ALCÁCERDOSAL/ALIJÓ/ALVITO/ALVOR/AMARES
/ARRAIOLOS/AVEIRO/BARCELONA/BEJA/BELMO
NTE/BERLIM/BRAGANÇA/CARVOEIRO/CASCAIS/
COIMBRA/CRATO/ESTOI/ESTREMOZ/ÉVORA/GE
RÊS/GRUPOPESTANA,S.G.P.S.,S.A./GUIMARÃES
/HORTA/LISBOA/LONDRES/MADEIRA/MARÃO/
MARVÃO/MIAMI/ÓBIDOS/PALMELA/PORTO/POR
TOSANTO/CONSOLIDATED ANNUAL REPORT 15/
SAGRES/SERRADAESTRELA/SINTRA/TAVIRA/TR
ÓIA/VALENÇA/VILAMOURA/VIANADOCASTELO/
VILAVIÇOSA/VILAPOUCADEAGUIAR/VISEU


POUSADA LISBOA
PESTANA

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CONSOLIDATED MANAGEMENT REPORT FOR 2015

Consolidated Annual
Report

Dear Shareholders,

In the terms established by the Corporate Law, we have the honor to submit for your appreciation and approval the management report and the financial statements for the year ended as at 31 December 2015.

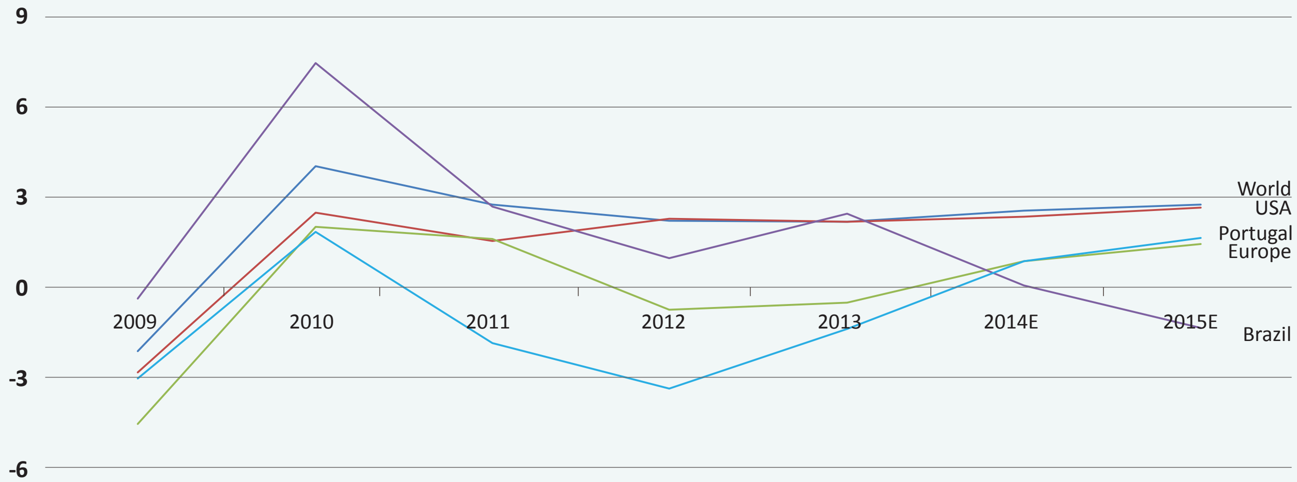
01

ECONOMIC BACKGROUND

1.1 GDP growth

The world saw in 2015 major unbalances, although a 2,8% nominal increase is expected, slightly lower than the 3% showed in 2014.

Table 1 - GDP Growth Rate (%)



Source: World Bank

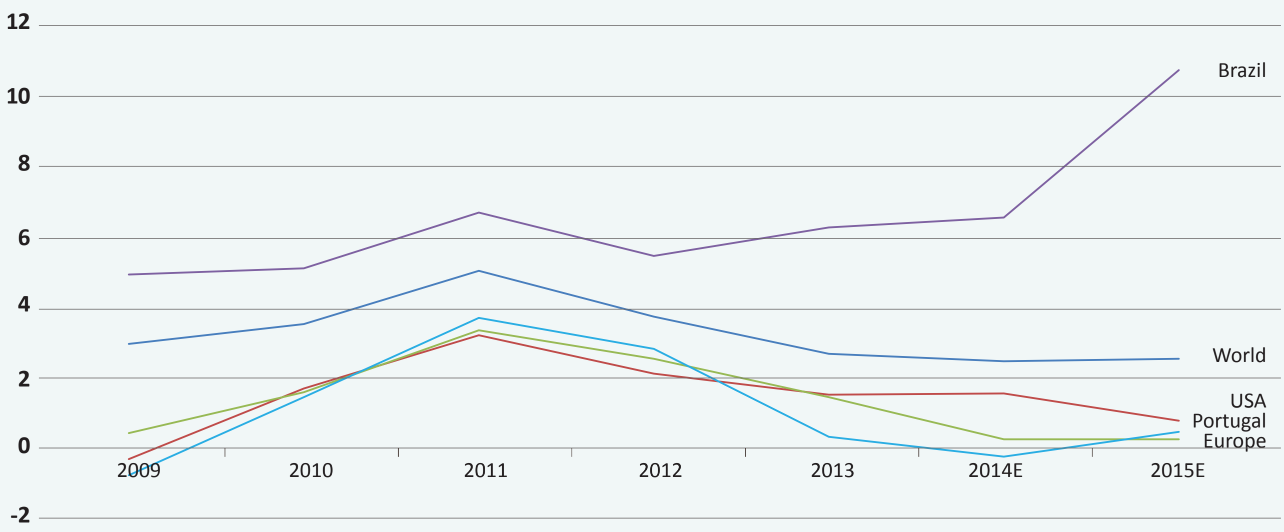
US growth was 2.7% which represents a slightly increase face the value of 2% of the year before. After ending the credit easing in 2014 it was only possible to announce a federal rate increase in the end of last year, which was postponed for several times all over 2015 with promises of a higher growth. Inflation decreased to less than 1% and did not help to stimulate growth. Despite that labour market is now more stable as well as the real estate market, mainly in the housing segment.

In the Euro area GDP growth was as small as 1,5%.The oil price decrease and the depreciation of the currency face the dollar were not enough to support a sustainable recovery of the European economies. Credit easing went on and the average growth was still insufficient to avoid fears of another recession. Inflation continues low and unemployment resilient.

BRIC´s growth is now more fragile and geopolitical uncertainties are higher now in Russia and Brazil. Inflation increased in this country reaching figures that it would be difficult to forecast a year ago, and it seems now more difficult to control. Struggling with several other problems, Brazil is facing unemployment increase, internal and foreign investment decrease despite the currency depreciation. Low raw materials worldwide prices is also not helping this emergent market economy.

In China growth is now smaller and India kept its growth path which was not enough to compensate the rest of the emergent market economies. Capital flows that in the past were going more to emerging markets changed their pattern and turned more to stable western countries perceived as safer environments, despite terrorist fears.

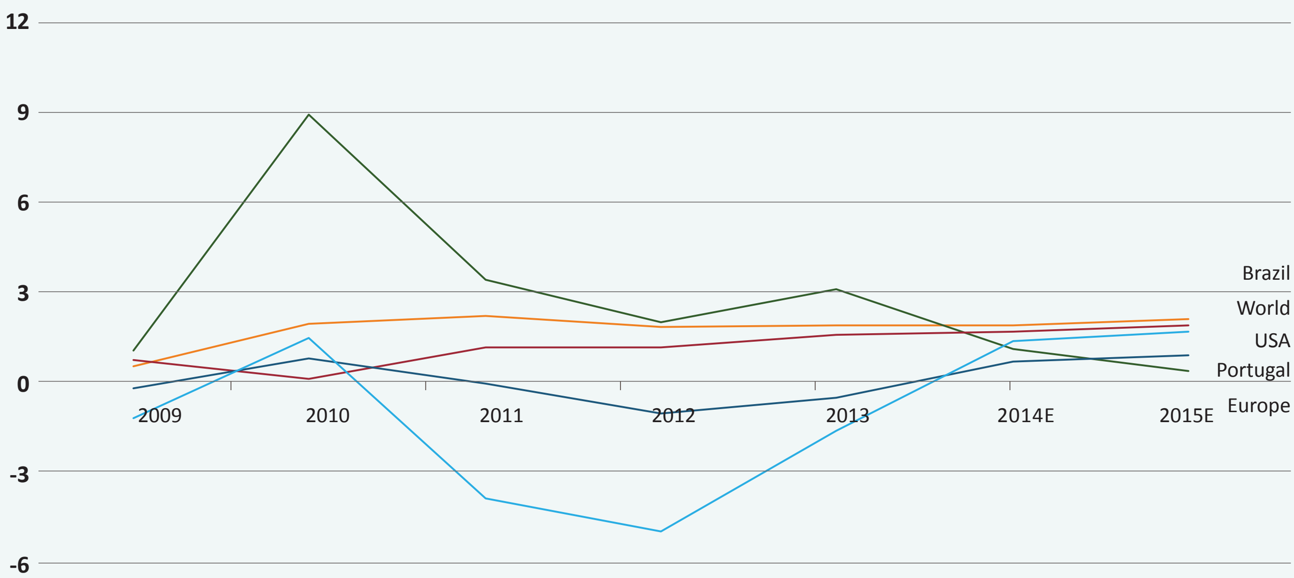
Table 2 - Inflation, consumer prices (annual %)



Source: World Bank, Trandingeconomics.com, EUROSTAT

Average world final consumption continues to grow mainly due to a better middle class economic confidence. In Europe Greek political issues were somehow forgotten due to other more urgent affairs related with the Siria civil war where a new focus of terrorism emerged and other events in the north of Africa and Middle East that supported a refugee crisis.

Table 3 - Final consumption expenditure (annual % growth)



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

We will see later on that the world travel was not affected and continue to grow, although the tourism pattern was somehow different among regions. Western countries benefit mainly those that were perceived as a safe environment, like Portugal and Spain.

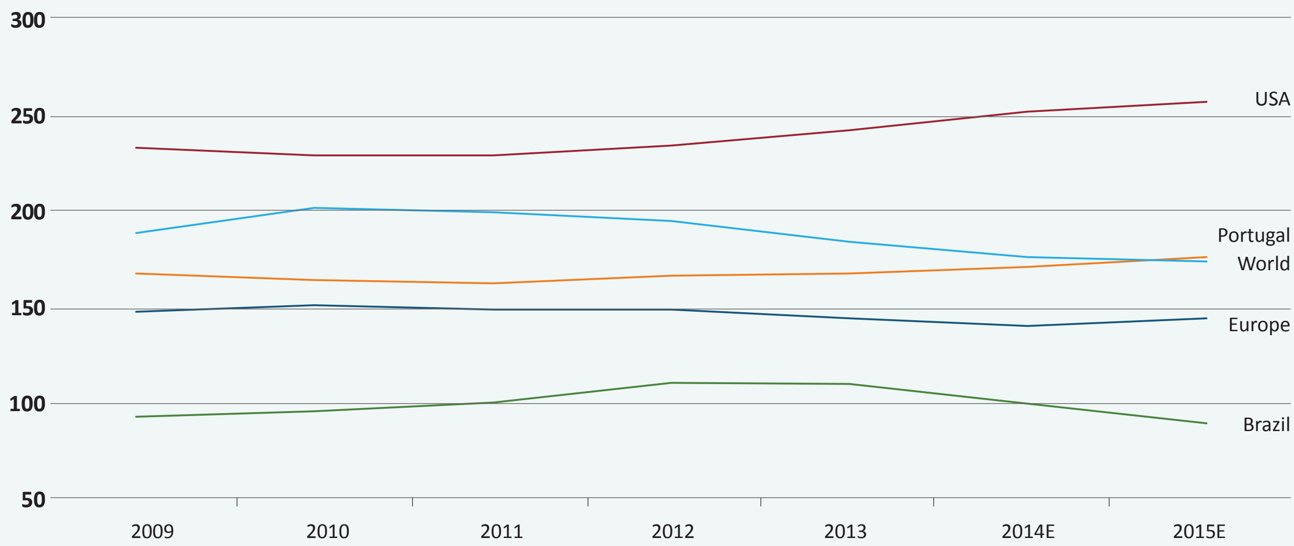
1.2 Liquidity and cost of funds

Liquidity kept strong in Europe due by ECB credit easing. Countries where Troika measures were implemented continue to prove well, although in the long run gearing is still a problem, mainly when we measure debt as a % of those countries GDP. The new left wing governments that became empowered in EU are now more focus in increasing their people income and confidence in order to sustain growth.

The quantitative easing programme implemented by ECB did not recover interbank market and failed so far to boost GDP as expected. Investment and consumption growth are showing a much more resilient pattern. As a consequence the credit easing will continue during 2016 and it is probable that will go on through 2017.

US and Europe domestic credit concession continue to improve. with the exception of certain emerging market like Brazil where it fell down due to interest rate increase implemented by the government in order to try to control inflation.

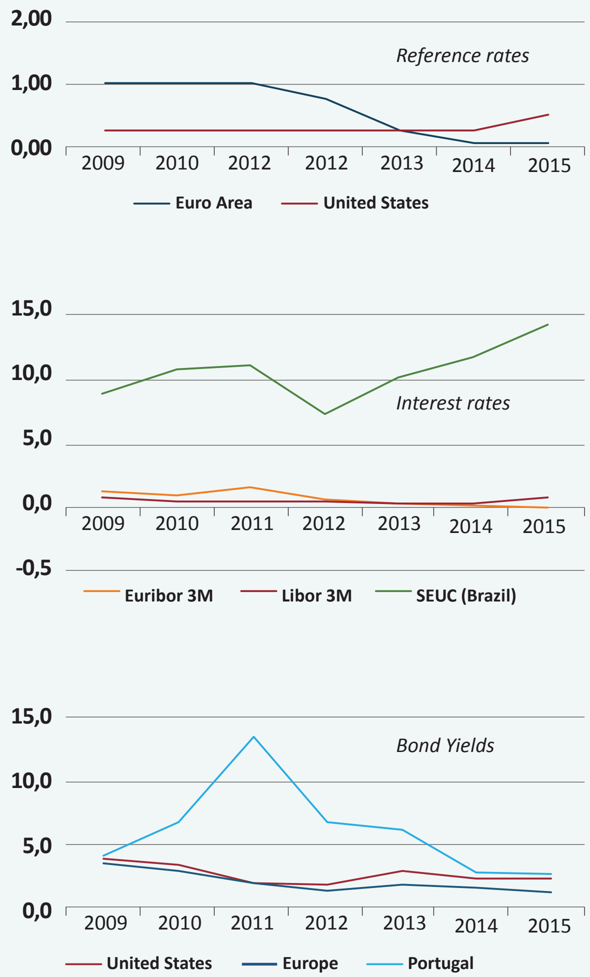
Table 4 - Domestic credit provided by banking sector (% of GDP)



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

Once again the interest reference rates registered historical minimum values, with the exception of a slightly increase in US reference rate, that doesn´t changed the overall scenario. Pestana, perceived as an investment grade company, saw its overall cost of money decrease once more. ECB credit easing and other private own capital flows were not enough to boost GDP and inflation kept low as well as interest rates.

Table 5 - Reference rates; Bond yields; Interest rates



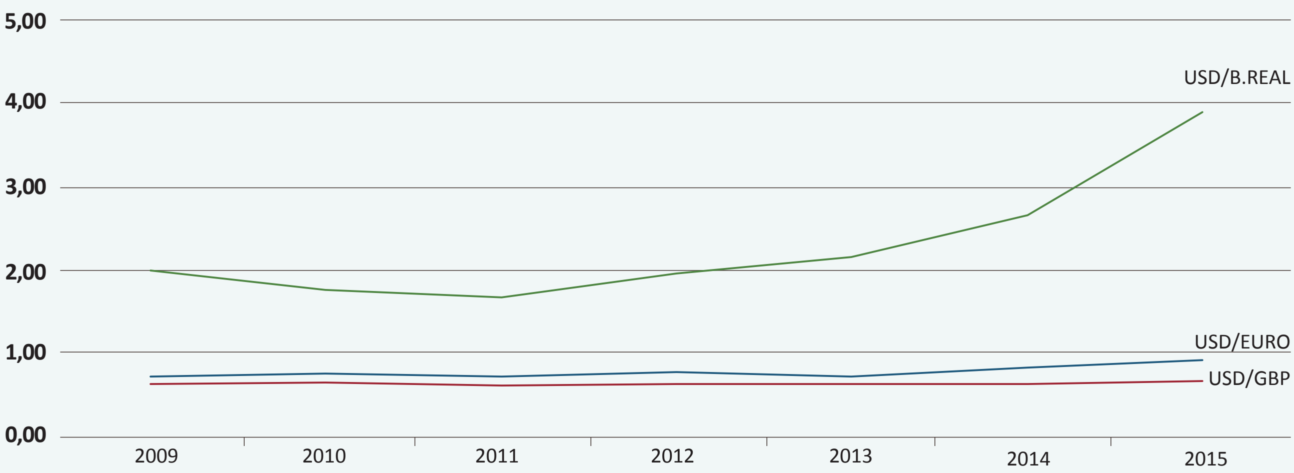
Source: World Bank; Euribor-rates.eu; BdP

Risk premiums kept low in 2015, following the trend initiated in the second half of 2013 and in countries like Portugal Credit Default Swaps (CDS 5Y) changed from 202 bpsto 171 bps.

1.3 Exchanges rates

USD and GBP kept strong against the Euro, as a consequence of the macroeconomic scenario already described, Latin America currencies in countries where we have presence (Argentina and Venezuela) depreciate, among others the Brazilian Real.

Table 6 - Official exchange rate



Source: World Bank

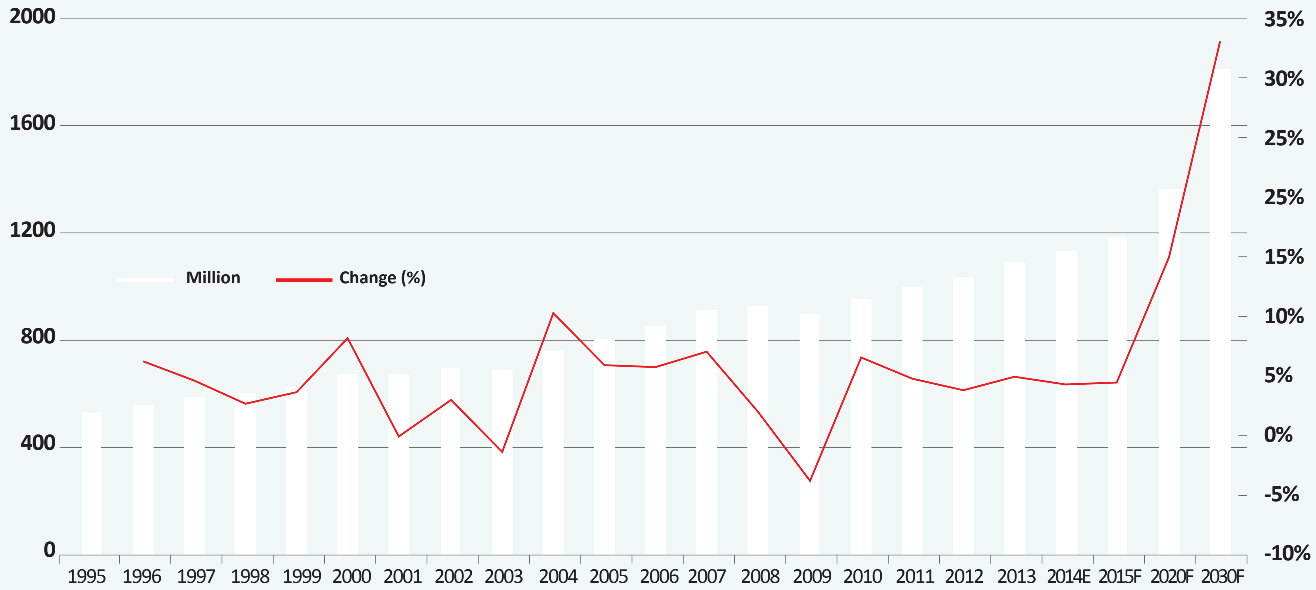
02

TOURISM

2.1 World trend

The tourism activity grow once again in 2015 and continue to be important in several regions in the world to support economies including in those countries in the European Union where crisis has affected the most. International tourist arrivals reached 1,184 million in 2015, a 4,5% increase over the previous year, according to the latest UNWTO World Tourism Barometer and the forecasts for 2030 are impressive, overcoming 1,700 million tourists.

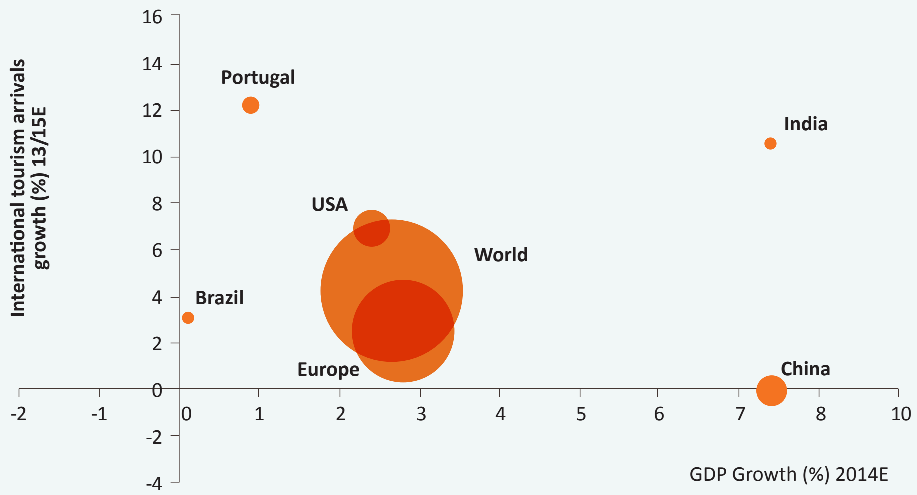
Table 7 - International Tourist arrivals



Source: World Tourism Organization (UNWTO)

Growth in revenues is expected to have followed growth in arrivals and it is expected a figure close to 5% in 2015.At this time, Tourism sector represents almost 10% of the world GDP, 1/11 of employment and USD 1,5bn of exports, equivalent value of 6% of the international trade and 30% of services exports.

Table 8 - Number of International Tourist arrivals



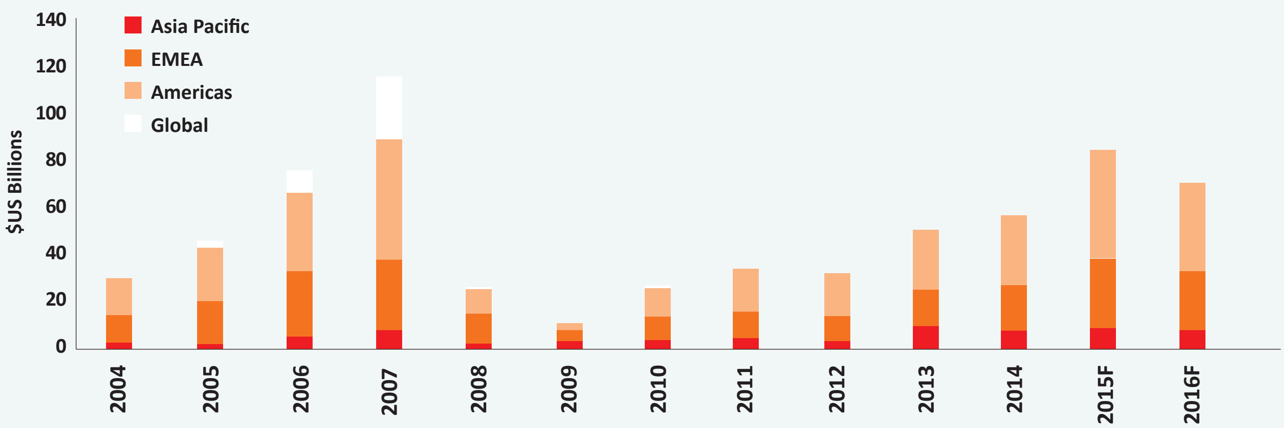
Source: World Bank; UNWTO

Tourists length of stay kept also growing, mainly in recognized brands and in mature destinations where Pestana Group is focus. Investment in this sector (according to the last report – Hotel Investment Outlook 2016 - produced by Jones Lang LaSalle) remained strong during 2015, with the year representing the highest global volume transaction in the last eight years. *"2015 marked the second-highest year on record for hotel transactions, posting a confounding growth rate of 50% on the prior year, a figure which far exceeds that seen in other real estate sectors. With global transactions topping $85 billion in 2015, the year saw a number of records: The volume of single-asset transactions, at $47 billion, was the highest ever*" said JLL.

