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Pestana International Holdings S.A.

31 DECEMBER 2015


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Consolidated management report for 2015

Dear Shareholders,

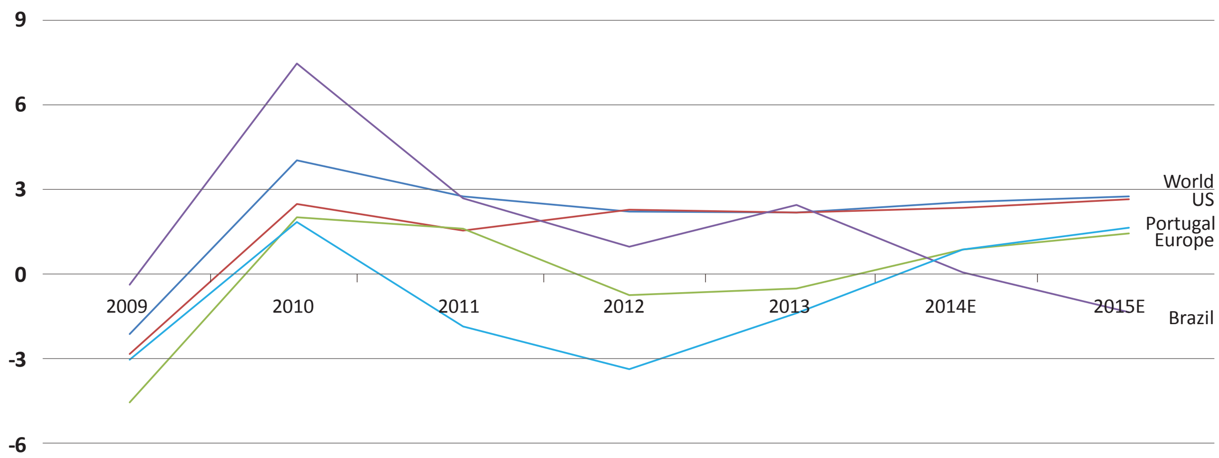
In the terms established by Corporate Law, we have the honor to submit for your appreciation and approval the Consolidated management report and the Consolidated financial statements for the year ended as at 31 December 2015.

1. 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% shown in 2014.

Table 1 - GDP Growth Rate (%)



Source: World Bank

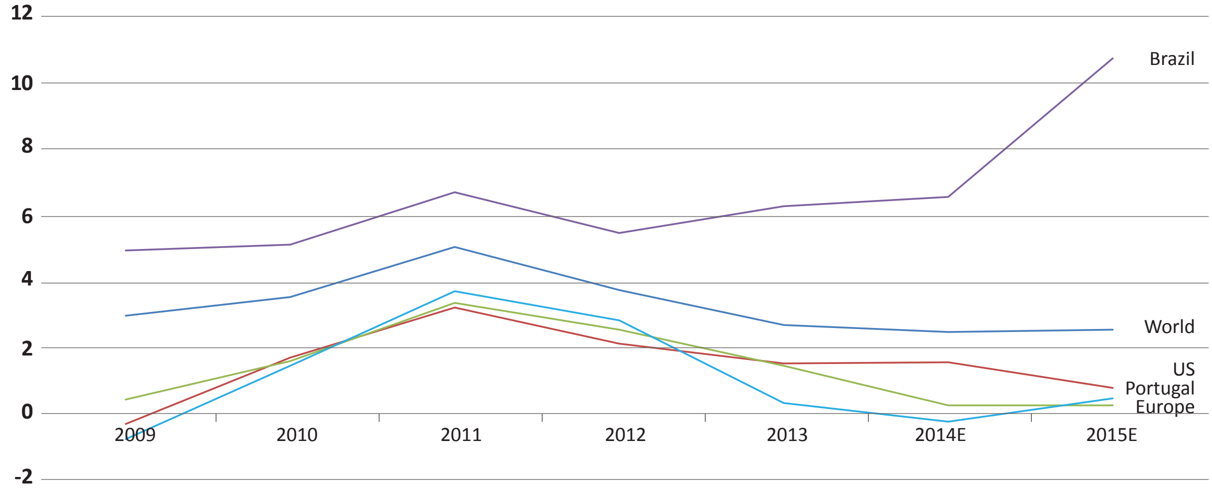
US growth was 2.7% which represents a slight increase in the value of 2% of the year before. After ending the credit easing in 2014, it was only possible to announce a federal rate increase at the end of last year, which was postponed several times throughout 2015 with promises of higher growth. Inflation decreased to less than 1% and did not help to stimulate growth. Despite both the labour market as well as the real estate market (mainly in the housing segment) showing greater stability.

In the Euro area GDP growth was as low as 1.5%.The oil price decrease and the depreciation of the currency against 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 these countries reaching figures that would have been difficult to forecast a year ago and seems now more difficult to control. Struggling with several other problems, Brazil is facing an increase in unemployment and internal and foreign investment decrease despite the currency depreciation. Low raw materials' prices worldwide currently are 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 for 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.

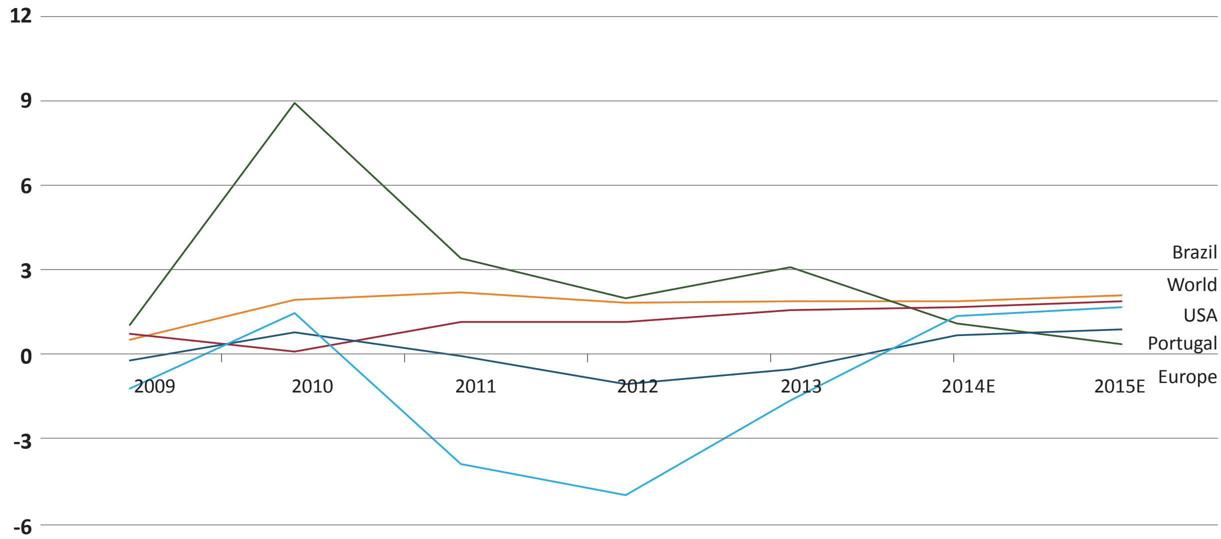
Table 2 - Inflation, consumer prices (annual %)



Source: World Bank, Trandingeconomics.com, EUROSTAT

Average world final consumption continues to grow, mainly due to an improved middle class economic confidence. In Europe, Greek political issues were somehow forgotten, due to other more urgent affairs related to the Syrian civil war, where a new focus of terrorism emerged and other events in North Africa and the Middle East 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 latter observe that world travel was not affected and continues to grow, although the tourism pattern was different among regions. Western countries benefited, mainly those that were perceived as safe environments, like Portugal and Spain.

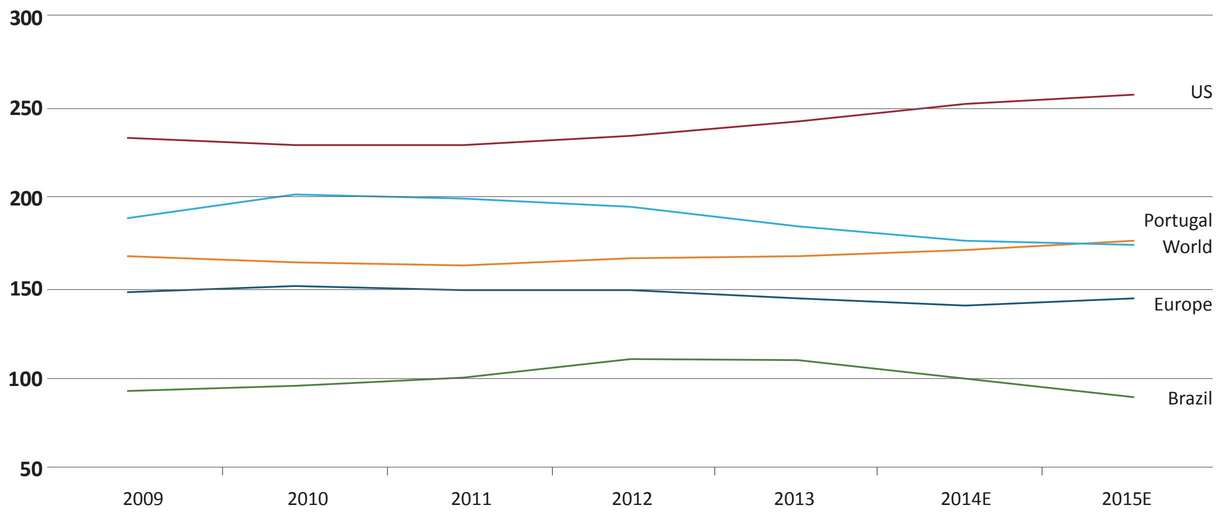
1.2. Liquidity and cost of funds

Liquidity remained strong in Europe due to ECB credit easing. Countries where Troika measures were implemented continued 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 came into power in the EU are now more focused on increasing their peoples' income and confidence in order to sustain growth.

The quantitative easing programme implemented by the ECB failed to recover the interbank market and to boost GDP as expected. Investment and consumption growth are showing a pattern of greater resilience. As a consequence, credit easing will continue in 2016 and probably in 2017.

US and European domestic credit concession continue to improve, with the exception of certain emerging markets, like Brazil where it declined due to an interest rate increase, implemented by the government in order to try and control inflation.

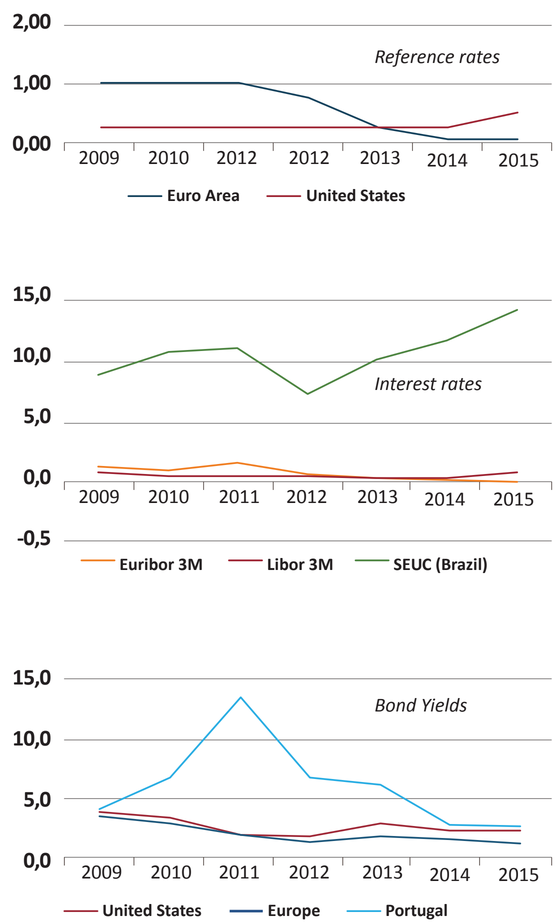
Table 4 - Domestic credit provided by banking sector (% of GDP)



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 slight increase in the US reference rate, which did not change the overall scenario. Pestana, perceived as an investment grade company, saw its overall cost of money decrease once more. ECB credit easing and other privately owned capital flows were not enough to boost GDP and inflation and interest rates remained low.

Table 5 - Reference rates; Bond yields; Interest rates



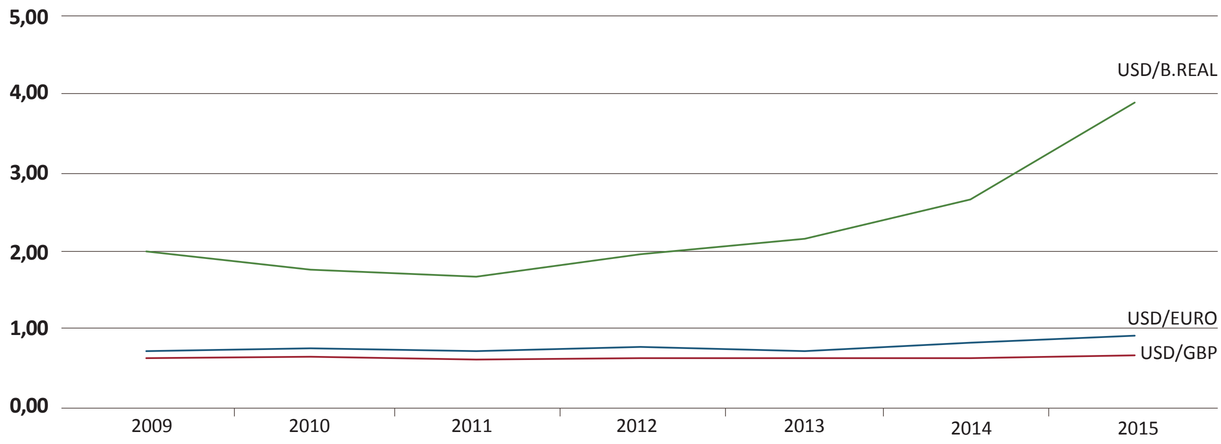
Source: World Bank; Euribor-rates.eu; BdP

Risk premiums remained 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 bps to 171 bps.

1.3 Exchanges rates

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

Table 6 - Official exchange rate



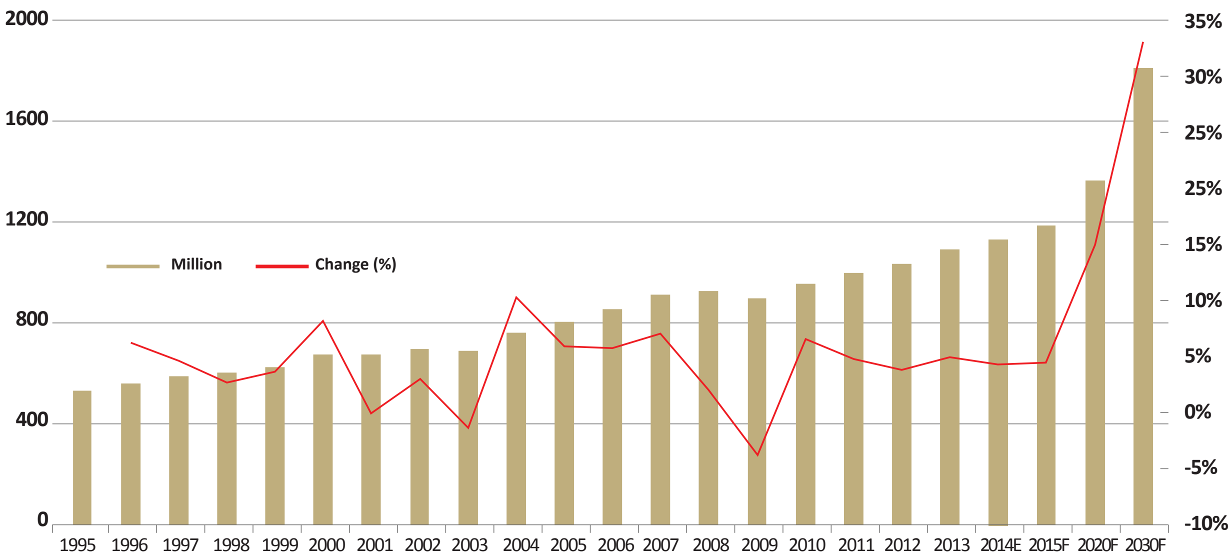
Source: World Bank

2. Tourism

2.1 World trend

Tourism activity grew once again in 2015 and, in several world regions, it continued to be important to support economies, including in those countries in the European Union where crisis has had a greater impact. 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, exceeding 1,700 million tourists.

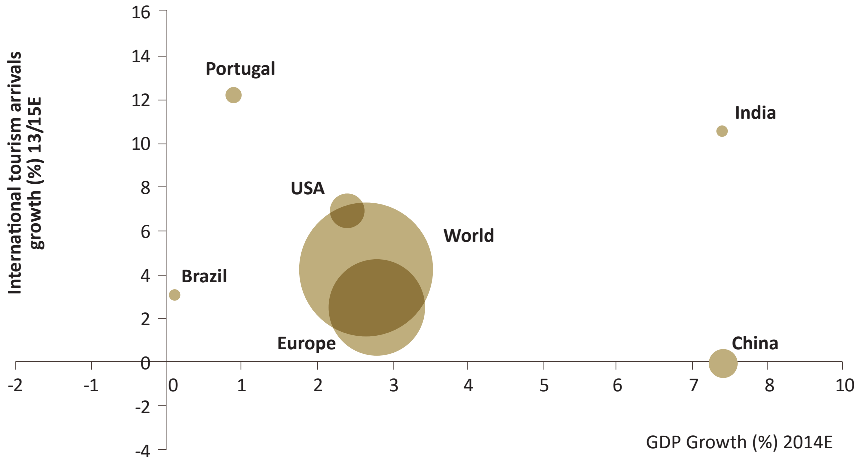
Table 7 - International Tourist arrivals



Source: World Tourism Organization (UNWTO)

Growth in revenue is expected to follow growth in arrivals in 2015 at a rate of close to 5%. Currently, the tourism sector represents almost 10% of the world GDP, 1/11 of employment and USD 1.5bn of exports, the equivalent of 6% of international trade and 30% of services exports.

Table 8 - Number of International Tourist arrivals



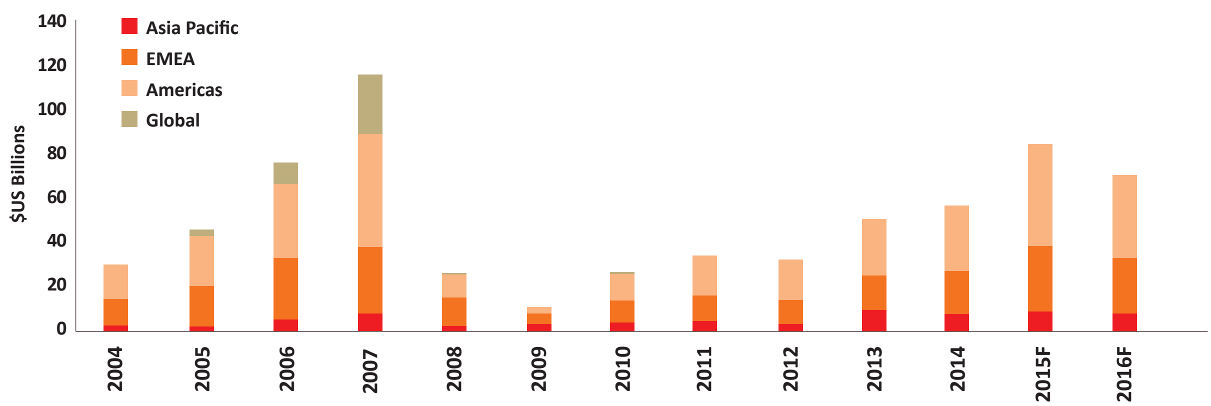
Source: World Bank; UNWTO

Tourists' length of stay also kept growing and this trend was observed mainly in recognized brands and in mature destinations where the Pestana Group is focused. 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 greater return, "investors will look beyond the mainstay markets", with secondary German and UK cities and into 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



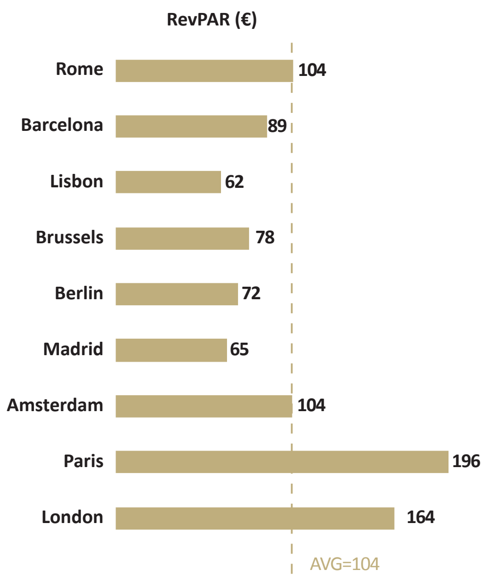
Source: Jones Lang LaSalle in "Hotel Investment Outlook 2015 – Year of upward momentum"

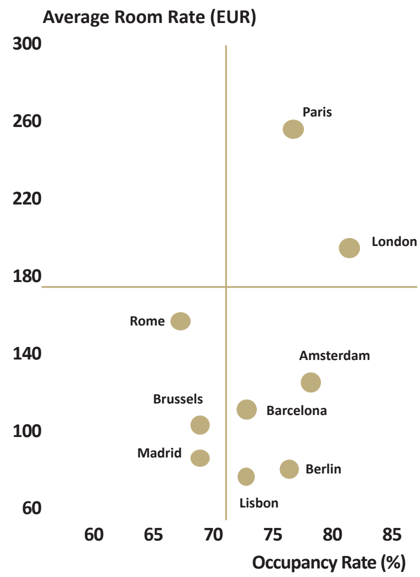
2.2. Europe

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 the destination pattern. Demand kept moving from places showing persistent social distress (such as in several countries in North Africa or the Middle and Far East, including Turkey) focusing on regions that offer greater safety and 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 mostly European countries developed, making them less vulnerable to market downswings 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



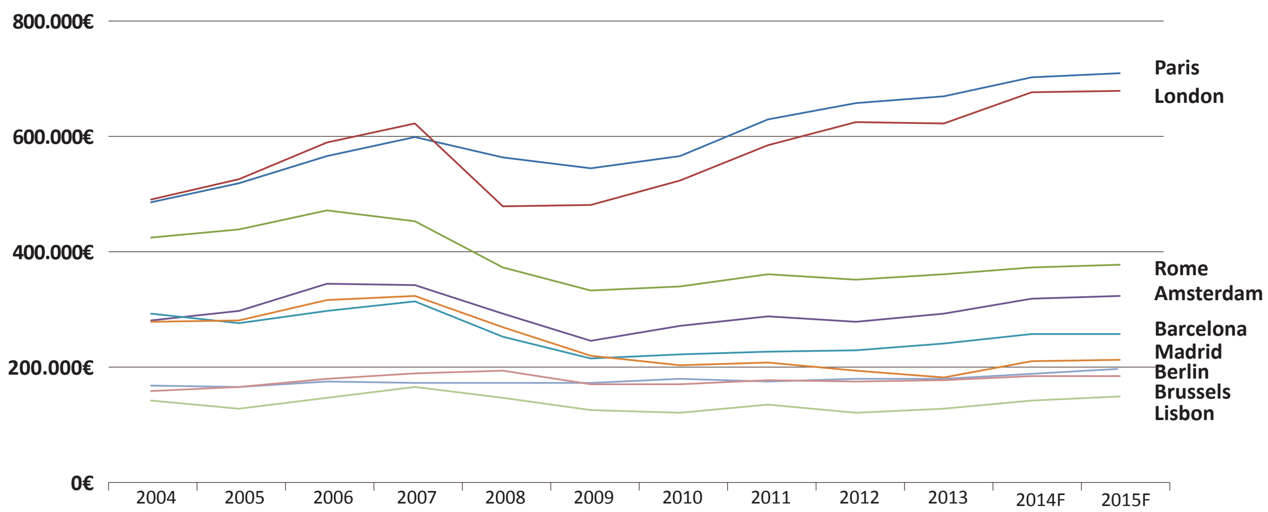


Source: STR Global

The main cities in Europe, in terms of investment (value per room) were once again Paris and London. The 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, with Lisbon trailing, despite its growth.

Table 11 - Values per Room



Source: HVS – "European Hotel Valuation"

2.3. Portugal

Portuguese tourism continued to grow in 2015 both in overnights and in Revpar in domestic and international markets that represent more than 40% of the former one in number of visitors. The country's feeder markets are set out below, being mainly European.

