CONSOLIDATED

ANNUAL REPORT

31 December 2014

Pestana International Holdings S.A.

Pestana Porto Santo

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Consolidated management report for 2014

Dear Shareholders,

In the terms established by the Corporate Law,
we have the honor to submit for your appreciation and approval
the Consolidated management report and the Consolidated
financial statements for the year ended 31 December 2014.

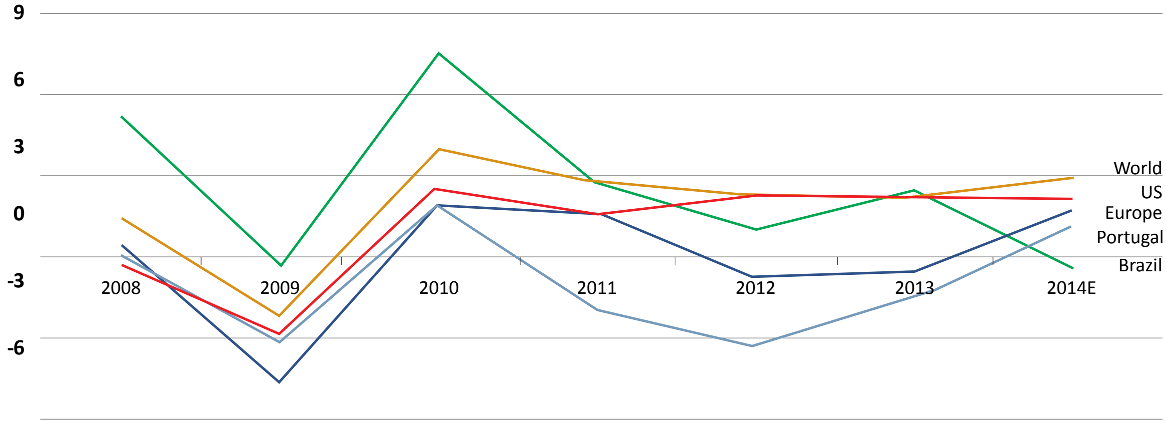
Pestana Palace Lisboa Hotel & National Monument

1. Economic background

1.1. GDP growth

For last year we should expect 3% world GDP nominal growth, the real growth being nevertheless less than 1%. The world saw western countries facing difficulties in finding a sustainable pattern to overcome the recession, and emerging markets with GDP growth rates decreasing due to geopolitical uncertainties, oil prices volatility, macroeconomic unbalances that lead to capital outflows and lack of strong business confidence. Brazil may even have a negative growth rate for 2014.

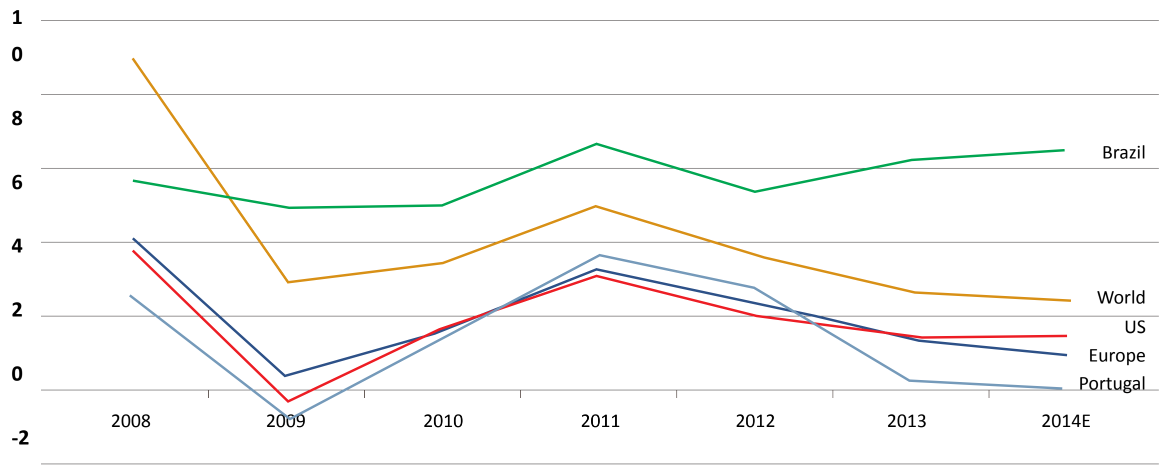
Table 1 - GDP Growth Rate (%)



Source: World Bank

US economic strength last year contrasted with the rest of the world. Market confidence is now more stable and labour and investment recovery are on the right path. In the Eurozone, despite the GDP increase, the uncertainty remained in the region now due to a lower than expected Germany growth and fears of deflation.

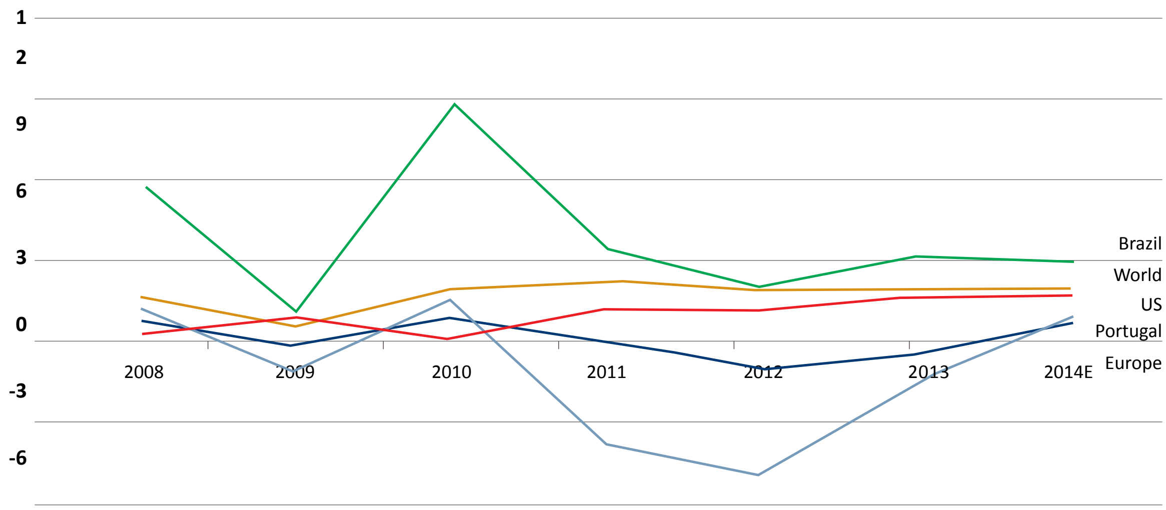
Table 2 - Inflation, consumer prices (annual %)



Source: World Bank, Trandingeconomics.com, EUROSTAT

Despite this scenario, average world final consumption continues to grow slowly due to an unemployment decrease and to a better middle class economic confidence mainly in western countries. Investment intentions appear to be stronger in the Eurozone, despite the new Greek political framework that get back fears of uncertainty for the Euro.

Table 3 - Final consumption expenditure (annual % growth)



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

The emerging market middle class continued to contribute significantly to tourism growth in western countries, including in Portugal. As such feeder markets diversification continues to grow, contributing to decrease credit risk profile of the local leisure groups.