For 2016, JLL expect another strong year, although investors' desire to buy is more measured.

In Europe, the sales will be driven by single-asset transactions with an increasing share in secondary markets. To find more return, "investors will look beyond the mainstay markets", with secondary German and UK cities, Spain – both the main cities and resort markets. According to the report, both Italy and Portugal should receive more attention.

Table 9 - Global hotel transaction volume 1998 – 2014F



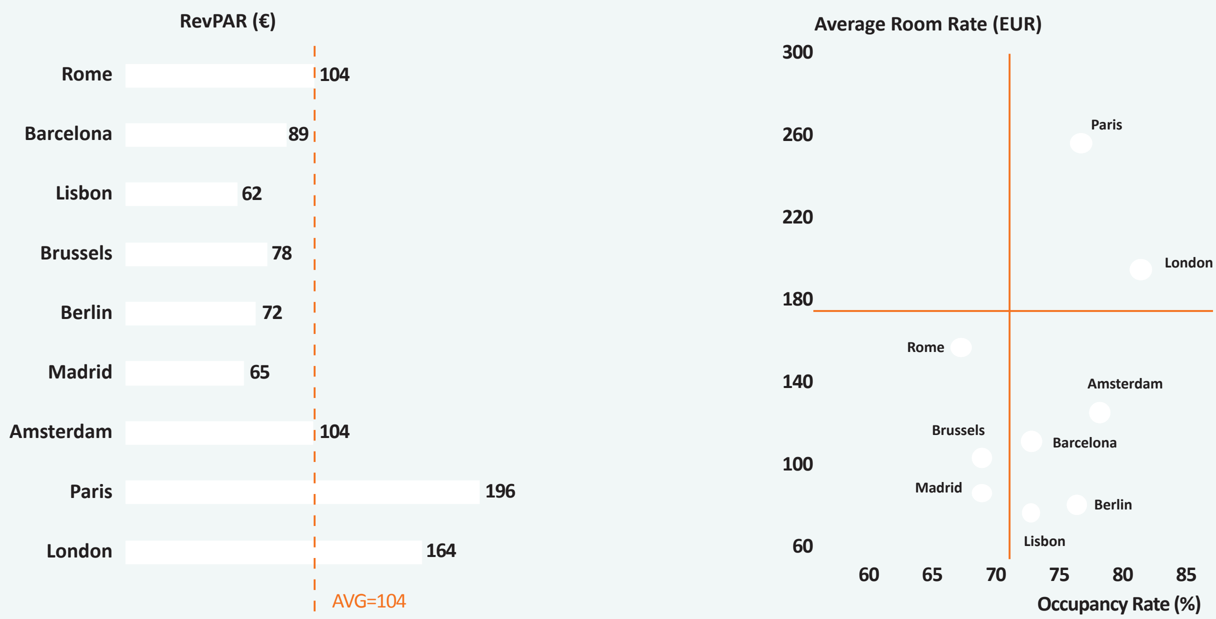
Source: Jones Lang LaSalle in "Hotel Investment Outlook 2015 – Year of upward momentum"

2.2 Europe

In Europe, tourism is also expected to grow close to 4% in 2015, according to World Tourism Organization. The urban and resort segments showed a promising dynamism also due to changes in destination pattern. Demand kept moving from places where persistent social distress like in several countries in north of Africa or Middle and Far East, including Turkey, to regions that offer greater safety and good accessibility.

According to the European Travel Commission report of 2015 3Q, these countries and others in the south of Europe benefit from a balanced guest mix and targeted marketing activities that most European countries developed, making them less vulnerable to market downturns and crises. These strategies were crucial for the success of destinations such as Portugal and Spain.

Table 10 - Revpar, Average Room Rate and Occupancy rates 2014

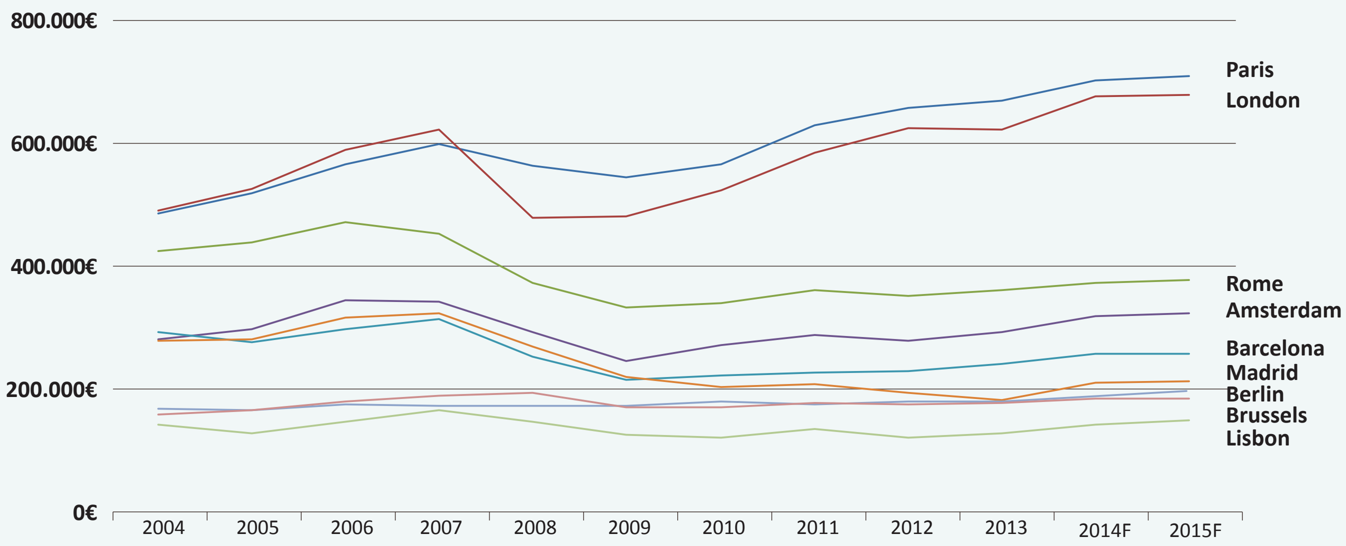


Source: STR Global

The main cities in Europe, in terms of investment (value per room) were once again Paris and London. Pestana Hotel Group has or will have a hotel in cities where Revpar had a positive growth not only in London, but also in Amsterdam, placed third in the HVS ranking, and in Barcelona, Madrid, Berlin and Lisbon that was considered the best short break destination.

In these cities the evolution of the average hotel value per room has also shown a consistent growth, keeping Paris and London in tier 1 and the remaining cities a step behind keeping Lisbon on the tail, despite its growth.

Table 11 - Values per Room



Source: HVS – “European Hotel Valuation”

2.3 Portugal

Portuguese tourism continue to grew in 2015 both in overnights and in Revpar in domestic and international markets that represents more than 40% of the former one in number of visitors. The country feeder markets are the following being mainly European.

Table 12 - Portuguese tourism highlights

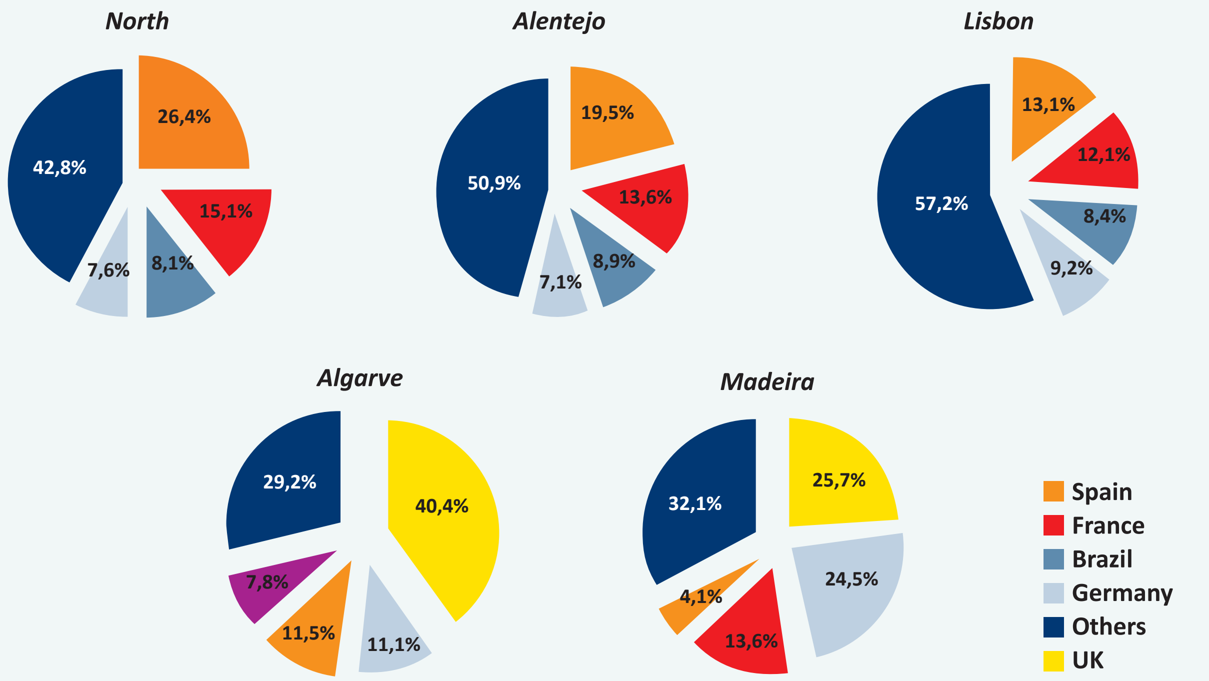
	2014	2015	△15/14
Domestic visitors ('000)	6.776	7.263	7%
International visitors ('000)	9.316	10.176	10%
Overnights by International visitors ('000)	32.349	34.425	7%
Revenue (millions €)	10.000	11.362	9%
RevPAR (€)	33,00	37,80	15%

Feeder Markets (by number of visitors) ('000)	2014	2015	Weigth
UK	1.580	1.719	17%
Spain	1.442	1.542	15%
Germany	984	1.104	11%
France	1.000	1.140	11%
Brazil	579	556	5%
Others	3.730	4.114	40%
TOTAL	**9.316**	**10.176**	**100%**

Source: Turismo de Portugal; INE, BdP

The main touristic regions are still focus in Algarve and Madeira in resort segment and the cities of Lisbon and Oporto (that concentrate the visitors of North region) in the urban segment (city breaks). They all showed a strong demand based in foreign feeder markets, The domestic market kept its recovery started in 2014 and should registered an increase of 7% in terms of visitors when compared with the year before. The economic recovery (GDP continue to grow supported by a surplus in the trade balance), helped to invert the negative trend of the private consumption and the spending in tourism and related touristic activities as in the year before.

Table 13 – Portuguese feeder markets by region (number of visitors)



Source: Turismo de Portugal

2.3.1 Madeira

The island of Madeira, one of the main Portuguese tourist destinations, showed last year somewhat dynamic, having been shown on the supply side some transactions that predict its growth in the next two years. This greater dynamism resulted from increased domestic and international demand for that destination, which in the previous year grew by about 5%.

Demand continued however to have originated in Germany, the UK and France, which represented 57% of total overnight stays made in 2015. It is verified also that these countries registered a growth of 8% strengthening its market position. The Spanish market, which had registered a decline in 2014, recovered again last year about 4%. The Portuguese domestic market decreased in about 5% thus losing market share.

Table 14 – Evolution and structure of overnight stays in Madeira

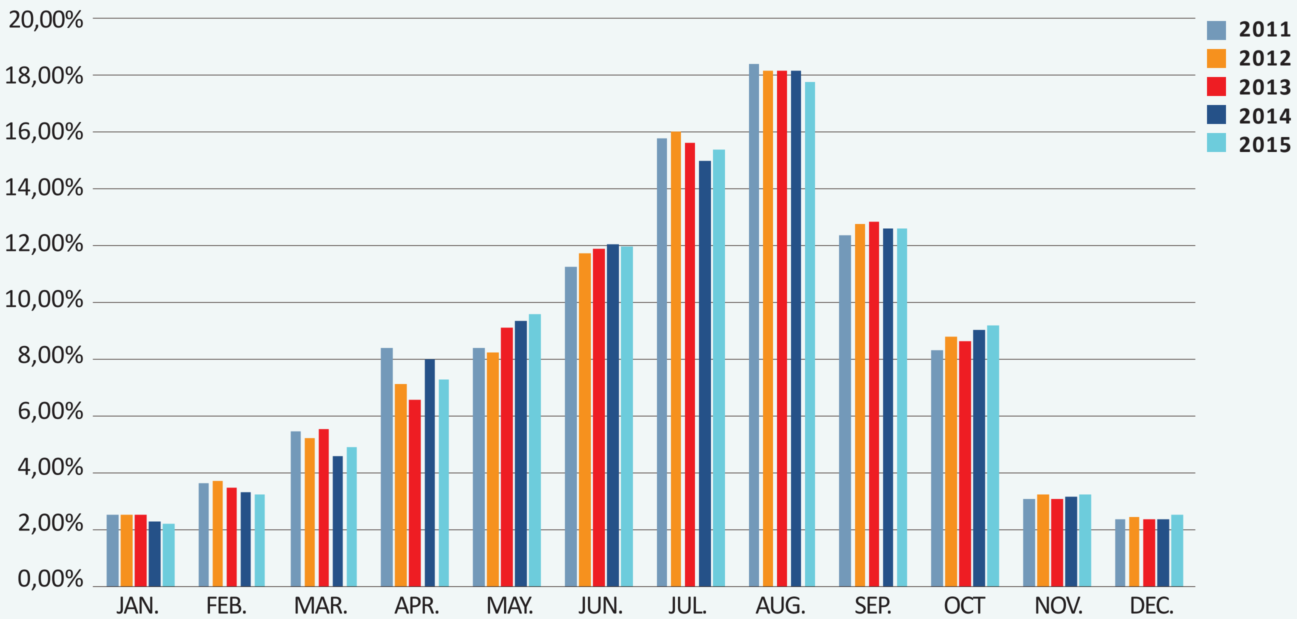
Madeira - Overnigth stays by feeder market ('000)					Weight			
Origin	**2015**	**2014**	**2013**	**2012**	**2015**	**2014**	**2013**	**2012**
Germany	1.532	1.413	1.310	1.250	24,5%	23,8%	23,1%	24,0%
UK	1.545	1.377	1.280	1.081	24,7%	23,1%	22,6%	20,7%
Top 2	**3.077**	**2.790**	**2.590**	**2.332**	**49,3%**	**46,9%**	**45,8%**	**44,7%**
France	656	657	633	572	10,5%	11,0%	11,2%	11,0%
Netherlands	223	210	208	215	3,6%	3,5%	3,7%	4,1%
Spain	194	188	194	193	3,1%	3,2%	3,4%	3,7%
Top 5	**4.150**	**3.844**	**3.625**	**3.312**	**66,4%**	**64,6%**	**64,1%**	**63,5%**
Scandinavia	528	530	479	450	8,5%	8,9%	8,5%	8,6%
Others	965	939	971	903	15,5%	15,8%	17,2%	17,3%
Foreign Markets	**5.643**	**5.313**	**5.075**	**4.664**	**90,3%**	**89,3%**	**89,7%**	**89,4%**
Portugal	604	636	584	551	9,7%	10,7%	10,3%	10,6%
Total	**6.247**	**5.949**	**5.659**	**5.216**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

Source: INE. Data from January to November

2.3.2 Algarve

The Algarve continues to represent the largest hotel offering at a national level and registered in the last four years an average annual growth of close to 5%, although in the last year the increase was only 1%. Tourism in this region is still very marked by the seasonality of demand, which is concentrated in the summer months, even though the spring and autumn have registered a good evolution. Thus, similar to what happened in previous years, the summer months registered a loss of relative weight of demand.

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



Source: Turismo de Portugal, I.P.; INE

Like the previous year, the growth in demand for Algarve hotel units in 2015 is supported by the growth in UK markets (+ 4.5%), Germany (+ 3.9%) and Ireland (+ 3.7 %%) , among others. Demand from countries like Spain and other northern European countries, as well as domestic demand decreased losing weight in total overnights.

Table 16 – Evolution and structure of overnight stays in Algarve

Algarve - Overnigth stays by feeder market ('000)					Weight			
Origin	**2015**	**2014**	**2013**	**2012**	**2015**	**2014**	**2013**	**2012**
UK	5.433	5.198	4.768	4.406	33,5%	65,4%	69,4%	64,2%
Germany	1.614	1.553	1.499	1.346	10,0%	19,5%	21,8%	19,9%
Top 2	**7.048**	**6.751**	**6.267**	**5.770**	**43,5%**	**84,9%**	**91,2%**	**84,1%**
Netherlands	1.274	1.309	1.343	1.392	7,9%	16,5%	19,5%	20,3%
Ireland	990	953	899	788	6,1%	12,0%	13,1%	11,5%
Spain	819	853	677	707	5,1%	10,7%	9,9%	10,3%
Top 5	**10.130**	**1.806**	**1.576**	**1.495**	**62,5%**	**22,7%**	**22,9%**	**21,8%**
Scandinavia	343	393	366	352	2,1%	4,9%	5,3%	5,1%
Others	1.962	1.814	1.605	1.569	12,1%	22,8%	23,4%	22,9%
Foreign Markets	**12.436**	**4.013**	**3.547**	**3.416**	**76,8%**	**50,5%**	**51,6**	**49,8%**
Portugal	3.762	3.935	3.326	3.443	23,2%	49,5%	48,4%	50,2%
Total	**16.198**	**7.949**	**6.872**	**6.859**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

Source: INE. Data from January to November

2.3.3 Lisbon

The Lisbon region verified last year a growth rate in the number of overnight stays higher than 6%. Lisbon is the Portuguese city with the highest international profile in terms of business tourism, focusing more than half of the events taking place in the country. This aspect, combined with the growing interest that the capital has at a leisure tourism level in the international market was reflected in the continued decline of seasonality compared to the other regions of the country.

Spain continued to represent an important share of the number of overnight stays, now along with France that verified a sharp increase in 2015 (over 10%). The German, English and American markets also registered significant increases, unlike the Brazilian, which is certainly not oblivious to exchange variations registered, ie appreciation of the US dollar and the devaluation of the BRL.

Table 17 – Evolution and structure of overnight stays in Lisbon

Lisboa - Overnigth stays by feeder market ('000)					Weight			
Origin	**2015**	**2014**	**2013**	**2012**	**2015**	**2014**	**2013**	**2012**
Spain	1.048	1.089	979	1.011	9,0%	9,6%	10,3%	11,3%
France	1.082	976	744	642	9,3%	8,6%	7,8%	7,2%
Top 2	**2.130**	**2.066**	**1.722**	**1.653**	**18,4%**	**18,2%**	**18,1%**	**18,5%**
Brazil	764	781	711	687	6,4%	6,9%	7,5%	7,7%
Germany	886	755	674	575	7,6%	6,7%	7,1%	6,4%
UK	672	628	474	453	5,8%	5,5%	5,0%	5,1%
Top 5	**4.434**	**4.229**	**3.581**	**3.367**	**38,3%**	**37,3%**	**37,7%**	**37,7%**
USA	517	444	442	394	4,5%	3,9%	4,6%	4,4%
Scandinavia	478	446	429	371	4,1%	3,9%	4,5%	4,2%
Others	3.400	3.640	2.781	2.487	29,3%	32,1%	29,3%	27,8%
Foreign Markets	**8.829**	**8.759**	**7.233**	**6.618**	**76,2**	**77,3%**	**76,1%**	**74,1%**
Portugal	2.758	2.570	2.274	2.312	23,8%	22,7%	23,9%	25,9%
Total	**11.587**	**11.329**	**9.507**	**8.930**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

Source: INE. Data from January to November


PORTO CRUZ

03

ACTIVITY OF PESTANA GRUPO, S.G.P.S., S.A.

3.1 General activity

Some 3 years ago, Pestana Group performed a significant reorganization of its participation's structure in order to enhance the management of the different business areas of the Group. This restructuring also allowed an improvement in the reading of Group's financial statements and its allocation to the different geographies.

Even so, Grupo Pestana, S.G.P.S., S.A. maintained, at that time, a participation of significant influence (48.5%) over Pestana Inversiones, S.L. In January 2015, this participation was disposed of to Pestana International Holdings, S.A. for 19,500,000 euros, which generated a gain amounting to 9,838,326 euros (as a result of the transfer of Other reserves to Profit for the year, corresponding to the realization of the accumulated impact of equity accounting in the measurement of this investment, as foreseen in IAS 28 – Investment in Associates and Joint ventures).

At year-end 2015, Grupo Pestana, S.G.P.S., S.A. consolidates all the touristic business units incorporated in Europe (including Portugal) and North America. The Group manages 49 hotel units (of which 18 are own property and the remaining, including all the hotels that are part of "Pousadas" network, are under management) which offer a diversified range of services in hospitality through the brand names "Pestana Hotels & Resorts", "Pousadas" and "Pestana Collection". It also holds 5 other hotel units under franchising.

The group offering is complemented by the management of 14 establishments related to the vacation club – Pestana Vacation Club (all own property), 6 golf courses (5 own property), the Gambling concession in Madeira and also touristic entertainment establishments and touristic real estate.

The main investments in 2015 were as follows:

— Conclusion of the transformation works of the building located in Praça do Comércio in Lisbon that was used formerly by the Ministry of Internal Administration, into the Pousada de Lisboa with 90 rooms.This hotel opened to the public during May;

— Conclusion of the expansion works of Pestana Porto Hotel, from 48 to 101 rooms, after the acquisition of several adjacent buildings to the existing hotel. The opening of the rooms that are part of the expansion occurred in July, and the new restaurant area in the building opened in October;

— Conclusion of the construction works of a new hotel in Alvor, Algarve, Pestana Alvor South Beach with 80 rooms. This hotel opened in the beginning of August;

— Beginning of the requalification works in Hotel Bahía Pestana, in São Miguel Island in Azores. The hotel became a property of the group after the acquisition of the subsidiary I.A.T.H. in September 2014, and one year after the required requalification works were started;

— In October 2015, the requalification works in Hotel Pestana Alvor Praia began, the most emblematic hotel of the Group in Algarve. The work is estimated to be concluded at the beginning of May 2016;

——— Considering the tremendous success of the first stage of Tróia Eco-Resort, the project development continued through the execution of a new stage.

——— Acquisition of the right of use over a building and the adjacent land in Amsterdam, which has an approved project for the construction of a 5 star hotel in that European city;

——— Throughout the year, Pestana Group made several replacement and upgrade works to maintain assets under management in their ideal condition to optimize returns; we highlight the efforts made in 2015 to complete the wi-fi coverage in all Pestana hotels, a project that will be concluded in 2016;

——— Signing of the concession contract for the building Plaza Mayor in Madrid with the objective of installing a 5 star hotel;

Signing of the concession contract for a plot of land in New York, with the objective of installing a Pestana hotel in the iconic district of Manhattan.

Besides the replacement investments and increase in offerings, the Group has made significant investments in new technologies and implementation of skill centers such as: e-commerce, on-line and direct sales channels; revenue management; channel management and booking. This strategy aims to increase internal efficiency and the effectiveness of sales of accommodation managed by the group. The objective is to create conditions to transform the extra revenue generated by the tourism market recovery into a significant increase of the operating result.

The rebranding process that was presented in the last quarter of 2014 continued to be promoted during 2015. This project that under the umbrella brand “Pestana” has created the sub-brands: Pestana Collection; Pestana Hotels and Resorts; and Pestana Pousadas de Portugal, has been implemented for all the network and will be completed in 2016 with the launch of the new sub-brand Pestana – CR7 Hotels, that will develop a hotel concept directed to younger and more technological segment.

