidiaries included in the consolidation perimeter (full consolidation) as at 31 December 2013 are presented as follows:

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Revenue	Profit / (Loss)	% Interest	% Control
Amoreira - Aldeamento Turístico, Lda.	Portugal	Real estate	31-12-2013	4.939.793	6.402.389	1.462.596	-	100.532	98,99%	100,00%
Carlton Palácio - Soc. Const. e Explor. Hoteleiras, S.A.	Portugal	Hotel business	31-12-2013	15.833.708	47.479.604	31.645.896	9.962.853	(138.898)	100,00%	100,00%
Carvoeiro Golfe Soc. Mediação Imobiliária, Lda.	Portugal	Real estate	31-12-2013	270.587	579.569	308.982	647.712	243.231	98,99%	100,00%
Carvoeiro Golfe, S.A.	Portugal	Golf and Real estate	31-12-2013	41.146.836	68.004.251	26.857.415	14.134.285	453.822	98,99%	100,00%
Convento do Carmo, S.A.	Brazil	Hotel business	31-12-2013	(4.617.817)	4.014.612	8.632.429	1.771.640	(1.603.092)	57,24%	75,00%
Cota Quarenta, S.A.	Portugal	Real estate	31-12-2013	612.397	35.315.162	34.702.764	15.000	586	100,00%	100,00%
Desarrollos Hoteleros Barcelona 2004, S.A.	Spain	Hotel business	31-12-2013	4.739.818	15.057.752	10.317.934	448.083	(942.651)	99,92%	100,00%
Grupo Pestana Pousadas - Invest. Turísticos, S.A.	Portugal	Hotel business	31-12-2013	12.698.547	75.877.948	63.179.401	26.270.609	(4.243.374)	76,32%	76,32%
Herdade da Abrunheira, S.A.	Portugal	Real estate	31-12-2013	1.422.043	6.530.096	5.108.053	-	(91.753)	66,67%	66,67%
Hotéis Atlântico - Soc. Imob. e de Gest. de Hotéis, S.A.	Portugal	Hotel business	31-12-2013	32.712.927	63.640.845	30.927.918	4.818.905	2.269.105	99,92%	99,92%
Intervisa - Viagens e Turismo, Lda.	Portugal	Touristic Distribution	31-12-2013	223.906	1.997.373	1.773.467	957.907	(224.861)	99,90%	99,90%
ITI - Soc. de Invest. Turísticos na Ilha da Madeira, S.A.	Portugal	Hotel business and Entertainment	31-12-2013	60.549.506	93.279.278	32.729.772	24.080.771	8.126.050	100,00%	100,00%
M. & J. Pestana - Soc. de Turismo da Madeira, S.A.	Portugal	Hotel business / Timeshare	31-12-2013	125.906.230	351.200.802	225.294.572	44.918.301	3.938.096	100,00%	100,00%
Mundo da Imaginação, S.A.	Portugal	Touristic Entertainment	31-12-2013	1.468.528	4.204.894	2.736.367	645.754	(1.387.381)	89,17%	88,75%
Natura XXI, Lda.	Portugal	Real estate	31-12-2013	1.522.391	1.544.862	22.471	780	(25.713)	98,99%	100,00%
Pestana Berlin S.À.R.L	Luxembourg	Hotel business	31-12-2013	(304.541)	2.820.785	3.125.326	5.077.246	(329.032)	58,45%	58,50%
Pestana Cidadela - Investimentos Turísticos, S.A.	Portugal	Hotel business	31-12-2013	2.947.551	19.352.796	16.405.246	4.721.728	(181.657)	100,00%	100,00%
Pestana Management, S.A.	Portugal	Services	31-12-2013	3.009.014	13.908.237	10.899.223	20.160.819	155.550	100,00%	100,00%
Pestana Management UK, Ltd.	United Kingdom	Hotel business	31-12-2013	304.082	4.562.830	4.259.148	12.868.437	264.328	99,92%	100,00%
Pestana Miami, LLC	USA	Hotel business	31-12-2013	3.201.875	16.163.871	12.961.996	2.856.796	275.257	99,92%	100,00%