Table 12 - Portuguese tourism highlights

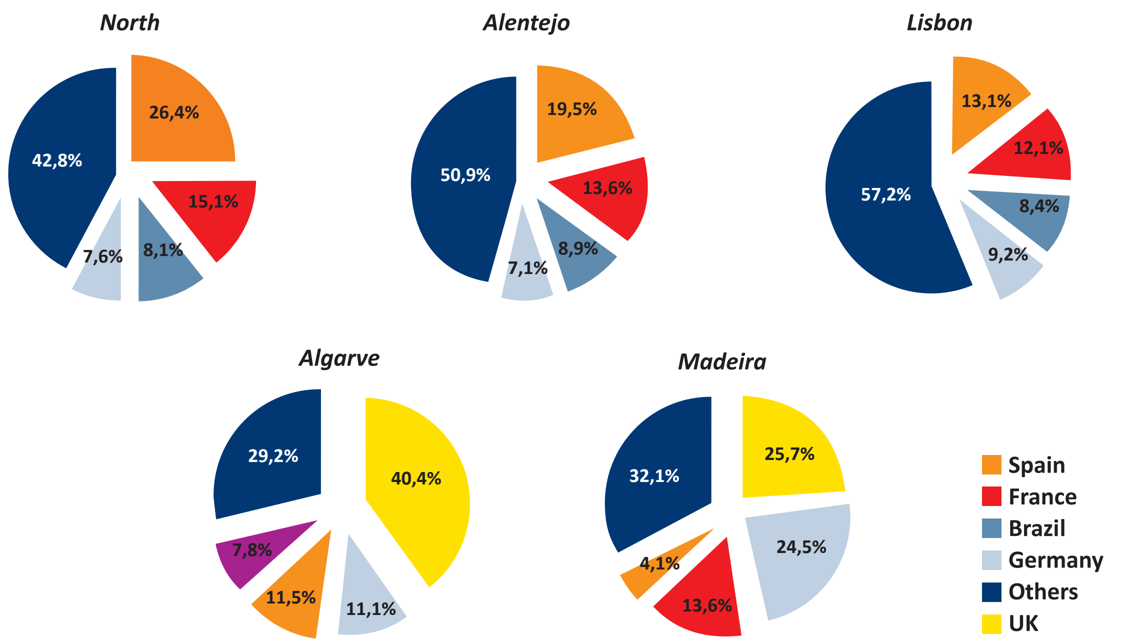
	2014	2015	△15/14
Domestic visitors ('000)	6.776	7.263	7%
International visitors ('000)	9.316	10.176	10%
Overnights by International visitors ('000)	32.349	34.425	7%
Revenue (millions €)	10.000	11.362	9%
RevPAR (€)	33,00	37,80	15%

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 focused in Algarve and Madeira in resort segment and the cities of Lisbon and Oporto (that concentrates the visitors of the North region) in the urban segment (city breaks). They all showed a strong demand based in foreign feeder markets. The domestic market maintained its recovery that began in 2014 and should register an increase of 7% in terms of visitors when compared with the year before. The economic recovery (GDP continued to grow supported by a surplus in the trade balance), helped to invert the negative trend of private consumption and 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

2.4. Africa

Africa's international tourist arrivals in 2015 should have decreased slightly. While the international tourism arrivals to North Africa were weak, Sub-Saharan Africa saw numbers rise. This continent kept struggling with social distress in several countries, not only in the north but also in Mozambique where the Pestana Hotel Group operates. Data for Africa should be read with caution as it is based on limited information.

Table 14 - Africa international tourism arrivals

(Amounts expressed in million Euros)

Africa	2011	2012	2013	2014	2015
Morocco	9.342	9.375	10.046	10.282	10.350
Subsaharan Africa	32.588	34.484	36.217	35.700	35.000
Angola	481	528	650	595	510
Cape Verde	428	482	503	494	510
Mozambique	1.902	2.113	1.886	n.a.	n.a.
São Tomé Principe	12	n.a.	n.a.	n.a.	n.a.
South Africa	8.339	9.188	9.537	9.549	9.550

Source: IUNWTO; 2014/2015 estimated

2.5. Latin America

International tourism arrivals to Central and South America grew, mainly due to currency depreciation. In Latin America the tourism outlook continued to be highly unbalanced with a cross-country heterogeneity. Brazil continued to show an increase in touristic activity, mainly supported by internal demand although 2015 did not register any major event like the world cup in 2014 or the Olympics that will take place this year. On the other hand, Brazil continued to support international tourism in Europe and in the US, mainly in Miami and NY.

Table 15 - Latin America international tourism arrivals

(Amounts expressed in million Euros)

Africa	2011	2012	2013	2014	2015
Argentina	5.7005	5.585	5.246	5.935	6.000
Brazil	5.433	5.677	5.816	n.a.	n.a.
Colombia	2.045	2.175	2.288	2.565	2.600
Venezuela	595	710	986	n.a.	n.a.

Source: IUNWTO; 2014/2015 estimated

3. Activity of Pestana International Holdings S.A.

3.1. Overall activity

The Group continues to offer a range of services in hospitality including Golf, Casino, Vacation Clubs and Real estate activities, operating nowadays in 14 countries spread out through 4 major regions, each one represented by a PIH subholding, namely:

- Grupo Pestana, S.G.P.S., S.A. – Europe including the Group's sole hotel in North America;
- Djebel, S.G.P.S., S.A. – Brazil
- Pestana Inversionnes, S.L. – South American Spanish speaking countries
- Salvintur, S.G.P.S., S.A. – Africa

The company kept other interests in activities considered non-core like Atlantic Holidays (travel agency in UK) and Cervejas da Madeira (Madeira Island Brewer Company).

3.1.1. Patrimonial highlights

Total assets kept close to €1,2 bn and fixed assets sligltly decrease to €0,89 bn (less 8%) as a consequence of the sale of two properties that was not compensated by the investment done in 2015. This value was also affected by exchange rates in each country although it continues to be worth to mention that several are the properties accounted at historical cost where market prices are significantly higher.

As a consequence the Group's net debt came from 461,4 million Euros in 2014 to 414,8 million Euros in 2015. The leverage ratio decrease to 4,67 (Net Debt / EBITDA), which is considered low for a company with this asset level and business model. Adjusted Equity (AE) decreased less than the Adjusted Net Assets (ANA), increasing to 52% the ratio (AE/ANA), being the remaining covered by the mentioned debt and other responsibilities.

The Group has now a debt service much more aligned with its annual cashflow, being the refinancing risk controlled. Last year Pestana Hotel Group did two bonds issues unsecured for a total amount of 42,5 million Euros with maturities between 6 to 8 years, also subscribed by third party investors allowing the diversification of our funding base. Corporate debt represents now 40% of total debt.

Pestana Hotel Group kept a sound liquidity position. Credit overdrafts and unused commercial paper facilities were available in the end of 2015 in approximately 100 million Euros in 20 financial institutions being the outstanding facilities now more balanced among them.

Table 16 – Financial highlights – Balance sheet

(Amounts expressed in million Euros)

Net Assets	2015	% Total	Grupo Pestana SGPS	Djebel	Pestana Inversiones	Salvintur	Other	2014	2013
Investment - Fixed Assets	859,8	97%	666,8	94,9	34,7	44,3	19,0	942,9	939,5
Deferred tax liabilities	-69,4	-8%	-28,5	-23,0	-9,4	-6,0	-2,5	-85,4	-90,3
Total adjusted fixed assets	**790,4**	**90%**	**638,3**	**71,9**	**25,4**	**38,2**	**16,5**	**857,6**	**849,2**
Investment - Financial assets	20,7	2%	20,6	0,0	0,0	0,0	0,0	20,9	22,6
Other non-current assets	51,2	6%	22,1	23,2	0,0	1,0	4,9	24,4	25,3
Current Assets - Current liabilities	14,3	2%	5,4	2,8	1,2	7,2	-2,4	28,3	37,9
Total Adjusted Assets:	**876,5**	**100%**	**686,5**	**97,9**	**26,6**	**46,4**	**19,1**	**931,2**	**935,0**

Funding origins	2015	% Total	Grupo Pestana SGPS	Djebel	Pestana Inversiones	Salvintur	Other	2014	2013
Equity	296,6	34%	207,7	56,5	28,8	34,8	-31,2	302,1	323,8
Collected deferred revenues (a)	207,0	24%	175,6	29,7	0,0	0,1	1,6	202,9	204,8
Deferred sales cost (a)	**-51,6**	**-6%**	-51,6	0,0	0,0	0,0	0,0	-52,8	-53,9
Total non remunerated funding	452,1	52%	**331,7**	**86,2**	**28,8**	**34,9**	**-29,5**	**452,1**	**474,7**
Long term financial debt	396,1	45%	349,9	9,1	0,1	7,9	29,2	399,5	354,6
Other non-current liabilities	**9,7**	**1%**	6,4	3,1	0,0	0,1	0,0	8,3	9,7
Total non-current funding	857,8	98%	**688,0**	**98,4**	**28,9**	**42,9**	**-0,3**	**859,8**	**839,0**
Short term financial debt	100,9	12%	70,3	2,3	0,0	6,1	22,1	120,9	162,6
Cash + Financial assets available for sale	**-82,2**	**-9%**	-71,9	-2,8	-2,3	-2,6	-2,6	-58,9	-66,7
Net current debt	**18,7**	**2%**	**-1,5**	**-0,5**	**-2,3**	**3,5**	**19,4**	**62,0**	**95,9**
Total funding origins	876,5	100%	**686,5**	**97,9**	**26,6**	**46,4**	**19,1**	**921,8**	**934,9**
Net debt	414,8		348,3	8,6	-2,2	11,4	48,6	461,4	450,5
EBITDA	88,8		87,4	4,1	0,9	-1,5	-2,1	82,6	80,9
Working capital	14,3		5,4	2,8	1,2	7,2	-2,4	28,3	37,9
Net capex	14,2		12,5	0,3	0,5	0,6	0,3	23,8	51,9
Net Debt / EBITDA ratio	4,67		3,99	2,08	N/A	-7,81	-22,63	5,59	5,57
Net Debt / Equity ratio	0,92		1,05	0,10	N/A	0,33	-1,65	1,02	0,95
Net Debt / Total Assets ratio (%)	47%		51%	9%	N/A	25%	255%	50%	48%
Liquidity ratio (%)	16%		17%	19%	N/A	19%	5%	11%	13%

(a) Collected sales of Holiday Club (“timeshare“)

Although almost 68% of the assets are located in Portugal, the local demand continues to not account for more than approximately 20% of the overall hotel revenue (10% of the Group revenue including all business activities), meaning that Pestana is one of the leading groups supporting Portuguese trade balance.

3.1.2. Profit and loss highlights

The Group revenue increased slightly to about 348 million Euros, for an EBITDAR of 100 million Euros and an EBITDA of 89 million Euros, increasing all the margins to one of the best among its peers. The EBITDA / interest paid ratio was 2,9x, which continues to show a sound debt weight based on an average interest rate that decreased to 6,1% considering the several geographies where the Group is present.

Table 17 – Financial highlights – Profit and loss

	TOTAL 2015	Grupo Pestana SGPS	Djebel	Pestana Inversiones	Salvintur	Other	TOTAL 2014	TOTAL 2013
Rooms (Total keys)	10.000	6.958	1.512	909	621	0	9.875	9.639
of which Rooms under management contract (keys)	2.025	1.517	0	508	0	0	662	660
Hotel units (Total)	83	62	8	5	8	0	77	77
of which Units under management contract	3	1	0	2	0	0	3	3
(Amounts in millions of Euros)								
Revenue	347,5	256,3	36,2	13,6	15,4	25,9	342,7	320,8
GOP of Touristic activity (a)	110,3	96,9	6,2	4,7	3,1	-0,6	98,0	83,7
EBITDAR	100,5	97,6	4,3	1,9	-1,1	-2,1	93,0	91,7
Rents paid to owners and concessions	-11,8	-10,2	-0,2	-1,0	-0,4	0,0	-10,4	-10,8
EBITDA (b)	88,8	87,4	4,1	0,9	-1,5	-2,1	82,6	80,9
Depreciation and amortization	-44,4	-32,6	-5,8	-1,6	-2,3	-2,1	-37,9	-40,8
EBIT	44,4	54,8	-1,6	-0,7	-3,8	-4,3	44,7	40,1
Paid interest net (inclued fees)	-30,3	-19,1	-7,0	0,0	-0,8	-3,4	-31,7	-29,1
Paid Income taxes (c)	9,2	-4,7	16,5	-2,8	-0,3	0,5	-2,3	-0,4
Net income including non controlling interests share	16,5	30,3	5,3	-7,1	-6,7	-5,4	5,3	9,9
GOP margin (%)	32%	38%	17%	34%	20%	-2%	29%	26%
EBITDAR margin (%)	29%	38%	12%	14%	-7%	-8%	27%	29%
EBITDA margin (%)	26%	34%	11%	6%	-10%	-8%	24%	25%
EBIT margin (%)	13%	21%	-5%	-5%	-25%	-17%	13%	13%
ROE (%)	3,6%	9,1%	6,1%	-24,5%	-19,1%	18,3%	1,2%	2,1%
EPS	14,73	N/A	N/A	N/A	N/A	N/A	4,03	3,57
EBITDA/Net interests (..x)	2,9	4,6	0,6	N/A	-1,9	-0,6	2,9	2,9
Average Cost of Gross Debt (%)	6,1%	4,8%	30,7%	N/A	5,2%	6,1%	6,5%	6,0%

Notes:

(a) “gross operating profit” - management accounts (uniform system of accounts) only includes fully consolidated companies

(b) includes income and expenses from financial investments

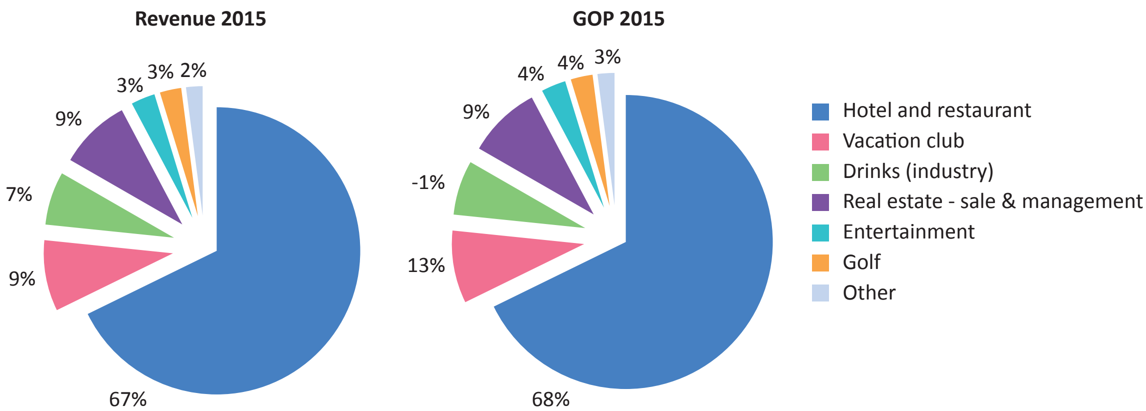
(c) includes gambling tax paid by Casino

The strategy of selling specific assets in mature markets in order to support company growth and new openings proved well. The Adjusted Asset over Revenues and EBITDAR increased as well as the return over Adjusted Equity. On the other side the weight of rents paid over EBITDAR increase from 11% to 12% which is a figure still considered quite low.

The revenue and GOP structure continue to show similar weights from the different business units, although hotel and restaurant revenue and GOP increased in Europe the remaining group operational units did not present similar results when converted to Euros. Vacation club increased slightly when compared to the previous year.

The 2015 profit and loss includes the recognition of Deferred assets on tax losses of the Brazilian operating company, Brasturinvest, in the amount of 9,9 million Euros, considering the changes which are being implemented both on an operational and financing level in Brazil.

Table 18 – Revenue and GOP 2015 by business area



A. Hospitality

Hospitality, with more than 3 million guests, continued to grow 10,6% in GOP (Gross Operating Profit) on average in 2015, including the foreign exchange effect, mainly due to the European operations increase that more than compensated the Latin America and Africa decrease. However, revenue remained steady when compared to the previous year.

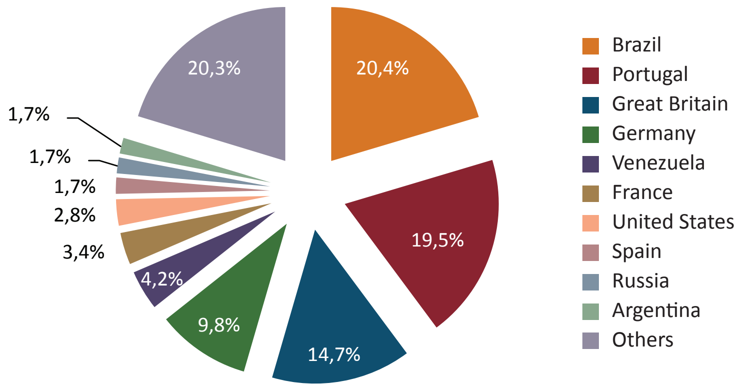
On average all hotels in Europe grew in occupancy and ARR (Average Room Rate), with the exception of the UK where the decrease in occupancy was more than compensated by the room rate. In the Miami hotel a similar situation occurred. In other regions due to currency devaluation average room rate increased, like in Venezuela or Brazil, although revenue decreased as already mentioned. Sao Tome in Africa and Kruger Park in South Africa grew slightly but that was not enough to compensate the revenue decrease in the other hotels.

Table 19 – ARR and Occupancy by main country

		ARR in local currency			ARR in Euros			Occupancy		
Hotel Country	**Currency**	**2015**	**2014**	**Var**	**2015**	**2014**	**Var**	**2015**	**2014**	**Var**
Portugal	EUR	80	71	12%	80	71	12%	67%	65%	3%
Germany	EUR	98	85	16%	98	85	16%	85%	84%	2%
Spain	EUR	85	78	9%	85	78	9%	86%	83%	4%
UK	GBP	124	118	5%	170	146	17%	83%	90%	-7%
USA	USD	159	153	4%	143	115	24%	70%	82%	-14%
Argentina	ARS	903	860	5%	84	80	5%	66%	71%	-7%
Venezuela	VEF	12.884	3.965	225%	102	66	54%	54%	56%	-3%
Brazil	BRL	321	334	-4%	87	107	-19%	58%	62%	-6%
Cape verde	EUR	89	96	-7%	89	96	-7%	61%	68%	-10%
Sao Tomé	EUR	77	75	2%	77	75	2%	47%	40%	20%
Mozambique	MZN	4.206	3.522	19%	96	84	14%	40%	52%	-24%
South Africa	ZAR	796	767	4%	56	53	6%	59%	62%	-5%
Average					**84**	**83**	**1%**	**65%**	**65%**	**0%**

In Portugal the internal demand continues to recover with a positive impact in the four star up hotels and Pousadas segment. The main feeder markets remained the same: UK, Brazil, Germany and France that grew significantly. Brazilians still represent not only the most important market in its own country but also a relevant feeder market for the hotels located in Portugal and in other countries like the US.

Table 20 - Hotel Group feeder markets (by country)



Once again the presence of Pestana Group in countries with high inflation and currency constraints had a negative impact in the consolidated profit and loss, especially in South American units including in Brazil, where currencies have suffered significant devaluation in 2015.

The Group growth last year was supported not only by existing hotels but also by new openings namely:

— Five Star Oporto Vintage Hotel expansion from 48 to 103 keys, after the acquisition and refurbishment of other two buildings next to the existing four star hotel opened in July 2015;

— Four star Alvor South Beach, in Algarve Portugal, opening in August 2015 with 89 four star keys;

— Pousada de Lisboa, Portugal, opening in May 2015 with 90 five star keys;

Last year we established a partnership with Mr. Cristiano Ronaldo, the world famous Portuguese football player, in order to implement a new hotel segment, Pestana Lifestyle as a brand extension Pestana CR7. Four new hotels will be opened:

— Lisbon (Portugal) downtown continues construction for a 90 key hotel to be opened in third quarter 2016;

— Funchal (Madeira Island) port continues construction for a 49 key hotel. Another one branded Pestana CR7 that will be opened May 2016;

- NY West 39th street (US) started construction for a 184 key hotel in Manhattan. To be opened late 2017 or in the beginning of 2018;
- Madrid Gran Via (Spain) for a 100 key hotel. The negotiation of this unit is delayed but it is expected to start construction in 2017 and to be opened in 2019.

Last year other hotel projects started or continue construction/refurbishment:

- Five star Amsteldyk Amsterdam started construction for a 157 key hotel in that city. To be opened late 2017 or in the beginning of 2018;
- Five star Plaza Mayor Madrid (Spain) project is being prepared after we won the municipality tender for this 80 key hotel. Construction should start in 2016 and we expect to open in 2018;
- Five star Alvor Praia, Algarve, Portugal, refurbishment started and will be finished in May 2015 in order to sustain the hotel performance with 202 keys;
- Four star Bahia Palace four star hotel in São Miguel island Azores (Portugal), continues refurbishment and will open in May 2016 with 102 keys.

And other third party hotels projects, to be managed by Pestana Group, started or continue construction:

- Five star Barra, Rio de Janeiro Hotel (Brazil), with 300 keys to be opened second half 2016;
- Five star Marrakesh, Medina Square Hotel, with 200 rooms to be opened second half 2017;
- Four star racing Circuit Hotel, Algarve (Portugal) with 75 keys to be opened second half 2016;
- Four star Oporto Brasileira city hotel (Portugal) with 90 keys to be opened in 2018;
- Four star NY New Jersey city hotel with 109 keys. Agreement was closed already in the beginning of 2016. Construction will start in 2017 and it is expected to be opened in 2019.

In order to face the downturn in Africa and Latin America last year:

- Bazaruto and Inhaca resort hotels, each with 40 keys, in Mozambique were closed. Bazaruto will continue to develop a real estate project due to the demand that is still there for high networth villas;
- São Salvador da Baia resort hotel (Brazil) with 400 keys was closed in the beginning of 2016. Despite the fantastic coast line location, we will consider other options to maximize the profitability of this asset;
- S. Luis resort hotel (Brazil) with 124 keys was sold in the beginning of 2016. The agreement was signed in March of 2016;
- Natal (Brazil) resort hotel with 188 keys negotiations started regarding a potential sale;
- The Montevideo restaurant (Uruguay) was closed and the project of a 73 key hotel in that location was postponed;

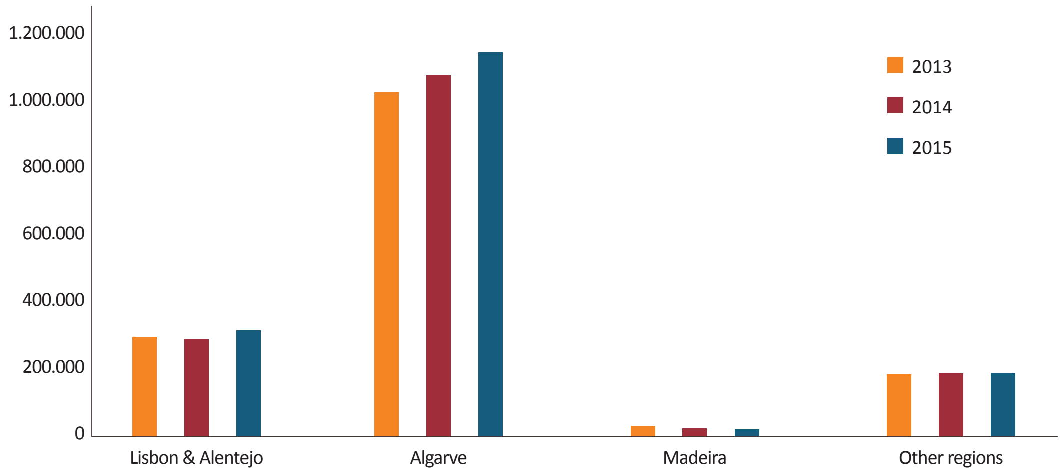
Regarding operations:

- Throughout the year, Pestana Group continued to invest in the maintenance of its assets to optimize asset profitability. We continue to highlight the efforts made in 2015 to provide wi-fi coverage to over a thousand accommodation units;
- Pousadas de Portugal refurbishment strategic plan was concluded allowing the brand re-launch and the creation of conditions for the sustainability of these hotels;
- A new process of revenue management has started, which will create conditions for the Group sustainability;

B. Golf

This activity represented 3% of Pestana Group and grew 7% in 2015 in revenues and 13% in GOP supported by six golf courses, namely Alto Golf, Pinta, Gramacho, Silves and Vila Sol in Algarve and Beloura in Lisbon. This performance was once again considered very good since the number of golf rounds in Portugal grew 6%, supported by the Algarve growth, consequence of a consistent demand recovery since 2013.