In late 2014, Pestana Group issued a bond loan of 65 million euros with a five year and three months maturity, in which demand was above available supply, having as such increased the maturity of its debt and significantly improved the adequacy of the debt service to the expected trend of cash flows release from the different business units. In 2015, Pestana Group issued two new bond loans, one in July in the amount of 15 million euros for a period of 7 years, and another in December in the amount of 27.5 million euros, for a period of 6 years, having both been fully subscribed.

The structuring of a shared services center in Portugal, that provides back-office and commercial services to the several units of the group continued, having been expanded the number of countries and business units that benefit from these services. This shared services center includes financial services, information technology services, business intelligence, monitoring of investments and construction works, e-commerce, booking and human resources services, and has the objective to increase effectiveness and sufficient volume to recover the today’s investment in this activity. It is Pestana Group intention to have in Portugal one of the most efficient shared services center of the tourism industry.

3.2 Results

Pestana Group presented revenues of 256 million euros, which represents an annual increase of 15%.

The revenue increase of 33 million euros yielded a growth in the Gross operating Profit for hospitality ("GOP") of some 16.5 million euros, corresponding to an increase of 20% when compared with the previous period, which permitted the Group to convert into additional free cash flow some 50% of the revenue increase.

The continued recovery of the tourism market for Portuguese destinations led to an increase in the Group's hotels revenues in Portugal, of more than 20%, which combined with operational efficiencies led to an increase in GOP above 29%.

The hotels in Algarve registered an average growth in GOP of some 17%, hotels in Lisbon, Cascais and Oporto of some 32% and the hotels in Madeira, 23%. The network Pousadas de Portugal increased its capability of freeing cash flow by 65%, with a significant contribution from the new Pousada de Lisboa, which opened in May 2015.

In the recovery of the source markets, besides the traditional markets like: British, German, French and Scandinavian markets, a positive trend in the internal market, which began in 2014, continued during 2015.

On a whole, the hotels in Europe, maintained the previous year's performance. However, there was a positive evolution of the hotels in Berlin and Barcelona which compensated the small decrease of the London hotel. The hotel in Miami, that has doubled its GOP in 2014, decreased this indicator by some 18%.

Pestana Vacation Club continued to increase its results, having increased 16% when compared to 2014.

The Golf business had a good performance in the year. Turnover grew 6.5% and cash flows 13%, when compared with the previous year. Touristic real estate also had a very good performance when compared with the previous year, mainly due to the significant results obtained from Tróia real estate project.

The 2015 evolution of GOP, EBITDA and EBITDAR, compared with prior year, was positive in 29%, 50% and 40% respectively. The growths of EBIT and Profit for the year were even more significant, as EBIT almost doubled, and Profit for the year reached some 41.6 million euros (9.6 million Euros in 2014).

Besides the significant improvement in the operating profit the explanation for this evolution results from the decrease in finance costs of some 2 million Euros and the stability of depreciation and rent costs which compensated the significant impact in taxes (of some 4 million euros).

Additionally, in 2015, Pestana Group sold the Pestana Carlton Madeira Hotel and Hotel D. João II to Real estate investment funds, for the amounts of 31,500,000 Euros and 34,990,000 Euros, respectively, generating a loss of 4,355,638 Euros and a gain of 9,217,348 Euros, respectively.

In November 2015, capital loans to Salvintur - Sociedade de Investimentos Turísticos, S.G.P.S., S.A. that did not earn interest and did not have maturity, were converted to cover losses in the amount of 14,151,815 Euros. These capital loans had been previously considered to be fully impaired. Following the efforts to concentrate the economic activity by Salvor - Sociedade de Investimento Hoteleiro, S.A. in Portugal, particularly in Algarve, this subsidiary did not participate in the capital increase carried out subsequently in Salvintur, SGPS, SA, thus resulting in a decrease in the company's share from 19.00% to 5.74%.

Given this concentration of its economic activity, Salvor – Sociedade de Investimento Hoteleiro S.A. (and, as such, the group of Grupo Pestana, SGPS, SA) does not expect to accompany any new capital increases that may be necessary in the future. As a consequence of the dilution of the financial investment, but also due to some improvement of the results of Salvintur – Sociedade de Investimentos Turísticos, S.G.P.S., S.A., Society of Tourism Investments, SGPS, SA, which leads to some improvement in the estimated cash flow of the subsidiaries of this susbsidiary, namely to those that had initially been expected, during 2015 the remaining impairment charge of 7,234,956 Euros, after haing covered losses, were reversed.

As at 31 December 2015, the Company maintains its intention to sell the financial investment held in Wilbreak29 (PIY) Ltd., estimating that this will occur in 2016. This disposal will be to the Group's holding company for Africa, Salvintur – Sociedade de Investimentos Turísticos, S.G.P.S., S.A, for the fair value of the financial investment. To this purpose, an internal valuation of the financial investment was prepared, based on estimated projected cash flows, an adequate discount rate, and taking into consideration the significant deterioration of the the South African Rand against the Euro, which led to the recognition of an impairment loss of 2,923,357 Euros.

Table 18 – Financial Data

	2015	2014
Rooms (Total keys)	6.857	6.615
Hotel Units	57	57
(Amounts expressed in million Euros)		
Revenue	255,7	222,1
GOP of touristic activity (a)	96,9	80,5
EBITDAR	103,0	70,0
Rents paid to ow ners and concessions	-10,2	-9,4
EBITDA (b)	92,8	60,6
Amortization	-32,9	-31,5
EBIT	60,0	29,1
Net interest paid	-18,8	-20,2
Taxes paid (c)	-4,6	-0,6
Net profit including non-controlling interests	41,6	9,6
GOP margin (%)	38%	36%
EBITDAR margin (%)	40%	32%
EBITDA (%)	36%	27%
EBIT margin (%)	23%	13%
ROE (%)	11,2%	2,5%
EPS	0,55	0,12
EBITDA/Net interest (..x)	-4,9	-3,0
Average cost of debt (%)	5,3%	5,8%

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")

Pestana Group has a total capital expenditure of 732.3 million Euros, which mainly reflects the ownership of 18 hotels and 5 golf resorts. The total of non remunerated funds: equity added to the cash flow obtained from the activities of Pestana Vacation Club (and that in the Financial Position are classified in Liabilities as Deferred income) cover 51% of the adjusted assets, reflecting a good debt-to-equity ratio.

Permanent capital finances all capital expenditure, considering that short term financial liabilities at year-end are similar to the amount of cash and cash equivalents.

To this increase in permanent capital contributed the issuance of bonds at the year-end, which increased the maturity of the debt profile.

Currently, Pestana Group has a debt service aligned with its estimated cash generating capacity, with corporate debt representing some 30% of total debt, with refinancing risks duly managed. Pestana Group has available credit lines in the 12 main financial institutions with which it works in the several regions in which it operates, representing more than 15% of its total debt.

Pestana Group has followed a strategy of maintaining the ownership of hotels with the corresponding recognition as assets in the Statement of Financial Position, unlike other hotel chains which prefer to follow a strategy known as "asset light". As such, it also presents a higher level of financial liabilities.

As referred in the previous caption, during 2015 the Group sold two hotels, although maintaining their management.

The fulfillment of these operations and the increase in operating results, allowed the reduction of Debt/EBITDA from 5.95 to 3.69, which represents a very positive evolution.

Table 19 – Capital tructure

(Amounts expressed in million Euros)

Capital expenditures	2015	% TOT	Var 15/14	2014	% TOT	Var 14/13	2013
Investments - Fixed assets	666,9	92%	-2%	693,3	91%	2%	666,5
Deferred tax liabilities	-35,3	-5%	-2%	-35,9	-5%	1%	-35,5
Total adjusted fixed assets	**631,6**	**87%**	**-2%**	**657,4**	**87%**	**2%**	**631,0**
Investment - Financial assets	43,7	6%	8%	40,3	5%	-35%	62,5
Other non-current assets	22,1	3%	35%	16,4	2%	6%	15,4
Assets - Operating liabilities	30,9	4%	-28%	42,7	6%	50%	28,4
Total capital expenditures	**728,4**	**100%**	**-2%**	**756,8**	**100%**	**1%**	**737,3**

Funding origins	2015	% TOT	Var 15/14	2014	% TOT	Var 14/13	2013
Equity	258,6	36%	-1%	262,1	35%	-1%	264,7
Collected deferred revenue (a)	175,6	24%	-2%	179,9	24%	1%	178,7
Deferred sales costs (a)	-62,6	-9%	19%	-52,8	-7%	-2%	-53,9
Total non-remunerated funding	**371,6**	**51%**	**-5%**	**389,3**	**52%**	**0%**	**389,5**
Long term financial debt	349,9	48%	13%	308,5	41%	10%	280,6
Other non-current liabilities	5,6	1%	-18%	6,9	1%	-4%	7,1
Total non-current funding	**727,1**	**100%**	**3%**	**704,6**	**94%**	**4%**	**677,2**
Short term financial debt	73,1	10%	-27%	100,7	13%	-2%	103,0
Cash + Financial assets available for sale	-71,8	-10%	48%	-48,6	-7%	13%	-42,8
Net current debt	**1,3**	**0%**	**-98%**	**52,1**	**7%**	**-13%**	**60,2**
Total funding origins	**728,4**	**100%**	**-4%**	**756,8**	**101%**	**3%**	**737,3**
Net debt (b)	351,2		-3%	360,7		6%	340,8
EBITDA	92,8		53%	60,6		0%	60,6
Working capital	30,9		-28%	42,7		50%	28,4
Net capex (c)	12,5		-39%	20,5		-57%	47,7
Net debt ratio	48%		0%	48%		5%	46%
Net debt / EBITDA ratio	3,78		-36%	5,95		6%	5,62
Net debt / Equity ratio	0,94		2%	0,93		6%	0,88
Net debt / Total Assets ratio (%)	48%		0%	48%		5%	46%
Liquidity ratio (%)	17%		44%	12%		7%	11%

(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 31,5M Euros and 34,99M Euros, respectively, for disposals of Pestana Carlton Madeira and Pestana D. João II to asset funds. Also Includes 15,8M Euros for the acquisition of Atlantic Bay Ocean."

04

OBJECTIVES AND POLICIES OF PESTANA GROUP REGARDING FINANCIAL RISK

Objectives and policies of Pestana Group regarding financial risk

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

The Company's risk management is controlled by the finance department in accordance with policies approved by the Board of Directors. Accordingly, the Board of Directors has defined global risk management principles as well as specific policies for some areas.

The management of these policies is described in the Notes to the consolidated financial statements which are appended.

05

RELEVANT ISSUES THAT OCORRURED AFTER THE YEAR END

Relevant issues that occurred after the year end

On February 19, 2016 the Group sold its operation of Hotel Alvor Park, for the amount of 5,000,000 Euros. According to IAS 10 - Subsequent events, an impairment loss should be recognized if the Group is aware of conditions after the reporting date of the financial statements that were already existant at the reporting date. As at December 31, 2015, there was an intention to sell this hotel and there was also the expectation of what the sales value would be, discussed and agreed with the buyer, although the transaction was only completed after the year end.

As such, this transaction was reflected in the Group's financial statements as at December 31, 2015, and the net amount of this asset corresponds to the recoverable amount of this group of assets, which resulted in an impairment loss of 1,803,643 Euros.

06

THE FUTURE

The future

The market behaviour in the first months of 2016 indicates that the tourism demand for Portugal continues to show a very positive dynamics, from which Pestana Group expects to take advantage of in an efficient way.

The recovery of the internal market and also of the Spanish market, and the good evolution of German, French and Nordic countries' markets this winter, allows us to foresee a good touristic year.

As such, Pestana Group expects that in 2016, the recovery started at the end of 2013 will consolidate for the Portuguese destinations, and that this will have a positive impact in the Group's results.

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

There is also a good perspective for the hotels of Pousadas network. The implementation of the new strategic plan started in the last quarter of 2014 and the opening of Pousada de Lisboa, which will have its first complete year of activity in 2016, allow us to present promising perspectives about the evolution of the level of results of Pousada network.

In 2016, Pestana Group will open the two first hotels under the sub-brand “Pestana / CR7” in Lisbon and in Madeira, in the second half of the year.

At a corporate level, Grupo Pestana will continue to focus on its strategy, based on 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 commitmment to its employees and the communities surrounding the Group.

07

RECOGNITIONS

Recognitions

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

The Board of Directors whish to acknowledge Mr. Florentino Rodrigues, which was a member of the Board of Directors of some of the companies that integrate the Pestana Group and ceased his activity at the end of 2015, for his commitment, dedication and expertise placed at the service of the Group's interests.

We show gratitude and note with high esteem the trusted relationship that our customers, suppliers and financial institutions have honored us with throughout the development of our activities.

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 we cannot stress enough, 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 in the 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, 18 March 2016

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

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 2015 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, 18 March 2016

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 STATEMENTS

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Consolidated statement of financial position

(Amounts expressed in Euros)	Notes	31 December 2015	31 December 2014
Assets			
Non-current			
Tangible assets	6	708.404.776	725.205.873
Intangible assets	7	13.088.308	14.252.373
Investment properties	8	8.011.151	6.601.752
Investment in associates	9	11.345.137	10.266.745
Other financial investiments	10	32.387.528	30.072.760
Deferred tax assets	11	7.357.068	7.705.845
Financial assets available for sale	12	158.031	202.053
Trade and other receivables	14	14.775.691	8.659.596
		795.527.690	**802.966.997**
Current			
Inventories	15	67.500.574	45.830.673
Trade and other receivables	14	44.846.439	49.467.405
Income tax receivable	16	286.569	1.995.390
Cash and cash equivalents	17	71.684.700	48.354.669
Non-current assets held for sale	18	11.336.421	27.766.219
		195.654.704	**173.414.357**
Total assets		**991.182.394**	**976.381.356**
Equity			
Capital	19	152.420.973	152.420.973
Other reserves	20	4.788.723	13.724.120
Retaining earnings	21	37.710.118	65.326.126
Profit for the period attributable to shareholders		38.502.997	7.867.547
Non-controlling interests	22	25.223.946	22.798.537
Total equity		**258.646.758**	**262.137.303**
Liabilities			
Non-current			
Provisions	23	122.287	82.241
Borrowings	24	329.468.276	303.626.769
Derivatives	25	5.472.185	6.768.136
Deferred tax liabilities	11	35.289.598	35.900.189
Deferred revenue	26	152.422.383	155.041.318
Trade and other payables	27	20.395.900	4.863.496
		543.170.629	**506.282.150**
Current			
Provisions	23	227.516	328.373
Borrowings	24	68.940.481	97.977.271
Deferred revenue	26	23.135.885	24.894.217
Trade and other payables	27	83.890.534	78.819.208
Current tax liabilities	16	4.957.704	1.050.421
Non-current liabilities held for sale	18	8.212.888	4.892.414
		189.365.007	**207.961.903**
Total liabilities		**732.535.636**	**714.244.053**
Total equity and liabilities		**991.182.394**	**976.381.356**

The following notes form an integral part of the Consolidated statement of financial position concerning the period ended 31 December 2015.

Consolidated income statement

		Period	
(Amounts expressed in Euros)	Notes	2015	2014
Revenue	28;29	255.737.726	222.102.054
Cost of sales	15	(32.154.908)	(27.136.135)
External services and supplies	30	(75.987.270)	(71.080.563)
Personnel expenses	31	(63.090.774)	(58.308.856)
Charges of depreciations and amortizations	6;7;8	(31.514.310)	(32.418.509)
(Charges)/Reversals of impairment over depreciable / amortizable assets	6	(1.337.013)	950.792
Impairment of receivables	14	(53.756)	(683.499)
Reversals of impairment over inventories	15	22.148	2.400
Provisions	23	(15.349)	(106.421)
Other income	32	18.776.539	10.997.825
Other expenses	33	(16.917.274)	(13.061.567)
"Gains / (Losses) of investments in associates, other financial investments and non-current assets held for sale"	34	14.850.409	(2.272.392)
Operating profit		**68.316.168**	**28.985.129**
Financial expenses	35	(20.983.551)	(23.203.566)
Financial income	35	2.213.165	3.258.949
Profit before tax		**49.545.781**	**9.040.512**
Income tax	36	(3.135.185)	797.527
Profit from continued operations		**46.410.596**	**9.838.039**
Discontinued operations			
Profit/ (Loss) from discontinued operations	37	(4.804.956)	(219.095)
Profit for the period		**41.605.640**	**9.618.945**
Profit for the period attributable to:			
Shareholders		38.502.997	7.867.547
Non-controlling interests		3.102.643	1.751.399
		41.605.640	**9.618.946**
Earnings per share		0,51	0,12
Earnings per share from continued operations		0,57	0,12
EBITDA		92.817.797	60.602.069
EBITDAR		102.623.388	70.033.347

The following notes form an integral part of the Consolidated income statement for the period ended 31 December 2015.

Consolidated statement of the comprehensive income

		Period	
Profit for the period	Notas	2015	2014
Itens that are recycled through profit or loss		**41.605.641**	**9.618.946**
Other gains and losses recognized directly in equity resulting from investments in associates	20	(86.356)	2.361.340
Foreign currency translation differences	20	(205.213)	480.544
Change in fair value of the financial assets available-for-sale	12	(29.572)	121.952
Impact of changes in tax rate	20	-	(99.545)
Change in the fair value of hedging derivatives	25	1.565.106	164.517
Tax impact in items booked directly in equity	11	(374.338)	(26.553)
Other comprehensive income for the period - net of income tax		**869.627**	**3.002.255**
Total comprehensive income for the period		**42.475.268**	**12.621.201**
Comprehensive income attributable to:			
Shareholders		39.372.624	10.869.802
Non-controlling interests		3.102.644	1.751.399
		42.475.268	**12.621.201**
Earnings per share			
-basic		0,52	0,15
-diluted		0,52	0,15

The following notes form an integral part of the Consolidated statement of the comprehensive income for the period ended 31 December 2015.

Consolidated statement of changes in equity

	Attributable to shareholders							
(Amounts expressed in Euros)	Share capital	Equity instruments	Share premium	Other reserves	Retained earnings	Profit for the period	Non-controling interests	Total
At 1 January 2015	81.530.000	37.200.000	33.690.973	13.724.120	65.326.126	7.867.547	22.798.537	262.137.303
Changes in the period								
Profit for the period application				763.256	7.104.291	(7.867.547)	–	–
Changes in the consolidation perimeter				215.903	2.109.300	–	25.055	2.350.258
Other changes recognized in equity	–	–	–	(10.071.190)	(4.390.402)	–	4.873.364	(9.588.228)
	–	**–**	**–**	**(9.092.031)**	**4.823.189**	**(7.867.547)**	**4.898.419**	**(7.237.970)**
Change in fair value reserve (hedging derivates)				1.190.768	–	–	-	1.190.768
Change in fair value reserve (financial assets available for sale)				(29.572)	–	–	-	(29.572)
Foreign currency impact				(790.356)	–	–	-	(790.356)
Other gains and losses recognized directly in equity resulting from investments in associates				(86.356)	–	–	-	(86.356)
Profit for the period						38.502.997	3.102.644	41.605.641
Comprehensive income				**284.484**	**–**	**38.502.997**	**3.102.644**	**41.890.125**
				(8.807.547)	**4.823.189**	**30.635.450**	**8.001.063**	**34.652.155**
Transaction with shareholders in the period								**-**
Capital increases	–	–	–	-	–	-	-	-
Share premium paid	–	–	–	-	–	-	-	-
Distributions	–	–	–	(127.850)	(32.439.197)	-	(5.575.654)	(38.142.701)
Contributions to cover losses	–	–	–	-	–	-	-	-
Other operations	–	–	–	-	–	-	-	-
	–	–	–	(127.850)	(32.439.197)	-	(5.575.654)	(38.142.701)
At 31 December 2015	**81.530.000**	**37.200.000**	**33.690.973**	**4.788.723**	**37.710.118**	**38.502.997**	**25.223.946**	**258.646.757**

The following notes form an integral part of the Consolidated statement of changes in equity for the period ended 31 December 2015.

(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 investments in 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 shareholders in the period								**–**
Capital increases	–	–	–	–	–	–	–	–
Share premium paid	–	–	–	–	–	–	–	–
Distributions	–	(12.600.000)	–	(175.163)	(2.970.000)	–	(3.090.000)	(18.835.163)
Contributions 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 2015.

Consolidated statement of cash flows

		Period ended 31 December	
(Amounts expressed in Euros)	Note	2015	2014
Cash flow from operating activities			
Receipts from customers		257.667.689	232.630.714
Payments to suppliers		(117.297.484)	(105.302.379)
Payments to personnel		(63.618.664)	(57.076.390)
Cash generated from operations		76.751.541	70.251.945
Income tax received / (paid)		(3.252.794)	(2.987.703)
Other receipts / (payments)		(798.666)	(3.884.367)
Net cash from operating activities		**72.700.081**	**63.379.875**
Cash flow from investing activities			
Cash flow from entries in consolidation perimeter		302.518	678.743
Tangible and intangible assets		51.271.630	1.785.192
Financial investments		44.001	12.365.291
Interest income and similar		1.038.977	1.797.166
Payments related to:			
Tangible and intangible assets		(35.315.141)	(24.164.444)
Financial investments		(23.965.402)	(8.618.566)
Other assets		(7.302)	(2.257.349)
Net cash from investing activities		**(6.630.719)**	**(18.413.967)**
Cash flow from financing activities			
Receipts related to:			
Other financial operations		147.113.318	117.247.430
Change in borrowings from entries in consolidation perimeter		-	16.916.254
Payments related to:			
Borrowings obtained		(134.074.911)	(92.759.593)
Interest expenses and similar		(18.862.742)	(21.606.775)
Dividends		(35.724.821)	(6.235.163)
Share capital and other equity instruments decrease		-	(12.600.000)
Other financing operations		(1.372.243)	(602.777)
Net cash from financing activities		**(42.921.399)**	**359.376**
Changes in cash and cash equivalents		**23.147.963**	**45.325.283**
Effects of exchange differences		1.356.504	(565.970)
Transfer to disposal groups held for sale			
Cash and cash equivalents at beginning of the period	17	28.060.192	(16.699.121)
Cash and cash equivalents at end of the period	17	**52.564.659**	**28.060.192**

The following notes form an integral part of the Consolidated statement of cash flows for the period ended 31 December 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

01 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 to manager the concession of the network “Pousadas de Portugal”, taking the operation of “Pousadas” in the national territory and promoting its internationalization.

In 2010, the group initiated its expansion in Europe, opening of the Chelsea Bridge Hotel, in London.

Nowadays, Pestana group is by far the largest Portuguese group in the tourism sector, with an operation focused 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 (PHR - Pestana Hotels & Resorts and “Pousadas de Portugal”) the Group currently operates 89 units of touristic lodging totaling approximately 10.002 rooms, which makes it the largest network with Portuguese origin, being in the top 25 of the European hotels networks ranking and in the top 75 worldwide.

In the leisure area, Pestana group currently holds, besides 27 hotels (11 in Madeira, 7 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, 6 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 and in Lisbon.

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 the United States.

These consolidated financial statements were approved by the Board of Directors in the meeting held on 18 March 2016. 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 (g)	Madeira
Pestana Atlantic Gardens (b)	Madeira
Madeira Magic (f)	Madeira
Casino da Madeira (f)	Madeira
Centro Intern. Neg. Madeira (f)	Madeira
Pestana Palace	Lisbon
Pousada de Lisboa (d)	Lisbon
Pestana Porto	Porto
Pestana Cascais (b)	Cascais
Pestana Sintra Golf	Sintra
Pestana Beloura Golf Resort	Sintra
Pousadas de Portugal (Rede) (f)	Portugal

Units	Location
Pousada de Cascais	Cascais
Pestana Tróia Eco resort	Tróia
Pestana Alvor Park	Algarve
Pestana Alvor Park Vacation Club	Algarve
Pestana Alvor Praia	Algarve
Pestana Alvor Beach Club (e)	Algarve
Alvor Private Collection	Algarve
Pestana Dom João II (c)	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 Alvor South Beach (e)	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 (f)	Brazil
Pestana Londres	United Kingdom
Pestana Berlim	Germany
Pestana Miami (c)	U.S.A.
Pestana Arena Barcelona (d)	Spain
Hotel Bahia Palace (f)	Azores

(a) – Leased since May 2015
(b) – Management contract / Lease contract
(c) – Leased since December 2015
(d) – Opened in June 2015
(e) – Opened in August 2015
(f) – Concession
(g) - Acquisition in July 2015

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

02 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 and effective as at 1 January 2015. 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.