1.2. Liquidity and cost of funds

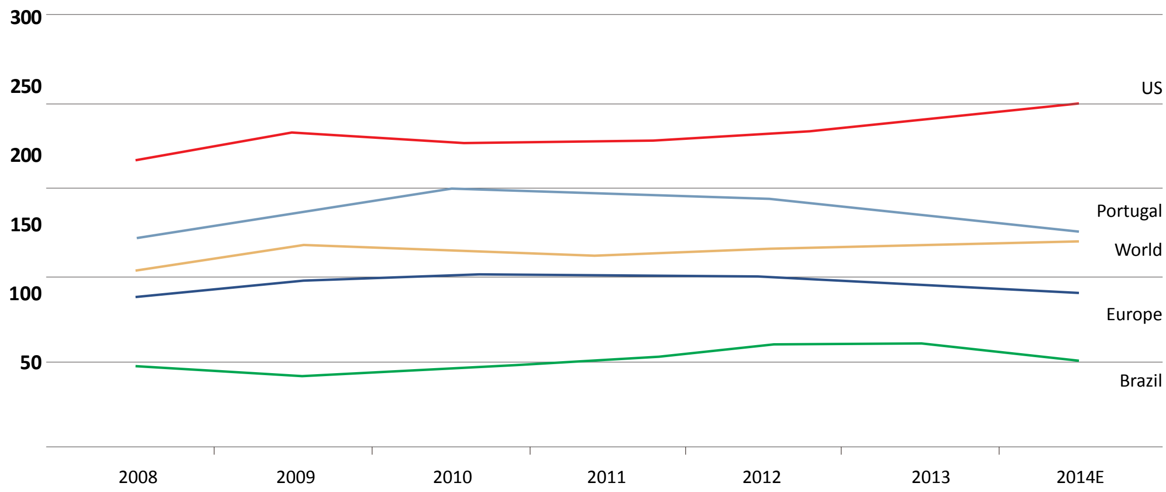
The investment activity is slowly increasing getting back within most of the countries in the Union, following Troika measures through well-defined economic programs in countries like, Ireland, Spain and Portugal, limiting the role of public entities and by autonomous concrete measures implemented by the ECB regulating the activity of the financial sector.

The quantitative easing program announced by ECB will probably increase GDP, as it should boost investment and consumption growth. The Interbank market could even recover if market confidence improve.

In the US credit easing policy ended as a consequence of market liquidity stabilization in a low yield environment. Financial institutions are more capitalized, with some exceptions, with the FED close monitoring.

Domestic credit concession stabilized or improved with the exception of certain emerging market like Brazil where it fell down due to interest rate increase implemented by the government in order to control inflation.

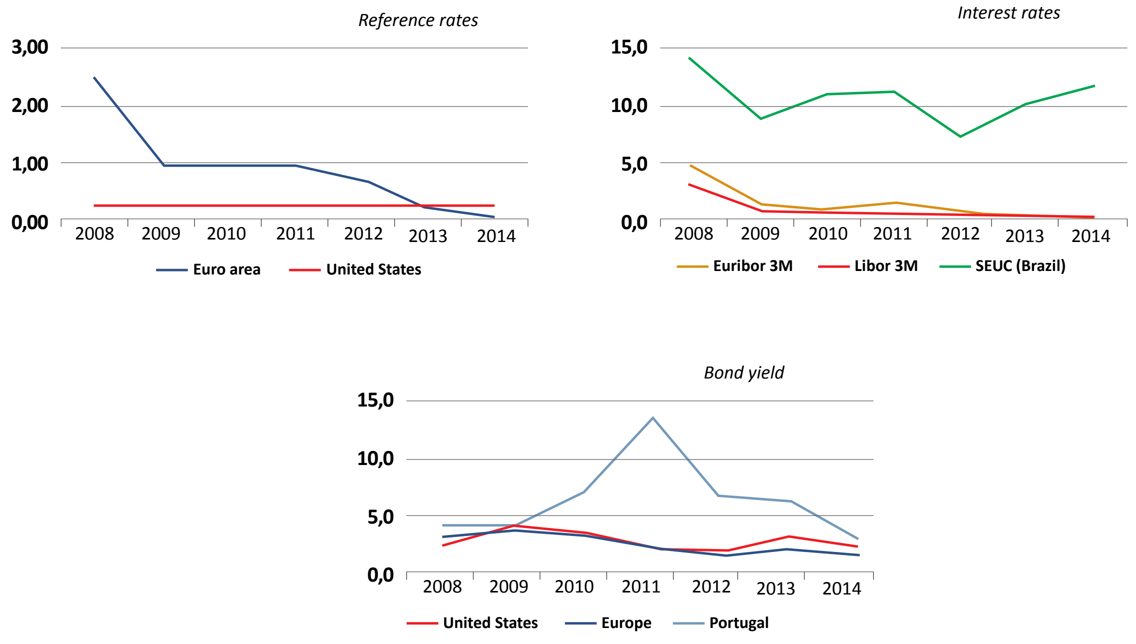
Table 4 - Domestic credit provided by banking sector (% of GDP)



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

In 2014, the interest reference rates registered historical minimum values. For the first time good credit risk companies, like Pestana, saw their overall cost of money decrease significantly. This was a consequence of an improvement in market risk perception mainly in countries where an economic recovery program was established by Troika in a scenario where bank liquidity was more stable.

Table 5 - Reference rates; Bond yields; Interest rates



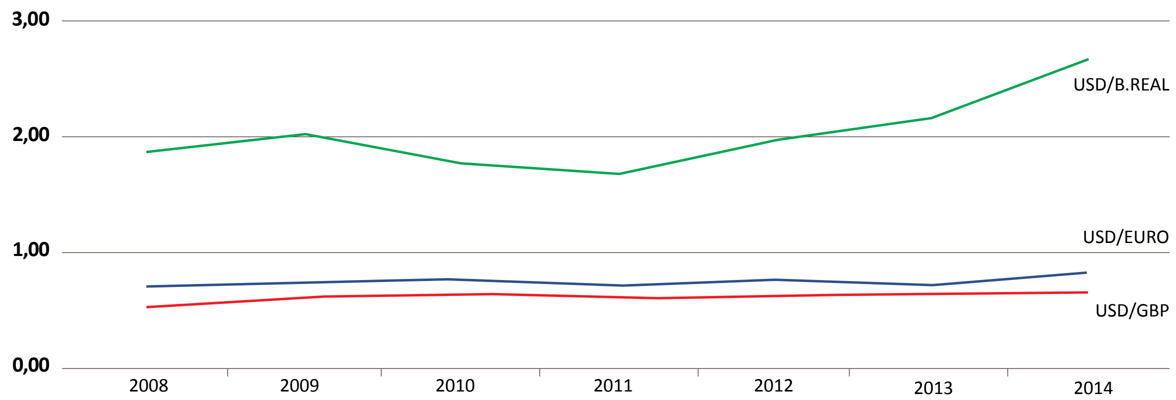
Source: World Bank; Euribor-rates.eu; BdP

In countries like Portugal economic reforms allowed in 2014 a decrease in risk premiums, following the trend initiated in the second half of 2013. In this country Credit Default Swaps (CDS 5Y) dropped more than 123 bps from the beginning until the end of the year.

1.3. Exchanges rates

The Group main currencies showed different patterns. The Euro depreciated against USD and against GBP, mainly in the end of the year. Latin America's currencies in countries where we have presence (Argentina and Venezuela) more or less stabilized against the Euro. The Brazilian Real appreciates slightly as well as the Peso Argentino.