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Revenue	Profit / (Loss)	% Interest	% Control
Pinheiromar, S.A.	Portugal	Hotel business	31-12-2013	(821.091)	4.394.671	5.215.762	6.773.051	(176.227)	88,00%	88,00%
Ponta da Cruz - Soc. Imob. e de Gest. de Hotéis, S.A.	Portugal	Hotel business / Timeshare	31-12-2013	12.811.464	29.189.381	16.377.917	6.686.666	848.425	51,83%	51,83%
Porto Carlton - Soc. Constr. e Explor. Hoteleira, S.A.	Portugal	Hotel business	31-12-2013	2.719.417	8.432.134	5.712.717	1.786.422	143.821	60,00%	60,00%
Beloura Hotel e Golfe - Invest. Turísticos, S.A.	Portugal	Hotel business	31-12-2013	1.166.040	16.115.160	14.949.120	2.409.053	(600.336)	100,00%	100,00%
Rio de Prata - Consultadoria e Participações, S.A.	Portugal	Services	31-12-2013	47.595	147.328	99.733	-	(12.152)	99,98%	99,98%
Rolldown Golfe, Lda.	Portugal	Golf	31-12-2013	62.522	5.593.193	5.530.671	1.179.031	(132.729)	98,99%	100,00%
Salvor - Soc. de Investimento Hoteleiro, S.A.	Portugal	Hotel business / Timeshare	31-12-2013	120.229.361	183.237.153	63.007.793	22.292.740	2.992.762	98,99%	98,99%
SDM - Soc. Desenvolvimento da Madeira, S.A. a)	Portugal	Services	31-12-2013	22.838.854	25.658.828	2.819.974	7.661.228	2.746.060	15,00%	70,00%
Soc. de Investimento Hoteleiro D. João II, S.A.	Portugal	Hotel business / Timeshare	31-12-2013	1.444.058	4.693.395	3.249.337	818.448	305.453	98,99%	100,00%
Soc. Imobiliária Troia B3, S.A.	Portugal	Real estate	31-12-2013	15.997.636	30.869.691	14.872.055	7.140.637	1.232.670	98,99%	100,00%
Soc. Investimento Imobiliário Eira da Loba, Lda.	Portugal	Real estate	31-12-2013	(39.145)	315.716	354.321	-	(28.433)	91,56%	92,50%
Viquingue, Soc. Turística, S.A.	Portugal	Hotel business / Timeshare	31-12-2013	10.069.542	18.352.331	8.282.790	3.962.359	(173.650)	98,99%	100,00%

Associates and interests in jointly controlled entities included in consolidation by the equity method, as at 31 December 2014 and 2013, are as follows:

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Revenue	Profit / (Loss)	% Interest	% Control
Albar - Soc. Imobiliária do Barlavento, S.A.	Portugal	Real estate	31-12-2014	1.169.655	1.193.114	23.460	-	(3.134)	49,81%	49,81%
Enatur - Empresa Nacional de Turismo, S.A.	Portugal	Hotel business	31-12-2014	71.617.933	106.065.262	34.447.329	2.222.910	1.225.544	41,59%	49,00%
SDEM - Soc. Des. Empr. da Madeira, S.G.P.S., S.A.	Portugal	Services	31-12-2014	1.489.163	1.540.875	51.712	25.548	(215.917)	3,75%	25,00%
Pestana Inversiones, S.L.	Spain	Services	31-12-2014	17.997.386	27.336.190	9.338.804	-	(276.258)	48,35%	48,35%
Wild Break 29 (PTY), Ltd.	South Africa	Hotel business	31-12-2014	2.283.798	3.343.362	1.059.564	1.695.053	285.433	50,00%	50,00%

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Revenue	Profit / (Loss)	% Interest	% Control
Albar - Soc. Imobiliária do Barlavento, S.A.	Portugal	Real estate	31-12-2013	1.172.789	1.193.237	20.448	-	(4.488)	49,81%	49,81%
Enatur - Empresa Nacional de Turismo, S.A.	Portugal	Hotel business	31-12-2013	71.984.643	110.083.735	38.099.092	2.210.549	75.969	37,40%	49,00%
SDEM - Soc. Des. Empr. da Madeira, S.G.P.S., S.A.	Portugal	Services	31-12-2013	3.278.254	3.298.732	20.478	-	(1.158.671)	3,75%	25,00%
Pestana Inversiones, S.L.	Spain	Services	31-12-2013	18.273.644	28.387.389	10.113.745	-	(94.973)	48,35%	48,35%
Southern Escapes Travel And Tourism (PTY), Ltd.	South Africa	Hotel business	31-12-2013	25.530	47.986	22.456	-	167.990	58,90%	50,00%
Wild Break 29 (PTY), Ltd.	South Africa	Hotel business	31-12-2013	1.902.081	3.134.310	1.232.229	1.590.745	(81.400)	58,90%	50,00%