The accounting policies presented were applied consistently to all periods presented in the financial statements.

These consolidated financial statements have been prepared under the historical cost convention, except for the derivative financial instruments and financial assets available for sale, measured 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 on 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 2015 is the following:

— **IFRS 13** (improvement), ‘Fair value – measurement and disclosure’. This improvement clarifies that the portfolio exception for the measurement at fair value on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39. This clarification did not impact the Group’s financial statements.

— **IAS 40** (improvement), ‘Investment properties’ (to be applied in the European Union in periods that begin on or after 1 January 2015). This improvement clarifies that IAS 40 and IFRS 3 are not mutually exclusive. It is necessary to refer to IFRS 3 when an investment property is acquired, to determine if it is a business combination. This clarification did not impact the Group’s financial statements.

— **IFRIC 21** (new), ‘Levies’. Interpretation to IAS 37 and the recognition of a liability, clarifying that the obligation event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment. This new interpretation had no impact on the Group’s financial statements.

b) The following standards and amendments to existing standards have been published and are mandatory for the accounting periods beginning on or after 1 February 2015, but that the Group has not early adopted:

— **IFRS 2** (improvement), 'Share based payments' (effective for annual periods beginning on or after 1 February 2015). This improvement amends the definitions of vesting conditions that considers that only two type of conditions exist, the "performance conditions" and the "service conditions". The new definition of performance condition foresees that only conditions related to the entity are considered. This change will have no impact on the Group's financial statements.

— **IFRS 3** (improvement), 'Business combinations' (effective for annual periods beginning on or after 1 February 2015). This improvement clarifies that an obligation to pay contingent consideration is classified in accordance with IAS 32, as liability or equity, if it meets the financial instrument definition. The contingent consideration which classifies as a liability shall be measured at fair value through profit and loss. This clarification will have no impact on the Groups's financial statements.

— **IFRS 5** (improvement), 'Non current assets held for sale and discontinued operations' (effective for annual periods beginning on or after 1 January 2016). This improvement clarifies that when an asset (or disposal group) is reclassified from "held for sale" to "held for distribution", or vice versa, this does not constitute a change to the plan of sale or distribution. This change will have no impact on the Group's financial statements.

— **IFRS 7** (improvement), 'Financial instruments: disclosures' (effective for annual periods beginning on or after 1 January 2016). This improvement provides guidance on what is meant by continuing involvement in a transfer (derecognition) of financial assets, for the purpose of required disclosures. This change will have no impact on the Group's financial statements.

— **IFRS 9** (new), 'Financial instruments' (effective for annual periods beginning on or after 1 January 2018). This standard is still subject to endorsement by the European Union. IFRS 9 replaces the guidance in IAS 39, regarding: (i) the classification and measurement of financial assets and liabilities; (ii) the recognition of credit impairment (through the expected credit losses model); and (iii) hedge accounting requirements and recognition. The Group will apply IFRS 9 in the year in which it becomes effective.

— **IFRS 11** (amendment), 'Accounting for the acquisition of interests in joint operations' (effective for annual periods beginning on or after 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business, through the application of IFRS 3's principles. This change will have no impact on the Group's financial statements.

— **IFRS 13** (improvement), 'Fair value' (effective for annual periods beginning on or after 1 February 2015). This improvement clarifies that the ability to measure short-term receivables and payables at the invoiced amounts, where the impact of not discounting is immaterial, was not removed by IFRS 13. This clarification will have no impact on the Group's financial statements.

— **IFRS 15** (new), 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2018). This standard is still subject to endorsement by the European Union. This new standard applies only to contracts with customers to provide goods or services, and requires an entity to recognise revenue when the contractual obligation to deliver the goods or services is satisfied and in the amount that reflects the consideration the entity is expected to be entitled to, following a five step approach. The Group will apply IFRS 15 in the year in which it becomes effective.

Amendment to IFRS 10, 12 and IAS 28, 'Investment entities: applying the consolidation exemption' (effective for annual periods beginning on or after 1 January 2016). This amendment is still subject to endorsement by the European Union. This amendment clarifies that the exemption from the obligation to prepare consolidated financial statements by investment entities applies to an intermediate parent which is a subsidiary of an investment entity. Additionally, the policy choice to apply the equity method, un der IAS 28, is extended to an entity which is not an investment entity, but has an interest in an associate, or joint venture, which is an investment entity. The adoption of these amendments will have no impact on the Group's financial statements.

IAS 1 (amendment), 'Disclosure initiative' (effective for annual periods beginning on or after 1 January 2016). This amendment provides guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements, the disclosure of accounting policies and OCI items presentation when arising from investments measured at the equity method. The Group will adopt this amendment in the period it becomes effective.

IAS 16 (improvement), 'Property, plant and equipment' and IAS 38 'Intangible assets' (effective for annual periods beginning on or after 1 February 2015). This improvement clarifies how the gross carrying amount and the accumulated depreciation/ amortization are treated, when an entity uses the revaluation model for subsequent measurement of tangible and intangible assets, foreseeing two models. This clarification is significant when useful lives or depreciation/ amortization methods are reviewed in the revaluation period. This change will have no impact on the Group's financial statements.

IAS 16 and IAS 38 (amendment), 'Acceptable methods of depreciation and amortisation calculation' (effective for annual periods beginning on or after 1 January 2016). This amendment clarifies that the use of revenue-based methods to calculate the depreciation / amortization of an asset is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an asset. It shall be applied prospectively. This change will have no impact on the Group's financial statements.

IAS 19 (amendment), 'Defined benefit plans – Employee contributions' (effective for annual periods beginning on or after 1 February 2015). This amendment applies to contributions from employees or third parties to defined benefit plans and aims to simplify the accounting when contributions are not associated to the number of years of service. This change will have no impact on the Group's financial statements.

IAS 19 (improvement), 'Employee benefits' (effective for annual periods beginning on or after 1 January 2016). This improvement clarifies that, when determining the discount rate for post-employment defined benefit obligations, this must refer to high quality bonds with the same currency in which the liabilities are denominated. This change will have no impact on the Group's financial statements.

IAS 24 (improvement) 'Related parties' (effective for annual periods beginning on or after 1 February 2015). This improvement amends IAS 24 to include as a related party an entity that provides key management services to the reporting entity or to the parent of the reporting entity. The Group will adopt this change in the period it becomes effective.

IAS 27 (amendment), 'Equity method in separate financial statements' (effective for annual periods beginning on or after 1 January 2016). This amendment allows entities to use equity method to measure investments in subsidiaries, joint ventures and associates in separate financial statements. This amendment applies retrospectively. This amendment does not apply to the Group's consolidated financial statements.

03 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.

3.1. Consolidation

3.1.1. Subsidiaries

Subsidiaries are all entities (including structured entities) over which Pestana Group has control. Pestana Group 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 Pestana Group 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 of and dilutions to non-controlling interests without change of control, the differences resulting between the purchase price and non-controlling interests acquired / disposed of 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 subsidiaries are attributed to non-controlling interests in the proportion of their share in the capital of the respective subsidiary of the Pestana Group.

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

3.1.2. Associates

Associates are entities in which Pestana Group owns between 20% and 50% of the voting rights or over which Pestana Group 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, 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 Pestana Group'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 the consistent application by all 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 correspond to investments in entities in which Pestana Group holds less than 20% of the voting rights or over which Pestana Group 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 refer to transactions between companies of the same group or companies controlled by the same shareholder, and might consist in a merger or acquisition.

Pestana Group records the transactions of acquisition of shares / 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. Thus, the entity identified as the acquirer in the transaction shall allocate 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 in the period.

3.3. Foreign currency translation

i. Functional and presentation currency

The 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 Pestana Group which have a functional currency other than Euro and which are not in the currency of a hyperinflationary economy, 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 on the reporting date;

(b) income and expenses of the 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 Pestana Group 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 the income statement.

iv. Exchange rates used

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

Currency	31-12-2015	31-12-2014
AUD – Australian dollar	1,4897	1,4829
ARS – Argentine peso	14,1124	10,3830
BRL – Brazilian real	4,3117	3,2207
CAD - Canadian dollar	1,5116	1,4063
CHF - Swiss franc	1,0835	1,2024
COP – Colombian peso	3.470,0000	2.902,0000
DKK - Danish krone	7,4626	7,4453
GBP - Great Britain pound	0,7340	0,7789
MAD – Moroccan Dirame	10,7895	10,9773
MZN – Mozambique New Metical	51,1600	40,4700
NOK - Norwegian krone	9,6030	9,0420
SEK - Swedish krone	9,1895	9,3930
USD - United States dollar	1,0887	1,2141
UYU – Uruguaian peso	32,7000	29,2000
VEF – Venezuelan Bolívar	216,3231	60,0615
ZAR – South African rand	16,9530	14,0353

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 their revalued amount, whereas, for all other assets, these were measured at the net amount carried over from the 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 in the intended condition of use. 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 allocated in part or in whole to the timeshare business, initial direct costs incurred in negotiating and accepting these contracts, such as commissions paid to promoters, 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 a recurring nature are recognized in the income statement as incurred.

Depreciations are calculated on a straight line basis, using estimated useful lives. The most significant are 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 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.

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

Tangible assets associated with the concession of the Pousadas de Portugal and the Gambling concession (Casino da Madeira), are reversible at the end of the contract free of charge. Therefore, their 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 an accounting estimate and are applied prospectively.

3.5. Intangible assets

Intangible assets are recognized only when: i) they 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, as determined in the scope of the application of purchase method, as foreseen 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 from the development phase, or if it is not possible to reliably determine costs incurred in the development phase or it is unlikely that their will be future economic benefits for the Pestana Group.

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

Intangible assets of Grupo Pestana refer mainly to 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 refers to the difference between the acquisition cost of the investments in subsidiaries or businesses and the fair value of the acquired assets and liabilities of those companies or businesses as 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 over from the previous GAAP, tested for impairment as at the transition date and in 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 impairment test purposes, which are performed at least once a year and during the month of December. Impairment losses on 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 infrastructure, graphical design and contents.

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

Amortization is calculated on a straight line basis, using estimated useful lives. The most significant are 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 annual impairment tests or whenever impairment indicators are identified.

3.6. Investment properties

Investment properties are real estate assets (land, buildings or parts of buildings) held for the purpose of capital appreciation, obtaining rental income, or both and, therefore, not used in Pestana Group's operating activity. On the date of transition to IFRS, investment properties were valued at their revalued 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 recorded under this caption.

Depreciation is calculated on a straight line basis, using estimated useful lives, which are similar to the ones applied to Tangible 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. Pestana Group performs impairment tests every year, in December, and whenever events or changes in surrounding conditions indicate that the book value may not be recoverable.

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

An impairment loss is recognized related to the excess of the book value of the asset compared to its recoverable amount. The recoverable amount is the highest 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 separate identifiable cash flows exist (cash generating units).

Non-financial assets other than goodwill, for which an impairment loss hase been recognized, are reassessed, at each reporting date, regarding the possible reversal of impairment losses.

When an impairment loss or its reversal is recognised, the depreciation / amortization of the related assets are recalculated prospectively in accordance with the recoverable amount adjusted by the impairment loss.

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 effective as 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 at 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 profits are available for the use of the temporary difference. Deferred tax liabilities are recognized for all taxable temporary differences, except for 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 intruments, 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 their 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 - includes 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 - includes non-derivative financial assets with fixed or determinable payments not listed in an active market;

(iii) Investments held to maturity - includes 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) Available -for-sale financial assets - includes 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 reporting date date.

Purchases and sales of financial assets are recorded on the transaction date, which means, the date on which the Company 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 the income statement for the period when they occur in net finance expenses, which also includes the amounts of interest income and dividends earned.

Available-for-sale financial assets 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 available-for-sale financial assets are recognized in the income statement, under other operating gains, when the right to receive 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 Pestana Group will not receive the amounts due under the original terms of the transaction that originated them.

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

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

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.

Pestana Group applies valuation techniques for non-listed financial instruments, such as derivatives and available-for-sale financial assets. The valuation models that are most often used are discounted cash flows models and option valuation models that incorporate, for example, the interest rate curves and market volatility.

For some types of assets and liabilities, valuation models are used considering data and assumptions that are not directly observable in the market, for which the Group 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 caption and are subsequently reversed through the income statement when impairment triggers reduce or cease to exist.

3.12. Inventories

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

Inventories are measured at acquisition cost, which includes all direct expenditure incurred with the purchase. Subsequently, inventories are valued at the 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 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 refer 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 the selling expenses.

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

Inventories also include materials, raw materials and consumables which are initially measured at the purchase price plus costs directly related to the acquisition.

The cost formula used for registering the consumption / sale of inventories is, in general, 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 initial maturities of up to 3 months.

Bank overdrafts are shown in the consolidated statement of financial position as current liabilities, under the caption 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 until the date of sale.

Discontinued operations are a group of assets held for sale that constitute a reportable operating segment. Their related transactions are 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, with all of their assets and liabilities classified as held for sale and measured at the lower of book value and fair value less costs to sell, no longer recording depreciation/ amortization;

(ii) associates and joint ventures measured using the equity method, will be measured at the lower of book value and fair value less costs to sell, no longer applying the equity method.

When Grupo Pestana decides to abandon an activity, the presentation of non-current assets or groups of assets and liabilities does not change to ‘held for sale’. Although, when they qualify as a reportable operating segment, the transactions in the year of the abandonment 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 Pestana Group has: i) a present legal or constructive obligation resulting from past events; ii) to which is more probable than not that an outflow 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, Pestana Group discloses this fact as a contingent liability, unless the assessment of the outflow of resources for the payment thereof is considered remote.

Pestana Group 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.Pestana Group recognizes a provision for estimated costs to be incurred in the future with the construction warranty given over the houses 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 in the consolidated income statement.

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

Borrowings are initially recognized at fair value, net of transaction costs incurred. 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.

Borrowings are classified as current liabilities unless Pestana Group has an unconditional right to defer the payment of the liability for at least 12 months after the reporting 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 income statement 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 a fair value hedge 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 the income statement, 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 the income statement when the hedged item affects the income statement. The ineffective portion of the hedging relationship is recorded in the income statement.

3.20. Leases

Leases of fixed assets, for which Pestana Group retains 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 when the analysis of one or more particular situations of the contract, lead to that assessment. 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 caption 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 as cost in the consolidated income statement on a straight-line basis over the lease period.

3.21. Government grants and incentives

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

Operating grants 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 repayable borrowings at a reduced interest rate are discounted on the date of initial recognition based on the market interest rate at grant date, with the difference between the repayable borrowing and the discounted amount constituting the grant. The grant shall be amortized over the period of the borrowing or the useful life of the asset that the grant was used to acquire.

Non-reimbursable subsidies granted to Grupo Pestana to acquire tangible 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 subsidized tangible assets.

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 Pestana Group. 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 Pestana Group, 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 accomodation 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.

Pestana Group has in force a loyalty program, denominated as PPG - Pestana Priority Guest, according to which regular customers may obtain discounts and offers in future services. When recording transactions that qualify for the awarding of 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 income statement, and the value allocated to the points is deferred until the date the customer uses the points in the purchase of a product / service, as agreed in the loyalty program, or until the date the points expire.

(ii) Timeshare

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

In general, the sale of timeshare contract gives the buyer the right to use a building or part of a building 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, as Pestana Group 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 the 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 based on usage and its validity term.

When the receipt from a timeshare sale occurs at a later date, i.e., credit is granted, and no interest is charged, the amount of revenue to defer is calculated based on the present value of the receivable. When interest is charged the amount of revenue is recorded at its nominal value.

Maintenance costs on timeshare periods sold are charged to buyers of the timeshare, regardless of the use of the asset in the period established, and recognized annualy as revenue.

(iii) Touristic real estate business

The revenue refers primarily to the sale of land and apartments, also including recognized revenue from rents on investment properties and management services for condominiums and touristic resorts.

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 generally recognized 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 houses, apartments and townhouses, built at the risk of Pestana Group, for sale to third parties, revenue is recognized only when the deed on the property is signed, even if full payment has been previously received, 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 the recharge of costs ineherent to the building / resort management 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 and managed by Pestana Group, usually agreed under long-term contracts.

Revenue normally corresponds to a percentage of the hotel revenue plus a payment of incentives that tend to be calculated by applying a percentage (fixed or variable) to the revenues and / or to 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, houses), the duration of which 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 reliably estimate 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 client.

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

In what refers to the warranty of 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 is reversed at the end of warranty period of each contract.

3.25. Subsequent events

Events after the reporting period that provide additional information about conditions that existed at the end of the reporting period (adjusting events or events after the reporting period that give rise to adjustments) are reflected in the consolidated financial statements. Events after the reporting period that provide information on conditions occurring after the end of the reporting period (non-adjusting events or events after the statement of financial position date that do not lead adjustments) are disclosed in the consolidated financial statements, if considered to be material.

04 Financial risk management policies

4.1. Financial risk factors

Pestana Group'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.

The Pestana Group'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 and 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 currencies other than in the Grupo Pestana's functional currency, the Euro.

Pestana Group´s operating activity is mainly developed in the country in which it operates, Portugal, 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, cash flows are mainly generated by operations in the currency of the country each subsidiary, having the respective funding also been obtained in that currency. Thus, a natural hedge to exchange rate risk over cash flows is obtained. Pestana Group's consolidated financial statements, being presented in Euros, are subject to exchange rate impact caused by the periodic revaluation of its debt which will tend to fade away in the long term.

ii. Credit risk

Pestana Group'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.

There are indicators of impairment in receivables accounts balances when the balances are overdue for more than six month, debtors financial difficulties are observed and a bankruptcy is probable. Each situation is assessed on a case by case basis.

iii. Liquidity risk

The cash needs 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 companies. The specific needs of cash are covered, first by the existing funds available in other Group's 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 income, less current assets) at the end of the period, this situation is partly due to the seasonality of the activity and has been adequately provided for by the Group within the Group's global treasury function. For this effect, the Group has unused portions of short term credit instruments that are more than enough to comply with the short term obligations to third parties (Note 24).

The following table analyzes Pestana Group'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 2015	Less than 1 year	Between 1 and 5 years	More than 5 years
Borrowings:	69.027.014	212.426.047	120.381.883
- bank loans	47.186.739	142.268.358	77.881.883
- bond loans	–	65.000.000	42.500.000
- commercial paper	–	5.000.000	–
- bank overdrafts	19.120.041	–	–
- interests payable - accrual	2.720.234	157.689	–
Trade and other payables - non-group	80.708.049	6.651.251	13.744.648
Derivatives	2.335.747	4.818.138	313.683

31 December 2014	Less than 1 year	Between 1 and 5 years	More than 5 years
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

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 rates, Pestana Group negotiates, whenever appropriate, derivative financial instruments to hedge the respective cash flows (interest rate swaps), which represent hedgings for those long-term loans. The Group has also the option, under certain circumstances, to choose to fix the interest rate in the first years of the loans and analyze, later, the possibility to negotiate interest rate swaps to cover the cash flows of the remaining period of the financing.

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

A sensitivity analysis was performed, based on Pestana Group total debt deducted of the cash and cash equivalents as at 31 December 2015 and 2014.

Considering Pestana Group net debt as at 31 December 2015, an increase of 0.25% in the interest rate would result in the increase in the net finance expenses for the year of approximately 815,000 Euros (31 December 2014: 883,000 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 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.

In general, borrowings 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 beginning 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 2015 and 2014 were as follows:

	31-12-2015	31-12-2014
Total Borrowings (Note 24)	398.408.757	401.604.039
Less: cash and cash equivalents (Note 17)	71.684.700	48.354.669
Net debt	326.724.057	353.249.370
Equity	258.646.758	262.137.303
Total capital	585.370.815	615.386.673
Gearing	**56%**	**57%**

If we consider the deferred revenue from timeshare sales (Note 26) as a component of equity and not as liability, since they do not represent future cash payments, the gearing would be as follows:

	31-12-2015	31-12-2014
Total Borrowings	398.408.757	401.604.039
Less: cash and cash equivalents	71.684.700	48.354.669
Net debt	326.724.057	353.249.370
Adjusted equity	420.414.736	427.814.936
Total capital	747.138.793	781.064.306
Adjusted Gearing	**44%**	**45%**

4.3. Accounting for derivative financial instruments

As at 31 December 2015 and 2014, and whenever appropriate, Pestana Group has hedged its economic exposure to cash flows from existing borrowing through the negotiation of interest rate swaps.

If no hedge designation is made to a derivative financial instrument, it is classified as trading.

It is noteworthy that the loans subject to hedging have implicit spreads much lower 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.

05 Main accounting estimates and judgments

The estimates and judgments that have an impact on Pestana Group'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 Pestana Group'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

Pestana Group 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.

5.4. Leases

The classification of sale & leaseback contracts negotiated over group assets is assessed on a case by case basis, considering management's intention and the substance of the conditions agreed in terms of transfer of risks and rewards associated to the property title and managent of the assets.

Sale & leaseback contracts are classified as true sales of the assets followed by an operational lease, when the contract terms do not foresee the retention of a significant part of the risks and benfits over the assets, by Pestana Group.

Management considers that the existence of contractual conditions like: i) the existence of a call option at a bargain price; ii) the use of a substantial part (+75%) of the remaining useful life of the asset; or iii) the discounted value of the rentals payable corresponds to more than 90% of the fair value of the asset, are indicators that the substance of the leasing contact is a financing. When none of these conditions are foreseen in the leasing contract, this is considered to be an operating lease.

06 Tangible fixed assets

During the period ended as at 31 December 2015 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 2015									
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**
Changes in 2015									
Perimeter entries - acquisition cost	1.934.500	3.327.416	–	–	–	–	1.049.199	12.889.841	19.200.955
Perimeter entries - accumulated depreciation	–	(387.765)	–	–	–	–	(772.574)	–	(1.160.339)
Perimeter entries - impairment	(4.500)	(1.661.875)	–	–	–	–	–	(321.600)	(1.987.975)
Additions	4.094.734	22.541.176	7.802.964	676	303.683	37.022	–	33.324.869	68.105.125
Disposals - acquisition cost	(18.475.000)	(86.078.077)	(1.802.279)	(52.779)	(58.756)	–	–	–	(106.466.891)
Disposals - depreciation	–	43.026.844	595.409	55.118	(18.534)	(2.554)	–	–	43.656.283
Foreign currency translation	722.801	875.667	276.412	2.651	80.669	4.051	–	8.285	1.970.536
Transfers and write-offs	358.059	13.406.364	1.544.271	–	119.103	226	–	(15.865.071)	(437.048)
Transfers to intangible assets	–	–	–	–	–	–	–	(49.801)	(49.801)
Transfers to non-current assets held for sale - acquisition cost	(2.202.000)	(10.825.217)	(1.433.833)	(9.475)	(53.694)	(19.643)	–	(916)	(14.544.778)
Transfers to non-current assets held for sale - accumulated depreciation	–	3.117.780	1.242.371	9.475	53.396	19.643	–	–	4.442.665
Depreciation	–	(21.373.147)	(7.978.786)	(130.283)	(447.554)	(30.019)	(73.019)	–	(30.032.808)
Impairment - Transfers to investment properties	–	36.348	–	–	–	–	–	–	36.348
Impairment - reversal	–	466.630	–	–	–	–	–	–	466.630
Net book value	**142.942.181**	**412.923.649**	**65.071.434**	**279.776**	**1.324.344**	**119.592**	**272.920**	**85.470.879**	**708.404.776**
31 December 2015									
Acquisition cost	143.342.118	795.780.459	219.424.445	3.099.654	18.910.120	733.714	2.063.711	86.136.529	1.269.490.749
Accumulated depreciation	–	(374.548.084)	(154.353.012)	(2.819.878)	(17.581.922)	(614.122)	(1.790.790)	–	(551.707.807)
Accumulated impairment	(399.936)	(8.308.726)	–	–	(3.855)	–	–	(665.649)	(9.378.166)
Net book value	**142.942.181**	**412.923.649**	**65.071.434**	**279.776**	**1.324.344**	**119.592**	**272.920**	**85.470.879**	**708.404.776**

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	634.610	20.232	43.315.922	1.224.073.791
Accumulated depreciation	–	(361.038.175)	(135.944.477)	(2.673.525)	(16.589.278)	(570.050)	(20.232)	–	(516.815.506)
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 entries - acquisition cost	8.709.791	45.237.794	4.465.100	57.842	67.086	8.873	–	–	58.546.486
Perimeter entries - 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)	–	–	(30.763.320)
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**

Changes in the consolidation perimeter

The changes in the consolidation perimeter in 2015 refer to the entry of golf courses and projects under development of Eurogolfe, SA (Note 41). In 2014, the changes relate to the entry 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 41).