Table 21 – Evolution of golf rounds in Portugal

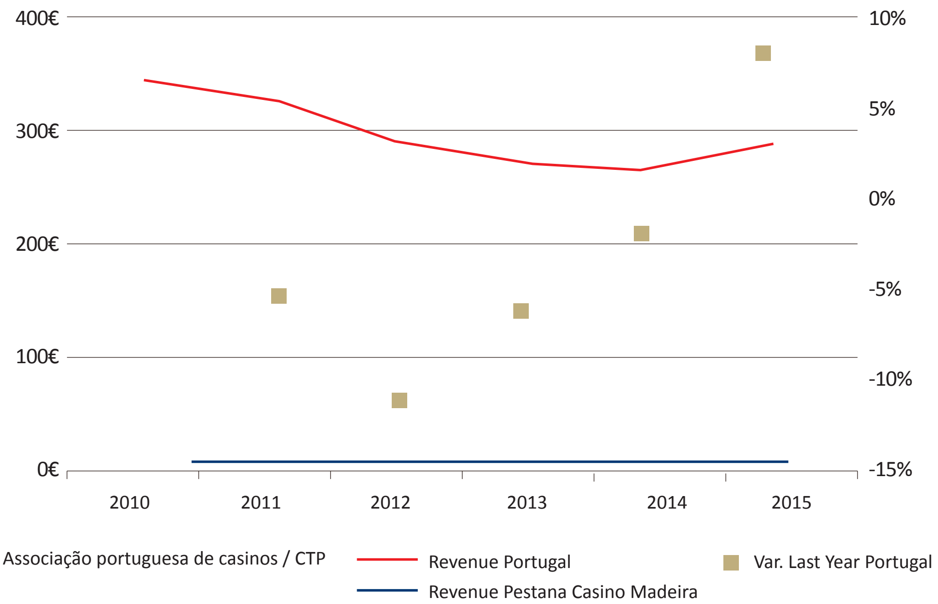


Source: CNIG

C. Casino

Casino activity that represents 3% of the Group activities, as a complement to the hotel main business, kept steady in 2015, supported by two Casinos, one in Madeira and the other in S. Tomé & Principe. The Madeira casino, as a regional business, continues to represent the majority of the revenue of this segment. The Pestana Casino da Madeira decreased its revenue in 3%, despite the global revenues in Portuguese Casinos having registered an increase of 8% all over 2015.

Table 22 – Evolution of Gambling in Portugal



Source: Associação portuguesa de casinos / CTP

D. Timesharing and Pestana Vacation Club

Timesharing, which represents 9% of Pestana Group increased in 2014 (+8%), supported almost by 30 thousand families that have kept following the Group for the last 26 years. Pestana continue to develop PVC (Pestana Vacation Club) that allows guests to travel all along the Group hotels around the world. This does not give the buyer a legal right to the property, but is also a cashflow stream like Timesharing being all part of the Group loyalty program.

The revenue from Timesharing is only accounted in the EBITDA when the guest uses its right in one of Pestana Hotels (PVC). As such the cashflow stream is normally higher upon selling. The amount paid by the costumer for Timesharing or Vacation Club that is not accounted in the income statement is accounted as Deferred revenue in the statement of financial position. In management accounts, these amounts are considered as Equity related once it is not refundable. The customer also pays an annual maintenance fee that supports the property within hospitality services.

E. Real Estate

Real Estate, represents 9% of Pestana Hotel Group activity, and is developed mainly in Portugal through our projects in Troia (near Lisbon) and in Carvoeiro (in Algarve). This activity continues to grow substantially in 2015 (+27%).

Pestana's real estate concept is usually based on selling villas and apartments for touristic use, either near a Pestana golf course or a Pestana hotel unit that provides a wide range of high standard services to the owners, including maintenance, housekeeping, food & beverage and condominium management, and that represents a significant cash flow stream. Pestana's strategy for this business is to build houses only at the same rhythm as they are being sold (we do not build for stock), which proved to be the right choice during market downturns avoiding high opportunity costs.

F. Other Business

Pestana Group's other business represented 10% of the total revenues in 2015. Atlantic Holidays continues to show a poor performance despite the new business model, as a travel agency for UK corporates as feeder market for Portugal.

SDM – Sociedade de Desenvolvimento da Madeira, despite the political difficulties for its operations, continues to run very well in this environment, and ECM – Empresa de Cervejas da Madeira decreased revenues and GOP due to the economic constraints of Madeira island for this activity. A turnaround is expected if beer and soft drinks exports succeed.


PORTO
CRUZ

4. The near future (2016)

4.1. Macro major trends

Global growth will remain sluggish in 2016. Oil prices will remain low and analysts are now more cautious and do not forecast an average price higher than US 70 per barrel (/b) for Brent depending on OPEC supply decisions.

In US real GDP could grow a little bit more than the 3% due once again to the labor market recovery with positive effects in consumer and business confidence and as such in credit growth. It is expected another increase in the FED fund rate to 50 bp if investment and inflation increase as expected.

The euro area will maintain an anemic growth, under pressure by a lower Germany and France growth with BRIC´s slowdown in the horizon. Europe will continue to be affected by the deleveraging cycle both in private, public and financial sectors, despite the ECB credit easing that will continue until 2017.

Investment and corporate lending in Portugal will stabilize in 2016 as a consequence of a macroeconomic uncertainty due to the political changes occurred in the end of 2015, when the left wing parties took over. The country will nevertheless show good fundamentals in line with EU programme.

Inflation will keep low with increasing fears of a long deflation period. Political uncertainty is now lower once the left wing parties that won elections in several European countries showed a Euro commitment in the short term, despite once again the UK doubt about EU. As such it is expected that the Euro against the US dollar will depreciate although it could recover against the Pound if Brexit doesn´t succeed.

Argentina and Venezuela will continue to be highly vulnerable to external and domestic shocks. Low oil prices will have a negative effect in Venezuela, although it will contribute to reduce inflation. As such it is more likely that Argentina improves liquidity following the announced economic reforms and that Venezuela will continue to struggle against social and economic constrains. Brazil will continue to face major distress with high inflation and interest rates and a negative investment that will contribute to an increase in unemployment and private consumption. GDP will probably be negative once again. Cuba will continue to benefit a lot from the improvement in the political relations with the United States.

Africa shows a very different pattern across its countries. In what it concerns to us Cape Verde will keep its sustainable growth, as well as STomé. Mozambique will continue to struggle with social distress.

As a conclusion, we remain positive for 2016, due to the general market agents' confidence growth that should continue to have a positive effect in private consumption in the US and in the countries where we have business in Europe that support the majority of our cashflow. It is expected that these regions will continue to benefit once again from social stability and keep attracting tourists from emerging markets. Leisure and hospitality is expected to keep its sustainable growth.

4.2. Group activity

Pestana Group will keep its strategy based on cities in the US and in Europe for urban hotels with corporate and leisure demand. This will continue to diversify feeder markets and our EBITDA structure in order to have in the medium term the majority of our cash flow spread in investment grade countries in the world.

We also would like to benefit from opportunities that could arise in the resort segment, in specific locations, although it will not be our major focus. Our aim is to also reduce some seasonality that is still present on the Group cash flow. Pestana intends to be more and more asset light, with a stronger component of management.

Pestana Group has an impressive pipeline with more than 2,000 rooms (meaning 20% of its existing supply) over the next 24 months. We expect to open 12 hotels reaching 100 hotels under management, being 5 in Portugal in the main city and resort destinations (Lisbon, Oporto, Madeira, Algarve and Azores), 2 in the USA (NY), 2 in Madrid, 1 in Amsterdam, 1 in Morocco (Marrakesh) and 1 in Brasil (RJ).

These openings will happen mainly in the four star segment, being 4 of them the product of a new partnership with Mr. Cristiano Ronaldo, the Portuguese football player, for a 'lifestyle segment' the Millennials. The majority of these hotels are property owned, based on ground leases, with the exception of two of them in Algarve and Brazil that will be under management.

We will continue to do casuistic sale and leaseback deals with some of our hotels in order to boost our pipeline for new projects, following the two that were done last year with a Portuguese and with a Middle East Investment Fund. This strategy will be done keeping a low gearing and a defensive rent weight in the Income Statement.

5. Objectives and policies of Pestana Group regarding financial risks

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 the interest rate, among others.

Pestana Group'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.

6. Relevant issues that occurred after the year end

On March 8, 2016 Alvor Park's hotel and business were sold for 5.000.000 Euros and on March 2016 Pestana São Luis Hotel was sold for 12.000.000 Brazilian Reals. 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 statement that were already existent at the reporting date. At 31 December 2015 there was also the expectation of what the sales values would be, discussed and agreed with the buyers, although both transactions were only completed after the year end.

As such, these transactions were reflected on the Group's financial statements as at 31 December 2015, and the net amount of these assets corresponds to the recoverable amounts of these groups of assets which resulted in impairment losses of 1.803.643 Euros and 2.849.093 Euros, respectively.

7. Other

In accordance with our duties under Article 339 and 339 bis of the amended Law of 10 August 1915 about Commercial Companies, we inform the following:

- Pestana International Holdings S.A. has not purchased, and does not have, own shares.
- Pestana Group did not operate any branches and there are no significant matters to report regarding research and development.

8. Acknowledgements

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.

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 collaboration of the governing bodies of the group companies, members of the General Assembly and 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.

The Board of Directors

Luxembourg, 28 April 2016

Dionísio Fernandes Pestana

Director

José Alexandre Lebre Theotónio

Director

Hermanus Roelof Willem Troskie

Director

Chiara Louise Deceglie

Director

Rodrigo de Freitas Branco

Director

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 fixed assets	6	890.050.251	965.205.623
Intangible assets	7	13.286.089	14.546.361
Investment properties	8	8.011.151	6.601.752
Investment in associates	9	11.345.137	11.035.669
Other financial investments	10	9.321.517	9.893.993
Deferred tax assets	11	26.518.813	15.780.632
Available-for-sale financial assets	12	158.031	235.245
Trade and other receivables	14	24.668.678	8.944.424
		983.359.667	**1.032.243.699**
Current			
Inventories	15	62.096.912	63.180.116
Trade and other receivables	14	53.639.235	46.411.550
Current tax receivable	16	2.429.995	3.668.125
Financial assets at fair value throught profit and loss	17	-	743.531
Cash and cash equivalents	18	82.055.873	57.908.617
Non current assets held for sale	19	11.090.069	-
		211.312.084	**171.911.939**
Total assets		**1.194.671.751**	**1.204.155.638**
Equity			
Capital	20	207.336.573	210.543.091
Other reserves	21	(14.392.430)	1.903.637
Retaining earnings	22	56.962.853	58.707.116
Profit for the year		15.097.676	2.433.694
Non-controlling interests	23	31.634.653	28.471.265
Total equity		**296.639.325**	**302.058.803**
Liabilities			
Non-current			
Provisions	24	4.043.353	1.171.438
Loans and borrowings	25	375.725.757	394.601.151
Derivatives	26	5.613.205	7.089.256
Deferred tax liabilities	11	69.368.154	85.353.294
Deferred revenue	27	178.253.222	176.355.920
Trade and other payables	28	20.395.900	4.863.496
		653.399.591	**669.434.555**
Current			
Provisions	24	4.184.389	1.294.566
Loans and borrowings	25	99.783.842	120.148.176
Deferred revenue	27	28.739.750	26.504.923
Trade and other payables	28	103.429.179	83.582.451
Current tax liabilities	16	5.197.555	1.132.163
Non current liabitilies held for sale	19	3.298.120	-
		244.632.835	**232.662.280**
Total liabilities		**898.032.426**	**902.096.835**
Total equity and liabilities		**1.194.671.751**	**1.204.155.638**

The following notes form an integral part of the Consolidated statement of financial position as at 31 December 2015.

Consolidated income statement

(amounts expressed in Euros)	Notes	Year 2015	Year 2014
Revenue	29;30	347.454.072	342.713.183
Cost of goods sold	15	(49.272.130)	(50.071.979)
External services and supplies	31	(110.147.630)	(113.698.780)
Personnel expenses	32	(88.518.615)	(86.798.971)
Charges/reversals of depreciations and amortizations	6;7;8	(40.224.467)	(42.155.230)
Impairment losses and reversals of tangible assets	6;19	(4.186.107)	4.269.135
Impairment of receivables	14	(807.059)	(946.115)
Impairment of inventories	15	(1.747.285)	(39.163)
Provisions	24	(5.338.812)	(204.462)
Other income	33	23.018.960	14.779.790
Other expenses	34	(27.284.788)	(22.075.685)
Gains and losses on investments in associates, other financial investments and available-for-sale financial assets	35	(236.026)	(2.879.045)
Profit before financial results and taxes		**42.710.113**	**42.892.678**
Financial expenses	36	(40.051.310)	(42.191.346)
Financial income	36	3.051.825	5.428.729
Profit before tax		**5.710.628**	**6.130.061**
Income tax	37	10.746.277	(818.306)
Profit for the year		**16.456.905**	**5.311.755**
Profit for the year attributable to:			
Shareholders		15.097.676	2.433.694
Non-controlling interests		1.359.229	2.878.061
		16.456.905	**5.311.755**
Earnings per share		12,48	4,03
EBITDA		88.773.296	82.597.497
EBITDAR		100.210.678	92.954.081

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

Consolidated statement of comprehensive income

(amounts expressed in Euros)	Notes	Year 2015	2014
Net profit for the year		**16.456.905**	**5.311.755**
Items that are recycled to profit and loss:			
Foreign currency translation differences	21;23	(13.318.768)	(2.797.890)
Change in fair value of Financial assets available for sale	12	(29.276)	(17.038)
Change in the fair value of hedging derivatives	26	2.125.719	379.208
Impact of changes in tax rate	21	-	237.829
Tax impact in items booked directly in equity	26	(418.930)	(236.704)
Items that are recycled to profit or loss, net of income tax		**(11.641.255)**	**380.333**
Total comprehensive income for the year		**4.815.650**	**5.692.088**
Comprehensive income attributable to:			
Shareholders		3.456.421	2.814.027
Non-controlling interests		1.359.229	2.878.061
		4.815.650	**5.692.088**

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

Consolidated statement of changes in equity

(amounts expressed in Euros)	Atributable to shareholders						
	Share capital	Other equity instruments	Other reserves	Retained earnings	Profit/loss for the period	Non-controlling interests	Total
At 1 January 2015	**166.625.238**	**43.917.853**	**1.903.636**	**58.707.116**	**2.433.694**	**28.471.265**	**302.058.803**
Changes in the period							
Changes in the consolidation perimeter			135.820	(85.646)	-	380	50.554
Net profit application			618.245	1.815.449	(2.433.694)	-	-
Aquisitions of Non-controling interest			-	(7.433.235)	-	7.181.364	(251.871)
Transfers			(4.442.404)	4.442.404	-	-	-
Other changes recognized in equity			(133.325)	(277.714)	-	(295.563)	(706.602)
			(3.821.664)	**(1.538.742)**	**(2.433.694)**	**6.886.181**	**(907.919)**
Currency translation adjustments			(14.024.065)	-	-	705.297	(13.318.768)
Change in fair value reserve - hedging derivatives			1.706.789	-	-	-	1.706.789
Change in fair value reserve - assets held for sale			(29.276)	-	-	-	(29.276)
Impact change income tax rate			-	-	-	-	-
Profit for the year			-	-	15.097.676	1.359.229	16.456.905
Comprehensive income			**(12.346.552)**	**-**	**15.097.676**	**2.064.526**	**4.815.650**
	-	**-**	**(16.168.216)**	**(1.538.742)**	**12.663.982**	**8.950.707**	**3.907.731**
Transactions with equity holders in the period							
Capital increase		-	-	-	-	-	-
Capital decrease		-	-	-	-	-	-
Other changes recognized in equity		-	-	-	-	-	-
Reimbursement of equity instruments		(3.206.518)	-	-	-	(2.400.000)	(5.606.518)
Dividends		-	(127.850)	(205.521)	-	(3.387.319)	(3.720.690)
	-	**(3.206.518)**	**(127.850)**	**(205.521)**	**-**	**(5.787.319)**	**(9.327.208)**
At 31 December 2015	**166.625.238**	**40.711.335**	**(14.392.430)**	**56.962.853**	**15.097.676**	**31.634.653**	**296.639.325**

Consolidated statement of changes in equity

(amounts expressed in Euros)	Share capital	Other equity instruments	Other reserves	Retained earnings	Profit/loss for the period	Non-controlling interests	Total
	Atributable to shareholders						
At 1 January 2014	**166.625.238**	**41.044.631**	**(93.653)**	**59.351.418**	**10.840.503**	**46.043.903**	**323.812.040**
Changes in the period							
Changes in the consolidation perimeter			-	(15.830)	-	(142)	(15.972)
Net profit application			998.033	9.842.470	(10.840.503)	-	-
Aquisitions of Non-controling interest			-	(11.211.066)	-	-	(11.211.066)
Transfers			3.609.016	(2.883.016)	-	(726.000)	-
Other changes recognized in equity			-	16.503.624	-	(16.503.624)	-
			4.607.049	**12.236.183**	**(10.840.503)**	**(17.229.767)**	**(11.227.038)**
Currency translation adjustments			(2.797.890)	-	-	-	(2.797.890)
Change in fair value reserve - hedging derivatives			142.504	-	-	-	142.504
Change in fair value reserve - assets held for sale			(17.038)	-	-	-	(17.038)
Impact change income tax rate			237.829	-	-	-	237.829
Profit for the year			-	-	2.433.694	2.878.061	5.311.755
Comprehensive income			**(2.434.595)**	**-**	**2.433.694**	**2.878.061**	**2.877.160**
	-	**-**	**2.172.454**	**12.236.183**	**(8.406.809)**	**(14.351.706)**	**(8.349.878)**
Transactions with equity holders in the period							
Capital increase	-	15.421.772	-	-	-	-	15.421.772
Capital decrease	-	(12.548.550)	-	-	-	-	(12.548.550)
Other changes recognized in equity		-	-	(280.485)	-	(130.932)	(411.417)
Reimbursement of equity instruments		-	-	(12.600.000)	-	-	(12.600.000)
Dividends		-	(175.165)	-	-	(3.090.000)	(3.265.165)
	-	**2.873.222**	**(175.165)**	**(12.880.485)**	**-**	**(3.220.932)**	**(13.403.359)**
At 31 December 2014	**166.625.238**	**43.917.853**	**1.903.636**	**58.707.116**	**2.433.694**	**28.471.265**	**302.058.803**

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

Consolidated statement of cash flows

(Amounts expressed in Euros)	Note	31 December 2015	31 December 2014
Cash flow from operating activities			
Receipts from customers		341.310.334	339.694.838
Payments to suppliers		(157.135.978)	(160.094.054)
Payments to personnel		(90.579.778)	(85.674.515)
Cash generated from operations		93.594.579	93.926.269
Income tax received/ (paid)		(3.252.794)	(2.987.703)
Other receipts/ (payments)		(8.461.893)	(4.833.667)
Net cash from operating activities		**81.879.892**	**86.104.899**
Cash flow from investing activities			
Receipts related to:			
Tangible assets		51.947.134	2.990.507
Financial investments		44.001	9.269.132
Interest income and similar		1.071.201	1.796.261
Payments related to:			
Tangible and intangible assets		(37.104.258)	(25.478.549)
Financial investments		(6.661.281)	(5.500.109)
Net cash from investing activities		**9.296.797**	**(16.922.758)**
Cash flow from financing activities			
Receipts related to:			
Financing obtained		158.456.859	185.802.285
Other financing operations		3.990	2.056
Payments related to:			
Financing obtained		(190.597.579)	(179.689.616)
Interest expenses and similar		(29.833.799)	(35.986.153)
Dividends		(3.393.396)	(3.265.165)
Share capital and other equity instruments decrease		(451.871)	(2.878.520)
Other financing operations		(225.353)	(971.208)
Net cash from financing activities		**(66.041.149)**	**(36.986.321)**
Changes in cash and cash equivalents		25.135.540	32.195.821
Effects of exchange differences		(2.780.885)	(133.719)
Cash and cash equivalents at beginning of the year	18	30.836.252	(1.225.850)
Cash and cash equivalents at end of the year	18	**53.190.907**	**30.836.252**

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

1. General information

Pestana International Holdings S.A. (in this document as "Pestana Group"), previously denominated as Pestana Luxembourg, S.A. until 13 December 2013, was incorporated in Luxembourg on 4 July 1980 and since 2005 is classified as a "Société de Participations Financières".

Pestana Group which origin dates back to 1972, with the establishment of M&J Pestana - Sociedade de Turismo da Madeira, S.A. to invest on 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 90's the Group started its internationalization efforts, primarily in Africa and then in South America.

In 2003, Pestana Group won the tender to manage 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 business expansion in Europe, through the 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 Services.

Through the promotion of two brands (PH&R - 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 the top 25 of European hotel networks ranking and in the top 75 worldwide.

In the leisure area, Pestana Group currently holds, besides its 47 hotels (11 in Madeira, 7 in Algarve, 3 in Lisbon/Cascais/Sintra, 1 in Oporto, 8 in Brazil, 1 in Argentina, 1 in Venezuela, 3 in Mozambique, 1 in South Africa, 1 in Cape Verde, 3 in São Tomé and Príncipe, 1 in London, 1 in Berlin, 1 in Barcelona, 1 in Miami, 1 in Cuba and 1 in Maroccos) and the management of the 30 "Pousadas de Portugal", including the one in Cascais and in Lisbon, 9 units of Vacation Club, 6 golf courses, 8 real estate / touristic ventures, 2 casino gambling concessions, Madeira and São Tomé and Príncipe, interests in a charter airline, 1 travel agency and 1 tour operator.

The Group implemented in 2013 a corporate reorganization in order to concentrate the main shareholder group stakes in Pestana International Holdings.

These consolidated financial statements were approved by the Board of Directors in the meeting held on 28 April 2016. The Board of Directors believes that the Consolidated financial statements give a true and fair view of the performance of Pestana Group, as well as its consolidated financial position and its consolidated cash flows, including the following business units:

Units	Location	Units	Location
Pestana Carlton Madeira (a)	Madeira	Pestana Viking Vacation Club	Algarve
Pestana Madeira Beach Club	Madeira	Pestana Alvor Atlantico	Algarve
Pestana Casino Park Hotel	Madeira	Pestana Alvor South Beach (e)	Algarve
Pestana Grand	Madeira	Pestana Porches Praia	Algarve
Pestana Grand Vacation Club	Madeira	Pestana Porches Praia Vacation Club	Algarve
Grand Private Collection	Madeira	Pestana Gramacho Golf Resort	Algarve
Pestana Porto Santo	Madeira	Pestana Vale da Pinta Golf Resort	Algarve
Pestana Colombos (b)	Madeira	Pestana Silves Golfe Resort	Algarve
Pestana Promenade	Madeira	Pestana Alto Golfe Resort	Algarve
Pestana Promenade Vacation Club	Madeira	Pestana Vilasol Golfe Resort (b)	Algarve
Pestana Miramar	Madeira	Pestana Vilasol Hotel Resort (b)	Algarve
Pestana Miramar Vacation Club	Madeira	Hotel Bahia Palace	Azores
Pestana Village	Madeira	Pestana Buenos Aires	Argentina
Pestana Village Vacation Club	Madeira	Pestana Convento Carmo (f)	Brazil
Pestana Palms	Madeira	Pestana Bahia	Brazil
Pestana Palms Vacation Club	Madeira	Pestana Bahia Lodge	Brazil
Palms Private Collection	Madeira	Pestana Angra	Brazil
Pestana Bay	Madeira	Pestana Curitiba	Brazil
Pestana Atlantic Gardens	Madeira	Pestana Natal	Brazil
Madeira Magic	Madeira	Pestana Rio Atlantica	Brazil
Casino da Madeira	Madeira	Pestana São Luís	Brazil
Centro Intern. Neg. Madeira (f)	Madeira	Pestana São Paulo	Brazil
Cervejas da Madeira	Madeira	Pestana Bahia Holiday club	Brazil
Pestana Palace	Lisbon	Pestana Natal Holiday club	Brazil
Pousada de Lisboa (d)	Lisbon	Pestana São Luis Holiday club	Brazil
Pestana Vinatge Porto	Oporto	Pestana Trópico	Cape Verde
Pestana Cascais (g)	Cascais	Pestana Cayo Coco (b)	Cuba
Pestana Sintra Golf	Sintra	Pestana Berlim	Germany
Pestana Beloura Golf Resort	Sintra	Pestana Casablanca (b)	Morocco
Pousadas de Portugal (Rede) (f) (g)	Portugal	Pestana Rovuma (f)	Mozambique
Pousada de Cascais (b)	Cascais	Pestana Bazaruto (f)	Mozambique
Pestana Tróia Eco resort	Tróia	Pestana Inhaca Lodge	Mozambique
Pestana Alvor Park	Algarve	Pestana São Tomé	Sao Tomé and Príncipe
Pestana Alvor Park Vacation Club	Algarve	Miramar by Pestana	Sao Tomé and Príncipe
Pestana Alvor Praia	Algarve	Pestana Equador	Sao Tomé and Príncipe
Pestana Alvor Beach Club (e)	Algarve	Pestana Kruger Lodge	South Africa
Alvor Private Collection	Algarve	Pestana Arena Barcelona	Spain
Pestana Dom João II (c)	Algarve	Pestana Miami	U.S.A.
Pestana Dom João II Beach Club	Algarve	Pestana London	United Kingdom
Pestana Delfim (g)	Algarve	Pestana Caracas	Venezuela
Pestana Viking	Algarve		

(a) Rented since May 2015
(b) Management
(c) Rented since December 2015
(d) Opened in June 2015
(e) Opened in August 2015
(f) Concession
(g) Leased contract

2. Accounting standards used in the preparation of the consolidated financial statements

The consolidated financial statements are prepared by Pestana Group 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 Pestana Group 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.