The main financial indicators of Other financial investments included in the consolidation, at cost less impairment losses, if any, as at 31 December 2014 and 2013, are presented as follows:

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Revenue	Profit / (Loss)	% Interest	% Control
Eurogolfe, S.A.	Portugal	Golf	31-12-2014	10.799.835	12.687.790	1.887.955	455.338	640.854	14,14%	14,29%
Salvintur, Soc. de Investimentos Turísticos, S.G.P.S., S.A.	Portugal	Hotel business	31-12-2014	20.240.069	36.017.828	15.777.758	60.000	247.863	18,81%	19,00%

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Revenue	Profit / (Loss)	% Interest	% Control
EuroAtlantic Airways, Transportes Aéreos, S.A.	Portugal	Aviation	31-12-2013	12.594.027	101.172.041	88.578.013	67.280.573	3.753.273	15,79%	15,00%
Eurogolfe, S.A.	Portugal	Golf	31-12-2013	9.158.982	12.062.581	2.903.599	436.858	196.834	14,14%	14,29%
Salvintur, Soc. de Investimentos Turísticos, S.G.P.S., S.A.	Portugal	Hotel business	31-12-2013	17.396.719	32.034.054	14.637.335	70.000	(304.754)	18,81%	19,00%

41 Changes in the consolidation perimeter

In 2014, Grupo Pestana acquired and included in the consolidation perimeter the following subsidiaries:

- Indústria Açoreana Turístico - Hoteleira (I.A.T.H.), S.A.
- Hotel Rauchstrasse 22, S.à r.l

The statement of financial position of these subsidiaries as at the date of entry in the consolidation perimeter is as follows:

	IATH	Hotel Rauchstrasse	Total
Purchase price	**661.074**	**13.400.000**	**14.061.074**
Assets			
Tangible fixed assets	5.273.286	31.849.574	37.122.860
Inventories	24.461	-	24.461
Trade and other receivables	339.748	484.343	824.091
Deferred tax assets	-	186.808	186.808
Current tax assets	6.632	2.839	9.471
Cash and cash equivalents	13.938	664.805	678.743
Total Assets acquired at fair value	**5.658.066**	**33.188.369**	**38.846.435**
Liabilities			
Loans and borrowings	3.117.457	13.798.797	16.916.254
Derivatives	-	707.038	707.038
Deferred tax liabilities	149.889	3.696.240	3.846.129
Deferred revenue	-	1.449.403	1.449.403
Trade and other payables	2.406.692	136.838	2.543.530
Current tax liabilities	-	53	53
Total Liabilities acquired at fair value	**5.674.038**	**19.788.369**	**25.462.407**
Net assets	**(15.973)**	**13.400.000**	**13.384.027**
Goodwill	**677.047**	**-**	**677.047**

In December 2014, impairment tests on goodwill were performed, resulting in a loss of the total amount of goowdill (Note 33).

The Income statement of the companies included in the consolidation perimeter from the respective entry date and up to 31 December 2014 is as follows:

	IATH	Hotel Rauchstrasse	Total
Revenue	287.026	90	287.116
External services and supplies	(96.725)	-	(96.725)
Personnel expenses	(110.789)	(43.948)	(154.737)
Charges of depreciations and amortizations	(203.769)	(15.465)	(219.233)
Charges/reversals of depreciations and amortizations	(118.482)	(618.817)	(737.299)
Other income	28	38.583	38.611
Other expenses	(22.848)	(55.759)	(78.607)
Operating profit	**(265.559)**	**(695.316)**	**(960.875)**
Finance expenses	(20.696)	(801.805)	(822.501)
Finance income	18	30.254	30.272
Profit before tax	**(286.237)**	**(1.466.867)**	**(1.753.104)**
Income tax	(1.664)	(43.255)	(44.919)
Profit for the period	**(287.901)**	**(1.510.122)**	**(1.798.023)**
Profit for the period attributable to:			
Shareholders	(244.716)	(1.109.940)	(1.354.656)
Non-controlling interests	(43.185)	(400.182)	(443.368)
	(287.901)	**(1.510.122)**	**(1.798.023)**

At 30 September 2013, Grupo Pestana aquired the subsidiary Desarrollos Hoteleros de Barcelona 2004, S.A., which entered in the consolidation perimeter at that date.