Additions, excluding assets under construction

Additions for 2015 refer mainly to the acquisition of the hotel Pestana Atlantic Bay Ocean for the amount of 15,800,000 Euros, under a lease contract until that date.

Additionally, in August 2015, the hotel Pestana Alvor South Beach Resort opened, a 4 star hotel located in the Alvor beach, which extends for several kilometers, fully integrated with the local natural resources and the facilities of a modern hotel. It is a hotel with 80 rooms with a cost of 8,180,000 Euros, having the 2015 additions amounted to approximately 5,400,000 Euros, and the 2014 additions now transferred from assets under construction of approximately 2,780,000 Euros.

Also in 2015, the Group opened the hotel Pousada de Lisboa with 90 rooms, corresponding to 171 beds, as well as a restaurant/ bar area for 60-80 persons, meeting & event rooms, gym, solarium and inner pool. The additions in 2015 amounted to 3,600,000 Euros, having been transferred from assets under construction an amount of approximately 5,250,000 Euros, corresponding to 2014 additions, relating to adaptation works in the building and the installation of all the equipments required by the business.

At the beginning of August 2015, the 53 new rooms of hotel Pestana Carlton Porto became available, as a result of the expansion works performed during approximately 2 years. Also in 2015, it started the renovation of the 48 rooms included in the original building of hotel Pestana Porto Carlton as well as the construction works for 6 new rooms to be built in the the area of the former restaurant.The additions in 2015, amounted to approximately 3,300,000 Euros having been transferred from assets under construction an amount of approximately 4,300,000 Euros, corresponding to 2014 additions.

The additions in 2014 mainly related to the construction of Pestana South Beach Hotel and of Pousada de Lisboa.

The remaining additions as at 31 December 2015 and 2014 relate to refurbishment and replacements in hotels, timeshare contracts acquisition costs (Note 3.4) and works on remodeling houses.

As at 31 December 2015, Pestana Group capitalized finance expenses of 74,653 Euros (31 December 2014: 352,909 Euros).

Disposals

In 2015, the reduction verified in the captions Land and Buildings and other constructions refers to the sale of “Pestana Carlton Madeira” and “Hotel D. João II” to investment funds, for the amount of 31,500,000 Euros and 34,990,000 Euros, respectively, generating a loss of 4,355,638 Euros (Note 33) and a gain of 9,217,348 Euros (Note 32), respectively.

Depreciation

The 2015 depreciation of the tangible assets that entered the consolidation perimeter, relating to Eurogolfe, SA, amounted to 154,114 Euros.

Impairment losses

In 2015, Pestana Group reversed part of the impairment losses recognized regarding the golf course “Alto Golfe” and the respective Club house, as a result of the significant improvement in the operational result generated by these assets. Considering the estimated cash flows and the determined discount rate, the value in use of these assets was considered to be higher than its net book value, having the impairment losses still recorded for these assets, in the amount of 466,630 Euros, been reversed.

The 950,792 Euros of impairment loss reversal recorded in 2014, resulted from the performance of the unit Madeira Magic, beyond initial expectations (511,869 Euros) as well as the performance improvement of the golf course – Pestana Alto Golfe (438,924 Euros), both assets with a cash flow generation greater than originally estimated. Similar to what occurred for 2015, also in the impairment test made as at 31 December 2014, the value of these assets was considered to be higher than their actual net book value, considering the value in use, which was determined based on the estimated gross operating profits (G.O.P.) of the following 5 years, using a discount rate derived from the WACC of the hotel activity of the group and considering nill growth in perpetuity.

Assets under construction

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

	2015	2014
Pestana Manhattan project	23.776.700	–
Quinta da Amoreira project (Algarve)	15.981.106	15.981.106
Tróia project (Note 15)	12.635.539	12.370.631
Amsterdam project	9.285.570	324.685
Lisbon downtown building	6.107.952	3.848.092
Hotel Silves project (change in the perimeter)	4.894.000	–
North of Gramacho land (Algarve)	2.125.063	1.826.117
D. Fernando land (Algarve)	1.926.288	1.926.288
Madeira Beach Club	1.306.739	–
Project in Silves area (Algarve)	1.215.396	1.215.396
Golf course project (Algarve)	1.199.852	1.199.852
Pestana Madrid project	687.649	–
Funchal port project	613.106	–
Sines golf course project (Algarve) (change in the perimeter)	500.001	–
Vale do Pinta adjacent lands (Algarve)	354.900	354.900
Praia Alvor - urban Intervention plan (Algarve)	354.676	–
Pousada Flor da Rosa (improvements)	266.978	–
Pousada de Arraiolos (improvements)	255.949	–
Pousada Lisboa project	–	5.260.135
Extension of Pestana Porto	–	4.317.346
Pestana South Beach project (Algarve)	–	3.226.518
Si-turismo projects (Madeira)	–	666.429
Pestana Atlantic Gardens/Bay - Hotel improvements (Madeira)	–	515.033
Pestana Arena Hotel redecoration (Barcelona)	–	314.537
Quinta S. Pedro land (Algarve)	–	298.886
Others	1.983.415	1.839.321
	85.470.879	**55.485.273**

Pestana Manhattan project refers to 4 star hotel in the north american city of New York. It is located on the 39th Avenue, in the West Site, between the 8th and 9th. It is nearby the referred areas of Time Square, the NY Convention Center, and the Hudson Yards, and is the the major development project of the Group in the USA, with a total of 176 rooms. This new hotel will correspond to an investment of 50 million dollars and the opening date is expected for 2017. This line item includes the amount of 20,301,779 Euros that correspond to the net present value of the miminum lease payments of the ground lease signed in 2015 for a 99 year period, since it was considered that under IAS 17 – leases, all the risks and rewards inherent to property ownership of the assets were transferred to Pestana Group (Note 27).

Quinta da Amoreira project is a 4-star tourist resort 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.

Tróia project consists of the construction of one Aparthotel and an area of shopping / services, including the land for the construction of the aparthotel as well as the expenses incurred with permits, licenses and allotment and also the study and development of the general infrastructures.

The Lisbon downtown project consists of the restoration of a vacant building in Lisbon downtown. This project started with the acquisition of a building with capacity for building a 4-star hotel with 80 beds. It will be an investment of 10 million euros, with estimated opening date for the second half of the year 2016.

Hotel Silves project corresponds to the allotment of the “touristic area 1” already approved by the City Hall of Silves, and for which the infrastructure construction licence was approved in January 2015.

Pestana Amsterdam project refers to “Pestana Raadhuishotel”, a 5 star hotel with 157 rooms. It will be located in the Amsterdam-Zuid district in the west bank of Amstel River and at 15 minutes public transport distance from the main attractions of the city of Amsterdam. It is located in a residential neighborhood very sought after with access to restaurants, cafes and shops. This 5 star hotel will be composed by 3 buildings, one ancient and historical building and two modern buildings, in accordance with a project developed by Dutch architects, which construction will be started during the current year. This project will also comprise one parking lot with 60 places. The investment in this new hotel will be 35 million euros with its opening date foreseen for 2017.

The land North of Gramacho, with a total area of approximately 100 hectares, also known as ‘Quinta de S. Pedro’, is a project still in an early stage of development, where it is foreseen the construction of an 18-hole golf course as well as a real estate area.

D.Fernando project is being developed on a plot of land with a total area of 30 hectares, where the Group has the intention to construct one hotel and a 9-hole golf course.

The amounts related to Madeira Beach Club refer to timeshare contract’s acquisition costs (Note 3.4) that will become effective from 2017 onwards, the date on which the building will be available for use.

The project in Silves area, Algarve, refers to a set of plots of land where it the Group intends to develop a tourism project to focus on nature, with walking paths, bird watching areas and specific areas 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, and aiming towards the diversification of services offered, 9-hole golf course is intended in the future.

Pestana Madrid project refers to the construction of a new 5 star hotel in the center of Madrid. The opening of this hotel is foreseen for 2017.This hotel will have 70 rooms, spa and gym. Pestana Group will increase its presence in Spain, where it owns a hotel in Barcelona.

Porto do Funchal project amounts refer to the construction of a 4 star hotel with 50 rooms, in Praça do Mar, near the sea and the port of Funchal, and results from the concession of a private right of use by the City Hall of Funchal, over the dominial infrastructures implemented in that location.

Assets reversible to the State

Grupo Pestana has recognized in its financial statements assets related with gambling activities 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 2015 is 9,084,585 Euros (31 December 2014: 7,986,238 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 2015 and 2014, the net book value of these assets is as follows:

	2015	2014
Acquisition cost	5.419.031	15.069.957
Accumulated depreciation	(2.826.112)	(6.505.906)
	2.592.919	**8.564.051**

07 Intangible assets

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

	Software	Concessions	Website	Total
1 January 2015				
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**
Additions	110.536	–	365.678	476.214
Disposals	–	(87.416)	–	(87.416)
Transfers from tangible assets	49.801	–	–	49.801
Disposals - acquisition cost	–	(1.496.394)	–	(1.496.394)
Amortization	(174.434)	(1.111.222)	(89.765)	(1.375.421)
Amortization - transfers and write-offs	(10.169)	1.279.320	–	1.269.151
Impairment - charge	–	–	–	–
Impairment - reversal	–	–	–	–
Net book value	**586.255**	**12.155.490**	**346.563**	**13.088.308**
31 December 2015				
Acquisition cost	1.470.267	27.198.811	807.490	29.476.567
Accumulated amortization	(884.012)	(14.408.897)	(460.926)	(15.753.836)
Accumulated impairment	–	(634.423)	–	(634.423)
Net book value	**586.255**	**12.155.490**	**346.563**	**13.088.308**

	Software	Concessions	Website	Total
1 January 2014				
Acquisition cost	1.049.587	28.677.628	441.812	30.169.027
Accumulated amortization	(557.301)	(13.270.706)	(260.288)	(14.088.296)
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	**610.521**	**13.571.202**	**70.650**	**14.252.373**
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**

The balance of Concessions includes:

— The right to operate the network “Pousadas de Portugal”, from 2003 until 2023 inclusive, obtained under the Operation 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 capitalized amount of the total 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 operates since March 2012.

08 Investment properties

Investment properties presented the following movements:

	2015	2014
1 January		
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**
Additions	330.000	65.634
Disposals	–	(16.575)
Impairment - Transfers to tangible assets	(36.348)	–
Transfers and write-offs	13.669	–
Perimeter entries - acquisition cost	1.199.863	–
Depreciation	(106.081)	(86.241)
Depreciation - transfers, disposals and write-offs	8.296	16.575
Impairment - charge	–	–
Impairment - reversal	–	–
	1.409.399	**(20.607)**
31 December		
Acquisition cost	11.408.968	9.865.436
Accumulated depreciation	(2.720.077)	(2.622.292)
Accumulated impairment	(677.740)	(641.392)
Net book value	**8.011.151**	**6.601.752**

Investment properties are intended, mainly, to be rented.

The entries in the consolidation perimeter in 2015 refers to a plot of land in Funchal belonging to the subsidiary Mandreal (Note 6).

As at 31 December 2015 and 2014, the fair value of each one of the assets classified as Investment properties is not less than its carrying amount.

09 Investments in associates

The movement in Investments in associates during the years 2015 and 2014 is as follows:

	2015	2014
1 January	10.266.745	32.644.957
Gains / (losses) from equity accounting (Note 34)	1.078.392	1.552.074
Gains / (losses) recognized directly in equity resulting from associates - equity accounting	–	2.361.340
Impairment losses (Note 34)	–	(55.404)
Transfers to Non-current assets held for sale (Note 18)	–	(19.500.000)
Loans reimbursed	–	(1.400.252)
Transfers to Other debtors - current (Note 14)	–	(6.048.965)
Transfers from Other debtors - current (Note 14)	–	712.995
31 December	**11.345.137**	**10.266.745**

In July 2014, Pestana Group has decided to dispose of the investment held in Pestana Inversiones, S.L.. Therefore, as at 31 December 2014, the referred investment, amounting to 19,500,000 Euros, was transferred from Associates to Non-current assets held for sale (Note 18). The amount transferred corresponded to the lower between the carrying amount determined based on equity acounting applied until 30 June 2014 and the fair value less estimated costs to sell.

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 shareholders loans of 6,048,965 Euros granted to this entity were transferred to Trade and other receivables (current) (Note 14).

As at 31 December 2015, 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%	322.444	–	322.444	–	–	–	322.444	–
Enatur - Empresa Nacional de Turismo, S.A.	49,00%	9.251.036	–	9.251.036	1.190.593	–	1.190.593	10.441.629	3.837.382
Albar - Sociedade Imobiliária do Barlavento, S.A.	49,81%	581.064	–	581.064	–	–	–	581.064	–
		10.154.544	**–**	**10.154.544**	**1.190.593**	**–**	**1.190.593**	**11.345.137**	**3.837.382**

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**

(i) Grupo Pestana S.G.P.S., S.A. owns only 15% of SDM – Sociedade de Desenvolvimento da Madeira, S.A., but it considers that it exercises control over 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 2015 and 2014 are as follows:

	2015	2014
1 January	30.072.760	29.846.323
Perimeter entries	(4.544.400)	–
Acquisitions	–	4.500.000
Loans granted / (reimbursed)	–	765.493
Disposals	(42.166)	(3.285.866)
Decrease in acquisition cost	(14.151.815)	–
Use of impairment losses	14.151.815	–
Impairment losses	(333.622)	(1.753.190)
Impairment reversal	7.234.956	–
31 de Dezembro	**32.387.528**	**30.072.760**

In 2015, the perimeter entry refers to Eurogolfe, S.A., which is consequently derecognized from Other financial investment after the Group acquired 85,71% of its share capital from Pestana International Holdings, S.A.(Note 41).

The impairment losses in 2015 and 2014 periods fully refer to the devaluation of the market value of Imóveis Brisa – F.I.I.F. participation units, based on public listed prices as issued by the Portuguese Securities Market Commission (Note 34).

In November 2015, the Accessory contribution of capital without remuneration and term attributed to Salvintur – Sociedade de Investimentos Turísticos, S.G.P.S., S.A. was converted to cover accumulated losses in the amount of 14,151,815 Euros, having this Accessory contribution of capital an impairment loss previously booked in the same amount. As a consequence of the effort of Salvor – Sociedade de Investimento Hoteleiro, S.A. to concentrate its operations in Portugal and more specifically in Algarve, this group company did not enter in the share capital increase of Salvintur, S.G.P.S., S.A., resulting in the decrease of the percentage of shares held, from 19.00% to 5.74%.

Considering this economic focus of Salvor – Sociedade de Investimento Hoteleiro, S.A. (and consequently of Pestana Group) it is not expected that Salvor will be available to subscribe new share capital increases, that may eventually be necessary, in Salvintur. In 2015, as a consequence of the dilution on this shareholding as well as some improvements in the results of Salvintur – Sociedade de Investimentos Turísticos, S.G.P.S., S.A., which reflects the improvement of the cash flows estimated for the subsidiaries of this entity when comparing with those initialy estimated, the remaining impairment loss was reversed, after the coverage of accumulated losses, in the amount of 7,234,956 Euros.

2014 acquisitions refer exclusively to the share capital increase in Imóveis Brisa – F.I.I.F. subscribed by Grupo Pestana in December 2014.

In 2014, a shareholders loan amounting to 1,000,000 Euros was granted to Eurogolfe, S.A., having been received 234,507 Euros of the shareholders 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).

As at 31 December 2015, Other financial investments relates to the following entities:

Entity	% Owned	Acquisition cost: Investment amount	Acquisition cost: Impairment loss	Acquisition cost: Total	Accessory contributions: Investment amount	Accessory contributions: Impairment loss	Accessory contributions: Total (Nota 42)	Loans granted: Investment amount	Loans granted: Impairment loss	Loans granted: Total (Nota 42)	Total investment
Imóveis Brisa - F.I.I.F.	-	9.338.481	314.544	9.023.937	–	–	–	–	–	–	9.023.937
Salvintur - Sociedade de Investimentos Turísticos, S.G.P.S., S.A.	5,74%	241.683	–	241.683	5.320.000	–	5.320.000	17.548.365	–	17.548.365	23.110.048
Other	-	536.047	292.979	243.068	–	–	–	10.475	–	10.475	253.544
		10.116.211	**607.523**	**9.508.688**	**5.320.000**	**–**	**5.320.000**	**17.558.840**	**–**	**17.558.840**	**32.387.528**

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

Entity	% Owned	Acquisition cost: Investment amount	Acquisition cost: Impairment loss	Acquisition cost: Total	Accessory contributions: Investment amount	Accessory contributions: Impairment loss	Accessory contributions: Total (Nota 42)	Loans granted: Investment amount	Loans granted: Impairment loss	Loans granted: Total (Nota 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	5.320.000	–	5.320.000	31.700.180	21.335.048	10.365.132	15.875.092
Eurogolfe, S.A.	14,30%	144.400	–	144.400	–	–	–	4.400.000	–	4.400.000	4.544.400
Other	-	578.213	292.979	285.234	–	–	–	10.475	–	10.475	295.709
		19.112.119	**9.134.966**	**9.977.153**	**5.320.000**	**–**	**5.320.000**	**36.110.655**	**21.335.048**	**14.775.607**	**30.072.760**

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 2015 and 2014, 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:

	2015	2014
Impact in Income statement		
Deferred tax assets	(360.094)	(786.984)
Deferred tax liabilities	5.056.521	3.174.109
	4.696.427	2.387.125
Impact from changes in the perimeter		
Deferred tax assets	336.310	186.808
Deferred tax liabilities	(4.437.467)	(3.846.129)
	(4.101.157)	(3.659.321)
Impact in equity		
Deferred tax assets	(374.338)	(76.489)
Deferred tax liabilities	–	246.828
	(374.338)	170.339
Net impact of deferred tax	**220.932**	**(1.101.857)**

During 2015, the main changes in deferred taxes results from the decrease in deferred tax liabilities and it is mainly explained by the sale of hotel D.João II, which book value included revaluations not accepted for tax purposes.

As at 31 December 2014, there was a change in the income tax rate from 23% to 21%, to be applied from 2015 onwards. Thus, as at 31 December 2014, the deferred tax position was recalculated with a positive impact in equity of 2,838,407 Euros (positive impact in net profit for the year of 2,426,803 Euros).

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 2015	210.668	758.084	1.199.639	1.503.300	1.176.502	579.003	2.278.649	7.705.845
Perimeter entries (Note 41)	–	–	–	336.310	–	–	–	336.310
Exchange differences	–	–	–	–	49.343	–	–	49.343
Constitution / reversal through equity	–	–	(374.338)	–	–	–	–	(374.338)
Reversal through profit or loss	(92.192)	(744.444)	(1.247)	(543.492)	(268.086)	(9.768)	(84.729)	(1.743.958)
Constitution through profit or loss	36.771	67.627	134.638	409.128	595.369	–	140.333	1.383.866
Changes on period	**(55.421)**	**(676.818)**	**(240.946)**	**201.946**	**376.626**	**(9.768)**	**55.604**	**(348.778)**
31 December 2015	**155.247**	**81.266**	**958.693**	**1.705.246**	**1.553.128**	**569.235**	**2.334.253**	**7.357.068**

The caption Others 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 2014	353.285	1.618.527	1.171.322	1.885.854	779.720	490.563	2.083.240	8.382.510
Perimeter entries (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 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 2015	30.958.070	331.751	3.473.812	1.136.555	35.900.189
Perimeter entries (Note 41)	4.437.467	–	–	–	4.437.467
Exchange differences	4.154	–	–	4.309	8.463
Constitution / reversal through equity	–	–	–	–	–
Constitution through profit or loss	–	–	–	500.499	500.499
Reversal through profit or loss	(2.152.250)	(2.276)	(3.323.923)	(78.571)	(5.557.020)
Changes on period	**2.289.371**	**(2.276)**	**(3.323.923)**	**426.237**	**(610.591)**
31 December 2015	**33.247.441**	**329.475**	**149.889**	**1.562.792**	**35.289.598**

	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 entries (Note 41)	–	–	3.688.269	157.860	3.846.129
Constitution / reversal through equity	–	–	(246.828)	–	(246.828)
Reversal through profit or loss	–	–	–	43.101	43.101
Constitution 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**

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 Available-for-sale financial assets

As at 31 December 2015 and 2014, Grupo Pestana has participation units in some listed entities valued at 158,031 Euros and 202,053 Euros, respectively.

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

The variations in Available-for-sale financial assets are as follows:

	2015	2014
1 January	202.053	5.177.040
Disposals	–	(4.959.183)
Fair value change (Note 20)	(44.022)	(15.803)
Changes on period	(44.022)	(4.974.986)
31 December	**158.031**	**202.053**

The fair value of the participation units was determined as at 31 December 2015 and 2014 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..

During 2014 the shares held of Espirito Santo Financial Group were disposed of for 10,204 Euros (corresponding to selling price of 1 Euro per share) generating a loss of 4,948,979 Euros (Note 34).

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:

31 December 2015	Cash and receivables	Financial assets available for sale	Other financial liabilities	Non-financial assets/ liabilities	Total
Financial assets					
Cash and cash equivalents	71.684.700	–	–	–	71.684.700
Trade and other receivables	34.237.203	-	-	25.384.927	59.622.130
Financial assets available for sale	-	158.031	-	-	158.031
	105.921.903	**158.031**	**-**	**25.384.927**	**131.464.861**
Financial liabilities					
Borrowings	–	–	398.408.757	–	398.408.757
Derivatives	–	–	5.472.185	–	5.472.185
Trade and other payables	-	-	65.069.059	39.217.375	104.286.434
	-	**-**	**468.950.000**	**39.217.375**	**508.167.375**

31 December 2014	Cash and receivables	Financial assets available for sale	Other financial liabilities	Non-financial assets/ liabilities	Total
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					
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**

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..

	31-12-2015			31-12-2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Financial assets available for sale	158.031	-		202.053	-	-
	158.031	**-**	**-**	**202.053**	**-**	**-**
Financial liabilities						
Derivatives		5.472.185	-	-	6.768.136	-
	-	**5.472.185**	**-**	**-**	**6.768.136**	**-**

14 Trade and other receivables

As at 31 December 2015 and 2014, Trade and other receivables is detailed as follows:

	31-12-2015			31-12-2014		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables (i)	28.423.281	–	28.423.281	28.101.993	–	28.101.993
Other receivables (ii)	5.251.869	–	5.251.869	12.643.861	–	12.643.861
Prepayments (iii)	4.262.996	14.775.691	19.038.687	3.975.725	8.659.596	12.635.321
Accrued income	562.052	–	562.052	717.880	–	717.880
Taxes receivable (iv)	6.346.241	–	6.346.241	4.027.946	–	4.027.946
	44.846.439	**14.775.691**	**59.622.130**	**49.467.405**	**8.659.596**	**58.127.001**

i) Trade receivables

	31-12-2015			31-12-2014		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables - group (Note 42)	7.423.904	–	7.423.904	7.238.951	–	7.238.951
Trade receivables - other	20.999.378	–	20.999.378	20.863.042	–	20.863.042
Doubtful debtors	10.003.782	–	10.003.782	11.368.570	–	11.368.570
	38.427.063	–	38.427.063	39.470.563	–	39.470.563
Impairment of trade receivables	(10.003.782)	–	(10.003.782)	(11.368.570)	–	(11.368.570)
	28.423.281	**–**	**28.423.281**	**28.101.993**	**–**	**28.101.993**

Impairment – movements of the year:

	2015	2014
1 January	11.368.570	10.638.648
Increases	1.361.745	1.626.620
Reversals	(1.130.388)	(870.531)
Utilizations	(1.231.728)	(26.167)
Reclassification to other receivables	(364.417)	–
31 December	**10.003.782**	**11.368.570**

ii) Other receivables

	31-12-2015			31-12-2014		
	Current	Non-current	Total	Current	Non-current	Total
Other receivables - group (Note 42)	3.054.376	–	3.054.376	9.746.450	–	9.746.450
Other receivables - other	2.749.387	–	2.749.387	3.242.737	–	3.242.737
Personnel	6.220	–	6.220	25.971	–	25.971
Impairment	(558.114)	–	(558.114)	(371.298)	–	(371.298)
	5.251.869	**–**	**5.251.869**	**12.643.861**	**–**	**12.643.861**

At 31 December 2014, Other debtors – group 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). In 2015 this amount was reimbursed.