The consolidated financial statements have been prepared under historical cost convention, except for the derivative financial instruments and available-for-sale 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 Pestana Group, 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 Pestana 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 Group'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 8** 'Operating segments' (effective for annual periods beginning on or after 1 February 2015). This improvement changes to IFRS 8, which now requires disclosure of judgments made by management for the aggregation of operating segments, as well reconciliation between assets by segment and the overall assets of the entity, when this information is reported. 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, under 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), 'Tangible fixed assets' 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 improvement 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.

3. Main accounting policies

The main accounting policies applied in the preparation of the consolidated financial statements are described below. These policies were consistently applied to all years presented.

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

In the case of acquisitions and dilutions 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 the 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 its consistent application by all the 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, the goodwill, is recognized as part of the financial investment in the associate. If the acquisition cost is less than the fair value of acquired net assets, the difference is directly recognized as a gain in the consolidated income statement.

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

Dividends received from associates are deducted from the carrying amount of the investment in the consolidated statement of financial position. The accounting policies of the associates are changed, whenever needed, to ensure its consistent application by all 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 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 corresponds to investments 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, as foreseen for equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured (refer to category: Available for sale financial instruments).

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

3.2. Foreing currency translation

i) Functional and presentation currency

The Consolidated financial statements and related notes are presented in Euros, unless otherwise stated, the presentation currency of the Pestana Group.

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 in 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 are translated into the presentation currency at the closing exchange rate of the reporting period.

On the disposal of investments in foreign subsidiaries, foreign exchange differences associated with that investment recorded in equity are recognized in 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
AOA - Angolan Kwanza	147,4100	124,9000
ARS - Argentine Peso	14,1124	10,3830
AUD - Australian Dollar	1,4897	1,4829
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 - British Pound	0,7340	0,7789
MAD - Maroccan Dirham	10,7895	10,9773
MZN - Mozambique New Metical	51,1600	40,4700
NOK - Norwegian Kroner	9,6030	9,0420
SEK - Swedish Krona	9,1895	9,3930
USD - United States Dollar	1,0887	1,2141
UYU - Uruguayan Peso	32,7000	29,2000
VEF - Venezuelan Bolivar Fuerte	216,3231	60,0615
ZAR - South African Rand	16,9530	14,0353

In the 2015 consolidated financial statements, Pestana Group used the exchange rate of the Venezuelan bolivar set as denominated SIMADI, which at 31 December 2015 was set at 198,699 Venezuelan bolivar fuerte per US Dollar, for the purpose of translating the transactions, cash flows and balances related to the investment in Venezuela. In the 2014 consolidated financial statements, Pestana Group used the exchange rate of the Venezuelan bolivar set at the denominated SICAD II (set at 49,47 Venezuelan bolivar fuerte per US Dollar). Regarding Tangible fixed assets as at 31 December 2015 and 2014, Pestana Group applies the historical cost of these assets, which continues to reflect their best estimated recoverable value.

3.3. 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 conditions 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 recurring nature are recognized in the income statement as incurred.

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

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

Initial direct costs incurred in negotiating 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 accounting estimate and are applied prospectively.

3.4. 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 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 there 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 Pestana Group 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 Pestana Group and its services are registered in the income statement as incurred.

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

	Years
Concessions	From 20 to 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.

3.5. 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 ordinary 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 continues to apply the cost model, which is applied to all assets classified as investment properties.

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

3.6. 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, impairment is recorded.

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

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

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

3.7. 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 law and criteria established at year-end in the country of the correspondent subsidiary.

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 instruments, deferred tax liabilities should not be recognized to the extent that: i) the parent company 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.

3.8. Financial assets

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

Financial assets can be classified as:

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

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

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

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

Purchases and sales of investments in financial assets are recorded at trasaction date, which means, the date on which Pestana Group 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 of the period during which, 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 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 case of equity investments classified as available-for-sale financial assets, a significant or continued decline in fair value (+ 20%) below its cost is considered as an indicator that the financial asset is impaired. If there is evidence of impairment for 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 profit or loss - is removed from equity and recognized in income statement. Impairment losses of equity instruments recognized in the income statement are not reversible through 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 asociated to their ownership.

3.9. 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 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 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 Pestana Group uses internal estimates and assumptions. This is the third level of the hierarchy of fair value.

3.10. 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 captions and are subsequently reversed throught the income statement, when impairment triggers reduce or cease to exist.

3.11. Inventories

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

Inventories are mesuared 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 villas, apartments and townhouses 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 process of approval and allotment), villas, apartments and townhouses under construction, measured at the construction costs. The construction cost includes land acquisition costs incurred in obtaining permits and licenses, the costs of materials and labor incorporated in construction works.

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

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

3.12. Cash and cash equivalents

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

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

3.13. 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 up to 12 months.

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

3.14. 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.

3.15. 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 this 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 is determined that the costs necessary to fullfill 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 to the consolidated income statement.

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

3.16. 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 the 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.

3.17. 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.

3.18. 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.

3.19. 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 indicates that in substance that is the contract nature. All other leases are classified as operating leases.

Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased asset and the present value of minimum lease payments, each determined at the date of commencement of the contract. The debt resulting from a financial lease is recorded net of finance charges, under the captions 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.

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

Contracts where the group enters in the lease of an asset that has been sold (sale & leaseback) are assessed taking into account if it is a true sale and, if that is the case, if the lease qualifies as an operating or a finance lease. The accounting treatment followed is as described above depending on the classification.

3.20. 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, being the discount amount the grant. The grant shall be amortized over the period of the borrowing or the useful life of the asset which acquisition the grant aims to subsidize.

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

3.21. 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.

3.22. 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 point's award, 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 timeshare contracts sale, depending on the transfer of risks and rewards associated to each contract.

In general, the timeshare sale 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, once 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).

When the timeshare sale is made with credit granted to the customers, and no interest is charged, the amount of revenue to defer is calculated based on the present value of receivables. When interest is charged to customers, 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 assets during the period established, being revenue recognized annually.

In cases of sale of Options contracts or in the Brazilian "Pestana Holiday Club", in which the customer acquires the right to use the accommodation without having to determine at that time which specific hotel to use, this right is represented in points. The revenue associated with these points is recognized by usage or at its expiration date.

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) the amount of revenue received as an advance payment 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 the full payment has been previously made, date on which all the risks and rewards are considered transferred to the buyer.

Revenue from management services for condominiums is recognized in the period corresponding to the service. Revenue to be recognized corresponds to the commission negotiated and does not include 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 ordinarily to a percentage of the hotel revenue plus a payment of incentives that tend to be calculated by applying a percentage (fixed or variable) to the revenues and / or to the gross operating profits of the hotel (G.O.P.).

3.23. Construction contracts

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

The percentage of completion is determined based on costs incurred in each period versus the budgeted total cost of the contract, with the recognition of the estimated margin for the contract. In rare cases where it is not possible to estimate reliaby the margin of the contract, Pestana Group 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 should be reversed at the end of warranty period of each contract.

3.24. 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 lead to no adjustments) are disclosed in the consolidated financial statements, if considered to be material.

4. Financial risk management policies

4.1. Financial risk factors

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 other currencies than in the Pestana Group'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, the cash flows are mainly generated by operations in the currency of the country of 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 (see detail in Note 25).

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

Regarding the financial instruments that result in an exchange rate risk exposure, a fluctuation of 10% in the Euro exchange rate in relation to the following currencies, as at 31 December 2015 and 2014, would lead to an increase/(decrease) in the Pestana Group results as follows:

	31-12-2015		31-12-2014	
	Income statement		Income statement	
Currency	+10%	-10%	+10%	-10%
USD	3.859.325	(4.716.953)	5.048.355	(6.170.212)
GBP	2.421.353	(2.959.431)	2.362.743	(2.887.798)
	6.280.678	**(7.676.384)**	**7.411.099**	**(9.058.009)**

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 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 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 Group 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 25).

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

The following table analyzes the financial liabilities of the Pestana Group by relevant maturity groupings, based on the remaining period to the contractual maturity at the date of financial reporting. The amounts in the table are undiscounted contractual cash flows:

31 December 2015	Less than 1 year	Between 1 year and 5 years	More than 5 years
Total Loans and borrowings:	99.989.171	256.537.989	122.941.407
- bank loans	58.775.005	169.191.911	80.441.407
- bond loans	8.523.928	82.188.390	42.500.000
- commercial paper	-	5.000.000	-
- bank overdrafts	28.864.966	-	-
- interests payable - accrual	3.825.272	157.689	-
Trade and other payables - non group	102.627.878	6.651.252	13.744.648
Derivatives financial instruments	481.384	4.818.138	313.683

31 December 2014	Less than 1 year	Between 1 year and 5 years	More than 5 years
Total Loans and borrowings:	120.432.774	239.117.588	158.272.930
- bank loans	65.728.109	198.895.407	93.272.930
- bond loans	23.456.239	37.064.492	65.000.000
- commercial paper	–	3.000.000	–
- bank overdrafts	27.072.365	–	–
- interests payable - accrual	4.176.061	157.689	–
Trade and other payables - non group	27.959.494	2.019.152	2.844.344
Derivatives financial instruments	2.345.774	4.823.223	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 rate, 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 consolidated 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 980.000 Euros (31 December 2014: approximately 1.140.000 Euros).

4.2. Capital risk management

Pestana's Group 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, the 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, that 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 Loans and borrowings (Note 25)	475.509.599	514.749.328
Less: Cash and cash equivalents (Note 18)	82.055.873	57.908.617
Net debt	393.453.727	456.840.711
Equity	296.639.324	302.058.803
Total capital	690.093.051	758.899.514
Gearing	**57%**	**60%**

If we considered the deferred revenue from timeshare sales (Note 27) as a component of equity and not as liability, since they do not represent future cash payments, the gearing moved be as follows:

	31-12-2015	31-12-2014
Total Loans and borrowings (Note 25)	475.509.599	514.749.328
Less: Cash and cash equivalents (Note 18)	82.055.873	57.908.617
Net debt	393.453.727	456.840.711
Equity adjusted	487.752.773	489.945.215
Total capital	881.206.500	946.785.926
Gearing	**45%**	**48%**

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 these are 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.

5. 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 properties

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. Pestana Group's results obtained in this sector, during more than 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 the management intention and the substance of the conditions agreed in terms of transfer of risks and rewards associated to the property title and management 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 benefits 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.

5.5. Income taxes

The group is subject to income taxes in numerous jurisdictions. Judgement is required in determining the group's provision for income tax. For certain transactions the ultimate tax determination is uncertain, requiring judgement for the accounting or disclosure of the uncertain positions.

Deferred tax assets related to carry forward losses were assessed taking into consideration the existence of deferred tax liabilities and/or future taxable profit, under the same tax authority as well as the existence of any restrictions to its deductibility.

6. Tangible fixed assets

During the year ended as at 2015 the movements occurred in Tangible fixed assets are as follows:

	Land	Buildings and other construction	Basic equipment	Transport equipment	Administrative equipment	Other tangible assets	Assets under construction	Total
1 January 2015								
Acquisition cost	229.829.427	1.104.331.619	256.610.062	6.742.231	32.616.901	12.726.903	64.890.240	1.707.747.383
Accumulated depreciation	–	(475.313.371)	(176.487.183)	(5.928.838)	(29.400.246)	(9.636.050)	–	(696.765.687)
Accumulated impairment	(25.000.288)	(19.929.247)	(53.995)	(636)	(126.256)	–	(665.649)	(45.776.072)
Net book value	**204.829.139**	**609.089.001**	**80.068.884**	**812.757**	**3.090.399**	**3.090.853**	**64.224.591**	**965.205.623**
Changes in 2015								
Changes in the perimeter - acquisition cost (Note 41)	–	–	–	–	–	–	7.173.889	7.173.889
Changes in the perimeter - depreciation (Note 41)	–	–	–	–	–	–	–	–
Additions	6.281.795	20.531.154	8.105.044	200.569	365.156	678.125	33.732.398	69.894.241
Disposals and write offs - acquisition cost	(18.475.000)	(86.078.196)	(2.116.603)	(143.513)	(186.082)	(120.139)	–	(107.119.533)
Disposals and write offs - depreciation	–	43.039.091	809.879	95.612	180.063	120.048	–	44.244.693
Depreciation	–	(26.987.594)	(9.654.265)	(244.260)	(1.126.410)	(629.006)	–	(38.641.535)
Transfers and write-offs	358.059	16.046.794	1.703.441	4.457	124.909	29.352	(18.704.060)	(437.048)
Transfers to Intangible assets (Note 7)	–	–	–	–	–	–	(49.801)	(49.801)
Transfers to Non-current assets held for sale - acquisition cost (Note 19)	(7.594.321)	(14.902.054)	(2.015.362)	(9.475)	(836.372)	(21.367)	(916)	(25.379.867)
Transfers to Non-current assets held for sale - depreciation (Note 19)	–	4.427.917	1.670.220	9.475	742.931	21.050	–	6.871.593
Impairment - charge	–	–	–	–	–	–	–	–
Impairment - reversal	–	466.630	–	–	–	–	–	466.630
Impairment - disposals	–	–	–	–	–	–	–	–
Impairment - Transfers to Investment properties (Note 8)	–	36.348	–	–	–	–	–	36.348
Currency translation adjustments - acquisition cost	(21.659.649)	(45.340.178)	(4.588.962)	(147.846)	(2.387.046)	(1.111.123)	(17.494)	(75.252.298)
Currency translation adjustments - depreciation	-	15.291.378	7.357.853	118.663	2.087.559	626.696	–	25.482.149
Currency translation adjustments - impairment	15.645.808	1.769.091	27.633	636	111.998	–	–	17.591.514
Net book value	**179.385.831**	**537.389.382**	**81.367.762**	**697.075**	**2.167.105**	**2.684.489**	**86.358.607**	**890.050.251**
31 December 2015								
Acquisition cost	188.740.311	994.589.139	257.697.620	6.646.423	29.697.466	12.181.751	87.024.256	1.576.576.966
Accumulated depreciation	–	(439.542.579)	(176.303.496)	(5.949.348)	(27.516.103)	(9.497.262)	–	(658.808.788)
Accumulated impairment	(9.354.480)	(17.657.178)	(26.362)	–	(14.258)	–	(665.649)	(27.717.927)
Net book value	**179.385.831**	**537.389.382**	**81.367.762**	**697.075**	**2.167.105**	**2.684.489**	**86.358.607**	**890.050.251**

During the year ended as at 2014 the movements occurred in Property plant and equipment are as follows:

	Land	Buildings and other construction	Basic equipment	Transport equipment	Administrative equipment	Other tangible assets	Assets under construction	Total
1 January 2014								
Acquisition cost	227.492.003	1.068.019.129	250.082.093	6.676.771	32.088.951	11.155.786	49.743.593	1.645.258.324
Accumulated depreciation	–	(422.017.387)	(162.608.267)	(5.762.393)	(28.028.809)	(8.419.565)	–	(626.836.421)
Accumulated impairment	(24.654.944)	(24.333.872)	(76.556)	(629)	(126.169)	–	(344.049)	(49.536.219)
Net book value	**202.837.059**	**621.667.870**	**87.397.270**	**913.749**	**3.933.973**	**2.736.221**	**49.399.544**	**968.885.684**
Changes in 2014								
Changes in the perimeter - acquisition cost (Note 41)	129.005	29.719.113	4.465.100	57.842	67.086	8.873	–	34.447.019
Changes in the perimeter - depreciation (Note 41)	–	(24.696.604)	(4.348.059)	(57.842)	(63.846)	(7.382)	–	(29.173.733)
Transfer from investment properties - acquisition cost (Note 8)	–	2.280.002	–	–	–	737.918	–	3.017.920
Transfer from investment properties - depreciation (Note 8)	–	(505.829)	–	–	–	(393.998)	–	(899.827)
Additions	1.915.660	3.706.986	3.924.083	214.981	489.706	119.129	15.921.490	26.292.035
Disposals, transfers and write offs - acquisition cost	(327.408)	(396.588)	(1.295.691)	(220.916)	(188.353)	702.593	(769.833)	(2.496.196)
Disposals, transfers and write offs - depreciation	–	1.001.567	(258.664)	187.090	177.081	(176.883)	–	930.191
Depreciation	–	(28.791.246)	(9.846.278)	(282.434)	(1.333.753)	(635.843)	–	(40.889.554)
Impairment - charge	–	–	–	–	–	–	(321.600)	(321.600)
Impairment - reversal	–	4.590.735	–	–	–	–	–	4.590.735
Impairment - disposals	11.886	85.273	23.172	–	1.300	–	–	121.631
Currency translation adjustments - acquisition cost	620.168	1.002.977	114.806	13.554	82.328	2.604	(5.010)	1.831.426
Currency translation adjustments - depreciation	–	(303.872)	(106.244)	(13.259)	(73.736)	(2.379)	–	(499.490)
Currency translation adjustments - impairment	(357.230)	(271.383)	(612)	(7)	(1.387)	–	–	(630.619)
Net book value	**204.829.139**	**609.089.001**	**80.068.884**	**812.757**	**3.090.399**	**3.090.853**	**64.224.591**	**965.205.623**
31 December 2014								
Acquisition cost	229.829.428	1.104.331.619	256.610.062	6.742.231	32.616.901	12.726.903	64.890.240	1.707.747.383
Accumulated depreciation	–	(475.313.371)	(176.487.183)	(5.928.838)	(29.400.246)	(9.636.050)	–	(696.765.687)
Accumulated impairment	(25.000.288)	(19.929.247)	(53.995)	(636)	(126.256)	–	(665.649)	(45.776.072)
Net book value	**204.829.139**	**609.089.001**	**80.068.884**	**812.757**	**3.090.399**	**3.090.853**	**64.224.591**	**965.205.623**

Changes in the consolidation perimeter

In 2015 changes in the consolidation perimeter are related to the acquisition of Amesteldijk Hotel Ontwkkeling, B.V., that will include the future Pestana Amsterdam Hotel (Note 41).

In 2014 the changes in the consolidation perimeter relate to the acquisition of Industria Açoreana Turístico – Hoteleira (I.A.T.H.), S.A., that owns the Hotel Bahia Palace, in Azores (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 equipment 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.

Additions in 2014 relate mainly to the construction of Pestana Alvor South Beach Hotel (Algarve) and Pousada de Lisboa, the extension of Pestana Carlton Porto hotel as well as some major hotel improvements in Pestana Caracas and Pestana Bahia.

The remaining additions as at 31 December 2015 and 2014 relate to refurbishment and replacements in hotels, timeshare contracts acquisition costs (Note 3.3) 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 34) and a gain of 9.217.348 Euros (Note 33), respectively.

Transfers to Assets held for sale

In December 2015 Pestana Alvor Park Hotel and Pestana São Luis Hotel were transferred to Assets held for sale since it is the management's decision and expectation to sell these assets within the following months resulting in transfers in the amounts of 10.102.112 Euros and 7.220.599 Euros, respectively (Note 19).

Impairment

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 2014 impairment charges and reversals respect to:

— The Brazilian hotel units Pestana São Luís (reversal of 2.129.355 Euros), Pestana Natal (reversal of 460.516 Euros) and Pestana Angra (reversal of 128.509 Euros), due to the 2014 and foreseen performance and valuations above initial expectations.

— Madeira Magic Complex (reversal of 511.869 Euros) since the 2014 cash-flows and correspondent expectation for the following years exceeds the 2013 ones.

— Silves golf couse (reversal of 835.738 Euros) and Touristic project in Algarve (charge of 321.600 Euros) as a consequence of an evaluation done by an external recognized multinational entity.

— Pestana Alto Golf (reversal of 438.924 Euros) considering the good performance of this golf course with higher cash-flows than originally estimated.

These impairment tests have been performed at December 2014 and December 2015, considering the assets recoverable amount, which was determined based on the estimated gross operational profits (GOP) 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.

Currency translation adjustments

This caption in 2015 is mainly explained by the significant devaluation of the Brazilian Real against the Euro, reducing the Brazilian fixed assets in the total net amount of 29.711.707 Euros.

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
Pestana Amsterdam Project	9.285.570	324.685
Lisbon downtown building	6.107.952	3.848.092
Hotel Silves project (Algarve)	4.894.000	5.394.352
North of Gramacho land (Algarve)	2.125.003	2.125.003
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	-
Silves golf course project (Algarve)	500.001	-
Vale da 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	-
Pestana Montevideu project (Uruguay)	220.786	440.729
Pestana Caracas - Hotel improvements (Venezuela)	64.847	700.981
Pousada of Lisbon project	-	5.260.135
Extension of Pestana Porto hotel	-	4.317.346
Pestana South Beach project (Algarve)	-	3.226.518
Pestana Bahia - Hotel improvements (Brazil)	-	1.980.114
Pestana Atlantic Gardens/Bay/Palms/Carlton - Hotel improvements (Madeira)	-	529.984
Si-turismo Project	-	666.429
Pestana Arena redecoration (Barcelona)	-	314.537
Others	2.585.570	2.047.512
	86.358.607	**64.224.591**

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 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 minimum 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 28).

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.

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 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 license was approved in January 2015.

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.

The Pestana Montevideu project (Uruguay) relates to the development of a new Hotel unit.

The Pestana Caracas Hotel in Venezuela is related to major improvements in this business unit.

Assets which are reversible to the State

Pestana Group 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 financial leasing

In the period ended 31 December 2015 and 2014, the net book value of these assets is as follows:

	2015	2014
Acquisition cost	25.720.810	15.069.957
Accumulated depreciation	(2.826.112)	(6.505.906)
	22.894.698	**8.564.051**

7. Intangible assets

During the year ended as at 31 December 2015 the movements occurred in Intangible assets are as follows:

	Software	Concessions	Website	Total
1 January 2015				
Acquisition cost	1.929.616	28.985.846	442.302	31.357.764
Accumulated amortization	(1.029.435)	(14.776.126)	(371.417)	(16.176.979)
Accumulated impairment	–	(634.423)	–	(634.423)
Net book value	**900.181**	**13.575.297**	**70.886**	**14.546.361**
Additions	110.535	–	416.518	527.054
Disposals and write-offs - acquisition cost	(21.220)	(1.781.089)	–	(1.802.309)
Disposals and write-offs - amortization	11.051	1.472.739		1.483.790
Transfer from fixed assets	49.801	–	–	49.801
Amortization	(268.269)	(1.111.291)	(97.291)	(1.476.851)
Impairment - charge	–	–	–	–
Impairment - reversal	–	–	–	–
Exchange differences - acquisition cost	(110.936)	(1.505)	(670)	(113.111)
Exchange differences - amortization	69.747	1.455	151	71.353
Net book value	**740.890**	**12.155.606**	**389.593**	**13.286.089**
31 December 2015				
Acquisition cost	1.957.796	27.203.252	858.150	30.019.198
Accumulated amortization	(1.216.906)	(14.413.223)	(468.557)	(16.098.686)
Accumulated impairment	–	(634.423)	–	(634.423)
Net book value	**740.890**	**12.155.606**	**389.593**	**13.286.089**

During the year ended as at 31 December 2014 the movements occurred in Intangible assets are as follows:

	Software	Concessions	Website	Total
1 January 2014				
Acquisition cost	1.642.143	28.880.787	442.291	30.965.221
Accumulated amortization	(786.816)	(13.461.843)	(260.418)	(14.509.077)
Accumulated impairment	–	(634.423)	–	(634.423)
Net book value	**855.327**	**14.784.521**	**181.873**	**15.821.720**
Additions	273.961	104.992	–	378.953
Disposals	–	–	–	–
Amortization	(241.970)	(826.473)	(110.992)	(1.179.435)
Impairment - charge	–	–	–	–
Impairment - reversal	–	–	–	–
Exchange differences - acquisition cost	13.512	67	11	13.590
Exchange differences - amortization	(649)	(487.810)	(6)	(488.465)
Net book value	**900.181**	**13.575.297**	**70.886**	**14.546.361**
31 December 2014				
Acquisition cost	1.929.616	28.985.846	442.302	31.357.764
Accumulated amortization	(1.029.435)	(14.776.126)	(371.417)	(16.176.979)
Accumulated impairment	–	(634.423)	–	(634.423)
Net book value	**900.181**	**13.575.297**	**70.886**	**14.546.361**

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.