Table 6 - Official exchange rates



Source: World Bank

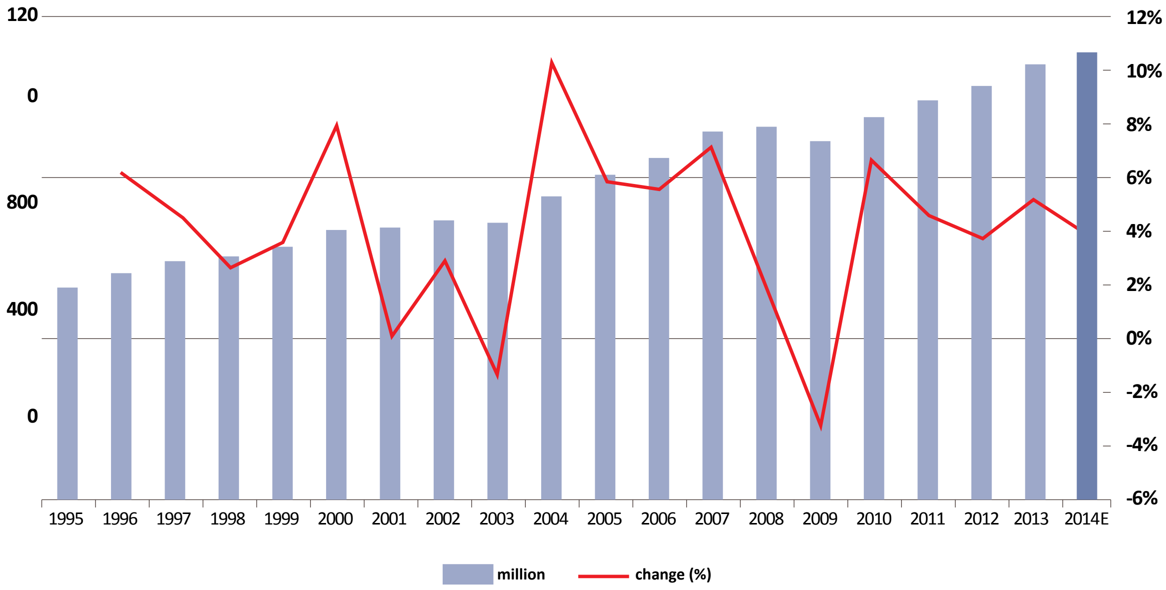
Pestana Berlin Tiergarten

2. Tourism

2.1. World trend

Once again in 2014 the tourism activity showed signs of strength and was important in several regions in the world to support economies including in those countries in the European Union where crisis has hit the most. International tourist arrivals reached 1,138 million in 2014, a 4.7% increase over the previous year, according to the latest UNWTO World Tourism Barometer. This is the fifth consecutive year of above average growth since the 2009 economic crisis.

Table 7 - International tourist arrivals

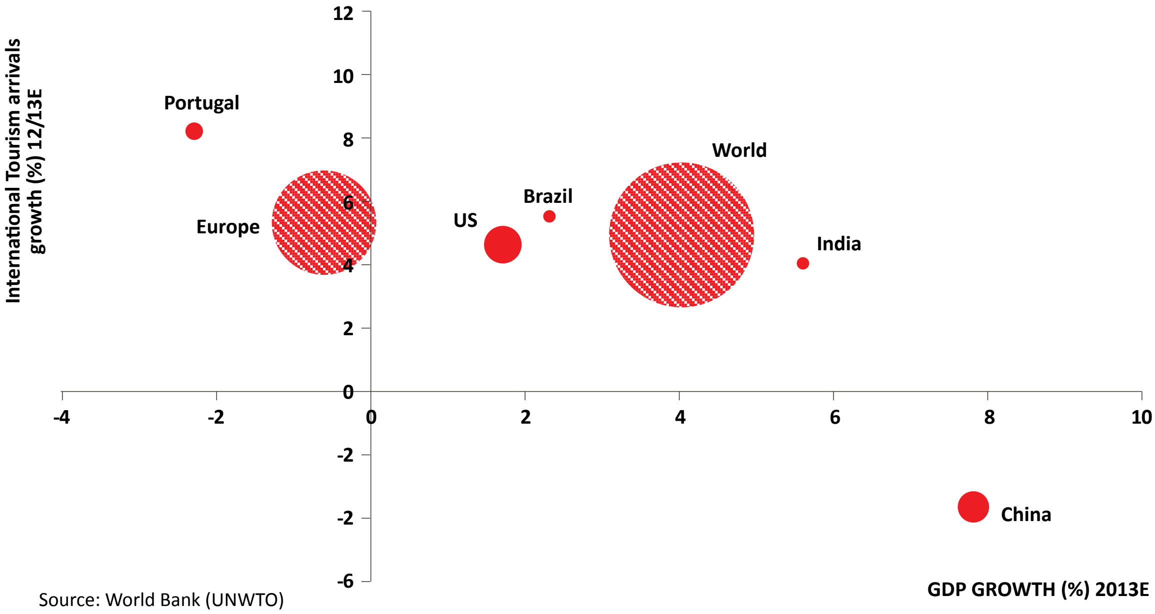


Source: World Tourism Organization (UNWTO)

International tourism receipts is expected to grow by 4.5% in 2014. As in recent years, growth in revenues is expected to have followed growth in arrivals.

Currently the, Tourism sector represents 9% of the world GDP, 1/11 of employment and USD 1,4 bn of exports, equivalent value of 6% of the international trade and 30% of services exports.

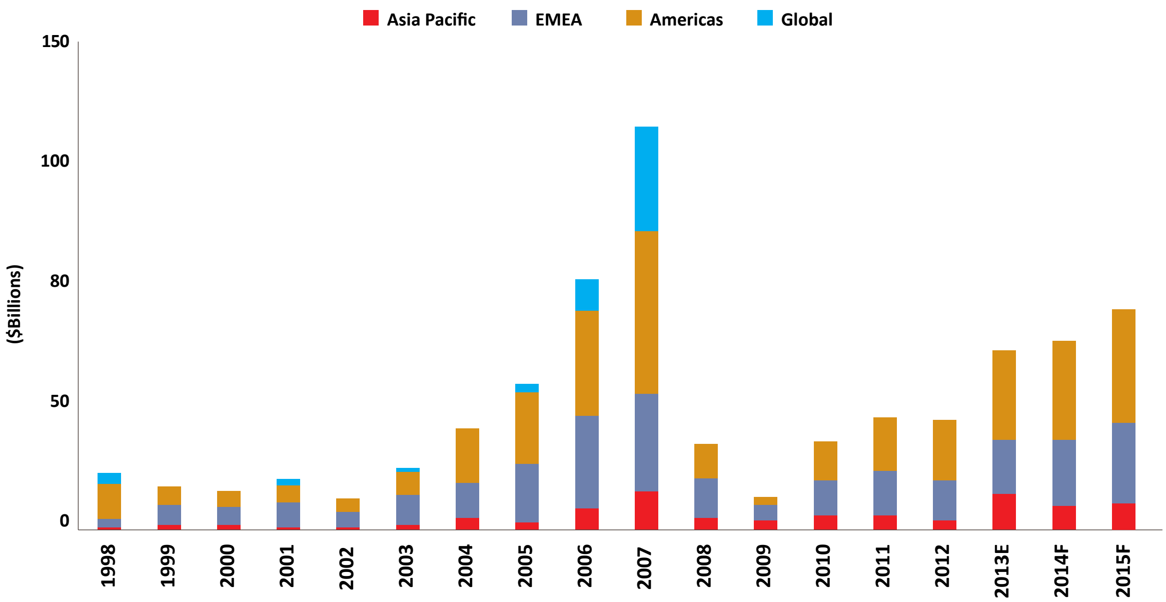
Table 8 - Number of International Tourism arrivals



Source: World Bank (UNWTO)

Investment in this sector (according to the last report – Hotel Investment Outlook 2015 - produced by Jones Lang LaSalle) is expected to increase 10% in 2014 over the year before, representing almost $60 billion of global hotel transactions. For 2015, the market should remain strong, with the year representing the highest global volume transaction in the last eight years. Europe will continue its sales activity that will be driven by large single-asset transactions, mostly on London and Paris, while portfolio deals are anticipated in the UK and Germany.