The Statement of financial position of this subsidiary as at 31 December 2013 is as follows:

	2013
Assets	
Tangible fixed assets	14.093.536
Trade and other receivables	267.544
Deferred tax assets	620.199
Current tax assets	54.713
Cash and cash equivalents	21.166
Total Assets	**15.057.158**
Liabilities	
Loans and borrowings	9.522.615
Trade and other payables	392.368
Total Liabilities	**9.914.983**
Grupo Pestana	**5.141.828**
Non-controlling interests	**347**

The Income statement of this subsidiary included in the consolidation perimeter in 2013, regarding only 3 months of activity, is as follows:

	2013
Revenue	448.088
Cost of sales	(22.714)
External services and supplies	(185.598)
Personnel expenses	(172.236)
Charges of depreciations and amortizations	(12.707)
Other income	50.724
Other expenses	(54.524)
Operating profit	**51.033**
Finance expenses	(124.796)
Profit before tax	**(73.763)**
Income tax	409.635
Profit for the period	**335.872**
Profit for the period attributable to:	
Shareholders	335.603
Non-controlling interests	269
	335.872

In 2014, Grupo Pestana ceased to include in the consolidation perimeter the subsidiary Sociedade Imobiliária Troia B3, S.A., due to the merger with Carvoeiro Golfe, S.A..

In 2013, Grupo Pestana ceased to include in the consolidation perimeter the following subsidiaries:

(i) Through liquidation:

- Prolameda – Atividades Imobiliárias, S.A.
- Aplicações Múltiplas 2, S.A.
- Leite Creme, S.A.

(ii) Through merger with Grupo Pestana, S.G.P.S., S.A.: Pestana Investimentos – Projectos Industriais e Serviços, S.G.P.S., S.A.

(iii) Through changes in consolidation method (2013: equity method, as disclosed in Note 9; 2012: full consolidation):

- Pestana Inversiones, S.L.
- Argentur Inversiones Turísticas, S.A.
- Inversiones VistalParque, C.A.
- Carolgud, S.A.
- Surinor, S.A.
- Pestana Marrocos, S.A.R.L.

42 Related parties

As at 31 December 2014 and 2013, Grupo Pestana is owned and controlled by Pestana International Holdings S.A., which holds 99% of the share capital. The ultimate shareholder, Mr. Dionísio Pestana, holds the remaining part of the share capital.

Board of Directors' remuneration

The members of the Boards of Directors of the companies that comprise Grupo Pestana were considered, in accordance with IAS 24, as the only key management personnel of the group. During the years ended 31 December 2014 and 2013 the remuneration received by the Board of Directors is described in Note 31.

Transactions and balances with related partiess

During the year 2014, Grupo Pestana carried out the following transactions with those entities:

	Services obtained	Interest expenses	Services rendered	Interest obtained
Shareholder	**–**	**200.177**	**14.767**	**–**
Pestana International Holdings S.A.	–	200.177	14.767	–
Associates	**2.096.065**	**–**	**55.822**	**27.238**
SDEM - Sociedade de Desenvolvimento Empresarial da Madeira, SGPS, S.A.	6.956	–	31.200	–
Enatur - Empresa Nacional de Turismo, S.A.	2.089.110	–	24.622	27.238
Other related parties	**1.118.719**	**56**	**1.384.929**	**175.237**
Djebel, S.G.P.S., S.A.	–	–	19.264	8.390
CapeGreen - Consultadoria Económica e Participações, S.A.	–	–	17.716	–
ECM - Empresa Cervejas da Madeira, Sociedade Unipessoal Lda.	–	–	37.379	2
Salvintur - Sociedade de Investimentos Turísticos, S.G.P.S., S.A.	(621)	–	247.029	–
Eurogolfe, S.A.	641.629	–	14.851	–
Salvor Hotéis Moçambique, Investimentos Turísticos, S.A.R.L.	19.881	–	153.831	–
Wildbreak 29 (PTL), Lda.	1.615	–	43.456	–
Bazaruto Limited	–	–	6.889	–
Empreendimentos Turísticos, Lda.	(317)	–	115.512	–
Southern Escapes Travel and Tourism (PTY), Ltd	105	–	–	–