— In addition to these concessions, the Pestana Group also holds other concessions that have impairment losses in the amount of 634.423 Euros.

8. Investment properties

During the year ended as at 2015 and 2014, the movements occurred in Investment properties are as follows:

	2015	2014
1 January		
Acquisition cost	9.865.435	12.817.722
Accumulated depreciation	(2.622.291)	(3.435.877)
Accumulated impairment	(641.392)	(641.392)
Net book value	**6.601.752**	**8.740.453**
Additions	330.000	65.634
Transfer to Tangible fixed assets - acquisition cost (Note 6)	–	(3.017.920)
Transfer to Tangible fixed assets - depreciation (Note 6)	–	899.827
Transfer from Tangible fixed assets - impairment (Note 6)	(36.348)	–
Transfers and write-offs	13.669	–
Changes in perimeter (Note 41)	1.199.863	–
Depreciation	(106.081)	(86.241)
Depreciation - transfers, disposals and write-offs	8.296	–
	1.409.399	**(2.138.700)**
31 December		
Acquisition cost	11.408.967	9.865.435
Accumulated depreciation	(2.720.076)	(2.622.291)
Accumulated impairment	(677.740)	(641.392)
Net book value	**8.011.151**	**6.601.752**

As at 31 December 2015 and 2014 Investment properties are mainly leased or intended to be leased and are detailed as follows:

	2015	2014
Commercial spaces rented to third parties, Algarve	2.613.307	2.134.819
Property in S. Gonçalo, Madeira	1.209.499	1.263.034
Land in Funchal, Madeira	1.199.863	–
Land in Angra dos Reis, Brazil	962.902	962.902
Property in Lumiar, Lisbon	496.847	684.432
Property in Mouraria, Funchal	129.280	134.009
Other	1.399.453	1.422.556
	8.011.151	**6.601.752**

The 2014 transfers to Tangible fixed assets relates exclusively to Offices rented to third parties in São Tomé and Príncipe that started to be used by Pestana São Tomé Hotel.

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.

9. Investments in associates

The movements occurred in Investments in associates during 2015 and 2014 are as follows:

	2015	2014
1 January	11.035.669	9.816.402
Acquisitions	–	241.333
Equity method (Note 35)	1.078.392	264.939
Transfers from accounts receivables	–	712.995
Impairment loss (Note 35)	(768.924)	–
31 December	**11.345.137**	**11.035.669**

In 2015 and due to the current economic and financial situation in Angola, Pestana Group decided to book an impairment loss for the financial investment held in Soheotur - Sociedade de Empreendimentos Hoteleiros, S.A..

The 2014 acquisitions relate to a capital increase made in Soheotur - Sociedade de Empreendimentos Hoteleiros, S.A..

The 2015 and 2014 profit of equity accounting mainly regards to Enatur – Empresa Nacional de Turismo, S.A. (Note 35).

As at 31 December 2015 the Investments in associates relates to the following entities:

Entity	Owned %	Financial investment: Equity method	Financial investment: Impairment loss	Financial investment: Total	Loans granted: Investment amount	Loans granted: Impairment loss	Loans granted: Total (Note 42)	Total Investment	Goodwill included
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
Soheotur, S.A.	25,00%	596.403	596.403	–	172.521	172.521	–	–	–
Albar - Sociedade Imobiliária do Barlavento, S.A.	49,81%	581.064	–	581.064	–	–	–	581.064	–
SDEM - Sociedade de Desenvolvimento Empresarial da Madeira, SGPS, S.A. (i)	3,75%	322.444	–	322.444	–	–	–	322.444	–
Fantasy Land, Ltd.	33,33%	150.068	150.068	–	–	–	–	–	–
		10.901.015	**746.471**	**10.154.544**	**1.363.114**	**172.521**	**1.190.593**	**11.345.137**	**3.837.382**

(i) Associate owned by SDM – Sociedade de Desenvolvimento da Madeira, S.A. in 25% (Note 40).

As at 31 December 2014 the Investments in associates refer to the following entities:

Entity	Owned %	Financial investment: Equity method	Financial investment: Impairment loss	Financial investment: Total	Loans granted: Investment amount	Loans granted: Impairment loss	Loans granted: Total (Note 42)	Total Investment	Goodwill included
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
Soheotur, S.A.	25,00%	596.403	–	596.403	172.521	–	172.521	768.924	–
Albar - Sociedade Imobiliária do Barlavento, S.A.	49,81%	582.592	–	582.592	–	–	–	582.592	–
SDEM - Sociedade de Desenvolvimento Empresarial da Madeira, SGPS, S.A.	3,75%	372.291	–	372.291	–	-	–	372.291	–
Fantasy Land, Ltd.	33,33%	150.068	150.068	–	–	-	–	–	–
		9.822.623	**150.068**	**9.672.555**	**1.363.114**	**-**	**1.363.114**	**11.035.669**	**3.837.382**

The summary of financial statements from these associates is presented in Note 40.

10. Other financial investments

The movements occurred in Other financial investments during 2015 and 2014 are as follows:

	2015	2014
1 January	9.893.993	12.821.943
Acquisitions	–	4.595.667
Disposals	(121.286)	(5.446.958)
Impairment losses (Note 35)	(369.159)	(2.076.659)
Loans granted / (Reimbursed)	(82.031)	–
Foreign exchange variation	–	–
31 December	**9.321.517**	**9.893.993**

The impairment losses booked in 2015 and 2014 are related to Imóveis Brisa – F.I.I.F. due to the market value depreciation that has occurred.

The 2015 disposals relate to minor participations in government institutions, investments that have been made in the past due to contractual obligations linked to government grants. In 2014, relate to the sale of the remaining 15% participation in Quanlux, S.à r.l. and the remaining 15% owned in Euro Atlantic Airways, both to Pestana Atlantic, S.à r.l., in the amount of 2.952.632 Euros and 6.316.500 Euros, respectively. In 2014 both sales generated a gain of 1.452.632 Euros and 2.369.542 Euros, respectively (Note 35).

The acquisitions in 2014 relate mainly to capital subscriptions in Imóveis Brisa – F.I.I.F..

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

Entity	Owned %	Acquisition cost			Loans granted			
		Investment value	Impairment loss	Total	Investment value	Impairment loss	Total	Investment value
Imóveis Brisa – F.I.I.F.	n.a	9.338.481	314.544	9.023.937	–	-	–	9.023.937
Other financial investments	n.a	937.628	650.523	287.105	10.475	-	10.475	297.580
		10.276.109	**965.067**	**9.801.487**	**10.475**	**-**	**10.475**	**9.321.517**

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

Entity	Owned %	Acquisition cost			Loans granted			
		Investment value	Impairment loss	Total	Investment value	Impairment loss	Total	Investment value
Imóveis Brisa - F.I.I.F.	n.a	18.147.823	8.790.264	9.357.559	–	–	–	9.357.559
Other financial investments	n.a	1.060.377	616.449	443.928	92.506	–	92.506	536.434
		19.208.200	**9.406.713**	**9.801.487**	**92.506**	**–**	**92.506**	**9.893.993**

11. Deferred tax assets and liabilities

As at 31 December 2015 and 2014, the balance recognized as Deferred taxes is presented in the consolidated statement of financial position at gross value.

The impacts of the movements occurred in deferred taxes' items are as follows:

	2015	2014
Impact on net income		
Deferred tax assets	9.848.051	(2.050.753)
Deferred tax liabilities	9.155.979	5.066.726
	19.004.030	3.015.973
Impact from changes in the consolidation perimeter		
Deferred tax assets	–	–
Deferred tax liabilities	–	(149.889)
	–	(149.889)
Impact on equity		
Deferred tax assets	(418.930)	(84.961)
Deferred tax liabilities	–	50.685
	(418.930)	(34.276)
Net impact on deferred taxes	**18.585.100**	**2.831.808**

The movements occurred in deferred tax assets for the years presented were as follows:

	Impairment losses on trade receivables	Impairment losses on inventories	Adjustments due to fair value	Hedging reserves	Impairment losses on tangible assets	Provisions - litigations in progress	Tax losses	Fidelization program (PPG)	Others	Total
1 January 2015	210.668	-	758.084	1.279.277	9.181.879	-	1.493.071	579.003	2.278.650	15.780.632
Constitution/reversal through equity	–	–	–	(418.930)	–	–	–	–		(418.930)
Reversal through profit or loss	(92.192)	–	(744.444)	(1.247)	(4.259.257)	–	(309.768)	(9.769)	(12.155)	(5.428.832)
Constitution through profit or loss	93.837	459.319	67.626	134.639	508.352	831.391	11.879.319	–	2.640.645	16.615.128
Transfers to deferred tax liabilities	–	–	–	–	–	–	3.346.650	–	–	3.346.650
Currency translation adjustments	(5.569)	–	–	–	(1.355.772)	–	(1.401.010)	–	(613.484)	(3.375.835)
Changes on period	**(3.924)**	**459.319**	**(676.818)**	**(285.538)**	**(5.106.677)**	**831.391**	**13.515.191**	**(9.769)**	**2.015.006**	**10.738.181**
31 December 2015	**206.744**	**459.319**	**81.266**	**993.739**	**4.075.202**	**831.391**	**15.008.262**	**569.234**	**4.293.656**	**26.518.813**

Deferred assets on tax losses recognized in the year relate to the tax losses accumulated by Brasturinvest (operating company in Brazil) for which management expectations on recovery have changed in 2015, considering the changes which are being implemented both on an operational and financing level in Brazil (deferred tax asset amounting to 9,9 million Euros).

As at 31 December 2015, tax losses carried forward for which no Deferred tax asset was recognized are not significant.

	Impairment losses on trade receivables	Adjustments due to fair value	Hedging reserves	Impairment losses on tangible assets	Provisions - litigations in progress	Tax losses	Fidelization program (PPG)	Others	Total
1 January 2014	353.285	1.618.527	1.441.471	10.594.476	8.050	1.326.735	490.563	2.083.240	17.916.347
Constitution/reversal through equity	-	-	(151.467)	-	-	-	-	-	(151.467)
Reversal through profit or loss	(179.935)	(860.443)	(10.727)	(1.503.406)	(8.050)	(251.746)	-	(23.939)	(2.838.245)
Constitution through profit or loss	37.318	-	-	67.536	-	374.849	88.440	219.349	787.492
Currency translation adjustments	-	-	-	23.274	-	43.233	-	-	66.506
Changes on period	**(142.617)**	**(860.443)**	**(162.194)**	**(1.412.596)**	**(8.050)**	**166.336**	**88.440**	**195.410**	**(2.135.714)**
31 December 2014	**210.668**	**758.084**	**1.279.277**	**9.181.879**	**-**	**1.493.071**	**579.003**	**2.278.650**	**15.780.632**

The movements occurred in deferred tax liabilities for the years presented were as follows:

	Deemed cost investment properties (IFRS 1)	Revaluation under previous GAAP	Others	Total
1 January 2015	83.725.059	331.752	1.296.483	85.353.294
Changes in the perimeter (Note 41)	–	–	–	–
Reversal through profit or loss	(7.944.463)	(2.276)	–	(7.946.739)
Constitution through profit or loss	–	–	129.005	129.005
Transfers from deferred tax assets	3.346.650	–	–	3.346.650
Currency translation adjustments	(11.737.973)	–	223.917	(11.514.056)
Changes on period	**(16.335.786)**	**(2.276)**	**352.922**	**(15.985.140)**
31 December 2015	**67.389.273**	**329.476**	**1.649.405**	**69.368.154**

Deferred tax liabilities on Deemed cost investment properties reversed in 2015 relate, among others, to the sale of “Hotel D. João II” in the amount of 3,9 million Euros. Additionally, due to the impairment registered in Pestana São Luis Hotel (Note 19) the corresponding deferred tax liability related to the Deemed cost was derecognized in the amount of 1,9 million Euros.

The 2015 currency translation adjustments are mainly explained by the significant devaluation of the Brazilian Real against the Euro, reducing the Brazilian deferred tax liabilities in the total amount of 7,8 million Euros.

	Deemed cost investment properties (IFRS 1)	Revaluation under previous GAAP	Others	Total
1 January 2014	88.858.271	374.624	1.087.921	90.320.816
Changes in the perimeter (Note 41)	–	–	149.889	149.889
Reversal through profit or loss	(5.037.824)	(42.872)	(29.131)	(5.109.827)
Constitution through profit or loss	–	–	43.101	43.101
Currency translation adjustment	(95.388)	–	44.703	(50.685)
Changes on period	**(5.133.212)**	**(42.872)**	**208.562**	**(4.967.522)**
31 December 2014	**83.725.059**	**331.752**	**1.296.483**	**85.353.294**

12. Available-for-sale financial assets

As at 31 December 2015 and 2014, Pestana Group has equity instruments in some listed entities in the amount of 158.031 Euros and 235.245 Euros, respectively. As at 31 December 2015 and 2014, total acquisition costs of these equity instruments amounts to 225.000 Euros.

The available-for-sale financial assets are recorded at fair value, with valuation changes since the date of acquisition recognized against Fair value reserve – Available-for-sale financial assets (Note 21), 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 the Available-for-sale financial assets were as follows:

	2015	2014
1 January	**235.245**	**5.211.467**
Impairment losses (Note 35)	(47.938)	(4.959.184)
Fair value variation (Note 21)	(29.276)	(17.038)
Changes on period	(77.214)	(4.976.222)
31 December	**158.031**	**235.245**

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 35).

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	Available-for-sale financial investments	Liabilities at fair value	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets						
Cash and cash equivalents	82.055.873	-	-	-	-	82.055.873
Trade and other receivables	38.775.518	-	-	-	39.532.392	78.307.910
Financial assets at fair value through profit and loss	-	-	-	-	-	-
Available for sale investments	-	158.031	-	-	-	158.031
	120.831.391	**158.031**	**-**	**-**	**39.532.392**	**160.521.814**
Liabilities						
Loans and borrowings	-	-	-	475.509.599	-	475.509.599
Derivatives	-	-	5.613.205	-	-	5.613.205
Trade and other payables	-	-	-	74.028.791	49.796.286	123.825.078
	-	**-**	**5.613.205**	**549.538.390**	**49.796.286**	**604.947.882**

31 December 2014	Cash and Receivables	Available-for-sale financial investments	Liabilities at fair value	Other financial liabilities	Non-financial assets/ liabilities	Total
Financial assets						
Cash and cash equivalents	57 908 617	-	-	-	-	57 908 617
Trade and other receivables	37 443 343	-	-	-	17 912 631	55 355 974
Financial assets at fair value through profit and loss	743 531	-	-	-	-	743 531
Financial assets available for sale	-	235 245	-	-	-	235 245
	96 095 492	**235 245**	**-**	**-**	**17 912 631**	**114 243 367**
Financial liabilities						
Loans and borrowings	-	-	-	514 749 328	-	514 749 328
Derivatives	-	-	7 089 256	-	-	7 089 256
Trade and other payables	-	-	-	46 202 024	42 243 924	88 445 947
	-	**-**	**7 089 255**	**560 951 351**	**42 243 924**	**610 284 531**

According to IFRS 13, the Pestana Group established the way it obtains the fair value of its financial assets and liabilities. The levels used are presented in Note 3.9, and are as follows:

	31 December 2015			31 December 2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Derivatives	–	–	–	–	–	–
Financial assets at fair value through profit and loss	–	–	–	743.531	–	–
Available-for-sale financial assets	158.031	–		235.245	–	–
	158.031	**–**	**–**	**978.776**	**–**	**–**
Financial liabilities						
Derivatives	–	5.613.205	–	–	7.089.256	–
	–	**5.613.205**	**–**	**–**	**7.089.256**	**–**

14. Trade and other receivables

As at 31 December 2014 and 2013, Trade and other receivables are detailed as follows:

	31-12-2015			31-12-2014		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables (i)	31.671.836	-	31.671.836	28.667.217	-	28.667.217
Other receivables (ii)	6.156.405	-	6.156.405	7.314.192	284.829	7.599.021
Prepayments (iii)	7.939.785	24.668.678	32.608.463	4.649.829	8.659.595	13.309.424
Accrued income	947.277	-	947.277	1.177.105	-	1.177.105
Taxes receivable (iv)	6.923.929	-	6.923.929	4.603.206	-	4.603.206
	53.639.232	**24.668.678**	**78.307.910**	**46.411.550**	**8.944.424**	**55.355.974**

i) Trade receivables

	31-12-2015			31-12-2014		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables - group (Note 42)	311.493	-	311.493	25.582	-	25.582
Trade receivables - other	31.360.342	-	31.360.342	28.641.635	-	28.641.635
Doubtful debtors	15.110.423	-	15.110.423	15.350.882	-	15.350.882
	46.782.258	-	46.782.258	44.018.099	-	44.018.099
Impairment of trade receivables	(15.110.423)	-	(15.110.423)	(15.350.882)	-	(15.350.882)
	31.671.836	**-**	**31.671.836**	**28.667.217**	**-**	**28.667.217**

Impairment of Trade receivables – movements of the year:

	2015	2014
1 January	15.350.882	14.640.303
Increases	2.315.266	3.337.450
Reversals	(1.272.250)	(1.706.045)
Utilizations	(919.058)	(920.826)
Transfers to Other receivables	(364.417)	-
31 December	**15.110.423**	**15.350.882**

ii) Other receivables

	31-12-2015			31-12-2014		
	Current	Non-current	Total	Current	Non-current	Total
Other debtors - group (Note 42)	642.987	-	780.195	3.739.916	-	3.739.916
Other debtors	5.951.140	-	5.813.933	4.191.292	284.829	4.476.121
Personnel	233.882	-	233.882	171.969	-	171.969
Impairment	(671.604)	-	(671.604)	(788.985)	-	(788.985)
	6.156.405	**-**	**6.156.405**	**7.314.192**	**284.829**	**7.599.021**

As at 31 December 2014, Other debtors – group mainly represents to the account receivable from Pestana Atlantic, S.à r.l. regarding the sale of Quanlux, S.à r.l., amounting to 2.952.632 Euros (Note 20).

Impairment of Other receivables - movements of the year:

	2015	2014
1 January	788.985	1.669.286
Increases	17.378	8.273
Reversals	(193.335)	(693.563)
Utilizations / Currency translation adjustments	(305.841)	(195.011)
Transfers from Trade receivables	364.417	-
31 December	**671.604**	**788.985**

iii) Prepayments

	31-12-2015			31-12-2014		
	Current	Non-current	Total	Current	Non-current	Total
Commissions	3.254.618	20.127.601	23.382.219	805.635	8.659.595	9.465.230
Rentals	1.036.831	4.541.077	5.577.908	721.817	-	721.817
Insurance	372.548	-	372.548	710.641	-	710.641
Maintenance services	666.342	-	666.342	576.608	-	576.608
Other services	2.609.446	-	2.609.447	1.835.127	-	1.835.127
	7.939.785	**24.668.678**	**32.608.463**	**4.649.829**	**8.659.595**	**13.309.424**

As at 31 December 2015 and 2014, the balance of Prepayments - Commissions includes commissions paid related to sales of Timeshare – Options contracts (Note 3.21 ii)).

The caption Rentals includes the amount of 4.541.077 Euros related to deferred costs from the amount paid for the future Hotel Ground Lease contract in Amsterdam.

iv) Taxes receivable

This caption is mainly related to VAT receivable.

15. Inventories

Inventories as at 2015 and 2014 are detailed as follows:

	2015	2014
Goods	4.411.935	5.075.485
Raw and subsidiary materials	2.982.186	3.059.774
Finished goods	25.380.687	23.599.083
Work in progress	31.224.438	31.709.309
	63.999.246	63.443.651
Impairment of inventories	(1.902.334)	(263.535)
	62.096.912	**63.180.116**

Finished goods and in Work in progress are as follows:

	2015	2014
Tróia Project (Tróia, Portugal)	25.380.686	23.562.428
Vila Maria Villas (São Tome and Principe)	8.619.656	8.619.656
North of Gramacho Land (Algarve, Portugal)	7.866.691	6.828.552
Abrunheira Project (Portalegre, Portugal)	6.291.949	6.291.949
Silves turistic Project (Algarve, Portugal)	3.034.647	3.031.647
Vale da Pinta Land (Algarve, Portugal)	2.207.224	3.191.588
Bazaruto Villas (Mozambique)	1.187.828	1.918.984
Flats (Algarve, Portugal)	1.138.436	620.993
Others	878.008	1.242.595
	56.605.125	**55.308.392**

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.

Vila Maria Villas are 35 villas in a luxury condominium located near the beach in the country's capital, the city of São Tomé.

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.

Bazaruto Villas comprises luxury villas in a rustic setting located near the beach of the island of Bazaruto in Mozambique.

The caption Flats relates to 5 apartments near Gramacho and Vale da Pinta golf course in Algarve – Portugal. These apartments are ready to be sold.

In 2015, the Cost of sales totaled 49.272.130 Euros (31 December 2014: 50.071.979 Euros).

Impairment of Inventories – movements of the year:

	2015	2014
1 January	**263.535**	**380.728**
Increases	1.784.628	76.249
Reversals	(37.343)	(37.086)
Utilizations	(108.486)	(156.356)
31 December	**1.902.334**	**263.535**

The increases mainly refers to an impairment of the Vila Maria’s villages, in Sao Tome and Príncipe, in the amount of 1.671.989 Euros, considering the actual estimated cash flows and applicable discount rate.

16. Corporate income tax

The balances of Corporate income tax for the years ended 31 December 2015 and 2014 are as follows:

	31-12-2015		31-12-2014	
	Assets	Liabilities	Assets	Liabilities
Income tax	2.429.995	5.197.555	3.668.125	1.132.163
	2.429.995	**5.197.555**	**3.668.125**	**1.132.163**

The balance of Income tax is detailed as follows:

	2015	2014
Advance payments	2.429.995	3.482.026
Withholding taxes	276.211	186.100
Current income tax estimate	(5.473.766)	(1.132.164)
	(2.767.560)	**2.535.962**

17. Financial assets at fair value through profit and loss

During 2015, the Pestana Group has settled equity instruments held in the amount of 743.531 Euros.

The Financial assets at fair value through profit and loss are recorded at fair value. Since the date of acquisition, valuation changes are recognized in the income statement in the financial results caption (Note 36).

The variations in the Financial assets at fair value through profit and loss were as follows:

	2015	2014
1 January	**743.531**	**668.283**
Settlement	(614.209)	–
Fair value variation (Note 36)	77.921	51.545
Currency translation adjustments	(207.243)	23.703
Changes on period	(743.531)	75.248
31 December	**–**	**743.531**

18. Cash and cash equivalents

The breakdown of Cash and cash equivalents is as follows:

	31-12-2015	31-12-2014
Cash	1.128.105	1.342.157
Bank deposits	80.927.768	56.566.460
	82.055.873	**57.908.617**

The detail of the amount considered as final balance in Cash and cash equivalents for the purposes of the Consolidated cash flows statement for the year ended 2015 and 2014 is as follows:

	31-12-2015	31-12-2014
Cash	1.128.105	1.342.157
Overdrafts	(28.864.967)	(27.072.365)
Bank deposits	80.927.768	56.566.460
	53.190.907	**30.836.252**

Bank deposits include balances in foreign currency mainly in the amounts of 6.507.470 USD and 13.367.913 GBP (31 December 2014: 12.128.115 USD and 5.615.444 GBP).