Table 9 - Global hotel transaction volume 1998 – 2015F

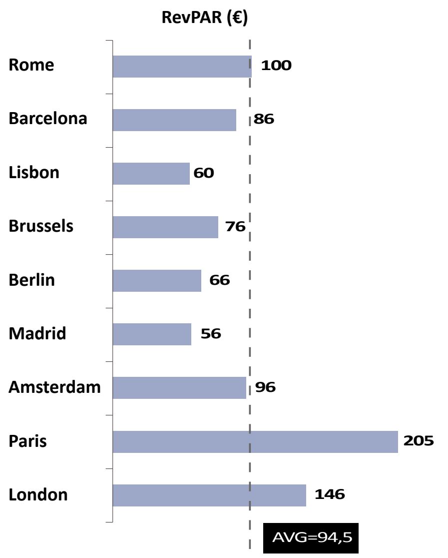


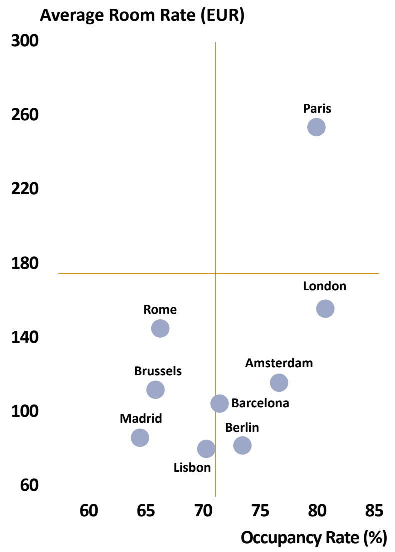
2.2. Europe

In Europe, tourism is also expected to grow between 3% and 4% in 2014, according to World Tourism Organization, mainly in the urban segment. The resort segment continued to recover slowly due to changes in destination patterns. Demand kept moving from places where persistent social distress for example in certain countries in north of Africa or Middle and Far East, including Turkey, focusing on regions that offer greater safety and accessibility.

European tourism has continued to grow robustly throughout 2014. According to the European Travel Commission report of 2014 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 Malta (+8%), Croatia (+7%), Spain (+12%) and Portugal (+10%).

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



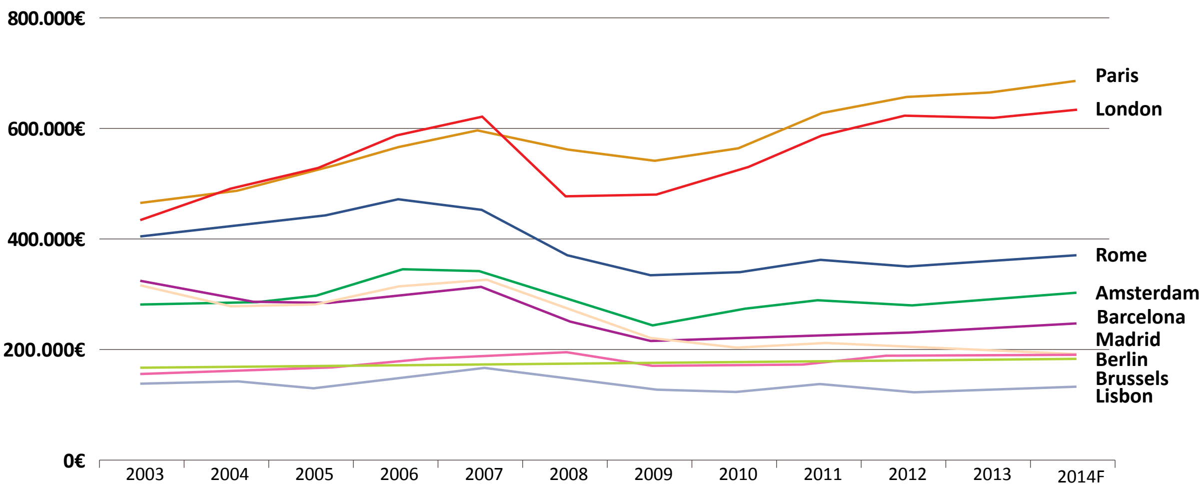


Source: STR Global

The main cities in Europe, in terms of investment (value per room) were Paris and London. The cities where Pestana Group has or will have a hotel in the near term, beyond London and Amsterdam, placed second and sixth respectively in the HVS ranking, include Barcelona (10th place), Madrid (16th place), Berlin (19h place) and Lisbon (26th place).

In these cities the evolution of the average hotel value per room was also different, increasing in Paris, London and Barcelona and decreasing in Lisbon and Amsterdam until 2012. In this city real estate prices decreased up to a point where investment is acceptable. However, during the 2013 and 2014 these both markets registered a slightly growth.

Table 11 - Values per Room



Source: HVS – "European Hotel Valuation"

2.3. **Portugal**

Portuguese tourism grew in 2014, benefiting from both domestic and the international markets. The country feeder markets are as such the following.

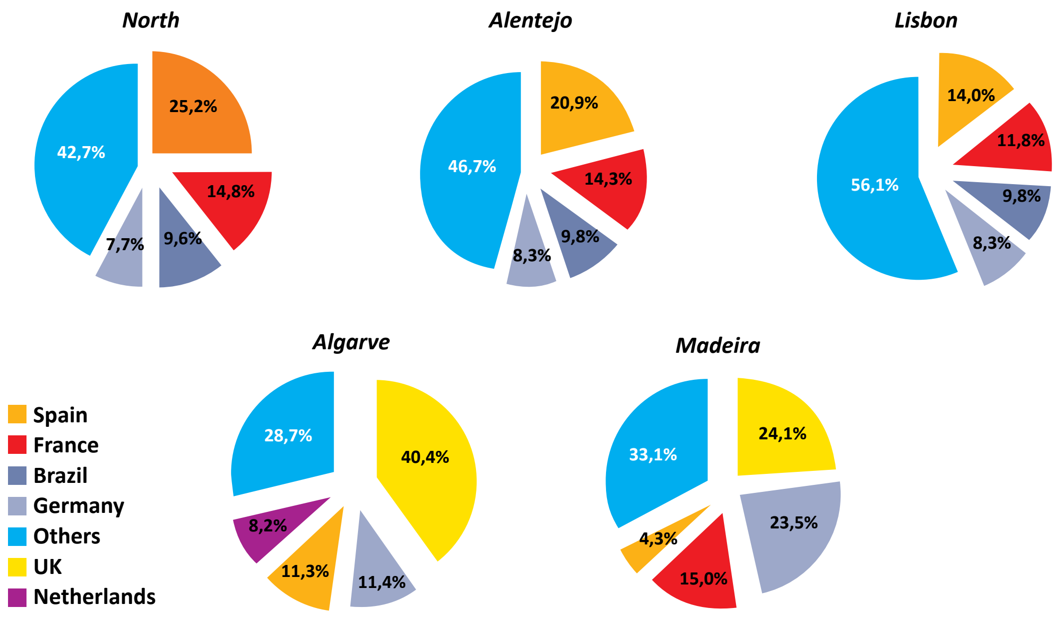
Table 12 - Portuguese tourism highlights

2014	**Value**	**Δ 14/13**
Domestic visitors ('000)	6.776	12%
International visitors ('000)	9.316	12%
Overnights by International Visitors ('000)	32.349	10%
Revenue (millions €)	10.393	12%
RevPAR (€)	33,00	9%
Feeder Markets (by number os visitors) ('000)	Value	Weight
UK	1.580	17%
Spain	1.442	15%
Germany	984	11%
France	1.000	11%
Brazil	579	6%
Others	3.730	40%
TOTAL	**9.116**	**100%**

Source: Turismo de Portugal; INE, BdP

In 2014, the main touristic regions remainded Algarve and Madeira in resort segment and the cities of Lisbon and Oporto (that concentrate the visitors of North region) in the urban segment (city breaks). They all showed a strong demand driven by foreign feeder markets, with some different patterns. The domestic market experimented a slightly recovered and in 2014 should register an increase of 11% in terms of visitors when compared with the year before. Signs of economic recovery (GDP slightly grew supported by a surplus in the trade balance), helped to reverse the negative trend of the private consumption and the spending in tourism and related touristic activities.