	Services obtained	Interest expenses	Services rendered	Interest obtained
Afrotours, S.A.R.L.	(19.652)	–	154.146	–
Rotas de África, Lda.	–	–	30.512	–
São Tomé Investimentos, S.A.	–	–	14.232	–
Pestana Marrocos, s.a.r.l.	–	–	408.972	–
Brasturinvest Investimentos Turísticos, S.A.	395.021	56	62.406	–
Argentur Inversiones Turisticas SA	–	–	10.500	86
Praia do Marceneiro PH, Ltda	318	–	–	–
Inversiones Vistalparque C.A.	–	–	31.254	–
Surinor, S.A.	–	–	2.306	–
Carolgud, S.A.	–	–	2.256	–
Atlantic Holidays Ltd	80.741	–	–	–
Pestana Inversiones, S.L.	–	–	12.418	166.759
	3.214.785	**200.233**	**1.455.518**	**202.475**

During the year 2013, Grupo Pestana carried out the following transactions with those entities:

	Services obtained	Interest expenses	Disposal of investments	Services rendered	Interest obtained
Shareholder	**-**	**148.513**	**10.552.181**	**43.176**	**-**
Pestana International Holdings S.A.	-	148.513	10.552.181	43.176	-
Associates	**2.511.471**	**-**	**-**	**547.941**	**176.921**
Enatur - Empresa Nacional de Turismo, S.A.	2.511.471	-	-	54.509	11.121
Pestana Marrocos, s.a.r.l.	-	-	-	412.002	-
Argentur Inversiones Turisticas SA	-	-	-	3.430	-
Inversiones Vistalparque C.A.	-	-	-	38.769	-
Pestana Inversiones, S.L.	-	-	-	39.231	165.800
Other related parties	**2.716.226**	**7.612**	**-**	**871.815**	**14.090**
Djebel, S.G.P.S., S.A.	-	7.612	-	-	-
CapeGreen - Consultadoria Económica e Participações, S.A.	-	-	-	-	14.090
Euro Atlantic Airways - Transportes Aéreos, S.A.	168.139	-	-	-	-
Salvintur - Sociedade de Investimentos Turísticos, S.G.P.S., S.A.	-	-	-	240.169	-
Eurogolfe, S.A.	615.256	-	-	14.174	-
Salvor Hotéis Moçambique, Investimentos Turísticos, S.A.R.L.	-	-	-	137.281	-
Wildbreak 29 (PTL), Lda.	-	-	-	39.640	-
Bazaruto Limited	-	-	-	2.809	-
Empreendimentos Turísticos, Lda.	-	-	-	93.136	-
Southern Escapes Travel and Tourism (PTY), Ltd	-	-	-	1.959	-
Afrotours, S.A.R.L.	131.074	-	-	256.593	-
Rotas de África, Lda.	11.744	-	-	23.926	-
São Tomé Investimentos, S.A.	-	-	-	26.110	-
Brasturinvest Investimentos Turísticos, S.A.	140.013	-	-	18.917	-
Praia do Marceneiro PH, Ltda	-	-	-	3.065	-
Hotel Rauchstrasse 22, S.A.R.L.	1.650.000	-	-	14.036	-
Key management personnel	**-**	**-**	**-**	**-**	**-**
	5.227.697	**156.125**	**10.552.181**	**1.462.932**	**191.011**

At the end of 2014 and 2013, the balances arising from loans and borrowings with related parties are as follows:

	31-12-2014		31-12-2013	
	Loans obtained	Loans granted	Loans obtained	Loans granted
Associates	**-**	**1.190.593**	**-**	**7.865.585**
Enatur - Empresa Nacional de Turismo, S.A.	-	1.190.593	-	477.598
Pestana Inversiones, S.L.	-	-	-	7.387.987
Other related parties	**-**	**20.085.132**	**-**	**19.509.599**
Salvintur - Sociedade de Investimentos Turísticos, S.G.P.S., S.A.	-	15.685.132	-	16.109.599
Eurogolfe, S.A.	-	4.400.000	-	3.400.000
Key management personnel	-	-	-	-
	-	**21.275.725**	**-**	**27.375.184**

At the end of 2014, the balances arising from transactions with related parties are as follows:

	Trade receivables current	Trade receivables non-current	Impairment of trade receivables	Net trade receivables	Trade payables current	Trade payables non-current	Total trade payables
Shareholder	**41.297**	**-**	**-**	**41.297**	**13.597.704**	**-**	**13.597.704**
Pestana International Holdings S.A.	41.297	-	-	41.297	13.597.704	-	13.597.704
Associates	**740.655**	**-**	**-**	**740.655**	**764.249**	**-**	**764.249**
SDEM - Sociedade de Desenvolvimento Empresarial da Madeira, SGPS, S.A.	-	-	-	-	707	-	707
Enatur - Empresa Nacional de Turismo, S.A.	732.086	-	-	732.086	763.542	-	763.542
Albar - Sociedade Imobiliária do Barlavento, S.A.	8.569	-	-	8.569	-	-	-
Other related parties	**16.203.449**	**-**	**-**	**16.203.449**	**1.933.792**	**-**	**1.933.792**
Djebel, S.G.P.S., S.A.	2.263.948	-	-	2.263.948	-	-	-
CapeGreen - Consultadoria Económica e Participações, S.A.	12.626	-	-	12.626	21.248	-	21.248
ECM - Empresa Cervejas da Madeira, Sociedade Unipessoal Lda.	23.271	-	-	23.271	1.309.734	-	1.309.734
Salvintur - Sociedade de Investimentos Turísticos, S.G.P.S., S.A.	1.775.529	-	-	1.775.529	625	-	625
Eurogolfe, S.A.	149.667	-	-	149.667	37.514	-	37.514
Salvor Hotéis Moçambique, Investimentos Turísticos, S.A.R.L.	265.769	-	-	265.769	-	-	-
Wildbreak 29 (PTL), Lda.	37.734	-	-	37.734	5.712	-	5.712
Bazaruto Limited	12.935	-	-	12.935	353	-	353
Empreendimentos Turísticos, Lda.	13.158	-	-	13.158	1.115	-	1.115

	Trade receivables current	Trade receivables non-current	Impairment of trade receivables	Net trade receivables	Trade payables current	Trade payables non-current	Total trade payables
Afrotours, S.A.R.L.	1.226.793	-	-	1.226.793	16.884	-	16.884
Rotas de África, Lda.	166.850	-	-	166.850	1.131	-	1.131
São Tomé Investimentos, S.A.	96.874	-	-	96.874	106	-	106
SOHEOTUR, S.A.	5.717	-	-	5.717	-	-	-
Pestana Marrocos, s.a.r.l.	126.256	-	-	126.256	1.910	-	1.910
Brasturinvest Investimentos Turísticos, S.A.	2.432.875	-	-	2.432.875	218.511	-	218.511
Argentur Inversiones Turisticas SA	48.107	-	-	48.107	15.353	-	15.353
Praia do Marceneiro PH, Ltda	4.404	-	-	4.404	7.272	-	7.272
Inversiones Vistalparque C.A.	541.433	-	-	541.433	4.846	-	4.846
Surinor, S.A.	10.184	-	-	10.184	-	-	-
Carolgud, S.A.	7.733	-	-	7.733	-	-	-
Atlantic Holidays Ltd	471.187	-	-	471.187	54.893	-	54.893
Pestana Inversiones, S.L.	6.510.399	-	-	6.510.399	236.585	-	236.585
Key management personnel	**16.985.401**	**-**	**-**	**16.985.401**	**16.295.745**	**-**	**16.295.745**

At the end of 2013, the balances arising from transactions with related parties are as follows:

	Trade receivables current	Impairment of trade receivables	Net trade receivables	Trade payables current
Shareholder	**3.680.750**	**-**	**3.680.750**	**1.990.026**
Pestana International Holdings S.A.	3.680.750	-	3.680.750	1.990.026
Associates	**2.986.719**	**-**	**2.986.719**	**1.711.200**
Enatur - Empresa Nacional de Turismo, S.A.	1.462.740	-	1.462.740	1.527.500
Albar - Sociedade Imobiliária do Barlavento, S.A.	13.716	-	13.716	-
Pestana Marrocos, s.a.r.l.	435.685	-	435.685	6.593
Argentur Inversiones Turisticas SA	112.223	-	112.223	46.144
Convento do Carmo, S.A.	281.221	-	281.221	73.870
Inversiones Vistalparque C.A.	145.229	-	145.229	18.940
Surinor, S.A.	7.877	-	7.877	-
Carolgud, S.A.	5.478	-	5.478	-
Pestana Inversiones, S.L.	522.550	-	522.550	38.153
Other related parties	**6.419.978**	**-**	**6.419.978**	**1.565.796**
Djebel, S.G.P.S., S.A.	3.063	-	3.063	603.158
CapeGreen - Consultadoria Económica e Participações, S.A.	721	-	721	9.302
ECM - Empresa Cervejas da Madeira, Sociedade Unipessoal Lda.	23.271	-	23.271	336.863
Euro Atlantic Airways - Transportes Aéreos, S.A.	182.965	-	182.965	3.842
CITG - Companhia Ibérica de Turismo Global, SGPS, S.A.	88.157	-	88.157	-
Salvintur - Sociedade de Investimentos Turísticos, S.G.P.S., S.A.	615.418	-	615.418	625