19. Non-current Assets and Liabilities held for sale

As at 31 December 2015 and 2014, the detail of Non-current Assets and Liabilities held for sale is as follows:

	2015	2014
Assets held for sale		
Pestana Alvor Park Hotel and corresponding business (i)	8.298.468	–
Pestana São Luis Hotel and corresponding business (ii)	2.791.601	–
	11.090.069	**–**
Liabilities held for sale		
Pestana Alvor Park Hotel and corresponding business (i)	3.298.120	–
	3.298.120	**–**
	7.791.949	**–**

(i) Pestana Alvor Park Hotel and corresponding business

The Group, after the deliberation of the Board of Directors of Salvor – Sociedade de Investimento Hoteleiro, 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) Pestana São Luis Hotel and corresponding business

Also in 2015, Pestana Group decided to sell Pestana São Luis Hotel for 12.000.000 BRL (2.783.125 Euros at closing date exchange rate). Since as at 31 December 2015 the sale price had already been agreed on an additional impairment loss of 2.849.094 Euros was recognized for the difference between the assets' carrying amount and the estimated consideration to be received. All tangible assets of this hotel were classified as Non-current Assets held for sale (Note 6).

20. Capital

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

	2015	2014
Share capital (i)	166.625.238	166.625.238
Other equity instruments (ii):		
Other capital contributions not remunerated nor with reimbursement date	40.711.335	43.917.853
	207.336.573	**210.543.091**

(i) Share capital

As at 31 December 2015 and 2014, the Pestana International Holdings, S.G.P.S., S.A. subscribed capital amount to 166.625.238 Euros, represented by 1.319.177 shares in registered form without nominal value.

The authorised capital of the Company is set at 250.000.000 Euros divided into 2.000.000 shares without nominal value.

The detail of the share capital as at 31 December 2015 is as follows:

Shareholders	Number of shares	Capital
Dionísio Fernandes Pestana	1.319.176	166.625.111
José Alexandre Lebre Theotónio	1	127
	1.319.177	**166.625.238**

The detail of the share capital as at 31 December 2014 is as follows:

Shareholders	Number of shares	Capital
Dionísio Fernandes Pestana	1.319.175	166.624.984
José Alexandre Lebre Theotónio	1	127
António Paulo Jardim Prada	1	127
	1.319.177	**166.625.238**

(ii) Other equity instruments

The other capital contributions are not remunerated and do not have an established reimbursement date, having been granted to the Pestana Group by its shareholder, Mr. Dionísio Pestana. It is not expected that its refund will occur during the next year.

During 2015, the account receivable from Pestana Atlantic, S.à.r.l. in the amount of 2.952.632 Euros (Note 14) was received with the reimbursement of the shareholder loan in the same amount, as agreed between all parties. Additionally, 253.886 Euros were also reimbursed during the year 2015.

21. Others reserves

Other reserves had the following movements during the years ended 2015 and 2014:

	Legal reserve (i)	Free reserves	Fair value reserve C.F.H. (ii)	Fair value reserve A.F.S. (iii)	Hiperinflation	Associates - Equity Method (iv)	Currency translation adjustments (v)	Total
1 January 2014	**15.534.381**	**7.161.209**	**2.143.964**	**(144.199)**	**1.260.603**	**(7.021.595)**	**(19.028.015)**	**(93.652)**
Net profit application	977.242	20.791	-	-	-	-	-	998.033
Currency translation adjustments	-	(393.880)	-	-	-	-	(2.404.010)	(2.797.890)
Change in fair value reserve - hedging derivatives net of tax	-	-	142.504	-	-	-	-	142.504
Change in fair value reserve - assets held for sale net of tax	-	-	-	(17.038)	-	-	-	(17.038)
Impact change income tax rate	-	-	100.059	137.770	-	-	-	237.829
Dividends	-	(175.165)	-	-	-	-	-	(175.165)
Transfer to and from Retained earnings	-	-	-	-	(1.260.603)	(1.422.400)	6.292.019	3.609.016
31 December 2014	**16.511.624**	**6.612.955**	**2.386.527**	**(23.467)**	**-**	**(8.443.995)**	**(15.140.008)**	**1.903.637**
Net profit application	618.244	-	-	-	-	-	-	618.244
Changes in the perimeter (Note 41)	-	(2.784)	-	-	-	-	138.604	135.820
Currency translation adjustments	-	-	-	-	-	-	(14.024.065)	(14.024.065)
Change in fair value reserve - hedging derivatives net of tax	-	-	1.706.789	-	-	-	-	1.706.789
Change in fair value reserve - assets held for sale net of tax	-	-	-	(29.276)	-	-	-	(29.276)
Dividends	-	(127.850)	-	-	-	-	-	(127.850)
Transfer to and from Retained earnings	54.835	(4.225.728)	-	-	-	(271.511)	-	(4.442.404)
Others	-	(133.325)	-	-	-	-	-	(133.325)
31 December 2015	**17.184.703**	**2.123.268**	**4.093.316**	**(52.743)**	**-**	**(8.715.506)**	**(29.025.469)**	**(14.392.430)**

(i) Legal reserve

In accordance with the applicable commercial law in several countries where Pestana Group operates, a specific percentage of the profit of the year, if positive, must be set aside in a legal reserve until that reserve is equal to another specific percentage of the subsidiary´s issued share capital. This reserve is usually not available for distribution until the Pestana Group's liquidation but may be used to cover losses, after all other available reserves have been extinguished, and to increase share capital.

(ii) Fair value Reserve C.F.H. (Cash Flow Hedge)

The effective portion of changes in fair value of the hedging derivative is recognized in hedging reserves in Equity (Note 25).

(iii) Fair Value Reserve A.F.S. Financial assets (Available for sale Investments)

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

(iv) Associates – equity method

The group percentage of ownership in changes in the associates equity related to items that are recycled to profit or loss, namely the ones in the statement of comprehensive income, are recognized in Other reserves as Associates – equity method.

(v) Cumulative translations adjustments

Translation differences of the results and financial position of foreign units which has a functional currency other than Euro are translated to Euro as described in Note 3.2.iii) and recorded in this equity caption. The cumulative currency translations adjustments are detailed as follows as at 31 December 2015 and 2014:

	2015	2014
BRL - Brazilian Real	(19.212.447)	(4.612.254)
ARS - Argentine Peso	(4.915.368)	(3.172.024)
VEF - Venezuelan Bolivar	(4.066.033)	(9.220.332)
MZN - Mozambican Metical	(3.242.223)	(175.752)
ZAR - South African Rand	(285.283)	(166.666)
USD - US Dollar	856.666	268.174
GBP - British Pound	2.620.061	1.842.358
Others	(780.842)	96.490
	(29.025.469)	**(15.140.008)**

22. Retained earnings

As at 2015 and 2014, Retained earnings movements were as follows:

	Total
1 January 2014	**59.351.418**
Changes in the perimeter (Note 41)	(15.830)
Net profit application	9.842.470
Distributions	(12.600.000)
Acquisitions of shares owned by Non-controling interests (ii)	(11.211.066)
Transfers from Non controling interest of the shares acquired (ii)	16.503.624
Transfers to and from Other reserves	(3.609.016)
Transfers from Non controlling interest	726.000
Others	(280.485)
31 December 2014	**58.707.116**
Changes in the perimeter (Note 41)	(85.646)
Net profit application	1.815.450
Dividends	(205.521)
Acquisitions of shares owned by Non-controling interests (ii)	(251.871)
Transfers to and from Other reserves	4.442.404
Transfers from Non controlling interest	(7.181.364)
Others	(277.715)
31 December 2015	**56.962.853**

(i) Distributions

During 2014, the amount of 12.600.000 Euros was distributed to Mr. Dionísio Pestana.

(ii) Acquisitions of Non-controlling interest

During 2015, Pestana Group acquired from Mr. Dionísio Pestana 12% of the share capital of Pinheiromar, S.A. by the amount of 6.000 Euros. It also acquired the remaining 11,25% of the shares of Mundo da Imaginação, S.A., in the amount of 245.000 Euros.

During 2014, the Pestana Group acquired from Mr. Dionísio Pestana 46,54% of the share capital of Brasturinvest Investimentos Turísticos, S.A., by the amount of 11.211.066 Euros. Consequently, the previous correspondent Non-controlling interests were transferred to Retained earnings in the amount of 16.503.624 Euros (Note 23).

(iii) Transfers from Non controling interest of the shares acquired

During 2015, Pestana Group was the only subscriber of the capital increase occurred in the subsidiary Grupo Pestana Pousadas, S.A., thus having more 19,45% of the share capital of the same undertaking. Additionally, it has also acquired the remaining capital of the subsidiaries Afrotours S.A.R.L. and Mundo Imaginação, S.A. (20% and 12,4%, respectively). Consequently, the previous correspondent Non-controlling interests were transferred to Retained earnings in the amount of 7.181.364 Euros (Note 23).

23. Non-controlling interests

Non-controlling interests movements were as follows:

	2015	2014
1 January	**28.471.265**	**46.043.903**
Changes in the perimeter (Note 41)	380	(142)
Transfers from Non Controlling Interest of the shares acquired (Note 22)	7.181.364	(16.503.624)
Dividends	(3.387.319)	(3.090.000)
Profit for the period	1.359.229	2.878.061
Transfers to Retained earnings	–	(726.000)
Reimbursement of Supplementary capital	(2.400.000)	–
Currency translation adjustments	705.297	–
Others	(295.563)	(130.932)
31 December	**31.634.653**	**28.471.265**

In 2015 and 2014, Dividends were paid by SDM – Sociedade de Desenvolvimento da Madeira, S.A..

Non-controlling interests relate to the following investments:

	2015		2014	
	% held	Value	% held	Value
SDM - Sociedade de Desenvolvimento da Madeira, S.A. (i)	85,00%	15.610.245	85,00%	16.203.494
Pestana S.G.P.S. Sub-group (Portugal) (ii)	-	9.967.421	-	11.662.039
Pestana Inversiones Sub-group (Latin America) (ii)	-	5.727.739	-	7.199.467
Hoteis do Atlântico Sub-group (Europe) (ii)	-	1.577.461	-	1.398.174
Eurogolfe, S.A.	0,01%	89.188	0,01%	15.427
Albar - Sociedade Imobiliária do Barlavento, S.A.	50,69%	(10.077)	50,50%	(12.284)
Salvintur Sub-group (África) (ii)	-	(241.977)	-	(1.823.948)
Pestana Pousadas Sub-group (Portugal) (ii)	-	(1.085.347)	-	(6.171.105)
		31.634.653		**28.471.265**

(i) SDM's financial information as at 31 December 2015 and 2014 is as follows:

	SDM, S.A.	
	2015	2014
Assets		
Non current	3.830.522	1.438.643
Current	17.848.678	102.232
	21.679.200	1.540.875
Liabilities		
Non current	120.420	121.712
Current	3.151.286	51.712
	3.271.705	173.424
Equity	18.407.495	1.367.451
Year's Ativity		
Revenue	10.626.465	38.899
Expenses	(7.545.474)	(254.816)
Net income	3.080.991	(215.917)
Owned %	85,00%	85,00%
	2.618.842	**(183.529)**

(ii) Not disclosed because it relates to a subgroup aggregation. Corresponding financial information is disclosed in Note 40.

Mr. Dionísio Pestana, who controls and owns Pestana Group, is also the owner of 10.563.434 Euros (33% of the total) and 11.017.429 Euros (39% of the total) of Non-controlling interests as at 31 December 2015 and 2014, respectively, as follows:

	2015		2014	
	% held	Value	% held	Value
SDM - Sociedade de Desenvolvimento da Madeira, S.A.	55,00%	8.585.635	55,00%	8.911.922
Grupo Pestana, S.G.P.S., S.A.	1,00%	1.903.120	1,00%	2.103.670
Hoteis do Atlântico - Sociedade Imobiliária e de Gestão de Hotéis, S.A.	0,08%	74.679	0,08%	64.769
Pinheiro Mar, S.A.	0,00%	–	12,00%	(62.932)
		10.563.434		**11.017.429**

24. Provisions

The movements in Provisions are as follows:

	Customer guarantees (i)	Litigations and claims in progress (ii)	Other provisions (iii)	Total
1 January 2015	135.486	683.236	1.647.282	2.466.004
Increase	38.311	4.353.015	994.001	5.385.327
Utilizations	-	(215.810)	(146.800)	(362.610)
Decreases	-	(12.250)	(34.265)	(46.515)
Interest charges	-	1.318.186	312.442	1.630.628
Transfers	-	891.646	(891.646)	-
Currency translation adjustments	-	(590.563)	(254.529)	(845.091)
Changes on period	**38.311**	**5.744.225**	**(20.797)**	**5.761.738**
31 December 2015	**173.797**	**6.427.461**	**1.626.485**	**8.227.742**
Current balance	51.510	3.173.248	959.631	4.184.389
Non-current balance	122.287	3.254.212	666.853	4.043.353
	173.797	**6.427.461**	**1.626.485**	**8.227.742**

	Customer guarantees (i)	Litigations and claims in progress (ii)	Other provisions (iii)	Total
1 January 2014	48.549	538.468	1.644.856	2.231.873
Increase	31.719	147.388	112.818	291.925
Utilizations	–	36.946	64.103	101.049
Decreases	–	(54.816)	(32.647)	(87.463)
Transfers	55.218	15.250	(70.468)	–
Currency translation adjustment	–	–	(71.380)	(71.380)
Changes on period	**86.937**	**144.768**	**2.426**	**234.131**
31 December 2014	**135.486**	**683.236**	**1.647.282**	**2.466.004**
Current balance	53.245	683.236	558.085	1.294.566
Non-current balance	82.241	–	1.089.197	1.171.438
	135.486	**683.236**	**1.647.282**	**2.466.004**

Details of provisions accounted for and main reasons for the movements occurred:

(i) Customer guarantees: Based on the history and typology of work developed, this provision includes the estimated costs to be incurred in the future with the assurance that has been given on the construction of villas, apartments and townhouses.

(ii) Litigation and claims in progress: there are lawsuits and arbitration proceedings ongoing against some Group subsidiaries, classified as probable losses. These provisions were accounted for based on the opinion of internal and external legal advisers, in order to address the probable outflow of resources with these processes.

As disclosed in the 2014 Annual Report (Note 38 - Contingencies), the subsidiary Empresa de Cervejas da Madeira, Lda. (ECM) had, as a result of an inspection carried out by Customs in Lisbon related to Special Tax on Consumption (IEC) for the years 2002, 2003 and the first half of 2004, an officious liquidation in the total amount of 2.433.782 Euros and 321.270 Euros of compensatory interest. Until 2014, this process was on hierarchical court appeal and the subsidiary ECM had constituted bank guarantees, and no outflow was expected to occur based on the opinion of external reputable advisors. However, in 2015, the court has taken its decision which was unfavorable to ECM. Despite the extraordinary judicial administrative appeal that was immediately submitted, Pestana Group based on this recent development booked a provision in the total amount of 2.755.052 Euros.

(iii) Other provisions: result from usual and inherent business risks.

25. Loans and borrowings

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

	31-12-2015			31-12-2014		
	Current	Non-current	Total	Current	Non-current	Total
Bank loans	58.775.005	249.925.341	308.700.346	65.728.109	293.117.812	358.845.921
Overdrafts	28.864.966	-	28.864.966	27.072.365	–	27.072.365
Commercial paper	-	5.000.000	5.000.000	–	3.000.000	3.000.000
Bond loans	8.523.928	124.688.390	133.212.318	23.456.239	102.064.492	125.520.731
	96.163.899	379.613.731	475.777.630	116.256.713	398.182.304	514.439.017
Payable interests - accrual	3.825.272	157.689	3.982.960	4.176.061	157.689	4.333.750
Paid interests - deferral	(205.329)	(4.045.663)	(4.250.991)	(284.598)	(3.738.842)	(4.023.440)
	99.783.842	**375.725.757**	**475.509.599**	**120.148.176**	**394.601.151**	**514.749.328**

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”

During 2015, Pestana International Holdings, S.A. reimbursed the amount of 11.287.000 USD and 5.720.000 Euros corresponding to the bond loans of an initial amount of 30.000.000 USD and 15.000.000 Euros, that will mature in 2019 and 2016, respectively.

In November 2014, the Company signed with BPI (Banco Português de Investimento, S.A.) a paying agent service contract related to the issuance by private subscription of 6.500 bonds represented by securities in book-entry form and bearer with a par value of 10.000 Euros for a total of 65.000.000 Euros, called "Grupo Pestana 2014/2020". This operation was issued and placed in the same month, and the registering entity is Centralized System Securities managed by Interbolsa.

During 2014, the Pestana Group obtained a bond loan of 30.000.000 USD (28.165.900 Euros) and prepaid bond loans held in Brazilian Real in the amount of 14.135.735 BRL (4.338.777 Euros).

Bank loans have as collateral the mortgage over some assets of subsidiaries of Pestana Group (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 bank loans, commercial paper and bond loans, by currency of denomination as at 31 December 2015 and 2014 are as follows:

	2016	2017	2018	2019	2020	Following years	Total
Bank loans							
Euro	55.441.113	43.910.226	35.559.245	30.699.822	19.802.184	68.818.975	254.231.565
Brazilian Real	1.555.773	1.134	9.446.197	–	–	–	11.003.104
British Pound	1.004.768	1.072.888	1.141.008	1.183.583	22.232.629	–	26.634.876
American Dollar	756.635	810.381	852.865	896.224	2.013.930	11.410.222	16.740.257
Venezuelan Bolivar	16.716	16.716	16.716	16.716	16.716	6.964	90.544
	58.775.005	**45.811.345**	**47.016.031**	**32.796.345**	**44.065.459**	**80.236.162**	**308.700.346**
Commercial paper							
Euro	–	–	–	5.000.000	–	–	5.000.000
	–	**–**	**–**	**5.000.000**	**–**	**–**	**5.000.000**
Bond loans							
American Dollar	8.523.928	–	–	17.188.390	–	–	25.712.318
Euro	–	–	–	–	65.000.000	42.500.000	107.500.000
	8.523.928	**–**	**–**	**17.188.390**	**65.000.000**	**42.500.000**	**133.212.318**
	67.298.933	**45.811.345**	**47.016.031**	**54.984.735**	**109.065.459**	**122.736.162**	**446.912.665**

	2015	2016	2017	2018	2019	Following years	Total
Bank loans							
Euro	59.753.649	54.806.581	44.671.759	33.197.401	27.784.864	61.341.330	281.555.584
Brazilian Real	3.930.025	8.102.358	5.495.427	16.494.861	–	777.415	34.800.086
British Pound	890.679	946.848	1.011.041	1.075.234	1.115.355	20.951.021	25.990.178
American Dollar	921.720	801.016	816.498	832.948	850.425	10.788.569	15.011.176
Venezuelan Bolivar	232.036	232.036	232.036	232.036	232.036	328.717	1.488.896
	65.728.109	**64.888.839**	**52.226.761**	**51.832.480**	**29.982.680**	**94.187.052**	**358.845.921**
Commercial paper							
Euro	–	3.000.000	–	–	–	–	3.000.000
	–	**3.000.000**	**–**	**–**	**–**	**–**	**3.000.000**
Bond loans							
American Dollar	3.456.239	8.898.592	–	–	28.165.900	–	40.520.731
Euro	20.000.000	–	–	–	–	65.000.000	85.000.000
	23.456.239	**8.898.592**	**–**	**–**	**28.165.900**	**65.000.000**	**125.520.731**
	89.184.348	**76.787.431**	**52.226.761**	**51.832.480**	**58.148.581**	**159.187.052**	**487.366.652**

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

26. Derivatives

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

	31-12-2015		31-12-2014	
	Assets	Liabilities	Assets	Liabilities
Swap interest – non-current	–	5.613.205	–	7.089.256
Swap interest – current	–	–	–	–
	–	**5.613.205**	**–**	**7.089.256**

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

Subsidiary	Classification IAS 39	Initial reference value	Maturity	Payment Period	Frees receivable / payable	Fair Value 31-12-2015	Fair Value 31-12-2014	Variation
Hotel Rauchstrasse 22, S.à.r.l. (i)	Hedge	2.000.000	29-01-2020	Semiannual	Eur 6M / 3,52%	–	(66.876)	66.876
Hotel Rauchstrasse 22, S.à.r.l. (i)	Hedge	2.000.000	29-01-2018	Semiannual	Eur 6M / 3,12%	–	(304.238)	304.238
Hotel Rauchstrasse 22, S.à.r.l. (i)	Hedge	2.000.000	29-01-2019	Semiannual	Eur 6M / 3,3%	–	(146.716)	146.716
Hotel Rauchstrasse 22, S.à.r.l. (i)	Hedge	3.000.000	29-01-2017	Semiannual	Eur 6M / 2,44%	–	(221.800)	221.800
Hotel Rauchstrasse 22, S.à.r.l. (ii)	Trading	11.500.000	16-06-2025	Semiannual	Eur 6M / 2,10%	(897.589)	–	(897.589)
Grupo Pestana S.G.P.S., S.A.	Hedge	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.	Hedge	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.	Hedge	10.000.000	28-12-2019	Semiannual	Eur 6M / 3,08%	(527.769)	(583.603)	55.834
M & J Pestana, S.A.	Hedge	5.000.000	30-12-2019	Semiannual	Eur 6M / 3,04%	(203.136)	(288.177)	85.041
M & J Pestana, S.A.	Hedge	5.000.000	28-12-2019	Semiannual	Eur 6M / 3,08%	(263.884)	(291.802)	27.917
M & J Pestana, S.A.	Hedge	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. (iii)	Proportion hedge	7.000.000	26-09-2022	Semiannual	Eur 6M / 4,74%	(709.171)	(901.733)	192.563
ITI Soc.Inves. Tur. Ilha Madeira, S.A.	Hedge	6.000.000	10-10-2016	Semiannual	Eur 6M / 4,82%	(21.861)	(81.564)	59.703
Hoteis Atlântico, S.A.	Hedge	11.000.000	28-05-2020	Quartely	Libor GBP 3M / 3,43%	(1.058.929)	(1.262.629)	203.700
Carlton Palácio, S.A.	Hedge	5.000.000	30-12-2019	Semiannual	Eur 6M / 3,04%	(203.136)	(288.476)	85.340
Carlton Palácio, S.A.	Hedge	6.000.000	30-12-2019	Semiannual	Eur 6M / 2,71%	(25.123)	(77.075)	51.952
Carlton Palácio, S.A.	Hedge	5.000.000	30-12-2016	Semiannual	Eur 6M / 3,08%	(263.884)	(291.802)	27.917
Beloura Hotel e Golfe – Investimentos Turísticos, S.A.	Hedge	9.600.000	30-07-2019	Semiannual	Eur 6M / 4,77%	(306.568)	(464.170)	157.602
Salvor, S.A.	Hedge	5.000.000	30-12-2019	Semiannual	Eur 6M / 3,04%	(203.392)	(286.388)	82.996
Salvor, S.A.	Hedge	7.000.000	30-12-2019	Semiannual	Eur 6M / 2,71%	(29.310)	(89.921)	60.611
Salvor, S.A.	Hedge	5.000.000	30-12-2016	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.	Hedge	500.000	13-03-2017	Quartely	Eur 3M / 4,16%	(2.153)	(6.283)	4.130
Salvintur, S.G.P.S., S.A.	Hedge	2.000.000	30-12-2016	Semiannual	Eur 6M / 2,71%	(8.374)	(25.692)	17.317
Afrotours, S.A.R.L.	Hedge	7.500.000	15-02-2018	Semiannual	Eur 6M / 4,27%	(119.934)	(229.883)	109.948
Afrotours, S.A.R.L.	Hedge	5.000.000	15-07-2016	Semiannual	Eur 6M / 5,03%	(12.712)	(65.546)	52.834
						(5.613.205)	**(7.089.256)**	**1.476.051**

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

(ii) 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.

(iii) 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 36).

The change in the fair value of the derivatives financial instruments occurred in 2015 and 2014 were as follows:

	2015	2014
1 January	7.089.256	7.388.214
Changes in fair value	(626.602)	(283.852)
Trading net impact (Note 36)	(849.449)	(15.106)
31 December	**5.613.205**	**7.089.256**

The changes in the fair value reserve related to cash flow hedges in 2015 and 2014 were as follows:

	2015	2014
1 January	2.386.527	2.143.964
Changes in fair value	2.125.719	512.267
Deferred tax (Note 11)	(418.930)	(236.704)
Changes in tax rates (Note 11)	-	100.059
Ineffectiveness (Note 36)	-	(148.165)
Trading (Note 36)	-	15.106
31 December	**4.093.316**	**2.386.527**

Derivative financial instruments classified as trading are financial instruments contracted to hedge economic risks in the Pestana Group (Note 4) but which are not eligible under IFRS for the application of hedge accounting and so the variations 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).