Table 13 - Portuguese feeder markets by region



Source: Turismo de Portugal

2.4. **Africa**

Africa's international tourist arrivals in 2014 grew by an estimated 2%, equivalent to an increase of one million tourists. The region reached 56 million tourists. While the international tourism arrivals to North Africa were weak (+1%), Sub-Saharan Africa saw numbers rise by 3% despite the Ebola Virus outbreak in a few West African countries. This continent kept struggling with social distress in several countries, not only in the north but also in Mozambique where Pestana Group is operating. Data for Africa should be read with caution as it is based on limited information.

Table 14 - Africa international tourism arrivals

Amounts in thousands of Euros

Africa	2011	2012	2013	2014
Morocco	*9.342*	*9.375*	*10.046*	*10.500*
Subsaharan Africa	*32.588*	*34.484*	*36.217*	*37.412*
Angola	481	528	n.a.	n.a.
Cape Verde	428	482	464	467
Mozambique	1.902	2.113	n.a.	n.a.
São Tome Principe	12	n.a.	n.a.	n.a.
South Africa	8.339	9.188	9.510	9.600

Source: UNWTO
For 2014, numbers are estimted.

2.5. Latin America

Over the past two decades, some of Latin American countries have reached a level of political and economic stability that justify the conviction that their moment on the global stage has arrived.

International tourism arrivals to Central and South America (increased both 6%) grew at double the rate recorded in 2013 and well above the world average.

In Latin America the tourism outlook is highly unbalanced. Brazil continued to show an increase in touristic activity, mainly supported by internal demand with positive impact from international demand related with the FIFA World Cup. Brazil foreign feeder markets are based in other local Latin America countries and to a lesser extent, Europe, US and China.

Table 15 - Latin America international tourism arrivals

Amounts in thousands of Euros

South America	2011	2012	2013	2013
Argentina	5.705	5.585	5.571	5.700
Brazil	5.433	5.677	n.a.	5.900
Colombia	2.045	2.175	2.288	2.300
Venezuela	595	710	n.a.	n.a.

Source: UNWTO
For 2014, numbers are estimted.

Brazil middle class continue to support international tourism in Europe and in the US, mainly in Miami.

Pestana Palace Lisboa Hotel & National Monument

3. **Group's activity**

3.1. **Overall activity**

Last year we consolidated our position in the World and in the European hospitality group ranking, being today the 127th and 33rd respectively. The Group owns and manages 86 hotels, offering a diversified range of services in hospitality complemented by Golf, Casino, Vacation clubs and Real estate activities.

2014 is the first year in which it is reasonable to compare the Annual consolidated figures with the previous year seeing as the Group's restructuring in 2013 changed the consolidation perimeter when compared with 2012. However it is now possible to analyze the contribution of each sub-holding to the consolidated figures. Each subholding represents basically a geographical region:

- Grupo Pestana, S.G.P.S., S.A. – Europe and North America
- Djebel, S.G.P.S., S.A. – Brazil
- Pestana Inversionnes, S.L. – South America Spanish speaking countries
- Salvintur, S.G.P.S., S.A. – Africa
- Other - Holding, Atlantic Holidays, Cervejas da Madeira

Table 16 - Financial highlights – Profit & Loss

	Total 2014	Grupo Pestana SGPS	Djebel	Pestana Inversiones	Salvintur	Other
Rooms (total keys)	9.875	6.654	1.610	990	621	0
of which Rooms under management contract (keys)	662	0	0	662	0	0
Hotel units (Total)	77	57	7	5	8	0
of which Units under management contract	3	0	0	3	0	0
(Amounts in millions of Euros)						
Revenue	342,7	223,5	45,9	24,5	22,2	26,6
GOP of Touristic activity (a)	98,0	80,1	10,2	3,7	4,7	-0,8
EBITDAR	93,0	69,3	7,9	6,7	6,7	2,3
Rents paid to owners and cocessions	-10,4	-8,9	-0,3	-0,8	-0,4	0,0
EBITDA (b)	82,6	60,4	7,7	5,9	6,4	2,3
Depreciation and amortization	-37,9	-31,2	-1,4	-0,7	-2,4	-2,2
EBIT	44,7	29,1	6,3	5,2	4,0	0,1
Paid interest net	-28,4	-17,5	-6,3	-0,2	-1,1	-3,2
paid Income taxes (c)	-2,3	-0,7	-0,3	-1,5	-0,2	0,4
Net income including non controling interests share	5,3	8,0	-2,7	3,6	2,5	-6,1
GOP margin (%)	29%	36%	22%	15%	21%	-3%
EBITDAR margin (%)	27%	31%	17%	28%	30%	9%
EBITDA margin (%)	24%	27%	17%	24%	29%	9%
EBIT margin (%)	13%	13%	14%	21%	18%	1%
ROE (%)	1,2%	2,3%	-3,9%	10,5%	6,5%	25,7%
EPS	4,03	N/A	N/A	N/A	N/A	N/A
EBITDA/Net interesrs (..x)	2,9	3,4	1,2	36,2	5,8	0,7
Average cost of debt (%)	6,1%	4,9%	19,3%	N/A	7,7%	5,6%

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

Table 17 - Financial highlights – Balance Sheet

(Amounts in millions of Euros)

Net Assets	2014	% TOTAL	Grupo Pestana SGPS	Djebel	Pestana Inversiones	Salvintur	Other
Investment - Fixed Assets	942,9	100%	691,3	136,0	38,1	51,7	25,8
Deferred tax liabilites	-85,4	-9%	-32,6	-36,9	-6,8	-6,8	-2,3
Total adjusted fixes assets	**857,6**	**92%**	**658,7**	**99,1**	**31,3**	**44,9**	**23,5**
Investment - Financial assets	20,9	2%	19,9	0,0	0,1	0,8	0,2
Other non-current assets	24,4	3%	16,3	7,3	0,0	0,4	0,3
Current Assets - Current liabilites	28,3	3%	12,5	-1,9	0,3	7,4	10,0
Total Adjusted Assets	**931,2**	**100%**	**707,4**	**104,6**	**31,8**	**53,4**	**34,0**

Funding origins	2014	% TOTAL	Grupo Pestana SGPS	Djebel	Pestana Inversiones	Salvintur	Other
Equity	302,1	32%	204,5	49,3	34,5	38,8	-25,0
Collected deferred revenues (a)	202,9	22%	179,9	21,6	0,0	0,1	1,3
Deferred sales cost (a)	-43,4	-5%	-43,4	0,0	0,0	0,0	0,0
Total non remunerated funding	**461,5**	**50%**	**341,0**	**70,8**	**34,5**	**38,8**	**-23,7**
Long term financial debt	399,5	43%	308,9	25,9	0,4	14,6	49,7
Other non-current liabilites	8,3	1%	7,0	0,9	0,0	0,3	0,0
Total non-current funding	**869,2**	**93%**	**656,9**	**97,6**	**34,9**	**53,8**	**26,0**
Short term financial debt	120,9	13%	99,0	8,7	0,1	2,1	11,0
Cash + Financial assets available for sale	-58,9	-6%	-48,6	-1,7	-3,2	-2,5	-2,9
Net current debt	**62,0**	**7%**	**50,4**	**7,0**	**-3,1**	**-0,4**	**8,0**
Total funding origins	**931,2**	**100%**	**707,4**	**104,6**	**31,8**	**53,4**	**34,0**