Impairment – movements of the year:

	2015	2014
1 January	371.298	443.888
Increases	15.734	8.274
Reversals	(193.335)	(80.864)
Reclassifications from trade receivables	364.417	–
31 December	**558.114**	**371.298**

iii) Prepayments

	31-12-2015			31-12-2014		
	Current	Non-current	Total	Current	Non-current	Total
Comissions	763.387	10.234.614	10.998.001	761.855	8.659.596	9.421.451
Rentals	1.088.730	4.541.077	5.629.807	765.193	–	765.193
Insurances	280.238	–	280.238	589.575	–	589.575
Other services	2.130.641	–	2.130.641	1.859.101	–	1.859.101
	4.262.996	**14.775.691**	**19.038.687**	**3.975.725**	**8.659.596**	**12.635.321**

As at 31 December 2015 and 2014, Commissions respects in full to the deferral of costs associated with sales of Timeshare – Options (Note 3.23 ii).

The caption Rentals includes 4,541,077 Euros relating to the amount paid in advance for the ground lease of the future hotel in Amsterdam.

iv) Taxes receivable

As at 31 December 2015 and 2014, this caption is mainly related to VAT receivable.

15 Inventories

As at 31 December 2015 and 2014, Inventories is detailed as follows:

	2015	2014
Goods	3.780.130	4.391.594
Raw and subsidiary materials	619.009	564.432
Finished goods	4.597.881	4.050.693
Work in progress	58.592.885	36.936.413
	67.589.905	45.943.132
Impairment of inventories	(89.329)	(112.459)
	67.500.574	**45.830.673**

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

	2015	2014
Tróia project	25.380.686	23.562.428
Eurogolfe resort project	20.052.597	–
North of Gramacho land (Note 6)	7.866.691	6.828.552
Abrunheira project	6.291.949	6.291.949
V.Pinta adjacent lands (Note 6)	2.207.224	3.191.588
Apartments	878.007	620.993
Work in progress	513.612	491.596
	63.190.766	**40.987.106**

The Tróia project is mainly related to the construction of houses and the infrastructures of the touristic village. The change occurred is related to the construction development of phase 2 and 3.

The project Pestana Silves Golfe is associated to the a touristic project which includes two 4 star touristic resorts with 232 accomodation units, and results from the entry of Eurogolfe, SA in the consolidation perimeter during 2015.This project was recognized at fair value as at the acquisition date, based on valuations from an independent expert.

The land North of Gramacho relates to a real estate project under development, having been acquired a new adjoining plot of land for 800,000 Euros.

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, framed within the typical environment of Portalegre.

The adjoining land to Vale da Pinta corresponds to plots of land for contruction that are for sale as part of the real estate activities of the group.

In 2015, the Cost of sales totaled 32,154,908 Euros (31 December 2014: 27,136,135 Euros).

The movements in Impairment of inventories are as follows:

	2015	2014
1 January	112.459	114.859
Increases	(982)	-
Reversals	(22.148)	(2.400)
31 December	**89.329**	**112.459**

16 Corporate income tax

During the years ended 31 December 2015 and 31 December 2014, the balances related to Corporate income tax are as follows:

	31-12-2015		31-12-2014	
	Debtor	Creditor	Debtor	Creditor
Current income tax	286.569	4.957.704	1.995.390	1.050.421
	286.569	**4.957.704**	**1.995.390**	**1.050.421**

The balance of Current income tax is detailed as follows:

	2015	2014
Advance payments	278.750	1.601.991
Withholding tax	7.819	393.399
Current income tax estimate	(4.957.704)	(1.050.421)
	(4.671.135)	**944.970**

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 2015, the current income tax is presented as follows:

Companies	2014
Salvor - Sociedade de Investimento Hoteleiro, S.A.	(4.138.981)
M & J Pestana, S.A.	(1.123.385)
Carlton Palácio, S.A.	(643.943)
Carvoeiro Golfe, S.A.	(581.806)
Cota Quarenta, S.A.	(359.205)
Pestana Management, S.A.	(351.549)
Viquingue - Sociedade Turística, S.A.	(203.777)
Hotéis do Atlântico, S.A.	(199.348)
Pestana Cidadela - Investimentos Turisticos, S.A.	(158.015)
Carvoeiro Golfe Sociedade Mediação Imobiliaria, Lda.	(123.681)
Pinheiro Mar, S.A.	(41.456)
Sociedade de Investimento Hoteleiro D. João II, S.A.	(34.893)
Intervisa, Lda.	(21.343)
Eurogolfe, S.A.	(20.747)
Pestana Segurança - Serviços de Segurança e Vigilância, Lda.	(7.922)
Rotas de África - Investimentos Turísticos e imobiliários, S.A.	4.489
Natura XXI Unipessoal, Lda.	7.567
Amoreira - Aldeamento Turístico, Lda.	8.777
Rolldown Golfe, S.A.	9.485
Rio de Prata - Consultadoria e Participações, S.A.	11.396
CapeGreen - Consultadoria Económica e Participações, S.A.	25.329
Beloura Hotel e Golfe - Invest. Turísticos, S.A.	37.079
Mundo da Imaginação - Projectos de Animação Turística, S.A.	38.690
Salvintur - Sociedade de Investimentos Turísticos, S.G.P.S., S.A.	73.205
ECM - Empresa Cervejas da Madeira, Sociedade Unipessoal Lda.	185.609
Djebel, S.G.P.S., S.A.	1.017.459
Grupo Pestana, S.G.P.S., S.A.	2.144.970
Companies in the tax consolidation perimeter	**(4.445.996)**
SDM - Soc. Desenvolvimento da Madeira, S.A.	–
Ponta da Cruz - Soc. Imobiliária e de Gestão de Hotéis, S.A.	(364.421)
Porto Carlton - Soc. de Construção e Exploração Hoteleira, S.A.	(85.871)
ITI - Soc. de Investimentos Turísticos na Ilha da Madeira, S.A.	(50.737)
Pestana Berlin, S.À.R.L	(1.827)
Mandreal - Consultadoria, S.A.	420
Herdade da Abrunheira, S.A.	3.987
Hotel Rauchstrasse 22, S.a.r.l.	6.570
Indústria Açoreana Turistico - Hoteleira (I.A.T.H.), S.A.	12.620
Desarrollos Hoteleros Barcelona 2004, S.A.	27.356
Grupo Pestana Pousadas - Investimentos Turísticos, S.A.	226.764
Other companies	**(225.139)**
Total current income tax	**(4.671.135)**

17 Cash and cash equivalents

The breakdown of Cash and cash equivalents as at 31 December 2015 and 2014 is as follows:

	31-12-2015	31-12-2014
Cash	1.061.882	1.136.782
Bank deposits	70.622.818	47.217.887
	71.684.700	**48.354.669**

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 2015 and 2014 is presented as follows:

	31-12-2015	31-12-2014
Cash	1.061.882	1.136.782
Bank overdrafts	(19.120.041)	(20.294.477)
Bank deposits	70.622.818	47.217.887
	52.564.659	**28.060.192**

18 Non-current assets held for sale

As at 31 December 2015 and 2014, Non-current assets and liabilities held for sale are presented as follows:

	2015	2014
Groups of assets held for sale		
Pestana Alvor Park hotel and business (i)	8.298.468	–
Investment in Wildbreak 29 (PTL), Ltd. (ii)	2.721.829	5.645.186
Group of assets of Convento do Carmo, S.A. held for sale (iii)	316.124	2.621.033
Investment in Pestana Inversiones, S.L. (iv)	–	19.500.000
	11.336.421	**27.766.219**
Pestana Alvor Park Hotel and business (i)	(3.298.121)	–
Group of liabilites of Convento do Carmo, S.A. held for sale (iii)	(4.914.767)	(4.892.414)
	(8.212.888)	**(4.892.414)**
	3.123.533	**22.873.805**

(i) Pestana Alvor Park and business

The Group, after the deliberation of the Board of Directors of Salvor – Sociedade de Investimento Hoteleitro, S.A., in December 2015, decided to dispose of Pestana Alvor Park hotel and the transfer of the business attached to it for the amount of 5,000,000 Euros. Since, as at 31 December 2015 the negotiations for the sale of the hotel were already in place and, there was already an estimate of the sales price, an impairment loss was recognized for the difference between the carrying amount of the assets to be transferred and the estimated consideration to be received, which amounted to 1,803,643 Euros (Note 43).

(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..

In 2014, following the restructuring plan of Pestana Group to have all the shareholdings in the entities located in Afica concentrated in the respective holding company, Salvintur, the group sold the participation held in Southern Escape shares for 5 Euros.

At 31 December 2015, the Group maintains the intention to dispose of the investment held in Wildebreak 29 (PIY), Ltd., estimating that it will occur in 2016. This sale will be done to Salvintur – Sociedade de Investimentos Turísticos, S.G.P.S., the holding for Africa region, at fair value. Concurrently, an internal valuation of this investment was prepared, based on discounted estimated cash flows, appropriate discount rate and the impact of foreign currency differences between South African Rand and the Euro at the assessment date, which are deteriorating significantly, leading to the recognition of an impairment loss of 2,923,357 Euros (Note 34).

(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 2015, the Board of Directors maintains its belief in the sale of these investments.

(iv) Pestana Inversiones, S.L.

At 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 investment was reclassified from Investments in associates to Non-current assets held for sale as at 31 December 2014.

Following Pestana Group's restructuring, this transaction was completed with Pestana International Holdings, S.A. through the contract signed on 30 January 2015, with a gain of 9,838,326 Euros (Note 34), as a result of the transfer from Other Reserves to Profit for the year, of the existing accumulated balances of equity accounting in this investment (Note 20) as foreseen in IAS 28 - Investments in associates and joint ventures.

19 Capital

As at 31 December 2015 and 2014, Capital is as follows:

	2015	2014
Share capital (i)	81.530.000	81.530.000
Other equity instruments:		
Accessory contribution capital (ii)	37.200.000	37.200.000
Share premium (iii)	33.690.973	33.690.973
	152.420.973	**152.420.973**

(i) Share capital

As at 31 December 2015 and 2014, 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 2015 and 2014, Share capital is detailed as follows:

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

(ii) Accessory contributions

As at 31 December 2015 and 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..

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

(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 at the time of the share capital realization. This balance can only be used for incorporation into future share capital increases.

20 Other reserves

Other reserves had the following movements during the period ended 31 December 2015 and 2014:

	Legal reserve (i)	Free reserves	Fair value reserve C.F.H. (ii)	Fair value reserve A.F.S. (iii)	Equity method (iv)	Cumulative Translation Adjustment (v)	Total
1 January 2014	14.764.995	635.482	(4.407.934)	(145.656)	485.911	166.009	11.498.807
Perimeter entries (Note 41)	–	–	(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 accounting (Note 9)	–	–	–	–	2.361.340	–	2.361.340
Foreign currency impact	–	–	–	–	–	480.544	480.544
Changes in other reserves (cash flow hedge) net of income tax	–	–	158.309		–	–	158.309
Changes in the fair value reserve (financial assets available for sale) net of income tax (Note 12)	–	–	–	121.952	–	–	121.952
Impact of changes in income 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**
Perimeter entries (Note 41)	78.710	(2.812)	–	–	–	140.005	215.903
Profit for the period application	763.256	–	–	–	–	–	763.256
Other gains and losses recognized directly in equity resulting from associates - Equity accounting (Note 9)	–	–	–	–	(86.356)	–	(86.356)
Foreign currency impact	–	–	–	–	–	(790.356)	(790.356)
Changes in other reserves (cash flow hedge) net of income tax	–	–	1.190.768	–	–	-	1.190.768
Changes in the fair value reserve (financial assets available for sale) net of income tax (Note 12)	–	–	–	(29.572)	–	-	(29.572)
Dividends	–	(127.850)	–	–	–	-	(127.850)
Others	–	(133.326)	–	–	–	(25)	(133.351)
Transfers to Retained earnings	–	–	–	–	–	(99.512)	(99.512)
Transfers to profit for the period (Note 18)	–	–	–	–	(9.838.326)	-	(9.838.326)
31 December 2015	**16.328.988**	**196.329**	**(3.178.747)**	**(53.276)**	**(8.400.378)**	**(104.193)**	**4.788.723**

(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:

	2015	2014
Enatur – Empresa Nacional de Turismo, S.A.	(7.393.319)	(7.310.752)
Pestana Inversiones, S.L.	–	9.838.326
Albar - Sociedade Imobiliária do Barlavento, S.A.	(1.007.059)	(1.003.270)
	(8.400.378)	**1.524.304**

As referred in Note 18, in 2015, Pestana Inversiones, S.L., that was classified as held for sale, was disposed of. The accumulated balance on this caption related to the equity accounting over the consolidated financial statements of this entity, which included foreign currency exchange differences of foreign operating units.

(v) Cumulative translation adjustment

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:

	2015	2014
BRL - Brazilian real	(919.601)	567.361
GBP - Great Britain pound	194.352	19.876
USD - United States dollar	621.056	58.459
	(104.193)	**645.695**

21 Retained earnings

As at 31 December 2015 and 2014, Retained earnings presented the following movements:

	Total
1 January 2014	**55.367.244**
Dividends	(2.970.000)
Profit for the period application	11.171.764
Changes in the perimeter (Note 40)	(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**
Dividends	(32.439.197)
Profit for the period application	7.104.291
Changes in the perimeter	2.360.300
Transfers from Non-controlling interests	(4.949.183)
Transfers from Other reserves (Note 20)	99.512
Acquisiton of shares and accessory contribution capital from non-controlling interests	(251.000)
Others	459.269
31 December 2015	**37.710.118**

22 Non-controlling interests

Non-controlling interests movements are as follows:

	2015	2014
1 January	22.798.537	20.893.802
Changes in the perimeter (i)	25.055	3.780.711
Dividends	(3.175.654)	(3.090.000)
Profit for the period	3.102.644	1.751.399
Reimbursement of accessory contrubution capital to non-controlling interests	(2.400.000)	–
Other changes in equity	(75.819)	153.150
Transfers to Retained earnings	4.949.183	(690.525)
31 December	**25.223.946**	**22.798.537**

The movements recorded in 2015 as changes in the consolidation perimeter relate to the entry in the consolidation perimeter of Eurogolfe, S.A.. In 2014, these related to the entries of Rauchstrasse 22, S.à.r.l. and of Indústria Açoreana Turístico – Hoteleira (I.A.T.H.), S.A.. (Note 41).

In 2015 and 2014, dividends were distibuted by SDM - Sociedade de Desenvolvimento da Madeira, S.A..

Having been proposed, by the Board of Directors to shareholders, the reimbursement of accessory contributions of capital in December 2015, the shareholders deliberating at the meeting held on 4 January 2016 the reimbursement to the shareholder of the subsidiary Ponta da Cruz, the company AJJ, S.G.P.S, S.A., in the amount od 2,400,000 Euros. This amount was transferred to the caption Other Creditors (Note 27).

The amount transferred to Retain Earnings results from the change in the investment held, through the acquisition from non-controlling interests, of shares in the group companies Grupo Pestana Pousadas de Portugal – Inv. Tur., S.A., Pinheiro Mar, S.A., Mundo da Imaginação, S.A. and Indústria Açoreana Turístico – Hoteleira, S.A..

As at 31 December 2015 and 2014 Mr. Dionísio Pestana, the ultimate shareholder of Pestana International Holdings, S.A., directly owns 10,465,109 Euros of Non-controlling interests, as follows:

	31-12-2015		31-12-2014	
	% held	Value	% held	Value
SDM - Sociedade de Desenvolvimento da Madeira, S.A.	55,00%	10.149.784	55,00%	10.507.989
Pinheiromar, S.A.	0,00%	–	12,00%	(58.222)
Hoteis Atlântico - Sociedade Imobiliária e de Gestão de Hotéis, S.A.	0,08%	18.704	0,08%	18.084
		10.168.488		**10.467.851**

Non-controlling interests refers to the following investments:

	31-12-2015		31-12-2014	
	% held	Value	% held	Value
SDM - Sociedade de Desenvolvimento da Madeira, S.A.	85,00%	15.646.370	85,00%	16.239.620
Ponta da Cruz - Sociedade Imobiliária e de Gestão de Hotéis, S.A.	48,17%	5.235.969	48,17%	6.834.925
Hotel Rauchstrasse 22, S.A.R.L.	26,56%	3.669.294	26,56%	3.759.848
Salvor - Sociedade de Investimento Hoteleiro, S.A.	1,01%	1.439.909	1,01%	1.226.702
Porto Carlton - Sociedade de Construção e Exploração Hoteleira, S.A.	40,00%	1.333.623	40,00%	1.152.953
Grupo Pestana Pousadas - Investimentos Turísticos, S.A.	4,32%	296.038	15,12%	(3.637.062)
Hoteis do Atlântico - Sociedade Imobiliária e de Gestão de Hotéis, S.A.	0,08%	18.704	0,08%	18.084
Desarollos Hoteleros de Barcelona	0,08%	277	0,08%	318
ITI - Sociedade de Investimentos Turísticos na Ilha da Madeira, S.A.	0,01%	138	0,01%	144
Indústria Açoreana Turístico-Hoteleira (I.A.T.H.), S.A.	0,00%	-	15,00%	104.419
Mundo da Imaginação - Projectos de Animação Turística, S.A.	0,00%	-	11,25%	198.519
Sociedade Investimento Imobiliário Eira da Loba, Lda.	1,01%	-	1,01%	(9.344)
Pinheiro Mar, S.A.	0,00%	-	12,00%	(58.222)
Pestana Manhattan	0,08%	(4)	0,00%	-
Amesteldijk Hotel Ontwkkeling B.V.	0,08%	(5)	0,00%	-
Global Mandalay	0,08%	(20)	0,00%	-
Pestana USA	0,08%	(168)	0,00%	-
Pestana Holland Holding	0,08%	(224)	0,00%	-
Pestana Miami LLC	0,08%	(268)	0,08%	(758)
Pestana Management UK, Limited	0,08%	(1.824)	0,08%	(2.239)
Pestana Berlim S.A.R.L.	26,56%	(218.172)	26,56%	(236.743)
Herdade da Abrunheira - Projectos de Desenv.Turístico e Imobiliário, S.A.	33,33%	(462.931)	33,33%	(368.010)
Convento do Carmo, S.A.	25,00%	(1.732.761)	25,00%	(2.424.617)
		25.223.946		**22.798.537**

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 2015	135.486	116.408	158.720	410.614
Increases	38.311	1.288	–	39.599
Decreases	–	(12.250)	(12.000)	(24.250)
Utilizations	–	(26.160)	(50.000)	(76.160)
Transfers	–	(1.499)	1.499	–
Changes on period	38.311	(38.621)	(60.501)	(60.811)
31 December 2015	**173.797**	**77.787**	**98.219**	**349.803**
Current balance	51.510	77.787	98.219	227.516
Non-current balance	122.287	–	–	122.287
	173.797	**77.787**	**98.219**	**349.803**

	Customer guarantees	Litigation and claims in progress	Other provisions	Total
1 January 2014	48.549	86.352	169.292	304.193
Increases	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**

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 houses 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 2015 and 2014, the balance of Other provisions results from ordinary and business related risks.

24 Borrowings

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

	31-12-2015			31-12-2014		
	Current	Non-current	Total	Current	Non-current	Total
Bank loans	47.186.739	220.150.241	267.336.980	54.815.259	238.309.074	293.124.334
Bank overdrafts	19.120.041	–	19.120.041	20.294.477	–	20.294.477
Commercial paper	–	5.000.000	5.000.000	–	3.000.000	3.000.000
Bond loans	–	107.500.000	107.500.000	20.000.000	65.000.000	85.000.000
	66.306.780	332.650.241	398.957.021	95.109.736	306.309.074	401.418.811
Interests payable - accrual	2.720.234	157.689	2.877.923	2.888.463	157.689	3.046.151
Interests paid - deferral	(86.534)	(3.339.654)	(3.426.188)	(20.928)	(2.839.994)	(2.860.922)
	68.940.481	**329.468.276**	**398.408.757**	**97.977.271**	**303.626.769**	**401.604.039**

Pestana Group holds, as at 31 December 2015, a set of unused contracted credit lines in Financial Institutions with a total amount of 93,230,000 Euros. This amount includes a commercial paper programme not used of 31,500,000 Euros, being the remaining related to credit lines and overdrafts of 59,892,000 Euro and 2,000,000 USD respectively.

In July 2015, the Company entered into a paying agent service contract with BBVA (Banco Bilbao Viscaia Argentaria) for the issuing of 150 bond by private subscription, represented by transferable securities in book-entry form and bearer with a nominal value of 100,000 Euros, amounting to EUR 15,000,000 called "Grupo Pestana 2015/2022". This operation was issued and placed in the same month, the registering entity of which is the Centralized System Securities managed by Interbolsa.

In December 2015, the Company entered into a paying agent service contract with BCP bank for the issuing of 2,750 bond by private subscription, represented by transferable securities in book-entry form and bearer with a nominal value of 10,000 Euros, amounting to EUR 27,500,000 called "Obrigações Grupo Pestana 2015/2021". This operation was issued and placed in the same month, the registering entity of which is the Centralized System Securities, managed by Interbolsa.

Also in December 2015, the Company repaid in one installment the amount of 20,000,000 Euros relating to the private subscription issuance of bonds occurred in 2012 with BCP (Banco Comercial Portugues S.A.), entitled "Obrigações Grupo Pestana 2012/2015"

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, the registering entity of which is the Centralized System Securities, managed by Interbolsa.

Bank loans have as collateral the mortgage over some assets of Grupo Pestana (Note 39).

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 2015, 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 2015 and 2014 are as follows:

	2016	2017	2018	2019	2020	Following years	Total
Soft loans							
Euro	1.109.085	1.296.722	1.340.654	971.904	425.944	994.700	6.139.009
	1.109.085	**1.296.722**	**1.340.654**	**971.904**	**425.944**	**994.700**	**6.139.009**
Bank loans							
Euro	44.711.699	37.312.511	34.247.556	30.131.988	31.017.903	42.165.598	219.587.255
Sterling pound	361.187	390.695	406.308	421.064	1.986.364	11.410.222	14.975.840
United States dollar	1.004.768	1.072.888	1.141.008	1.183.583	22.232.629	-	26.634.876
	46.077.654	**38.776.094**	**35.794.872**	**31.736.635**	**55.236.896**	**53.575.820**	**261.197.971**
Commercial paper							
Euro	-	-	-	5.000.000	-	-	5.000.000
	-	**-**	**-**	**5.000.000**	**-**	**-**	**5.000.000**
Bond loans							
Euro	-	-	-	-	65.000.000	42.500.000	107.500.000
	-	**-**	**-**	**-**	**65.000.000**	**42.500.000**	**107.500.000**
	47.186.739	**40.072.816**	**37.135.526**	**37.708.539**	**120.662.840**	**97.070.520**	**379.836.980**

	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 paper							
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**

Loans presented in the table above are due to variable interest rate of 12M, 6M, 3M and 1M Euribor and Libor plus spread.