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

27. 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)	18.747.576	139.249.763	157.997.339	14.242.350	124.754.002	138.996.352
Pestana Vacations Club – Options and Pestana Holiday Club (ii)	3.419.953	30.897.677	34.317.630	5.070.449	43.819.611	48.890.060
Government grants (iii)	548.676	8.105.782	8.654.458	1.108.026	7.782.307	8.890.333
Customer loyalty program ("PPG") (iv)	2.914.170	-	2.914.170	2.573.349	–	2.573.349
Other deferred income	3.109.376	-	3.109.376	3.510.749	–	3.510.749
	28.739.750	**178.253.222**	**206.992.973**	**26.504.923**	**176.355.920**	**202.860.843**

(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 award of temporary right of use of hotels and apartments at the Pestana Group (Note 3.21 ii)), which will end between 2016 and 2039.

(ii) Pestana Vacations Club – Options and Pestana Holiday Club

This item refers to the sale of the Timeshare program Options and Pestana Holiday Club. 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. Revenue is recognized according to the usage of points in the program or, at the latest, at the expiration date (Note 3.21 ii)).

(iii) Government grants

This balance relates to grants obtained, the revenue of which is recognized throughout the useful life of the subsidized assets until 2035.

(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.

28. 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)	30.628.134	-	30.628.134	23.525.545	–	23.525.545
Other payables						
Other payables (ii)	4.587.243	-	4.587.243	1.785.301	–	1.785.301
Suppliers of property, plant and equipment (iii)	4.928.691	20.395.900	25.324.591	3.412.898	4.863.496	8.276.394
Advances from customers (iv)	30.465.706	-	30.465.706	23.618.107	–	23.618.107
Taxes payable (v)	6.526.390	-	6.526.390	6.011.544	–	6.011.544
Accrued expenses						
Holiday and subsidy pay	12.804.190	-	12.804.190	12.614.273	–	12.614.273
Others	13.488.823	-	13.488.823	12.614.784	–	12.614.784
	103.429.177	**20.395.900**	**123.825.077**	**83.582.451**	**4.863.496**	**88.445.947**

(i) Suppliers

	31-12-2015			31-12-2014		
Description	Current	Non-current	Total	Current	Non-current	Total
Suppliers - group (Note 42)	801.299	–	801.299	764.249	–	764.249
Other suppliers	29.826.835	–	29.826.835	22.761.295	–	22.761.295
	30.628.134	**–**	**30.628.134**	**23.525.545**	**–**	**23.525.545**

(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) Suppliers of tangible fixed assets

This caption includes leasing contracts which summary of responsibilities is as follows:

	31-12-2015	31-12-2014
Less then 1 year	1.108.074	708.141
Between 1 and 5 years	6.651.251	2.019.152
More than 5 years	13.744.648	2.844.344
	21.503.974	**5.571.637**

(iv) Advances from customers

Refers mainly to the amounts received along the construction works, amounting in total to 15.249.210 Euros (31 December 2014: 12.915.982 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. Additionally, at 31 December 2015, the Group has already received an advance for the sale of the São Luis Hotel, in Brazil, in amount of 2.513.344 Euros. The remaining refers to reservations made by tour operators.

The residual amount in 31 December 2015 and 2014 mainly respects to reservations made by tour operators.

(v) Taxes payable

	31-12-2015			31-12-2014		
Description	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Personnel income tax withheld	1.069.497	-	1.069.497	1.291.280	-	1.291.280
Value added tax	3.191.397	-	3.191.397	2.122.797	-	2.122.797
Social security contributions	1.611.805	-	1.611.805	1.686.370	-	1.686.370
Others	653.691	-	653.691	911.097	-	911.097
	6.526.390	**-**	**6.526.390**	**6.011.544**	**-**	**6.011.544**

29. Revenue

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

	2015	2014
Hotel business	233.070.608	232.507.374
Timeshare	30.522.208	27.436.285
Drinks (industry)	22.953.406	21.986.646
Real estate (i)	30.770.934	29.955.632
Golf	9.219.884	9.210.088
Entertainment	10.337.390	10.403.222
Others	10.579.643	11.213.935
	347.454.072	**342.713.183**

(i) Includes construction contracts (Note 30)

(ii) The 2015 and 2014 detail of sales and services rendered in Hotel business and Timeshare by country of origin related to the number of customer are as follows

	Hotel business	
Country	**2015**	**2014**
United Kingdom	19,5%	20,4%
Portugal	20,4%	18,9%
Brazil	14,7%	12,5%
Germany	9,8%	9,9%
France	4,2%	3,9%
United States	3,4%	4,1%
Spain	2,8%	3,1%
Netherlands	1,7%	1,6%
Switzerland	1,7%	1,7%
Venezuela	1,7%	3,0%
Sweden	1,4%	1,6%
Belgium	1,4%	1,5%
Italy	1,1%	1,3%
Ireland	1,1%	1,2%
Denmark	1,0%	1,0%
Norway	0,9%	1,1%
Russia	0,8%	1,4%
Others	12,4%	11,8%
	100%	**100%**

	Timeshare	
Country	2015	2014
United Kingdom	47,0%	47,5%
Brazil	17,7%	17,0%
Portugal	8,8%	8,9%
Germany	7,1%	7,0%
Finland	6,3%	6,0%
Sweden	2,7%	3,0%
Others	10,4%	11,0%
	100%	**100%**

30. 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 recognised:

Description of the agreement	Incurred costs 2015	Incurred costs 2014	Recognized revenue 2015	Recognized revenue 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**

31. External services and supplies

The detail of External services and supplies is as follow:

	2015	2014
Professional fees	20.025.224	20.280.623
Rents	17.141.488	17.086.567
Energy	16.071.905	15.320.132
Cleaning	14.927.940	14.935.668
Advertising	13.805.747	12.522.925
Maintenance	9.043.179	10.036.274
Subcontracts	4.447.863	5.308.952
Tour operator business line expenses	1.606.652	4.702.415
Travelling and transport expenses	3.696.094	4.513.204
Insurance	1.648.254	1.667.958
Others	7.733.284	7.324.062
	110.147.630	**113.698.780**

Costs incurred with Rents as at 31 December 2015 contains 7.518.496 Euros related to operational leases and 3.206.862 Euros related to concessions (2014: 6.242.447 Euros and 3.319.698 Euros, respectively). The remaining value relates to the Residence activity.

The 2015 consolidated audit fees and the non-audit services were 301.905 Euros and 31.000 Euros respectively.

32. Personnel expenses

Personnel expenses in 2015 and 2014 were as follows:

	2015	2014
Board of Directors		
Wages and salaries	3.208.926	3.267.512
Social security contributions	631.644	654.150
	3.840.570	**3.921.662**
Staff		
Wages and salaries	66.313.720	65.059.065
Social security contributions	13.651.809	13.189.636
Others	4.712.516	4.628.608
	84.678.045	**82.877.309**
	88.518.615	**86.798.971**

The average number of employees of the Pestana Group in 2015 was 5.403 (2014: 5.278).

Personnel expenses – others includes non-recurring expenses with mutual agreement compensations for termination of employment contracts amounting to 1.775.558 Euros (2014: 1.062.319 Euros).

33. Other income

The detail of Other income is presented as follows:

	2015	2014
Foreign currency exchange gains	5.424.668	5.101.389
Supplementary income	4.015.667	4.741.761
Government grants (Note 26 (iii))	857.510	996.604
Gains on disposal of tangible assets	10.303.723	1.778.293
Others	2.417.392	2.161.743
	23.018.960	**14.779.790**

In 2015, the gain on disposal of tangible assets is mainly related to the sale of Hotel D. João II in the total amount 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.

34. Other expenses

The detail of Other expenses is as follows:

	2015	2014
Direct and indirect Taxes	9.721.432	9.164.407
Commissions of credit cards and similar commissions	2.493.449	2.443.887
Loss on inventories	1.629.099	1.211.129
Loss on financial instruments	647.560	–
Losses on disposal of tangible assets	4.410.411	–
Foreign currency exchange losses	6.277.959	4.060.821
Goodwill (Note 41)	–	677.047
Compensation for damages	–	1.050.000
Others	2.104.878	3.468.393
	27.284.788	**22.075.685**

As at 31 December 2015 Direct and indirect taxes includes 3.880.624 Euros of property taxes (2014: 4.134.585 Euros).

The losses on disposal of tangible assets are mainly related to the sale of Pestana Carlton Madeira with a loss in the amount of 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 Compensation 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 agreement 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.

35. Gains and losses on investments in associates, other financial investments and available-for-sale financial assets

The detail of Gains and losses on investments in associates and other financial investments is as follows:

	2015	2014
Profit/(losses) of the equity method (Note 9):		
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.	(41.197)	(379.640)
Albar - Sociedade Imobiliária do Barlavento, S.A.	(1.528)	(1.561)
Soehotur – Sociedade de Empreendimentos Hoteleiros, S.A.	–	45.621
Available-for-sale financial assets (Note 12):		
Impairment loss in Espírito Santo Financial Group, S.A.	–	(4.959.184)
Others	(47.938)	–
Impairment loss - Imóveis Brisa - F.I.I.F. (Note 10)	(333.622)	(1.753.190)
Impairment loss – Soehotur - Sociedade de Empreendimentos Hoteleiros, S.A. (Note 9)	(768.924)	–
Disposals (Note 10):		
Gain on Investment: Euro Atlantic Airways - Transportes Aéreos, S.A.	–	2.369.542
Gain on Investment: Quanlux, S.a.r.l	–	1.452.632
Others	(172.584)	(253.784)
	(236.026)	**(2.879.045)**

36. Financial expenses and income

The detail of finance expenses and income is presented as follows:

	2015	2014
Finance expenses		
Interest loans	25.270.489	26.752.733
Interest rate swaps	2.544.837	3.296.734
Foreign currency exchange losses	8.822.356	8.458.146
Commissions and guarantee fees	2.516.038	3.524.108
Derivatives - Ineffectiveness	-	148.165
Derivatives fair value	897.589	11.460
	40.051.310	**42.191.346**
Finance income		
Interest income	605.058	1.308.639
Interest rate swaps	150.793	372.052
Foreign currency exchange gains	2.154.934	3.310.868
Derivatives fair value	48.141	26.565
Financial assets fair value gains (Note 17)	77.921	51.545
Others	14.978	359.060
	3.051.825	**5.428.729**

As at 31 December 2015 foreign currency exchange losses are mainly related to the realized exchange losses of the reimbursement of a bond loan and bank loan negotiated in US Dollars.

Commissions and guarantee fees include in 2015 and 2014 in the amount of approximately 1.200.000 Euros and 1.180.000 Euros respectively regarding bank loans prepayments compensations (Note 25).

Finance expenses - Derivatives refers to the ineffective portion of cash flow hedging of derivative financial instruments designated as hedging (Note 25). The caption finance income – derivatives refers to the change in the fair value of derivative financial instruments designated as held for trading (Note 25).

37. Income tax

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

	2015	2014
Current tax:		
Current tax on profits for the year	(8.294.276)	(3.874.034)
Adjustments in respect of prior years	36.523	39.755
	(8.257.753)	**(3.834.279)**
Deferred tax (Note 11):		
Origination and reversal of temporary differences	19.004.029	589.170
Impact of change in tax rates	-	2.426.803
	19.004.029	**3.015.973**
	10.746.276	**(818.306)**

The tax on the group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2015	2014
Profit before tax	**5.710.629**	**6.130.061**
Tax calculated at domestic tax rates applicable to profits in the respective countries	3.068.417	3.708.643
Tax effects of:		
Income not subject to tax	(5.822.477)	(4.325.766)
Expenses not deductible for tax purposes	1.550.397	3.982.950
Utilisation of prevously unrecognize tax losses	(191.547)	(519.569)
Deferred tax assets recognized in Brazil (Note 11)	(9.945.705)	-
Re-measurement of deferred tax - change in tax rates	-	(2.426.803)
Adjustments in respect of prior years	36.523	39.755
Others	558.115	359.095
	(10.746.276)	**818.306**

The variation in deferred taxes and consequently the major impacts in Income tax are explained in Note 11.

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 perimeter, 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 the 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 statutory corporate income tax rates applicable in the countries in which Pestana Group operates are as follows:

	2015	2014
Argentina	35%	35%
Brazil	34%	34%
Cape Verde	25%	25%
Germany	29,72%	29,65%
Luxembourg	28,72%	28,72%
Morocco	31%	30%
Mozambique	32%	32%
Netherlands	25%	n.a.
Portugal	21% - 22,5%	23% - 24,5%
São Tome and Principe	25%	25%
South Africa	28%	28%
Spain	28%	28%
United Kingdom	20%	20%
United States	40%	40%
Uruguay	25%	25%
Venezuela	34%	34%

Pestana Group companies are taxed, whenever possible, on a Group consolidated basis as allowed by the tax legislation of the respective countries.

38. Commitments

In 2015, the subsidiary M.&J. Pestana - Sociedade de Turismo da Madeira, S.A has acquired the remaining 11,25% of the share capital of Mundo da Imaginanção, S.A. to the S.D.E.M..

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.

Since 1987 there is a supplementary pension plan for employees working at that date in Empresa de Cervejas da Madeira, Lda. (ECM) with the nature of a defined benefit pension plan until 31 December 2007. To cover this liability, it was created in 1987 a fund that is autonomously managed by an insurance company - Groupama. The Fund amounts to 1.454.971 Euros as at 31 December 2015 (31 December 2014: 1.442.300 Euros).

ECM proceeded in 2008 to make changes in its pension fund, established by public deed on 21 December 1987, converting it from a defined benefit plan into a defined contribution plan, with a contracted annual contribution of 2,5% of the annual net profit of the previous year, whenever it exists.

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

The Pestana Group has the following contingent liabilities arising from bank guaranties given as follows:

	2015	2014
Mortgages over lands and buildings	232.883.024	155.744.205
Bank guarantees	42.706.891	36.850.286

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..

Contingent liabilities

As at 31 December 2015, the Pestana Group has ongoing processes, assessed as contingent liabilities of, approximately, 10.153.249 Euros (local currency: 601.796 Euros and 41.183.000 Brazilian Real). As at 31 December 2014 the contingent liabilities were estimated in approximately 6.200.000 Euros (local currency: 530.000 Euros and 18.000.000 Brazilian Real).

40. Consolidation perimeter

The Subsidiaries of Pestana Group as at 31 December 2015 are as follows:

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Sales	Profit/ (Loss)	% Owned	% Control
Afrotours, S.A.R.L.	São Tomé	Hotel business	31-12-2015	918.151	19.113.053	18.194.902	3.893.715	(2.289.401)	99,62%	100,00%
Amesteldijk Hotel Ontwkkeling B.V.	Netherlands	Hotel business	31-12-2015	(6.324)	33.308.726	33.315.050	-	(7.323)	98,92%	100,00%
Amoreira - Aldeamento Turístico, Lda.	Portugal	Real Estate	31-12-2015	4.876.052	6.385.214	1.509.162	-	(40.020)	98,00%	100,00%
Argentur Inversiones Turisticas SA	Argentina	Hotel business	31-12-2015	2.308.776	2.964.203	655.427	3.963.139	120.591	100,00%	100,00%
Atlantic Holidays Ltd	United Kingdom	Tour Operator	31-12-2015	(776.197)	1.507.602	2.283.798	2.968.450	(809.041)	100,00%	100,00%
Bazaruto Limited	Mozambique	Hotel business	31-12-2015	5.083.235	10.695.324	5.612.089	796.591	(509.954)	91,39%	99,74%
Beloura Hotel e Golfe - Investimentos Turísticos, S.A.	Portugal	Hotel business	31-12-2015	4.904.630	14.017.556	9.112.926	3.083.527	(202.030)	99,00%	100,00%
Brasturinvest Investimentos Turísticos, S.A.	Brazil	Hotel business	31-12-2015	18.994.116	110.047.213	91.053.097	32.023.196	255.375	100,00%	100,00%
CapeGreen - Consultadoria Económica e Participações, S.A.	Portugal	Services	31-12-2015	3.122.186	3.320.555	198.369	6.000	337.636	99,62%	100,00%
Carlton Palácio - Sociedade de Construção e Exploração Hoteleiras, S.A.	Portugal	Hotel business	31-12-2015	34.153.325	52.871.415	18.718.090	16.207.482	1.829.211	99,00%	100,00%
Carolgud, S.A.	Uruguai	Hotel business	31-12-2015	(298.322)	706.973	1.005.295	-	(374.540)	100,00%	100,00%
Carvoeiro Golfe Sociedade Mediação Imobiliaria, Lda.	Portugal	Real Estate	31-12-2015	477.637	734.317	256.680	820.171	464.376	98,00%	100,00%
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	98,00%	100,00%
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)	71,04%	75,00%
Cota Quarenta - Gestão e Administração de Centros Comercias, S.A.	Portugal	Real Estate	31-12-2015	6.344.808	21.665.635	15.320.827	32.057.213	1.238.026	99,00%	100,00%
Desarollos Hoteleros de Barcelona	Spain	Hotel business	31-12-2015	5.504.856	14.656.651	9.151.795	2.634.822	(50.013)	98,92%	100,00%
Djebel, S.G.P.S., S.A.	Portugal	Sub-Holding	31-12-2015	42.456.618	80.020.166	37.563.548	-	(3.855.191)	100,00%	100,00%

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Sales	Profit/ (Loss)	% Owned	% Control
ECM - Empresa Cervejas da Madeira, Sociedade Unipessoal Lda.	Portugal	Beverages	31-12-2015	(640.822)	25.411.149	26.051.971	22.953.406	(4.589.465)	100,00%	100,00%
Empreendimentos Turísticos, Lda.	Cape Verde	Hotel business	31-12-2015	810.797	4.494.405	3.683.608	2.598.927	239.446	99,62%	100,00%
Eurogolfe, S.A.	Portugal	Golf	31-12-2015	11.008.038	12.005.986	997.948	518.484	208.203	98,00%	100,00%
Global Mandalay S.L.	Spain	Hotel business	31-12-2015	(20.721)	735.872	756.593	-	(21.507)	98,92%	100,00%
Grupo Pestana - S.G.P.S., S.A.	Portugal	Sub-Holding	31-12-2015	234.309.232	454.557.913	220.248.681	800.000	24.305.926	99,00%	99,00%
Grupo Pestana Pousadas - Investimentos Turísticos, S.A.	Portugal	Hotel business	31-12-2015	30.717.185	71.104.829	40.387.644	32.220.463	(2.704.462)	94,72%	95,68%
Herdade da Abrunheira - Projectos de Desenv.Turístico e Imobiliário, S.A.	Portugal	Real Estate	31-12-2015	811.179	6.506.864	5.695.684	-	(284.789)	66,00%	66,67%
Hoteis do Atlântico - Sociedade Imobiliária e de Gestão de Hotéis, S.A.	Portugal	Hotel business	31-12-2015	46.369.042	93.728.409	47.359.367	5.327.174	782.398	98,92%	99,92%
Hotel Rauchstrasse 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)	72,70%	73,50%
Indústria Açoreana Turístico-Hoteleira (I.A.T.H.), S.A.	Portugal	Hotel business	31-12-2015	987.473	4.496.819	3.509.346	1.176.163	(446.242)	99,00%	100,00%
Intervisa Viagens e Turismo, Lda.	Portugal	Distribution	31-12-2015	567.350	2.414.771	1.847.420	1.041.343	76.723	99,00%	100,00%
Inversiones Vistalparque C.A.	Venezuela	Hotel business	31-12-2015	117.215	2.474.897	2.357.682	6.559.028	(85.282)	71,42%	71,42%
ITI - Sociedade de Investimentos 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	99,00%	100,00%
M. & J. Pestana - Sociedade 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	99,00%	100,00%
Mandreal – Consultadoria, S.A.	Portugal	Services	31-12-2015	1.188.277	1.208.177	19.899	-	7.150	99,00%	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)	99,00%	100,00%
Natura XXI, Lda.	Portugal	Real Estate	31-12-2015	1.455.238	1.468.034	12.796	225	(31.234)	98,00%	100,00%
Pestana Berlim S.A.R.L.	Luxembourg	Hotel business	31-12-2015	(819.120)	2.211.580	3.030.699	5.762.453	69.920	72,70%	73,50%
Pestana Cidadela - Investimentos Turisticos, S.A.	Portugal	Hotel business	31-12-2015	6.713.168	17.894.074	11.180.907	5.646.537	634.552	99,00%	100,00%
Pestana Holland Holding B.V.	Netherlands	Hotel business	31-12-2015	3.030.466	15.261.550	12.231.084	-	(174.534)	98,92%	100,00%
Pestana International Holdings S.A.	Luxembourg	Administration	31-12-2015	245.882.661	326.802.778	80.920.117	27.271	13.188.961	0,00%	0,00%
Pestana Inversiones, S.L.	Spain	Services	31-12-2015	16.675.401	17.172.342	496.941	-	402.365	100,00%	100,00%
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	99,00%	100,00%
Pestana Management UK, Limited	United Kingdom	Hotel business	31-12-2015	1.392.320	3.241.344	1.849.024	14.654.952	453.222	98,92%	100,00%
Pestana Manhattan 39 LLC	United States	Hotel business	31-12-2015	7.271.988	7.337.425	65.437	-	(4.507)	98,92%	100,00%
Pestana Marrocos, s.a.r.l.	Marocco	Hotel business	31-12-2015	726.881	1.770.329	1.043.448	3.041.214	238.238	100,00%	100,00%
Pestana Miami LLC	United States	Hotel business	31-12-2015	4.424.364	20.066.875	15.642.511	4.389.010	280.677	98,92%	100,00%

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Sales	Profit/ (Loss)	% Owned	% Control
Pestana Segurança - Serviços de Segurança e Vigilância, Lda.	Portugal	Services	31-12-2015	228.062	454.967	226.905	1.132.035	(21.938)	99,00%	100,00%
Pestana USA Inc	United States	Hotel business	31-12-2015	7.514.040	7.551.632	37.592	-	(37.388)	98,92%	100,00%
Pinheiro Mar, S.A.	Portugal	Hotel business	31-12-2015	436.518	4.536.695	4.100.177	7.675.014	380.301	99,00%	100,00%
Ponta da Cruz - Sociedade Imobiliária e de Gestão 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	51,31%	51,83%
Porto Carlton - Sociedade de Construção e Exploração Hoteleira, S.A.	Portugal	Hotel business	31-12-2015	3.334.058	13.200.962	9.866.905	3.150.391	451.674	59,40%	60,00%
Praia do Marceneiro PH, Ltda	Brazil	Hotel business	31-12-2015	6.456.703	10.022.677	3.565.974	4.481.507	(431.331)	100,00%	100,00%
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)	99,00%	100,00%
Rolldown Golfe, Lda.	Portugal	Golf	31-12-2015	1.109.859	5.902.854	4.792.994	1.184.702	384.223	98,00%	100,00%
Rotas de África - Investimentos Turísticos e imobiliários, S.A.	Portugal	Services	31-12-2015	(6.790)	22.346	29.137	-	(817.714)	99,62%	100,00%
Rotas de África, Lda.	São Tomé	Hotel business	31-12-2015	17.974	1.511.695	1.493.721	1.246.352	(461.396)	99,57%	99,95%
Salvintur - Sociedade de Investimentos Turísticos, S.G.P.S., S.A.	Portugal	Sub-Holding	31-12-2015	9.110.939	18.707.364	9.596.425	3.227.745	(2.287.283)	99,88%	100,00%
Salvor - Sociedade 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	98,00%	98,99%
Salvor Hotéis Moçambique, Investimentos Turísticos, S.A.R.L.	Mozambique	Hotel business	31-12-2015	9.110.939	17.976.330	8.865.391	4.144.588	(2.675.503)	91,63%	91,98%
São Tomé Investimentos, S.A.	São Tomé	Hotel business	31-12-2015	60.587	336.209	275.622	1.019.652	29.528	99,62%	100,00%
SDM - Sociedade de Desenvolvimento da Madeira, S.A. (a)	Portugal	Services	31-12-2015	19.110.117	22.261.404	3.151.285	9.340.560	2.900.420	15,00%	70,00%
Sociedade 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	98,00%	100,00%
Southern Escapes Travel and Tourism (PTY), Ltd	South Africa	Hotel business	31-12-2015	21.142	29.670	8.528	-	1.506	99,62%	100,00%
Surinor, S.A.	Uruguai	Hotel business	31-12-2015	(3.065.848)	6.162.183	9.228.031	287.565	(1.557.223)	100,00%	100,00%
Viquingue, Sociedade Turística, S.A.	Portugal	Hotel business / Timeshare	31-12-2015	10.855.604	15.808.449	4.952.846	4.452.652	533.642	98,00%	100,00%
Wildbreak 29 (PTL), Lda.	South Africa	Hotel business	31-12-2015	1.854.205	2.999.545	1.145.340	1.644.168	228.000	98,81%	100,00%

(a) Company owned in 15% by Pestana Group, who controls this entity. This control was obtained with the parasocial contract signed with Mr. Dionísio Pestana who transferred to Pestana Group 55% of the voting rights of the company.