	2014	% TOTAL	Grupo Pestana SGPS	Djebel	Pestana Inversiones	Salvintur	Other
Net debt	461,4		359,4	32,8	-2,7	14,3	57,7
EBITDA	82,6		60,4	7,7	5,9	6,4	2,3
Working capital	28,3		12,5	-1,9	0,3	7,4	10,0
Net Capex	23,8		19,5	2,1	1,2	0,3	0,7
Net debt/EBITDA ratio	5,59		5,95	4,29	N/A	2,24	25,19
Net debt/Equity ratio	1,00		1,05	0,46	N/A	0,37	-2,44
Net debt/Total Assets ratio (%)	50%		51%	31%	N/A	27%	170%
Liquidity ratio (%)	11%		12%	5%	701%	15%	5%

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

The Group consolidated accounts continues to show strong balance sheet profit and loss highlights.

3.1.1. **Balance sheet**

The Group maintained total assets of 1,2 bn Euros being the adjusted net assets of 931 million Euros that reflect mainly the property of 44 hotels, 6 golf courses and land with building capacity. It is worth to mentioned that several are the properties accounted at historical cost where market prices are significantly higher.

Adjusted Equity represents 50% of the adjusted net assets, remainder covered by debt and other responsibilities. The leverage ratio was 5,59 (Net Debt / EBITDA), the same as in 2013, which is considered low for a company with this asset level and business model. Pestana does not follow an Asset light strategy, as other Hospitality companies do, so we have several properties in our books accounted at historical cost. The real value of these assets is significantly higher than the historical value.

The Group has a debt service aligned with its annual cashflow. Corporate debt represents about 30% of total debt being the refinancing risk controlled.

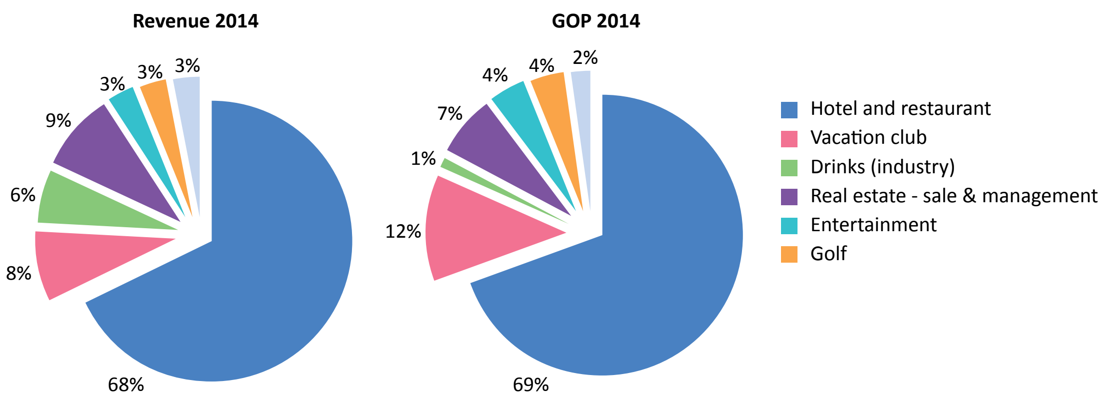
In November 2014 Pestana Group issued a bond in the amount of 65 million Euros with a maturity of five years and three months, it had a demand above the available supply. As such the Group increased the maturity of its debt and improved the adequacy of the debt service to the expected pace of its cash flow release from the different business units.

Credit overdrafts and commercial paper facilities unused were available in the end of 2014 in excess of 100 million Euros with 20 financial institutions that represented more than 20% of the debt outstanding.

3.1.2. **Profit and Loss highlights**

The Group revenues were about 343 million Euros, for an EBITDAR of 93 million Euros and EBITDA of 83 million Euros, which still represents one of the best margins in Europe among companies within our peer group. The EBITDA / interest paid ratio was 2,9, which shows a sound debt weight based on an average interest rate of 6,1% considering the several geographies where the Group is present.

Table 18 - Revenue and GOP 2013 by business area



A. Hospitality

Hospitality grew 12% in Revenue and 20% in GOP (Gross Operating Profit) on average in 2014, including the foreign exchange effect, although in different regions different situations occurred.

In Portugal, an increase in occupancy has been achieved with a very positive evolution of the traditional British, German, French and Scandinavian markets. Exclusive long-term agreements with major tour operators also contributed to such growth, especially in Madeira and Algarve. The cost control efficiency implemented in the last years has led Pestana to a significant EBITDA increase in these areas (24% in 2014 vs 2013).

Pousadas had an important recovery, EBITDA improve 30% in 2014 benefiting from a slight recovery of the domestic market and a different marketing approach with a higher penetration in other markets.

European hotels continue to present excellent results in very competitive markets, led by the Pestana Chelsea Bridge hotel that generated around 6,3 million Euros of GOP in 2014, and the sustainable operation of Pestana Berlin.

The hotels in Brazil showed improved performance in particular in the World cup period. The unit in Rio de Janeiro continues to have the best performance in this country.

The other hotels in South America continue to show good operational performance, despite the political and currency constraints in these countries. Both Pestana Caracas and Pestana Buenos Aires presented very positive results.

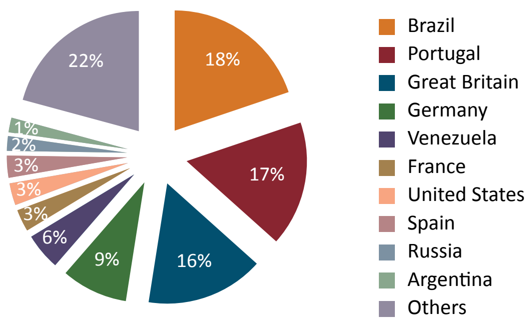
In North America, Miami had a very good year and doubled its EBITDA.

In Africa, despite the political and health problems of the second semester we were able to maintain the EBITDA of the region. Pestana Rovuma in Mozambique and Pestana Tropical in Cape Verde are the major contributors for the operational results in Africa, and continue to show very good operational results. This year Pestana São Tomé benefited from an increase in occupation, and began to present interesting results.

Table 19 - ARR and Occupancy by main country

		ARR in local currency			ARR in Euros			Occupancy		
Hotel Country	**Currency**	**2014**	**2013**	**Var**	**2014**	**2013**	**Var**	**2014**	**2013**	**Var**
Portugal	EUR	72	73	-1%	72	73	-1%	65%	58%	11%
Germany	EUR	86	81	6%	86	81	6%	84%	84%	-1%
Spain	EUR	78	N/A	N/A	78	N/A	N/A	83%	N/A	N/A
UK	GBP	123	114	8%	153	137	11%	90%	90%	-1%
USA	USD	155	159	-3%	116	116	1%	82%	66%	23%
Argentina	ARS	873	617	41%	81	69	18%	71%	71%	0%
Venezuela	VEF	3.969	1.797	121%	264	115	129%	56%	69%	-20%
Brazil	BRL	334	294	14%	107	90	19%	62%	56%	10%
Cape Verde	EUR	96	97	-1%	96	97	-1%	68%	68%	0%
Sao Tomé	EUR	95	73	31%	95	73	31%	40%	38%	5%
Mozambique	MZN	3.541	3.372	5%	85	82	4%	52%	61%	-14%
South Africa	ZAR	762	874	-13%	53	60	-12%	62%	48%	30%
AVERAGE					**88**	**82**	**8%**	**65%**	**59%**	**9%**

Table 20 - Hotel Group feeder markets (by country)



The presence of Pestana Group in countries with high inflation and currency constraints had a negative impact in the presented consolidated profit and loss, especially in South American units, where currencies have suffered significant devaluation in 2014.