	Trade receivables current	Impairment of trade receivables	Net trade receivables	Trade payables current
Eurogolfe, S.A.	571.931	-	571.931	32.229
Salvor Hotéis Moçambique, Investimentos Turísticos, S.A.R.L.	1.185.065	-	1.185.065	35.758
Wildbreak 29 (PTL), Lda.	145.652	-	145.652	3.063
Bazaruto Limited	6.047	-	6.047	353
Empreendimentos Turísticos, Lda.	68.505	-	68.505	1.750
Southern Escapes Travel and Tourism (PTY), Ltd	10.764	-	10.764	-
Afrotours, S.A.R.L.	1.053.898	-	1.053.898	17.610
Rotas de África, Lda.	134.349	-	134.349	1.131
São Tomé Investimentos, S.A.	82.123	-	82.123	106
Brasturinvest Investimentos Turísticos, S.A.	1.690.114	-	1.690.114	161.313
Praia do Marceneiro PH, Ltda	4.404	-	4.404	6.888
Atlantic Holidays Ltd	530.795	-	530.795	24.127
Quanlux	12.109	-	12.109	-
Hotel Rauchstrasse 22, S.A.R.L.	10.627	-	10.627	327.678
Key management personnel	-	-	-	-
	13.087.447	**-**	**13.087.447**	**5.267.022**

43 Subsequent event

In January 2015, Grupo Pestana made a deposit in the amount of 250,000 Euros regarding the private usage concession of plots integrated in the infrastructure implemented in Praça do Mar, Funchal. This concession shall respect to a 4-star hotel with 50 bedrooms in the center of Praça do Mar, near the sea and Funchal's harbor, with a splendid and wide view over Funchal's bay and amphitheater. This hotel will have a swimming pool and a solarium, as well as a restaurant area and terrace in the very busy Praça do Mar. By virtue of its location, décor and all environment, it is expected that this hotel will attract younger customer segments, less seasonal and more direct (less tour operation) than other hotels of the group in Funchal, therefore assuming that it will achieve a RevPAR which compares very well with the other hotels of the group in that region.

Grupo Pestana, through its subsidiary Hotéis do Atlântico, S.A., is developing a project for the opening of a new 4-star hotel in New York, near Times Square and the NY Convention Center.

In the beginning of January 2015 the Group acquired a ground lease for 99 years in Manhattan (NY), with the aim to promote, during the current year, the construction of a 176 room hotel. The new unit is expected to open in 2017.

As at 30 January 2015, and according to the deliberation of the Board of Directors of July 2014, ratified on 15 December 2014, the investment of 48.5% in Pestana Inversiones, S.L. was disposed of to Pestana International Holdings S.A. for 19,500,000 Euros.

Moreover, in January 2015 a purchase and sale agreement of shares was concluded, in which the subsidiary Carvoeiro Golfe, S.A. acquired the investment of 85.71% that Pestana International Holdings S.A held in Eurogolfe,S.A. for 17,000,000 Euros. With this operation, the consolidation perimeter of Grupo Pestana, S.G.P.S., SA now includes 100% of Eurogolfe, S.A..

Funchal, 16 March 2015

The Official Accountant	The Board of Directors
Luis Miguel Miranda Fernandes	Dionísio Fernandes Pestana President
	Pietro Luigi Valle Member
	José Alexandre Lebre Theotónio Member
	José de Melo Breyner Roquete Member
	Hermanus Roelof Willem Troskie Member

Consolidated

Statutory Auditor's

Report

Consolidated Statutory Audit Report

(Free translation from the original in Portuguese)

Introduction

1 We have audited the consolidated financial statements of Grupo Pestana SGPS, SA, comprising the consolidated statement of financial position as at December 31, 2014 (which shows total assets of Euro 976.381.356 and total shareholder's equity of Euro 262.137.303, including non-controlling interests of Euro 22.798.537 and a net profit of Euro 7.867.547), the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the corresponding notes to the accounts.