25 Derivatives

As at 31 December 2015 and 2014, Grupo Pestana had interest rate swaps (hedging derivatives) as follows:

	31-12-2015		31-12-2014	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap – non-current	–	5.472.185	–	6.768.136
Interest rate swap – current	–	–	–	–
	–	**5.472.185**	**–**	**6.768.136**

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

Subsidiary	IAS 39classification	Reference amount	Maturity	Payment period	Rate receivable/ payable	Fair value at 31-12-2015	Fair value at 31-12-2014	Change on period
Grupo Pestana S.G.P.S., S.A.	Hedging	10.000.000	30-12-2019	Semiannual	Eur 6M / 3,04%	(406.271)	(576.951)	170.680
Grupo Pestana S.G.P.S., S.A.	Hedging	15.000.000	30-12-2016	Semiannual	Eur 6M / 2,71%	(62.807)	(192.688)	129.881
Grupo Pestana S.G.P.S., S.A.	Hedging	10.000.000	28-12-2019	Semiannual	Eur 6M / 3,08%	(527.769)	(583.603)	55.834
M & J Pestana, S.A.	Hedging	5.000.000	30-12-2019	Semiannual	Eur 6M / 3,04%	(203.136)	(288.177)	85.041
M & J Pestana, S.A.	Hedging	5.000.000	18-12-2019	Semiannual	Eur 6M / 3,08%	(263.884)	(291.802)	27.917
M & J Pestana, S.A.	Hedging	8.750.000	02-07-2017	Semiannual	Eur 6M / 0,88%	(23.318)	(47.902)	24.584
ITI Soc.Inves. Tur. Ilha Madeira, S.A. (i)	Proportional hedge	7.000.000	26-09-2022	Semiannual	Eur 6M / 4,82%	(709.171)	(901.733)	192.563
ITI Soc.Inves. Tur. Ilha Madeira, S.A.	Hedging	6.000.000	10-10-2016	Semiannual	Eur 6M / 4,74%	(21.861)	(81.564)	59.703
Hoteis Atlantico, S.A.	Hedging	11.000.000	28-05-2020	Quarterly	Libor GBP 3M / 3,43%	(1.058.929)	(1.262.629)	203.700
Carlton Palácio, S.A.	Hedging	5.000.000	30-12-2019	Semiannual	Eur 6M / 3,04%	(203.136)	(288.476)	85.340
Carlton Palácio, S.A.	Hedging	6.000.000	30-12-2016	Semiannual	Eur 6M / 2,71%	(25.123)	(77.075)	51.952
Carlton Palácio, S.A.	Hedging	5.000.000	28-12-2019	Semiannual	Eur 6M / 3,08%	(263.884)	(291.802)	27.917
Beloura Hotel e Golfe - Investimento Turísticos, S.A.	Hedging	9.600.000	30-07-2019	Semiannual	Eur 6M / 4,77%	(306.568)	(464.170)	157.602
Salvor, S.A.	Hedging	5.000.000	30-12-2019	Semiannual	Eur 6M / 3,04%	(203.392)	(286.388)	82.996
Salvor, S.A.	Hedging	7.000.000	30-12-2016	Semiannual	Eur 6M / 2,71%	(29.310)	(89.921)	60.611
Salvor, S.A.	Hedging	5.000.000	28-12-2019	Semiannual	Eur 6M / 3,08%	(263.884)	(291.802)	27.917
Salvor, S.A.	Trading	3.000.000	22-06-2015	Semiannual	Eur 6M / 4,77%	-	(5.542)	5.542
Intervisa Viagens Turismo, S.A.	Hedging	500.000	13-03-2017	Quarterly	Eur 3M / 4,16%	(2.153)	(6.283)	4.130
Hotel Rauchstrasse 22, S.à r.l. (ii)	Hedging	3.000.000	16-06-2015	Semiannual	Eur 6M / 2,44%	-	(66.876)	66.876
Hotel Rauchstrasse 22, S.à r.l. (ii)	Hedging	2.000.000	16-06-2015	Semiannual	Eur 6M / 3,52%	-	(304.238)	304.238
Hotel Rauchstrasse 22, S.à r.l. (ii)	Hedging	2.000.000	16-06-2015	Semiannual	Eur 6M / 3,12%	-	(146.716)	146.716
Hotel Rauchstrasse 22, S.à r.l. (ii)	Hedging	2.000.000	16-06-2015	Semiannual	Eur 6M / 3,30%	-	(221.800)	221.800
Hotel Rauchstrasse 22, S.à r.l. (iii)	Trading	11.500.000	16-06-2025	Semiannual	Eur 6M / 2,10%	(897.589)	-	(897.589)
						(5.472.185)	**(6.768.136)**	**1.295.951**

(i) This derivative is only designated as a hedge instrument in a ratio of 75%. The remaining 25% are considered as trading with the respective variation in fair value recorded in the income statement (Note 35).

(ii) These derivatives were settled on 16 June 2015 as part of renegotiation of the borrowings of Hotel Rauchstrasse 22, SARL.

(iii) This derivative was signed as part of the renegotiation of the borrowings of Hotel Rauchstrasse 22, SARL. It is classified as trading, the reason why its fair value variations were recognized in the income statement.

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 is noteworthy that the borrowings subject to hedging have implicit spreads much lower than the ones that are being currently practiced in the market.

26 Deferred revenue

As at 31 December 2015 and 2014, the detail of Deferred revenue is as follows:

	31-12-2015			31-12-2014		
	Current	Non-current	Total	Current	Non-current	Total
Pestana Vacations Club (i)	12.878.482	115.773.387	128.651.869	14.242.350	124.754.002	138.996.353
Pestana Vacations Club – Options (ii)	2.218.432	30.897.677	33.116.109	2.212.323	24.468.957	26.681.280
Government grants (iii)	1.691.145	5.751.319	7.442.464	1.964.798	5.818.359	7.783.157
Customer loyalty program ("PPG") (iv)	2.529.933	–	2.529.933	2.573.349	–	2.573.349
Others	3.817.892	–	3.817.892	3.901.397	–	3.901.397
	23.135.885	**152.422.383**	**175.558.268**	**24.894.217**	**155.041.318**	**179.935.535**

(i) Pestana Vacations Club - Timeshare

This balance refers to values obtained from the sale of timeshare rights, which are deferred over the period of the awarded right of use of hotels and apartments at Pestana Group (Note 3.23 ii)), which will end between 2016 and 2039.

(ii) Pestana Vacations Club – Options

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

(iii) Government grants

This balance relates to grants obtained, the revenue of which 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 accomodation in hotels of the Pestana Group, enabling the exchange of points for accommodation in hotels of the Group and direct discounts at restaurants and bars as well as other benefits by the customers. The revenue is recognized when the customer uses the points to purchase a product / service, as agreed in the loyalty program, or when the points expire.

27 Trade and other payables

As at 31 December 2015 and 2014, the detail of Trade and other payables is as follows:

	31-12-2015			31-12-2014		
	Current	Non-current	Total	Current	Non-current	Total
Trade payables						
Suppliers (i)	24.807.307	-	24.807.307	18.580.341	–	18.580.341
Other payables						
Other payables (ii)	4.133.611	-	4.133.611	1.710.902	–	1.710.902
Other payables - intercompany (Note 42) (iii)	1.291.432	-	1.291.432	13.807.683	–	13.807.683
Suppliers of tangible assets (iv)	4.202.449	20.395.899	24.598.347	2.746.215	4.863.496	7.609.711
Advances from customers (v)	24.061.360	-	24.061.360	20.833.129	–	20.833.129
Taxes payable (vi)	4.497.990	-	4.497.990	3.306.960	–	3.306.960
Accrued expenses						
Holiday and subsidy pay	10.658.025	-	10.658.025	9.825.033	–	9.825.033
Others	10.238.361	-	10.238.361	8.008.945	–	8.008.945
	83.890.534	**20.395.899**	**104.286.433**	**78.819.208**	**4.863.496**	**83.682.704**

(i) Suppliers

	31-12-2015			31-12-2014		
	Current	Non-current	Total	Current	Non-current	Total
Suppliers - group (Note 42)	1.890.514	-	1.890.514	2.488.062	-	2.488.062
Other suppliers	22.916.793	-	22.916.793	16.092.279	-	16.092.279
	24.807.307	**-**	**24.807.307**	**18.580.341**	**-**	**18.580.341**

(ii) Other payables

As at 31 December 2015 this balance includes 2,400,000 Euros to be paid to AJJ, S.G.P.S., S.A. regarding the reimbursement of accessory contributions of capital.

(iii) Other payables – intercompany

As at 31 December 2014, the balance of Other payables – intercompany included 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

In 2015, this caption includes an amount of 20,301,779 Euros regarding the net present value of the 99 year ground lease contract, negotiated by the group company Pestana Manhattan 39 LLC, as it was considered, in accordance with IAS 17 – Leases, that all the risks and rewards similar to the ownership of the related asset were transferred to Pestana Group.

This caption includes also, among others, the liabilities associated to the financing lease contracts, negotiated by the group, which are presented as follows:

	31-12-2015	31-12-2014
Less than 1 year	1.059.948	634.424
Between 1 and 5 years	6.651.251	2.019.152
More than 5 Years	13.744.648	2.844.344
	21.455.848	**5.497.920**

(v) Advances from customers

Refers mainly to the amounts received along the consctruction works, amounting in total to 14,822,647 Euros (31 December 2014: 8,784,058 Euros), the maintenance costs charged in advance under timeshare contracts amounting to 6,127,867 Euros (31 December 2014: 6,332,891 Euros) and the amounts received when touristic real estate promissory sales agreements are signed. The remaining refers to reservations made by tour operators.

(vi) Taxes payable

	31-12-2015			31-12-2014		
	Current	Non-current	Total	Current	Non-current	Total
Personnel income tax withheld	765.780	–	765.780	831.580	–	831.580
Value added tax (VAT)	2.545.053	–	2.545.053	1.314.159	–	1.314.159
Social security contributions	1.110.743	–	1.110.743	1.042.054	–	1.042.054
Others	76.414	–	76.414	119.167	–	119.167
	4.497.990	**–**	**4.497.990**	**3.306.960**	**–**	**3.306.960**

28 Revenue

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

	2015	2014
Hotel business and Food & beverages	173.514.147	149.999.759
Timeshare	29.823.854	26.739.696
Real estate sale and management services (i)	20.821.880	16.098.883
Golf	9.230.839	9.210.088
Entertainment	10.006.637	10.043.314
Others	12.340.369	10.010.312
	255.737.726	**222.102.054**

(i) Includes construction contracts (Note 29)

The detail of services rendered in Hotel business and Timeshare by country of origin of the customers, for 2015 and 2014, is as follows:

	Hotel business	
Country	**2015**	**2014**
United Kingdom	25,9%	25,8%
Portugal	24,8%	23,0%
Germany	12,6%	12,5%
France	5,0%	4,4%
United States of America	3,5%	4,1%
Spain	3,4%	3,6%
Brazil	2,8%	3,2%
Netherlands	2,2%	1,9%
Switzerland	2,0%	1,9%
Sweden	1,7%	1,9%
Belgium	1,7%	1,8%
Ireland	1,5%	1,5%
Norway	1,2%	1,3%
Russia	0,9%	1,5%
Others	10,8%	11,6%
	100%	**100%**

	Timeshare	
Country	**2015**	**2014**
United Kingdom	57,2%	57,0%
Portugal	10,7%	10,7%
Germany	8,6%	8,4%
Finland	7,6%	7,2%
Sweden	3,3%	3,6%
Others	12,6%	13,1%
	100%	**100%**

29 Construction contracts

As at 31 December 2015 and 2014, 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 2015	Costs incurred 2014	Revenue recognized 2015	Revenue recognized 2014
Construction contracts	6.736.627	2.941.556	7.390.434	3.673.981
	6.736.627	**2.941.556**	**7.390.434**	**3.673.981**

30 External services and supplies

The detail of External services and supplies is as follows:

	2015	2014
Subcontracts	2.708.253	3.734.858
Rents	13.826.967	13.099.373
Maintenance and repair	5.257.995	5.193.063
Advertising	4.220.119	3.610.404
Insurance	1.154.623	1.162.122
Professional fees	15.178.088	13.283.225
Energy	10.056.080	9.354.984
Hygiene/Cleaning	13.965.754	12.888.495
Commisions	4.742.138	4.023.427
Others	4.877.253	4.730.614
	75.987.270	**71.080.563**

External services and supplies costs regarding the subsidiaries that entered in the consolidation perimeter in 2015, amount to 12,007 Euros (Note 41).

Detail of Rentals as at 31 December 2015 and 2014 is as follows:

	2015	2014
Lease	7.518.496	6.242.447
Pestana lease (i)	–	436.838
Concession	2.644.321	2.688.218
Other operating rents	3.664.150	3.731.870
	13.826.967	**13.099.373**

(i) These leases are related to assets used by companies which are now included in the consolidation perimeter of Pestana International Holdings S.A..

31 Personnel expenses

Personnal expenses incurred in 2015 and 2014 are as follows:

	2015	2014
Board of Directors		
Wages and salaries	2.873.006	2.965.048
Social security contributions	517.076	592.373
	3.390.082	**3.557.421**
Staff		
Wages and salaries	47.267.397	43.410.972
Social security contributions	9.936.947	9.002.906
Others	2.496.348	2.337.557
	59.700.692	**54.751.435**
	63.090.774	**58.308.856**

The average number of employees of the companies included in the consolidation perimeter of Pestana Group in 2015 was 2,885 (consolidation perimeter of 2014: 2,603).

Personnel expenses include, in 2015, 1,427,698 Euros of estimated costs with profit sharing for the year (2014: 1,358,825 Euros).

The caption Staff – others includes expenses for termination of employment contracts, negotiated by mutual agreement, of 877,330 Euros (31 December 2014: 702,477 Euros).

Costs incurred in 2015 regarding the subsidiaries that entered the consolidation perimeter were 185,368 Euros (Note 41).

32 Other income

The detail of Other income is presented as follows:

	2015	2014
Foreign currency exchange gains	2.837.689	3.112.760
Supplementary income	4.046.293	3.951.702
Government grants amortization	754.055	789.742
Gains on disposal of tangible assets	10.219.434	1.723.243
Others	919.068	1.420.378
	18.776.539	**10.997.825**

As at 31 December 2015, the caption Gains on disposal of tangible assets mainly relates to the disposal of D. Joao II Hotel, with a gain of 9,217,348 Euros (Note 6).

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.

33 Other expenses

The detail of Other expenses is presented as follows:

	2015	2014
Taxes	6.984.885	5.524.424
Commissions on credit cards	1.316.594	1.168.769
Disposal of tangible assets	4.408.430	24.599
Foreign currency exchange losses	2.235.761	2.323.597
Fair value decreases in financial instruments	647.560	1.232.163
Goodwill	–	677.047
Compensation for damages	–	1.050.000
Others	1.324.044	1.060.968
	16.917.274	**13.061.567**

Taxes refers mainly to the payment of property taxes (IMI and similar), and for 2015 it also includes the amount of VAT to be paid as a result of the disposal of the D. João II Hotel, in the amount of 1,139,555 Euros.

The caption of Losses on disposal of tangible assets mainly relates to the disposal of Pestana Carlton Madeira Hotel with a loss amounting to 4,355,638 Euros (Note 6).

In 2014, the caption goodwill refers to the recognition of the impairment loss on the goodwill from the acquisition the subsidiary Indústria Açoreana Turístico – Hoteleira (I.A.T.H), S.A.

In 2014, the caption Compensating for damages 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 non-developed plots of land.

In 2005, during the construction of this resort, this subsidiary had signed with several property owners a promissory exchange agreement in which it committed to deliver all real estate included in block B in absolutely habitable conditions, and the owners of the non-developed plots of land promised to grant and deliver to the subsidiary these same non-developed plots of land free of encumbrances and charges. Upon termination of the agreeement it was understood that the subsidiary had not fulfilled all assumed obligations and, as such, it signed an extrajudicial agreement in which it has assumed payment of the financial compensation referred to above.

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:

	2015	2014
Disposal of the investment held on Pestana Inversiones, S.L. (Note 9)	9.838.326	–
Impairment reversal - Salvintur accessory contribution capital (Note 10)	7.234.956	–
Gains / (Losses) from equity accounting (Note 9):		
Pestana Inversiones, S.L.	–	1.332.757
Enatur - Empresa Nacional de Turismo, S.A.	1.129.767	600.519
SDEM - Soc. de Desenv. Empr. da Madeira, S.G.P.S., S.A.	(49.847)	(379.640)
Albar - Sociedade Imobiliária do Barlavento, S.A.	(1.528)	(1.561)
Impairment losses - investment in Wildbreak (Nota 18)	(2.923.357)	–
Disposal of the investment held on EuroAtlantic Airways - Transportes	–	3.030.643
Impairment loss - Imóveis Brisa - F.I.I.F. (Note 10)	(333.622)	(1.753.190)
Financial assets available for sale (Note 12):		
Loss	–	(4.948.979)
Change in fair value	(44.023)	(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	(263)	93.282
	14.850.409	**(2.272.392)**

35 Finance expenses and income

Finance expenses and income is detailed as follows:

	2015	2014
Finance expenses		
Interest expenses	14.433.119	15.984.135
Interest rate swaps	2.525.670	3.266.480
Foreign currency exchange losses	2.124.642	1.944.733
Commissions and guarantee fees	1.603.514	1.848.593
Changes in swaps fair value	296.607	–
Derivatives	–	159.625
	20.983.551	**23.203.566**
Finance income		
Interest income	622.523	1.488.712
Interest rate swaps	149.948	368.116
Foreign currency exchange gains	1.343.152	1.282.623
Changes in swaps fair value	48.141	26.566
Others	49.401	92.933
	2.213.165	**3.258.949**

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

In 2014, the caption of Derivatives includes 148,165 Euros regarding the ineffective portion of cash flow hedging of derivatives designated as hedging (Note 25).

Foreign currency exchange losses mainly relates to the currency rate adjustment of the loan denominated in Pounds, by the subsidiary Hotéis do Atlântico – Soc. Imob. e de Gestão de Hotéis, S.A..

Finance expenses and income of the subsidiaries that entered the consolidation perimeter in 2015 amount to 15,675 Euros (Note 41).

36 Income tax

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

	2015	2014
Current income tax	(7.831.612)	(1.589.598)
Deferred tax	4.696.427	2.387.125
	(3.135.185)	**797.527**

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 tax consolidation perímeter, according to RETGS rules.

RETGS includes all subsidiaries directly or indirectly in which Pestana Group holds at least 75% of the share capital and other companies that are controlled by the intermediate parent in Luxembourg, that are resident in Portugal, as well as taxed under the Portuguese Corporate Income Tax.

Under de terms of article 69-A of the Code of Taxation of Income and Gains of Collective Persons (CIRC), it was decided to extend the concept of the Special Taxation Regime for Groups, to Pestana International Holdings S.A. located in Luxembourg, assuming Grupo Pestana, S.G.P.S., S.A. the role defined in the number 3 of article 69-A, namely in what refers to the responsibility over the fulfilment of all obligation that are attributable to the dominant entity.

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.

The tax rate used to measure the taxable differences as at 31 December 2015 and 2014 was 21.5%.

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, as this hotel corresponds to a separate reportable segment within Pestana Group, its activity is presented as a discontinued operation in 2015 and in 2014.

As at 31 December 2015, the Board of Directors maintains the belief in the sale of this investment and has been making all efforts to accomplish it.

The detail of the impact in the Consolidated income statement, by nature, is as follows:

	Period	
	2015	**2014**
Revenue	1.615.062	2.018.781
Cost of sales	(228.814)	(302.630)
External services and supplies	(792.070)	(1.390.625)
Personnel expenses	(600.288)	(448.578)
Provisions	(685.963)	–
Other income	43.657	447.647
Other expenses	(3.696.989)	(100.393)
Operating result	**(4.345.406)**	**224.202**
Finance expenses	(463.676)	(447.758)
Finance income	4.125	4.461
Profit before tax	**(4.804.956)**	**(219.095)**
Income tax	-	–
Result of discontinued operations	**(4.804.956)**	**(219.095)**

38 Commitments

The group is performing the renovation works on structures, redevelopments of facilities and features as well as the maintenance of the network of "Pousadas de Portugal" fulfilling the requirement in the Management Assignment Agreement. Consequently, by the end of 2015 it has spent an annual amount of not less than 3 million euros.

Additionally, the Group maintains the call option over the participation of Fundo Turismo in Pestana Berlin, S.àr.l and in Hotel Rauchstrasse 22, SARL.

39 Contingencies

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

	2015	2014
Mortgages		
Mortgages over hotel units	211.752.097	144.471.898
Mortgages over land	10.748.025	9.274.356
	222.500.122	**153.746.254**
Guarantees		
Guarantees and liability covers	1.014.301	4.912.555
Bank guarantees	35.521.012	31.938.031
	36.535.313	**36.850.586**

Contingent liabilities

As at 31 December 2015, Pestana Group had contingent liabilities of approximately 601,796 Euros (31 December 2013: 569.487 Euros) arising from the ordinary course of business.

As at 31 December 2014, Grupo Pestana had 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. In 2015, the process was closed with a favorable decision to Pestana Group, not giving rise to any payment, as was expected by Group management.

Contingent Assets

In December 2014, and in accordance with the Exceptional Regime of Tax Debt Settlement, established in Decree law no. 151-A/2013, of 31 October, the subsidiary Carlton Palácio, S.A. made full payment of the amount of the case no. 312320101010700 concerning a process of SISA (former property transaction tax), of 439,472 Euros, with no payment of arrears and penalty interest and without any consequence to the due course of the judicial proceedings. 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 2015 are as follows:

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Revenue	Profit / (Loss)	% Interest	% Control
Amesteldijk Hotel Ontwkkeling B.V.	Holanda	Hotel business	31-12-2015	(6.324)	33.308.726	33.315.050	–	(7.323)	99,92%	99,92%
Amoreira - Aldeamento Turístico, Lda.	Portugal	Real estate	31-12-2015	4.876.052	6.385.214	1.509.162	–	(40.020)	98,99%	98,99%
Beloura Hotel e Golfe - Invest. Turísticos, S.A.	Portugal	Hotel business	31-12-2015	4.904.630	14.017.556	9.112.926	3.083.527	(202.030)	100,00%	100,00%
Carlton Palácio - Soc. Const. e Explor. Hoteleira, S.A.	Portugal	Hotel business	31-12-2015	34.153.325	52.871.415	18.718.090	16.207.482	1.829.211	100,00%	100,00%
Carvoeiro Golfe Soc. Mediação Imobiliária, Lda.	Portugal	Real estate	31-12-2015	477.637	734.317	256.680	820.171	464.376	98,99%	98,99%
Carvoeiro Golfe, S.A.	Portugal	Golf and Real estate	31-12-2015	55.869.269	97.336.244	41.466.975	31.390.275	2.496.854	98,99%	98,99%
Convento do Carmo, S.A.	Brazil	Hotel business	31-12-2015	(8.599.924)	223.305	8.823.229	1.676.229	(4.249.151)	71,56%	71,56%
Cota Quarenta - Gestão e Administração Centros Comerciais, S.A.	Portugal	Real estate	31-12-2015	6.344.808	21.665.635	15.320.827	32.057.213	1.238.026	100,00%	100,00%
Desarrollos Hoteleros Barcelona 2004, S.A.	Espanha	Hotel business	31-12-2015	5.504.856	14.656.651	9.151.795	2.634.822	(50.013)	99,92%	99,92%
Eurogolfe, S.A.	Portugal	Golf	31-12-2015	11.008.038	12.005.986	997.948	518.484	208.203	98,99%	98,99%
Global Mandalay S.L.	Espanha	Hotel business	31-12-2015	(20.721)	735.872	756.593	–	(21.507)	99,92%	99,92%
Grupo Pestana Pousadas - Invest. Turísticos, S.A.	Portugal	Hotel business	31-12-2015	30.717.185	71.104.829	40.387.644	32.220.463	(2.704.462)	95,68%	95,68%
Herdade da Abrunheira - Projectos de Des. Tur. e Imob. S.A.	Portugal	Real estate	31-12-2015	811.179	6.506.864	5.695.684	–	(284.789)	66,67%	66,67%
Hotéis Atlântico - Soc. Imob. e de Gest. de Hotéis, S.A.	Portugal	Hotel business	31-12-2015	46.369.042	93.728.409	47.359.367	5.327.174	782.398	99,92%	99,92%
Hotel Rauschtrasse 22, S.A.R.L.	Luxembourg	Hotel business	31-12-2015	6.552.888	19.993.154	13.440.266	1.639.999	(212.233)	73,44%	73,44%
Industria Açoreana Turistico Hoteleira IATH, S.A.	Portugal	Hotel business	31-12-2015	987.473	4.496.819	3.509.346	1.176.163	(446.242)	100,00%	100,00%
Intervisa - Viagens e Turismo, S.A.	Portugal	Distribution	31-12-2015	567.350	2.414.771	1.847.420	1.041.343	76.723	100,00%	100,00%
ITI - Soc. de Invest. Turísticos na Ilha da Madeira, S.A.	Portugal	Hotel business and Entertainment	31-12-2015	44.068.973	73.926.681	29.857.708	30.314.429	7.080.893	100,00%	100,00%
M. & J. Pestana - Soc. de Turismo da Madeira, S.A.	Portugal	Hotel business / Timeshare	31-12-2015	129.303.904	322.425.159	193.121.256	52.642.267	10.858.553	100,00%	100,00%