The Group growth was supported not only by existing hotels and Pousadas but also by new openings in our own real estate and by property management. The main facts occurred were related with the:

- Acquisition of IATH, an Azorean company which owns and operates Bahia Palace hotel in São Miguel island; the hotel is now operated by the Group, but the necessary renovation works will only take place in the winter of 2015/2016;
- On-going refurbishment in Praça do Comércio in the former building of the Ministry of Internal Administration to have the future Pousada do Terreiro do Paço, in Lisbon, with 86 rooms; the work is expected to be finished and the unit is expected to open in June 2015;
- Pestana Porto expansion project from 48 to 101 keys after the acquisition of other two buildings next to the existing hotel to be open in July 2015;
- The construction of a new hotel in Alvor, Algarve, continue, the future Pestana Alvor South Beach with about 80 rooms; this unit is expected to open during the second half of 2015;
- Given the success of the first two stages, the development of the Tróia Eco-Resort project continued, through the execution of its third phase;
- Second year of operation of Pestana Colombos Resort, a five star hotel located in Porto Santo, with the expansion of the 100 rooms available during 2013 to an additional 78 apartments and 8 villas with typologies between T2 and T5; this resort is owned by FLIPTREL IV, which is a fund managed by ECS Capital, and was leased by Pestana Group;
- Throughout the year, Pestana Group invested in maintenance and capital expenses to maintain the assets under its management in the ideal conditions to optimize its exploitation; we highlight the efforts made in 2014 to provide wi-fi coverage to over a thousand accommodation units;
- Design, approval and beginning of the implementation of the new Strategic Plan of Pousadas de Portugal aiming the re-launch of the brand and the creation of conditions for the sustainability of the hotel chain;
- Start of operation of a new unit in Cayo Coco, Cuba with 508 rooms and marking the entrance of Pestana Group to that major tourist destination;
- Refurbishment of Pestana Bahia in Salvador with a cost of around 4 million Euros that puts this unit back to standard;
- Refurbishment of Pestana Caracas to retain the 5 star standard;

- Opening of a restaurant in Montevideo, Uruguay in the historic building of the former Jockey Club which is under management by Pestana Group the first stage of a 73 key hotel project in that location;

- A new process of hotel customer assessment was implemented integratingopinions after check out and supported by on-line networks.

Today more than 3 million people, per year, stay at one of the existing Pestana hotels in the 15 countries where we are present. The Group's feeder markets are mainly concentrated in Europe, with a strong presence in Latin America and in some countries in Africa.

Although almost 63% of the assets are located in Portugal, the local demand does 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 the Portuguese trade balance.

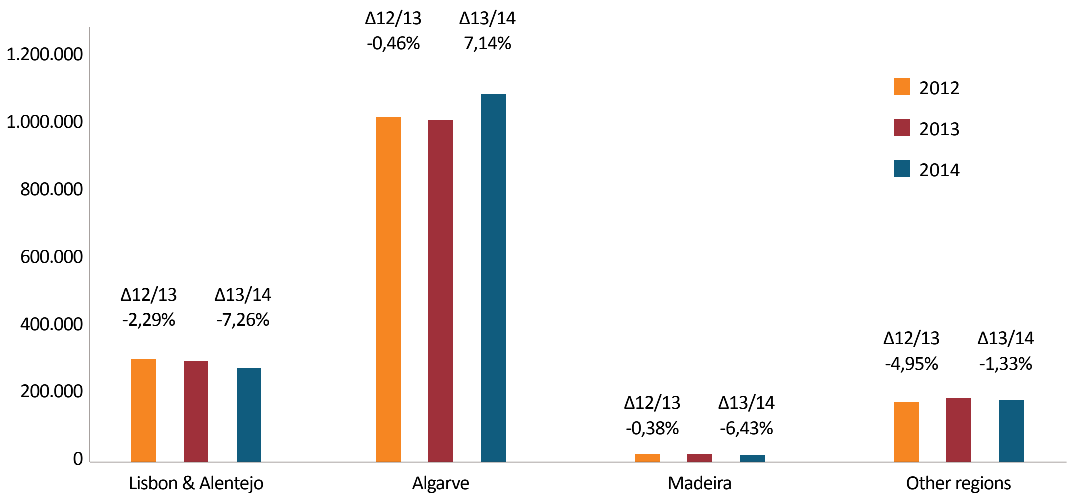
B. Golf

This activity stabilized in 2014 with 1,4% of the total Group GOP, supported by six golf courses, namely Alto Golf, Pinta, Gramacho, Silves and Vila Sol in Algarve and Beloura in Lisbon.

This performance is considered good since the number of golf rounds in Portugal decreased 0,2% in 2013 and registered a slow increase of 2% in 2014.

Algarve has shown a great increase of 5,5% in terms of golf rounds, following the positive trend of tourism.

Table 21 - Evolution of golf rounds in Portugal

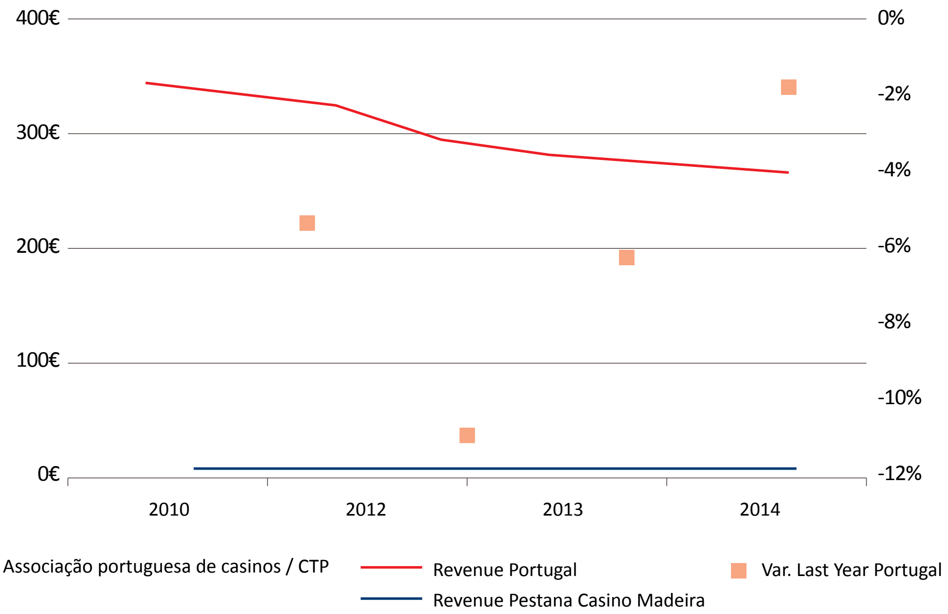


Source: CNIG

C. Casino

In 2014, this activity increased 3,5% representing 4,9% of the total GOP of the Group, supported by two Casinos, one in Madeira and the other in S. Tomé & Principe. The Madeira casino, as a regional business, represents the majority of the revenues of this segment. The Pestana Casino da Madeira increased its revenues in 3,6%, despite the global revenues in Portuguese Casinos having registered a decrease of 1,9% during the year of 2014.