Responsibilities

2 It is the responsibility of the Board of Directors to prepare the consolidated Directors' Report and the consolidated financial statements which present fairly, in all material respects, the financial position of the Company and its subsidiaries, the consolidated results and the consolidated comprehensive income of their operations, the changes in consolidated equity and the consolidated cash flows, as well as to adopt appropriate accounting policies and criteria and to maintain appropriate systems of internal control.

3 Our responsibility is to express an independent and professional opinion on these consolidated financial statements based on our audit.

Scope

4 We conducted our audit in accordance with the Standards and Technical Recommendations issued by the Portuguese Institute of Statutory Auditors which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Accordingly, our audit included: (i) verification that the Company and its subsidiaries' financial statements have been appropriately examined and, for the cases where such an audit was not carried out, verification, on a sample basis, of the evidence supporting the amounts and disclosures in the consolidated financial statements and assessing the reasonableness of the estimates, based on the judgments and criteria of the Board of Directors used in the preparation of the consolidated financial statements; (ii) verification of the consolidation operations; (iii) assessing the appropriateness and consistency of the accounting principles used and their disclosure, as applicable; (iv) assessing the applicability of the going concern basis of accounting; and (v) assessing the overall presentation of the consolidated financial statements.

5 Our audit also covered the verification that the consolidated financial information included in the consolidated Directors' Report is consistent with the consolidated financial statements.

6 We believe that our audit provides a reasonable basis for our opinion.

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Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 9077

Opinion

7 In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the consolidated financial position of Grupo Pestana SGPS, SA as at December 31, 2014, the consolidated results and the consolidated comprehensive income of its operations, the changes in consolidated equity and the consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal requirements

8 It is also our opinion that the consolidated financial information included in the consolidated Directors' Report is consistent with the consolidated financial statements for the year.

Emphasis

9 Without qualifying our opinion expressed in paragraph 7 above, we draw attention to the fact that the Consolidated Statutory Audit Report issued in respect of year 2013, included a reserve regarding the restatement of comparative figures (i.e. December 31, 2012), which has no impact on the periods presented in the financial statements as at December 31, 2014, so it no longer applies.

April 29, 2015

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda
represented by:

César Abel Rodrigues Gonçalves, R.O.C.

Report

and Opinion of the

Official

Auditor

Report and Opinion of the Supervisory Body

(Free translation from the original in Portuguese)

To the Shareholders

1 In accordance with the law and our mandate, we herewith present the report on our supervisory activity and our opinion on the consolidated Directors' Report and consolidated financial statements as presented by the Board of Directors of Grupo Pestana SGPS, SA with respect to the year ended December 31, 2014.

2 During the year, we have accompanied the evolution of the activity of the Company and its more significant subsidiaries and associates, as and when deemed necessary. We have verified the timeliness and adequacy of the accounting records and respective supporting documentation, as well as the effectiveness of the internal control system, only to the extent that the controls are of relevance for the control of the Company's activity and the presentation of the financial statements. We have also ensured that the law and the Company's articles of association have been complied with.

3 As a consequence of our work, we have issued the attached Consolidated Statutory Audit Report.

4 Within the scope of our mandate, we have verified that:

i) the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the corresponding notes to the accounts, allow an adequate understanding of the financial position, the results, the comprehensive income, the changes in equity and cash flows of the Company;

ii) the accounting policies and valuation methods applied are appropriate;

iii) the consolidated Directors' Report is sufficiently clear as to the developments of the business and the position of the Company and the subsidiaries included in the consolidation and highlights the more significant aspects;

5 On this basis, and taking into account information obtained from the Board of Directors and the Company's employees, together with the conclusions in the Statutory Audit Report, we are of the opinion that:

i) the consolidated Directors' Report be approved;

ii) the consolidated financial statements be approved;

6 Finally, we would like to express our gratitude to the Board of Directors and all those whom we contacted, for their valuable contribution.

April 29, 2015

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda
represented by:

César Abel Rodrigues Gonçalves, R.O.C.

Consolidated Annual

REPORT

2014

Grupo Pestana, S.G.P.S., S.A.