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Revenue	Profit / (Loss)	% Interest	% Control
Mandreal - Consultadoria, S.A.	Portugal	Timeshare	31-12-2015	1.188.277	1.208.177	19.899	–	7.150	100,00%	100,00%
Mundo da Imaginação - Projectos de Animação Turística, S.A.	Portugal	Entertainment	31-12-2015	1.264.829	3.647.034	2.382.205	712.855	(97.966)	100,00%	100,00%
Natura XXI, Lda.	Portugal	Real estate	31-12-2015	1.455.238	1.468.034	12.796	225	(31.234)	98,99%	98,99%
Pestana Berlin S.À.R.L	Luxembourg	Hotel business	31-12-2015	(819.120)	2.211.580	3.030.699	5.762.453	69.920	73,44%	73,44%
Pestana Cidadela - Investimentos Turísticos, S.A.	Portugal	Hotel business	31-12-2015	6.713.168	17.894.074	11.180.907	5.646.537	634.552	100,00%	100,00%
Pestana Holland B.V.	Netherlands	Hotel business	31-12-2015	3.030.466	15.261.550	12.231.084	–	(174.534)	99,92%	99,92%
Pestana Management UK, Ltd.	United Kingdom	Hotel business	31-12-2015	1.392.320	3.241.344	1.849.024	14.654.952	453.222	99,92%	99,92%
Pestana Management - Serviços de Gestão, S.A.	Portugal	Services	31-12-2015	4.143.746	14.242.573	10.098.827	24.141.973	723.445	100,00%	100,00%
Pestana Manhattan 39 LLC	USA	Hotel business	31-12-2015	7.271.988	7.337.425	65.437	–	(4.507)	99,92%	99,92%
Pestana Miami, LLC	USA	Hotel business	31-12-2015	4.424.364	20.066.875	15.642.511	4.389.010	280.677	99,92%	99,92%
Pestana Segurança, Serviços de Vigilância Segurança, Unipessoal, Lda.	Portugal	Services	31-12-2015	228.062	454.967	226.905	1.132.035	(21.938)	100,00%	100,00%
Pestana USA, Inc.	USA	Hotel business	31-12-2015	7.514.040	7.551.632	37.592	–	(37.388)	99,92%	99,92%
Pinheiro Mar, S.A.	Portugal	Hotel business	31-12-2015	436.518	4.536.695	4.100.177	7.675.014	380.301	100,00%	100,00%
Ponta da Cruz - Soc. Imob. e de Gest. de Hotéis, S.A.	Portugal	Hotel business / Timeshare	31-12-2015	10.884.639	33.719.952	22.835.312	8.101.993	1.659.692	51,83%	51,83%
Porto Carlton - Soc. Constr. e Explor. Hoteleira, S.A.	Portugal	Hotel business	31-12-2015	3.334.058	13.200.962	9.866.905	3.150.391	451.674	60,00%	60,00%
Rio de Prata - Consultadoria e Participações, S.A.	Portugal	Services	31-12-2015	(13.057)	9.600.719	9.613.776	466.306	(42.869)	100,00%	100,00%
Rolldown Golfe, Lda.	Portugal	Golf	31-12-2015	1.109.859	5.902.854	4.792.994	1.184.702	384.223	98,99%	98,99%
Salvor - Soc. de Investimento Hoteleiro, S.A.	Portugal	Hotel business / Timeshare	31-12-2015	139.088.678	208.731.471	69.642.793	26.634.877	16.126.202	98,99%	98,99%
SDM - Soc. Desenvolvimento da Madeira, S.A. a)	Portugal	Services	31-12-2015	19.110.117	22.261.404	3.151.285	9.340.560	2.853.762	15,00%	70,00%
Soc. de Investimento Hoteleiro D. João II, S.A.	Portugal	Hotel business / Timeshare	31-12-2015	1.246.529	3.910.768	2.664.239	796.406	107.924	98,99%	98,99%
Viquingue, Soc. Turística, S.A.	Portugal	Hotel business / Timeshare	31-12-2015	10.855.604	15.808.449	4.952.846	4.452.652	533.642	98,99%	98,99%

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 2014 are presented as follows:

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Revenue	Profit / (Loss)	% Interest	% Control
Amoreira - Aldeamento Turístico, Lda.	Portugal	Real estate	31-12-2014	4.917.072	6.418.051	1.500.979	9.800	(22.721)	98,99%	100,00%
Carlton Palácio - Soc. Const. e Explor. Hoteleira, 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%
Carvoeiro Golfe Soc. Mediação Imobiliária, Lda.	Portugal	Real estate	31-12-2014	21.196.076	50.641.495	29.445.418	11.281.745	300.109	100,00%	100,00%
Carvoeiro Golfe, S.A.	Portugal	Golf and Real estate	31-12-2014	292.641	501.261	208.620	711.202	265.285	98,99%	100,00%
Convento do Carmo, S.A.	Brazil	Hotel business	31-12-2014	37.544.775	80.067.004	42.522.229	20.461.648	1.172.361	98,99%	100,00%
Cota Quarenta - Gestão e Administração Centros Comerciais, S.A.	Portugal	Real estate	31-12-2014	(5.212.720)	3.960.908	9.173.627	1.956.995	(540.513)	57,24%	75,00%
Desarrollos Hoteleros Barcelona 2004, S.A.	Espanha	Hotel business	31-12-2014	5.106.783	35.719.855	30.613.073	–	(5.615)	100,00%	100,00%
Grupo Pestana Pousadas - Invest. Turísticos, S.A.	Portugal	Hotel business	31-12-2014	4.704.869	14.940.736	10.235.867	2.312.716	(34.949)	99,92%	100,00%
Herdade da Abrunheira - Projectos de Des. Tur. e Imob. S.A.	Portugal	Real estate	31-12-2014	9.388.780	73.514.152	64.125.372	28.983.661	(2.508.351)	84,88%	84,88%
Hotéis Atlântico - Soc. Imob. e de Gest. de Hotéis, S.A.	Portugal	Hotel business	31-12-2014	1.095.969	6.545.226	5.449.258	–	(326.074)	66,67%	66,67%
Hotel Rauschtrasse 22, S.A.R.L.	Luxembourg	Hotel business	31-12-2014	32.426.740	74.094.487	41.667.748	5.206.480	84.460	99,92%	99,92%
Intervisa - Viagens e Turismo, Ltd.	Portugal	Distribution	31-12-2014	6.136.436	20.986.785	14.850.349	2.000.090	633.580	73,44%	73,44%
Industria Açoreana Turistico Hoteleira IATH, S.A.	Portugal	Hotel business	31-12-2014	487.426	1.746.358	1.258.932	1.101.034	259.685	99,90%	99,90%
ITI - Soc. de Invest. Turísticos na Ilha da Madeira, S.A.	Portugal	Hotel business and Entertainment	31-12-2014	1.373.716	4.850.909	3.477.193	1.096.807	(778.750)	85,00%	85,00%
M. & J. Pestana - Soc. de Turismo da Madeira, S.A.	Portugal	Hotel business / Timeshare	31-12-2014	45.726.015	79.087.886	33.361.871	27.061.985	4.252.061	100,00%	100,00%
Mundo da Imaginação - Projectos de Animação Turística, S.A.	Portugal	Entertainment	31-12-2014	133.337.380	360.656.608	227.319.229	48.275.727	22.340.863	100,00%	100,00%
Natura XXI, Lda.	Portugal	Real estate	31-12-2014	1.362.794	3.932.718	2.569.923	684.199	(105.733)	89,17%	88,75%
Pestana Berlin S.À.R.L	Luxembourg	Hotel business	31-12-2014	1.486.472	1.536.008	49.536	135	(35.919)	98,99%	100,00%
Pestana Cidadela - Investimentos Turísticos, S.A.	Portugal	Hotel business	31-12-2014	(889.039)	2.356.465	3.245.505	5.221.114	(584.498)	73,44%	73,44%
Pestana Management - Serviços de Gestão, S.A.	Portugal	Services	31-12-2014	6.078.615	18.737.515	12.658.900	5.016.725	131.064	100,00%	100,00%
Pestana Management UK, Ltd.	United Kingdom	Hotel business	31-12-2014	3.420.302	13.002.419	9.582.117	21.979.856	411.287	100,00%	100,00%
Pestana Miami, LLC	USA	Hotel business	31-12-2014	889.734	4.816.138	3.926.403	14.250.218	564.257	99,92%	100,00%
Pinheiro Mar, S.A.	Portugal	Hotel business	31-12-2014	3.710.915	17.761.044	14.050.129	4.296.457	80.002	99,92%	100,00%
Ponta da Cruz - Soc. Imob. e de Gest. de Hotéis, S.A.	Portugal	Hotel business / Timeshare	31-12-2014	(493.783)	3.726.903	4.220.686	7.334.803	327.308	88,00%	88,00%
Porto Carlton - Soc. Constr. e Explor. Hoteleira, S.A.	Portugal	Hotel business	31-12-2014	14.224.947	28.669.220	14.444.273	7.267.804	1.413.484	51,83%	51,83%
Beloura Hotel e Golfe - Invest. Turísticos, 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 / Hotel Business	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%

Associates and interests in jointly controlled entities included in consolidation by the equity method, as at 31 December 2015 and 2014, 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	31-12-2015	1.166.588	1.186.899	20.311	–	(3.067)	49,81%	49,81%
Enatur - Empresa Nacional de Turismo, S.A.	Portugal	Hotel business	31-12-2015	71.949.845	100.364.730	28.414.885	2.251.544	2.305.651	46,88%	46,88%
SDEM - Soc. Des. Empr. da Madeira, S.G.P.S., S.A.	Portugal	Services	31-12-2015	1.289.774	1.523.416	(201.528)	29.672	(164.788)	3,75%	25,00%
Wild Break 29 (PTY), Ltd.	South Africa	Hotel business	31-12-2015	1.854.205	2.999.545	1.145.340	1.644.168	228.000	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	31-12-2014	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%

The main financial indicators of Other financial investments included in the consolidation, at cost less impairment losses, if any, as at 31 December 2015 and 2014, are presented as follows:

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Revenue	Profit / (Loss)	% Interest	% Control
Salvintur, Soc. de Investimentos Turísticos, S.G.P.S., S.A.	Portugal	Hotel business	31-12-2015	20.729.574	39.252.047	18.522.473	60.000	133.665	5,74%	5,74%

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%

41 Changes in the consolidation perimeter

In 2015, Pestana Group acquired and included in the consolidation perimeter the following subsidiaries:

- Eurogolfe, S.A.;
- Mandreal – Consultadoria, S.A.;
- Amesteldijk Hotel Outwikkeling, B.V..

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

	Eurogolfe, S.A.	Mandreal - Consultadoria, S.A.	Amesteldijk Hotel Ontwkkeling B.V.	Total
Purchase price	**17.000.000**	**1.200.000**	**5.513.531**	**23.713.531**
Assets				
Tangible fixe d assets	8.878.753-	1.199.863	7.173.889-	17.252.505
Other financial investments	150.000	-	-	150.000
Deferred tax assets	336.310	-	-	336.310
Trade and other receivables	40.812	19.886	46.967	107.665
Current tax assets	-	1.000	-	1.000
Inventories	20.123.165	-	-	20.123.165
Cash and cash equivalents	250.268	2.103	50.146	302.517
Total Assets acquired at fair value	**29.779.308**	**1.222.852**	**7.271.002**	**38.273.162**
Liabilities				
Loans and borrowings	770.080	-	-	770.080
Deferred tax liabilities	4.452.916	-	-	4.452.916
Deferred revenue	-	22.852	-	22.852
Trade and other payables	299.182	-	1.757.471	2.056.653
Shareholder loans	4.400.000	-	-	4.400.000
Current tax liabilities	22.805	-	-	22.805
Total Liabilities acquired at fair value	**9.944.983**	**22.850**	**1.757.471**	**11.725.306**
Net assets	**19.834.325**	**1.200.000**	**5.513.531**	**26.547.856**
% acquired	**85,71%**	**100,00%**	**100,00%**	
Net assets (% acquired)	**17.000.000**	**1.200.000**	**5.513.531**	**23.713.531**
Goodwill	**-**	**-**	**-**	**-**

As at 31 December 2015 and 2014, in accordance with the accounting policy described in Note 3.2 – Business combinations under common control, the Group has applied the purchase price allocation to the acquisitions of the new subsdiaries, having, whenever possible, adjusted the the consideration fair value to the acquired assets and liabilities fair value.

The Income statement of the companies included in the consolidation perimeter from the respective entry date and up to 31 December 2015 is as follows:

	Eurogolfe, S.A.	Mandreal - Consultadoria, S.A.	Amesteldijk Hotel Ontwkkeling B.V.	Total
Cost of sales	(685)	-	-	(685)
External services and supplies	(9.059)	(2.948)	-	(12.007)
Personnel expenses	(185.368)	-	-	(185.368)
(Charges)/reversals of depreciations and amortizations	(154.114)	-	-	(154.114)
Other income	677.651	12.299	-	689.9510
Other expenses	(16.736)	(622)	(7.323)	(24.681)
Operating profit	**311.689**	**8.729**	**(7.323)**	**313.095**
Finance expenses	(15.675)	-	-	(15.675)
Finance income	-	-	-	-
Profit before tax	**296.014**	**8.729**	**(7.323)**	**297.420**
Income tax	(87.810)	(1.580)	-	(89.390)
Profit for the period	**208.204**	**7.149**	**(7.323)**	**208.030**
Profit for the period attributable to:				
Shareholders	206.101	7.149	(7.317)	205.933
Non-controlling interests	2.103	-	(6)	2.097
	208.2034	**7.149**	**(7.323)**	**208.030**

In December 2014, impairment tests on goodwill were performed, resulting in a loss of the total amount of goodwill.

- 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, S.A.	Hotel Rauchstrasse, S.à.r.l	Total
Purchase price	**661.074**	**10.400.000**	**11.061.074**
Assets			
Tangible fixed assets	5.273.286	31.849.574	37.122.860
Inventories	24.461	-	24.461
Trade and other receivables	339.748	1.234.003	1.573.751
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**	**33.938.029**	**39.596.095**
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**
% acquired	**100,00%**	**73,50%**	
Net assets (% acquired)	**(15.973)**	**10.400.000**	
Goodwill (Note 33)	**677.047**	**-**	**677.047**

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

	IATH, S.A.	Hotel Rauchstrasse, S.à.r.l	Total
Revenue	287.026	90	287.116
Cost of sales	(96.725)	-	(96.725)
External services and supplies	(110.789)	(43.948)	(154.737)
Personnel expenses	(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)**

In 2015, Pestana Group ceased to include in the consolidation perimeter the subsidiary Sociedade Investimento Imobiliário Eira da Loba, Lda, as a consequence of the liquidation of this entity and subsequent integration in Carvoeiro Golfe.

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

In 2015, Pestana Group incorporated the following new entities that were included in the consolidation perimeter:

- Global Mandalay, S.L.;
- Pestana Manhattan 39 LLC;
- Pestana USA Inc.;
- Pestana Holland Holding, B.V.

42 Related parties

As at 31 December 2015 and 2014, Grupo Pestana is owned and controlled by Pestana International Holdings, S.A., which holds 99% of the share capital. The ultimate owner, 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 Pestana Group were considered, in accordance with IAS 24, as the only key management personnel of the group. During the years ended 31 December 2015 and 2014 the remuneration received by the Board of Directors is described in Note 31.

Transactions and balances with related parties

During the year 2015, Grupo Pestana carried out the following transactions with those entities:

	Services obtained	Interest expenses	Services rendered	Interest obtained
Shareholder	**17.390**	**37.500**	**30.557**	**–**
Pestana International Holdings S.A.	17.390	37.500	30.557	–
Associates	**2.426.271**	**–**	**25.596**	**23.806**
SDEM - Sociedade de Desenvolvimento Empresarial da Madeira, SGPS, S.A.	6.956	–	245	–
Enatur - Empresa Nacional de Turismo, S.A.	2.419.315	–	25.351	23.806
Other related parties	**578.982**	**1.069**	**2.889.989**	**54.156**
Djebel, S.G.P.S., S.A.	–	–	20.294	–
CapeGreen - Consultadoria Económica e Participações, S.A.	–	–	18.719	–
ECM - Empresa Cervejas da Madeira, Sociedade Unipessoal Lda.	4.284	–	15.940	–
Salvintur - Sociedade de Investimentos Turísticos, S.G.P.S., S.A.	–	–	179.212	–
Salvor Hotéis Moçambique, Investimentos Turísticos, S.A.R.L.	23.930	–	231.998	–
Wildbreak 29 (PTL), Lda.	–	–	81.388	–
Bazaruto Limited	–	–	7.397	–
Empreendimentos Turísticos, Lda.	–	–	178.064	–
Afrotours, S.A.R.L.	3.893	–	265.735	–
Rotas de África, Lda.	–	–	63.555	–
São Tomé Investimentos, S.A.	–	–	44.979	–
Pestana Marrocos, s.a.r.l.	–	–	432.439	–
Brasturinvest Investimentos Turísticos, S.A.	274.846	–	429.043	–
Argentur Inversiones Turisticas SA	211.343	–	–	–
Praia do Marceneiro PH, Ltda	15.615	1.069	–	–
Inversiones Vistalparque C.A.	–	–	–	–
Surinor, S.A.	–	–	5.028	–
Carolgud, S.A.	–	–	4.868	–
Atlantic Holidays Ltd	45.071	–	911.330	–
Pestana Inversiones, S.L.	–	–	–	54.156
Key management personnel	**–**	**–**	**–**	**–**
	3.022.643	**37.500**	**2.946.142**	**77.962**

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**	**1.616.986**	**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	-
Euro Atlantic Airways - Transportes Aéreos, S.A.	168.139	-	-	-
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	–	–	–
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.	–	–	263.311	–
Surinor, S.A.	–	–	2.306	–
Carolgud, S.A.	–	–	2.256	–
Atlantic Holidays Ltd	80.741	–	–	–
Pestana Inversiones, S.L.	–	–	12.418	166.759
Hotel Rauchstrasse 22, S.A.R.L.	**-**	**-**	**-**	**-**
Key management personnel	**–**	**–**	**–**	**–**
	3.214.785	**200.233**	**1.687.575**	**202.475**

At the end of 2015 and 2014, the balances arising from loans and borrowings with related parties are as follows:

	31-12-2015		31-12-2014	
	Loans obtained	Loans granted	Loans obtained	Loans granted
Associates	**–**	**1.190.593**	**-**	**1.190.593**
Enatur - Empresa Nacional de Turismo, S.A.	–	1.190.593	-	1.190.593
Other related parties	**–**	**22.868.365**	**-**	**20.085.132**
Salvintur - Sociedade de Investimentos Turísticos, S.G.P.S., S.A.	–	22.868.365	-	15.685.132
Eurogolfe, S.A.	–	–	-	4.400.000
Key management personnel	–	–	-	–
	–	**24.058.958**	**-**	**21.275.725**

At the end of 2015, 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	**1.280**	-	-	**1.280**	–	-	–
Pestana International Holdings S.A.	1.280	-	-	1.280	–	-	–
Associates	**954.480**	-	-	**954.480**	**799.728**	-	**799.728**
Enatur - Empresa Nacional de Turismo, S.A.	939.182	-	-	939.182	799.728	-	799.728
Albar - Sociedade Imobiliária do Barlavento, S.A.	15.298	-	-	15.298	–	-	–
Other related parties	**9.522.520**	-	-	**9.522.520**	**2.382.218**	-	**2.382.218**
Djebel, S.G.P.S., S.A.	2.404.837	-	-	2.404.837	1.017.459	-	1.017.459
CapeGreen - Consultadoria Económica e Participações, S.A.	8.735	-	-	8.735	38.557	-	38.557
ECM - Empresa Cervejas da Madeira, Sociedade Unipessoal Lda.	69.275	-	-	69.275	373.399	-	373.399
Salvintur - Sociedade de Investimentos Turísticos, S.G.P.S., S.A.	88.194	-	-	88.194	73.205	-	73.205
Eurogolfe, S.A.	(0)	-	-	(0)	-	-	-
Salvor Hotéis Moçambique, Investimentos Turísticos, S.A.R.L.	264.354	-	-	264.354	17.643	-	17.643
Wildbreak 29 (PTL), Lda.	33.187	-	-	33.187	192.396	-	192.396
Bazaruto Limited	20.332	-	-	20.332	353	-	353
Empreendimentos Turísticos, Lda.	37.612	-	-	37.612	1.115	-	1.115
Afrotours, S.A.R.L.	1.504.180	-	-	1.504.180	22.059	-	22.059
Rotas de África, Lda.	231.039	-	-	231.039	1.131	-	1.131
São Tomé Investimentos, S.A.	142.007	-	-	142.007	106	-	106
SOHEOTUR, S.A.	5.717	-	-	5.717	–	-	–
Pestana Marrocos, s.a.r.l.	210.263	-	-	210.263	3.568	-	3.568
Brasturinvest Investimentos Turísticos, S.A.	2.783.563	-	-	2.783.563	395.279	-	395.279
Argentur Inversiones Turisticas SA	55.977	-	-	55.977	170.531	-	170.531
Praia do Marceneiro PH, Ltda	4.404	-	-	4.404	19.313	-	19.313
Inversiones Vistalparque C.A.	445.391	-	-	445.391	27.088	-	27.088
Surinor, S.A.	15.212	-	-	15.212	–	-	–
Carolgud, S.A.	12.601	-	-	12.601	–	-	–
Atlantic Holidays Ltd	1.150.102	-	-	1.150.102	29.016	-	29.016
Pestana Inversiones, S.L.	35.538	-	-	35.538	–	-	–
Key management personnel	–	-	-	–	–	-	–
	10.478.280	-	-	**10.478.280**	**3.181.946**	-	**3.181.946**

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
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**

43 Subsequent events

On 8 March 2016, the sale of the building and the transfer of the business of Hotel Alvor Park for the amount of 5,000,000 Euros were completed. In accordance with IAS 10 – Subsequent events, an impairment loss should be recognized if the Group is aware of conditions after the reporting date of the financial statements that were already existant at the reporting date. As at 31 December 2015, there was an intention to sell this hotel and there was also the expectation of what the sales value would be, discussed and agreed with the buyer, although the transaction was only completed after the year end.

As such, this transaction was reflected in the Group's financial statements as at 31 December 2015, and the net amount of this asset corresponds to the recoverable amount of this group of assets, which resulted in an impairment loss of 1,803,643 Euros (Note 18).

Funchal, 18 March 2016

The Certified Accountant
Luis Miguel Miranda Fernandes

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 STATUTORY AUDIT REPORT

Consolidated Statutory Audit Report

(Free translation from the original in Portuguese)

Introduction

1 We have audited the consolidated financial statements of Grupo Pestana S.G.P.S., S.A., comprising the consolidated statement of financial position as at December 31, 2015 (which shows total assets of Euro 991.182.394 and total shareholder's equity of Euro 258.646.758, including non-controlling interests of Euro 25.223.946 and a net profit of Euro 38.502.997), 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 and the utilization of the equity method; (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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Matriculada na CRC sob o NUPC 506 628 752, Capital Social Euros 314.000
Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

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 S.G.P.S., S.A. as at December 31, 2015, 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.

Lisbon, May 3, 2016

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

César Abel Rodrigues Gonçalves, R.O.C.

REPORT AND OPINION OF THE SUPERVISORY BODY

pwc

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 S.G.P.S., S.A. with respect to the year ended December 31, 2015.

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;

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

Lisbon, May 3, 2016

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

César Abel Rodrigues Gonçalves, R.O.C.

GRUPO PESTANA, S.G.P.S., S.A.

CONSOLIDATED ANNUAL REPORT 2015

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