The Subsidiaries of Pestana Group as at 2014, are as follows:

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Sales	Profit/ (Loss)	% Owned	% Control
Afrotours, S.A.R.L.	São Tomé	Hotel business	31-12-2014	3.085.464	23.089.282	20.003.817	4.364.048	481.892	79,69%	80,00%
Amoreira - Aldeamento Turístico, Lda.	Portugal	Real Estate	31-12-2014	4.917.072	6.418.051	1.500.979	9.800	(22.721)	98,00%	100,00%
Argentur Inversiones Turisticas SA	Argentina	Hotel business	31-12-2014	3.012.922	4.242.773	1.229.851	3.778.502	212.421	99,52%	100,00%
Atlantic Holidays Flights, Ltd	United Kingdom	Transporte Provider	31-12-2014	(6.588.804)	(6.586.164)	2.641	-	(2.161.213)	100,00%	100,00%
Atlantic Holidays Ltd	United Kingdom	Tour Operator	31-12-2014	6.023.224	7.399.516	1.376.292	4.657.092	881.424	100,00%	100,00%
Bazaruto Limited	Mozambique	Hotel business	31-12-2014	6.977.068	15.014.217	8.037.149	5.348.010	1.209.634	91,39%	99,74%
Beloura Hotel e Golfe - Investimentos Turísticos, S.A.	Portugal	Hotel business	31-12-2014	4.984.517	14.959.903	9.975.385	2.739.401	(245.051)	99,00%	100,00%
Brasturinvest Investimentos Turísticos, S.A.	Brazil	Hotel business	31-12-2014	17.323.851	117.432.235	99.156.687	39.603.886	(2.988.345)	100,00%	100,00%
CapeGreen - Consultadoria Económica e Participações, S.A.	Portugal	Services	31-12-2014	3.290.239	3.338.446	48.207	6.000	532.304	99,62%	100,00%
Carlton Palácio - Sociedade de Construção e Exploração Hoteleiras, S.A.	Portugal	Hotel business	31-12-2014	21.196.076	50.641.495	29.445.418	11.281.745	300.109	99,00%	100,00%
Carolgud, S.A.	Uruguai	Hotel business	31-12-2014	54.508	882.881	828.373	-	(69.561)	99,52%	100,00%
Carvoeiro Golfe Sociedade Mediação Imobiliaria, Lda.	Portugal	Real Estate	31-12-2014	292.642	501.261	208.620	711.202	265.285	98,00%	100,00%
Carvoeiro Golfe, S.A.	Portugal	Golf and Real Estate	31-12-2014	37.544.776	80.067.005	42.522.229	20.461.648	1.172.361	98,00%	100,00%
Convento do Carmo, S.A.	Brazil	Hotel business	31-12-2014	(5.212.720)	3.960.908	9.173.627	2.018.781	(557.578)	63,02%	75,00%
Cota Quarenta - Gestão e Administração de Centros Comercias, S.A.	Portugal	Real Estate	31-12-2014	5.106.783	35.719.855	30.613.073	-	(5.615)	99,00%	100,00%
Desarollos Hoteleros de Barcelona	Spain	Hotel business	31-12-2014	4.704.869	14.940.736	10.235.867	2.312.716	(34.949)	98,92%	100,00%
Djebel, S.G.P.S., S.A.	Portugal	Sub-Holding	31-12-2014	18.811.809	51.328.878	32.517.068	-	(4.130.159)	100,00%	100,00%
ECM - Empresa Cervejas da Madeira, Sociedade Unipessoal Lda.	Portugal	Beverages	31-12-2014	40.974.380	64.304.479	23.330.099	22.709.658	(1.589.701)	100,00%	100,00%
Empreendimentos Turísticos, Lda.	Cape Verde	Hotel business	31-12-2014	930.417	4.774.379	3.843.962	2.981.048	321.104	99,62%	100,00%
Eurogolfe, S.A.	Portugal	Golf	31-12-2014	10.799.835	12.687.790	1.887.955	455.338	640.854	99,71%	100,00%

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Sales	Profit/ (Loss)	% Owned	% Control
Fundo Inv. Imob Araucárias	Brazil	Real Estate Fund	31-12-2014	8.294.470	11.755.829	3.461.359	1.787.709	2.147.058	100,00%	100,00%
Grupo Pestana - S.G.P.S., S.A.	Portugal	Sub-Holding	31-12-2014	242.272.733	409.369.058	167.096.325	800.000	10.051.786	99,00%	99,00%
Grupo Pestana Pousadas - Investimentos Turísticos, S.A.	Portugal	Hotel business	31-12-2014	9.388.780	73.428.397	64.039.617	28.983.661	(2.508.351)	84,03%	84,88%
Herdade da Abrunheira - Projectos de Desenv.Turístico e Imobiliário, S.A.	Portugal	Real Estate	31-12-2014	1.095.969	6.545.226	5.449.258	-	(326.074)	66,00%	66,67%
Hoteis do Atlântico - Sociedade Imobiliária e de Gestão de Hotéis, S.A.	Portugal	Hotel business	31-12-2014	32.426.740	74.094.487	41.667.748	5.206.480	84.460	98,92%	99,92%
Hotel Rauchstrasse 22, S.A.R.L.	Luxembourg	Hotel business	31-12-2014	6.136.436	20.986.785	14.850.349	2.000.090	633.580	72,70%	73,50%
Indústria Açoreana Turístico-Hoteleira (I.A.T.H.), S.A.	Portugal	Hotel business	31-12-2014	1.374.669	4.853.174	3.478.506	287.026	(287.901)	99,11%	100,00%
Intervisa Viagens e Turismo, Lda.	Portugal	Distribution	31-12-2014	487.426	1.746.358	1.258.932	1.101.034	259.685	99,00%	100,00%
Inversiones Vistalparque C.A.	Venezuela	Hotel business	31-12-2014	10.079.235	15.274.595	5.195.360	18.016.531	2.127.144	71,08%	71,42%
ITI - Sociedade de Investimentos Turísticos na Ilha da Madeira, S.A.	Portugal	Hotel business and Entertainment	31-12-2014	45.726.015	79.087.886	33.361.871	27.061.985	4.252.061	99,00%	100,00%
M. & J. Pestana - Sociedade de Turismo da Madeira, S.A.	Portugal	Hotel business / Timeshare	31-12-2014	133.337.380	360.656.608	227.319.228	48.275.727	22.340.863	99,00%	100,00%
Mundo da Imaginação - Projectos de Animação Turística, S.A.	Portugal	Entertainment	31-12-2014	1.362.794	3.932.718	2.569.923	684.199	(105.733)	87,86%	88,75%
Natura XXI, Lda.	Portugal	Real Estate	31-12-2014	1.486.472	1.536.008	49.536	135	(35.919)	98,00%	100,00%
Pestana Berlim S.A.R.L.	Luxembourg	Hotel business	31-12-2014	(889.039)	2.455.430	3.344.469	5.221.114	(584.498)	72,70%	73,50%
Pestana Cidadela - Investimentos Turisticos, S.A.	Portugal	Hotel business	31-12-2014	6.078.615	18.737.515	12.658.900	5.016.725	131.064	99,00%	100,00%
Pestana International Holdings S.A.	Luxembourg	Administration	31-12-2014	232.693.699	322.151.924	89.458.224	-	3.345.109	100,00%	100,00%
Pestana Inversiones, S.L.	Spain	Services	31-12-2014	17.756.602	26.928.687	9.172.085	-	(517.042)	99,52%	100,00%
Pestana Management - Serviços de Gestão, S.A.	Portugal	Services	31-12-2014	3.420.302	13.002.419	9.582.117	4.549.323	411.287	99,00%	100,00%
Pestana Management UK, Limited	United Kingdom	Hotel business	31-12-2014	889.735	4.816.138	3.926.403	13.764.819	545.038	98,92%	100,00%
Pestana Marrocos, s.a.r.l.	Marocco	Hotel business	31-12-2014	601.325	1.385.469	784.143	2.549.198	125.945	99,52%	100,00%
Pestana Miami LLC	United States	Hotel business	31-12-2014	3.710.915	17.761.045	14.050.129	3.924.995	73.085	98,92%	100,00%

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Sales	Profit/ (Loss)	% Owned	% Control
Pestana Segurança - Serviços de Segurança e Vigilância, Lda.	Portugal	Services	31-12-2014	-	-	-	-	-	99,00%	100,00%
Pinheiro Mar, S.A.	Portugal	Hotel business	31-12-2014	(493.783)	3.726.903	4.220.685	7.334.803	327.308	87,12%	88,00%
Ponta da Cruz - Sociedade Imobiliária e de Gestão de Hotéis, S.A.	Portugal	Hotel business / Timeshare	31-12-2014	14.224.947	28.669.220	14.444.273	7.267.804	1.413.484	51,31%	51,83%
Porto Carlton - Sociedade de Construção e Exploração Hoteleira, S.A.	Portugal	Hotel business	31-12-2014	2.882.383	10.439.562	7.557.179	1.827.243	162.966	59,40%	60,00%
Praia do Marceneiro PH, Ltda	Brazil	Hotel business	31-12-2014	9.139.890	14.742.090	5.602.201	6.260.831	709.713	100,00%	100,00%
Rio de Prata - Consultadoria e Participações, S.A.	Portugal	Services	31-12-2014	29.812	5.871.427	5.841.615	-	(17.783)	99,00%	100,00%
Rolldown Golfe, Lda.	Portugal	Golf	31-12-2014	725.636	5.791.906	5.066.270	1.115.675	263.114	98,00%	100,00%
Rotas de África - Investimentos Turísticos e imobiliários, S.A.	Portugal	Services	31-12-2014	10.923	19.264	8.340	-	(4.037)	99,62%	100,00%
Rotas de África, Lda.	São Tomé	Hotel business	31-12-2014	(1.267.681)	1.526.543	2.794.224	1.063.777	(184.215)	99,57%	99,95%
Salvintur - Sociedade de Investimentos Turísticos, S.G.P.S., S.A.	Portugal	Sub-Holding	31-12-2014	20.265.722	36.039.607	15.773.885	60.000	273.516	99,62%	100,00%
Salvor - Sociedade de Investimento Hoteleiro, S.A.	Portugal	Hotel business / Timeshare	31-12-2014	122.825.250	179.655.204	56.829.954	23.646.546	2.529.631	98,00%	98,99%
Salvor Hotéis Moçambique, Investimentos Turísticos, S.A.R.L.	Mozambique	Hotel business	31-12-2014	14.409.020	24.340.215	9.931.195	6.017.392	410.047	91,63%	91,98%
São Tomé Investimentos, S.A.	São Tomé	Hotel business	31-12-2014	31.059	462.409	431.350	953.371	133.214	99,62%	100,00%
SDM - Sociedade de Desenvolvimento da Madeira, S.A.	Portugal	Services	31-12-2014	20.375.250	23.580.484	3.205.234	8.733.112	2.116.631	15,00%	15,00%
Sociedade de Investimento Hoteleiro D. João II, S.A.	Portugal	Hotel business / Timeshare	31-12-2014	1.248.252	4.234.054	2.985.803	680.951	109.647	98,00%	100,00%
Sociedade Investimento Imobiliário Eira da Loba, Lda.	Portugal	Real Estate	31-12-2014	(77.490)	298.886	376.376	-	(38.345)	98,00%	100,00%
Southern Escapes Travel and Tourism (PTY), Ltd	South Africa	Hotel business	31-12-2014	24.017	24.017	-	-	(2.414)	99,62%	100,00%
Surinor, S.A.	Uruguai	Hotel business	31-12-2014	(1.817.701)	6.697.697	8.515.398	57.701	(1.782.892)	99,52%	100,00%
Viquingue, Sociedade Turística, S.A.	Portugal	Hotel business / Timeshare	31-12-2014	10.321.962	16.750.104	6.428.142	4.188.172	252.420	98,00%	100,00%
Wildbreak 29 (PTL), Lda.	South Africa	Hotel business	31-12-2014	2.184.991	3.364.297	1.179.306	1.651.050	205.512	98,81%	100,00%

The Associates of Pestana Group as at 31 December 2015 are as follows:

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Sales	Profit/ (Loss)	% Owned	% Control
SDEM - Sociedade de Desenvolvimento Empresarial da Madeira, SGPS, S.A.	Portugal	Others	31-12-2015	1.289.774	1.523.416	(201.528)	29.672	(164.788)	3,75%	25,00%
Enatur - Empresa Nacional de Turismo, S.A.	Portugal	Real Estate	31-12-2015	71.949.845	100.364.730	28.414.885	2.251.544	2.305.651	46,41%	49,00%
Albar - Sociedade Imobiliária do Barlavento, S.A.	Portugal	Real Estate	31-12-2015	1.166.588	1.186.899	20.311	–	(3.067)	49,31%	49,81%
Soheotur, S.A.	Angola	Construction	31-12-2015	1.941.189	3.914.273	1.973.083	–	57.390	25,00%	25,00%

The Associates of Pestana Group as at 31 December 2014 are as follows:

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Sales	Profit /(Loss)	% Owned	% Control
SDEM - Sociedade de Desenvolvimento Empresarial da Madeira, SGPS, S.A.	Portugal	Others	31-12-2014	1.705.080	1.733.359	28.279	21.996	(2.731.644)	3,75%	25,00%
Enatur - Empresa Nacional de Turismo, S.A.	Portugal	Real Estate	31-12-2014	71.617.937	106.065.262	34.447.324	2.228.054	1.225.548	41,18%	49,00%
Albar - Sociedade Imobiliária do Barlavento, S.A.	Portugal	Real Estate	31-12-2014	1.169.655	1.193.114	23.460	–	(3.134)	49,50%	49,81%
Soheotur, S.A.	Angola	Construction	31-12-2014	3.075.697	6.578.354	3.502.657	–	182.483	25,00%	25,00%

Assets and liabilities as at 31 December 2015 and 2014, as well as revenue and expenses generated during the respective periods, as recognized in the associates' financial statements are as follows:

	2015				2014			
	SDEM, S.A.	**Enatur, S.A.**	**Albar, S.A.**	**SOHEOTUR, S.A.**	**SDEM, S.A.**	**Enatur, S.A.**	**Albar, S.A.**	**SOHEOTUR, S.A.**
Assets								
Non current	405.531	112.041.683	-	2.020.832	1.438.643	120.279.902	-	2.039.387
Current	1.117.885	5.511.031	1.186.899	1.893.441	102.232	4.039.482	1.193.114	4.538.967
	1.523.416	117.552.714	1.186.899	3.914.273	1.540.875	124.319.384	1.193.114	6.578.354
Liabilities								
Non current	-	20.947.886	10.000	-	-	23.305.393	10.000	-
Current	233.642	85.556.553	10.311	1.973.083	51.712	92.271.364	13.460	3.502.657
	233.642	106.504.440	20.311	1.973.083	51.712	115.576.757	23.460	3.502.657
Equity	1.289.774	11.048.274	1.166.588	1.941.189	1.489.163	8.742.626	1.169.655	3.075.697
Year's Ativity								
Revenue	52.368	7.846.592	-	78.576	38.899	7.124.437	300	547.318
Expenses	(217.156)	(5.540.941)	(3.067)	(21.186)	(254.816)	(5.898.888)	(3.434)	(364.834)
Net income	(164.788)	2.305.651	(3.067)	57.390	(215.917)	1.225.548	(3.134)	182.483
Owned %	25,00%	49,00%	49,81%	25,00%	25,00%	49,00%	49,81%	25,00%
	(41.197)	**1.129.769**	**(1.528)**	**14.348**	**(53.979)**	**600.519**	**(1.561)**	**45.621**

41. Business combinations

In 2015, following it's business expansion and internationalization, Pestana Group acquired and included in the consolidation perimeter the following companies:

- Mandreal – Consultadoria, S.A., acquired on May 2015;
- Amesteldijk Hotel Outwikkeling, B.V., acquired on October 2015.

The fair value of the assets and liabilities acquired of the companies included in the consolidation perimeter with reference to the dates of acquisition is presented as follows:

	Mandreal - Consultadoria, S.A.	Amesteldijk Hotel Ontwkkeling B.V.	Total
Purchasing price	**1.200.000**	**5.513.531**	**6.713.531**
Assets			
Tangible fixed assets	-	7.173.889	7.173.889
Investment property	1.199.863	-	1.199.863
Trade and other receivables	19.886	46.967	66.853
Current tax receivable	1.000	-	1.000
Cash and cash equivalents	2.103	50.146	52.250
Total Assets at fair value	**1.222.852**	**7.271.002**	**8.493.854**
Liabilities			
Deferred revenue	22.851	-	22.851
Trade and other payable current	-	1.757.471	1.757.471
Total Liabilities at fair value	**22.851**	**1.757.471**	**1.780.323**
Net assets	**1.200.000**	**5.513.531**	**6.713.531**
% adquired	**100,00%**	**100,00%**	
Goodwill		**-**	**-**

As at 31 December 2015 and 2014, the Pestana Group prepared Purchase price allocation analysis for the acquisition of these new subsidiaries, and where applicable allocated the fair value of the consideration paid to the fair value of assets and liabilities.

The reconciliation of the amounts paid with the Consolidated statement of cash flows is as follows:

	2015
Purchasing price	6.713.531
Cash and cash equivalents	(52.250)
Payments related to Financial investments	**6.661.281**

The Income statement of the companies included in the consolidation perimeter from the respective entry date in 2015 is as follows:

	Mandreal - Consultadoria, S.A.	Amesteldijk Hotel Ontwkkeling B.V.	Total
External services and supplies	(2.948)	-	(2.948)
Other income	12.299	-	12.299
Other expenses	(622)	(7.323)	(7.945)
Profit/(loss) before financial results and taxes	**8.730**	**(7.323)**	**1.407**
Financial expenses	-	-	-
Financial income	-	-	-
Profit before tax	**8.730**	**(7.323)**	**1.407**
Income tax	(1.580)	-	(1.580)
Profit for the period from acquisition date	**7.150**	**(7.323)**	**(173)**
Profit for the period from acquisition date attributable to:			
Shareholders	7.150	(7.317)	(167)
Non-controlling interests	-	(6)	(6)
	7.150	**(7.323)**	**(173)**

Revenue and profit from 1 January 2015 until the acquisition date is not significant in either company.

In 2014, the Pestana Group acquired and included in the consolidation perimeter the company Indústria Açoreana Turístico - Hoteleira (I.A.T.H.), S.A. – owner of Hotel Bahia Palace – Azores, Portugal.

The fair value of the assets and liabilities acquired as at 1 September 2014, the reference date of acquisition of this company, is as follows:

	IATH, S.A.
Purchasing price	**661.074**
Assets	
Tangible fixed assets	5.273.286
Inventories	24.461
Trade and other receivables	339.748
Current tax assets	6.632
Cash and cash equivalents	13.938
Total Assets at fair value	**5.658.066**
Liabilities	
Deferred tax liabilities	149.889
Loans and borrowings current	3.117.457
Trade and other payable current	2.406.692
Total Liabilities at fair value	**5.674.038**
Net Assets	**(15.973)**
Goodwill	**677.047**

In December 2014 the Pestana Group made an impairment test of goodwill and recognized a loss for its full value (Note 34).

The Income statement of the company included in the consolidation perimeter from the entry date in 2014 is as follows:

	IATH, S.A.
Revenue	287.026
Cost of sales	(96.725)
External services and supplies	(110.789)
Personnel expenses	(203.769)
Changes/reversals of depreciations and amortizations	(118.482)
Other income	28
Other expenses	(22.848)
Profit before financial results and taxes	**(265.559)**
Financial expenses	(20.696)
Financial income	18
Profit before tax	**(286.237)**
Income tax	(1.664)
Profit for the year	**(287.901)**
Profit for the year attributable to:	
Shareholders	(285.330)
Non-controlling interests	(2.571)
	(287.901)

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

42. Related parties

As at 2015 Pestana Group is owned and controlled by Mr. Dionísio Pestana, which owns 99,99% of the capital.

Board of Directors' remuneration

The Board of Directors of Pestana Group as well as the members of the Board of Directors of the Pestana Group's subsidiaries were considered, in accordance with IAS 24, as the only key management personnel of the Group. The remuneration paid is detailed in Note 32. No other transactions occurred involving the Board of Directors neither were any agreements signed involving the members of the Board of Directors.

Transactions and balances with related parties

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

	Services obtained	Services rendered	Interest earned
Associates	**2.419.315**	**85.351**	**23.806**
Enatur - Empresa Nacional de Turismo, S.A.	2.419.315	25.351	23.806
Soehotur, S.A.	–	60.000	–
Key management personnel	–	–	–
	2.419.315	**85.351**	**23.806**

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

	Services obtained	Investments gain	Services rendered	Interest earned
Associates	**2.089.110**	**–**	**84.622**	**27.238**
Enatur - Empresa Nacional de Turismo, S.A.	2.089.110	–	24.622	27.238
Soehotur, S.A.	–	–	60.000	–
Other investments and other related parties	**–**	**3.822.174**	**–**	**–**
Pestana Atlantic, S.à.r.l	–	3.822.174	–	–
Key management personnel	–	–	–	–
	2.089.110	**3.822.174**	**84.622**	**27.238**

As the ended of the years 2015 and 2014, loans with related parties are as follows:

	31-12-2015		31-12-2014	
	Loans obtained	Loans granted	Loans obtained	Loans granted
Associates	**-**	**1.190.593**	**-**	**1.363.114**
Enatur - Empresa Nacional de Turismo, S.A.	-	1.190.593	-	1.190.593
Soehotur, S.A.	-	–	-	172.521
Key management personnel	**-**	**–**	**-**	**–**
	-	**1.190.593**	**-**	**1.363.114**

The balances by financial caption as at 2015 are as follows:

	Receivables current	Impairment Receivables current	Net Receivables current	Payables current
Associates	**954.480**	**–**	**954.480**	**799.729**
Enatur - Empresa Nacional de Turismo, S.A.	939.182	–	939.182	799.729
Albar - Sociedade Imobiliária do Barlavento, S.A.	15.298	–	15.298	–
Key management personnel	**–**	**–**	**–**	**–**
	954.480	**–**	**954.480**	**799.729**

The balances by financial caption as at 2014 are as follows:

	Receivables current	Impairment Receivables current	Net Receivables current	Payables current
Associates	**813.060**	**–**	**813.060**	**764.249**
SDEM - Sociedade de Desenvolvimento Empresarial da Madeira, SGPS, S.A.	–	–	–	707
Enatur - Empresa Nacional de Turismo, S.A.	732.086	–	732.086	763.542
Albar - Sociedade Imobiliária do Barlavento, S.A.	8.569	–	8.569	–
Soehotur, S.A.	72.405	–	72.405	–
Other investments and other related parties	**2.952.438**	**–**	**2.952.632**	**–**
Pestana Atlantic, S.à.r.l	2.952.438	–	2.952.632	–
Key management personnel	**–**	**–**	**–**	**–**
	3.765.498	**–**	**3.765.692**	**764.249**

43. Subsequent events

On March 8 2016 Alvor Park's hotel and business were sold for 5.000.000 Euros and Pestana São Luis Hotel was sold for 12.000.000 Brazilian Reals. According to IAS 10 – Events after the reporting period, the Group should recognize an impairment loss when it has knowledge of conditions after the Financial statement's reporting period which already existed at that date. At 31 December 2015 there already existed an intention to sell these hotels and there was already an expectation of what the sale value would be based on discussions and agreements with the buyers, although these transactions only became effective after that date.

Therefore, these transactions were reflected on the consolidated financial statements at 31 December 2015 with the final sales values corresponding to the recoverable value of these groups of assets resulting in impairment losses of 1.803.643 Euros and 2.849.093 Euros, respectively (Note 19).

The Board of Directors

Luxembourg, 28 April 2016

Dionísio Fernandes Pestana

Director

José Alexandre Lebre Theotónio

Director

Hermanus Roelof Willem Troskie

Director

Chiara Louise Deceglie

Director

Rodrigo de Freitas Branco

Director

AUDITOR'S REPORT

Audit report

To the Shareholders of
Pestana International Holdings S.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Pestana International Holdings S.A. and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé" including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Pestana International Holdings S.A. and its subsidiaries as of 31 December 2015, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The Group Management Report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

PricewaterhouseCoopers, Société coopérative | Luxembourg, 8 June 2016
Represented by

Gilles Vanderweyen

Pestana International Holdings S.A.

31 DECEMBER 2015