Table 22 - Evolution of Gambling in Portugal



Source: Associação portuguesa de casinos / CTP

D. Timesharing and Pestana Vacation Club

Timesharing increased in 2014 (+7,8%) representing 12,7% of the total GOP of the Group, supported almost by 30 thousand families that keep following the Group for the last 26 years. Pestana also develops a 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.

It is important to say that according to IFRS it 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.

E. Real Estate

Real Estate is developed mainly in Portugal through our projects in Troia (near Lisbon) and in Carvoeiro (in Algarve). This activity grew substantially in 2014 (+14,3%), representing nowadays 5,1% of the total GOP.

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 provide a wide range of high standard services to the owners, including maintenance, housekeeping, food & beverage and condominium management, and that represent 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 this economic crisis avoiding high opportunity costs.

F. Other Business

The other Group business do not present significant differences in 2014.

Atlantic Holidays had a turn around year, with a new team, offices and business model. 2015 will be the first year after this restructuring and significant increase in revenues and results are expected.

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 maintains results in line with last year, that are below the expected results but in line with the economic constraints of Madeira.

Pestana Delfim

4. The near future (2015)

4.1. Macro major trends

Global growth will remain sluggish in 2015 despite a significant decrease in oil prices. Analysts forecast a very high average range between US 70 to US 92 per barrel (/b) for Brent, depending on OPEC supply decisions, which is minimum 20% lower than the US 110/b average over the last three years and 12% below the estimated US 103/b 2014 average.

In the US, real GDP could nevertheless grow close to 3% due to the labor market recovery with positive effects in consumer and business confidence and as such in credit growth. An increase in the FED fund rate that could go up to 1%, however that will probably not harm investment growth and low inflation.

The euro area will maintain a anemic growth close to 1% due to external and internal factors, with a more dynamic UK under pressure from lower German growth. China slowdown and the Russia/Ukraine conflict will continue to affect demand, investment and import / export activities. Europe will also continue to be affected by the deleveraging cycle both in private, public and financial sectors.

ECB easing policies will help the recovery but may not be enough to boost investment and market confidence. Inflation could even be negative maintaining fears of a deflation period. Political risks are not diminishing mainly due to Greece with a focus on Italy, Spain and Portugal elections. As such continuing depreciation of the Euro against the US dollar like we have seen towards the end of 2014 is expected.

Investment and corporate lending in Portugal should increase as a consequence of the macroeconomic stabilization after the troika program, with a positive impact in market confidence.

Growth dynamics in Latin America, excluding Brazil, will probably improve due to macroeconomic conditions. Argentina and Venezuela will continue to be highly vulnerable to external and domestic shocks. The decrease in oil prices will have a negative effect in Venezuela, although it will contribute to reduce inflation. As such it is more likely that Argentina will improve liquidity and Venezuela will keep a tight control policy. Currencies will appreciate / depreciate accordingly.

Colombia will continue to keep its sustainable growth and Cuba will benefit a lot from the improvement in the political relations with the United States. Brazil will probably show a real positive GDP close to 0,5%, after a negative one in 2014, due to poor consumer and business confidence. Oil prices decrease will put this growth under pressure but will contribute to inflation control. Nevertheless price increases will continue to be high, between 6% and 8%, meaning that the reference rate will also probably increase again. It is expected to be 0,25% to 0,75% up to a maximum of 12,5%. The currency is expected to depreciate more than it would need to in order to compensate for this rate increase.

Africa shows a very different pattern across its countries. Cape Verde should keep its sustainable growth, as well as Mozambique and S. Tomé, although with lower figures.

Globally of the confidence of the general market agents and of the population should continue to have a positive effect on 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 from social stability and attract tourists from emerging markets. We also do not foresee major impacts in hospitality in Latin America or in Africa that could harm materially our activity. Hospitality is expected to continue its sustainable growth.

4.2. Group activity

We will keep the Group strategy focused on cities in the US and in Europe, outside Portugal, for urban hotels with corporate and leisure demand. This will diversify feeder markets and our EBITDA structure in order to have in the medium term the majority of cash flow spread among investment grade countries in the world. Specially we will continue analyzing the market in New York and Madrid until we have a good understanding of those markets.

We will continue to look for opportunities either for acquisition or for management. In the first semester of 2015 we expect to begin building in Amsterdam and other commitments should be settled this year if projects meet our own high standards in terms of location, price per room and cash flow expectations.

Once again we 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 in the Group cash flow. Pestana intends to have a stronger management component. The signature of a binding offer to sell the business and the property of Pestana Rio Atlântica in Brazil (Rio de Janeiro) did not proceed and the negotiations ended accordingly.

As the leading operator in Portugal we will continue to benefit from this country's hospitality growth. In 2015 we expect to open: (1) Lisbon (Terreiro do Paço) 86 rooms under a concession; (2) Oporto (Cais da Ribeira) enlargement of 54 rooms in one of our own properties; (3) Algarve (Alvor) on the beach a Hotel of 80 rooms. Also, we expect to begin to build a new property in Rua do comércio, in Lisbon's City center and the new property in Praça do Mar Funchal which contract we had signed in January.

5. **Management objectives and policies regarding financial risks**

The activities of the Pestana Group 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.

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 that mitigate those risks.

The management criteria for these policies are described in the Notes to the Consolidated Financial Statements.

6. **Subsequent events**

In January 2015, Pestana Group has provided a commitment in the amount of 250.000 Euros to be granted private use of an infrastructure in the Praça do Mar in Funchal. This concession relates to a 4-star hotel with 50 rooms in that location, near the sea and the port of Funchal, with a splendid and wide view of the bay of Funchal. This hotel will have a swimming pool and sunbathing area, as well as a restaurant area and a terrace in the very sought out Sea Square. Because of its location, decor and environment, it is a hotel that is expected to draw segments of younger and less seasonal customers.

In early 2015, the subsidiary Hotéis do Atlântico, S.A. acquired a lease ground for 99 years in Manhattan (New York), aiming to promote, in the course of 2015, the construction of a hotel with 176 rooms. The new facility is scheduled to open in 2017.

In May 2015 Pestana won in Spain (Madrid) a local tender for developing a 70 key hotel in Plaza Mayor. Projects for refurbishment the building will be presented to the municipality in 2015 and construction it is expected to begin in 2016.

7. **Other**

In accordance with our duties under Article 339 and 339 bis of the amended Law of 10 August 1915 on Comercial Companies, as amended, we confirm 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. **Recognitions**

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

It is particularly gratifying acknowledege, the trust relationship that our customers, suppliers and other business partners, namely financial institutions and qualified services providers, have honored us with.

We appreciate the support and collaboration of the other Governing Bodies of the Group companies, members of the General Assembly and Supervisory Bodies in carrying out its duties. Finally, and this cannot be stressed too much we gratefully recognise the spirit of professionalism and high sense of duty of the employees of the Pestana Group. Their effort and dedication enables the creation of value that the Pestana Group is responsible for.

Luxembourg, 26 May 2015

The Board of Directors

Dionísio Fernandes Pestana Director	José Alexandre Lebre Theotónio Director
Hermanus R.W. Troskie Director	Chiara Decegie Director


Pestana Berlin Tiergarten

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Consolidated statement of financial position

(amounts expressed in Euros)	Notes	31 December 2014	31 December 2013
Assets			
Non-current			
Property, plant and equipment	6	965.205.623	968.885.684
Intangible assets	7	14.546.361	15.821.720
Investment properties	8	6.601.752	8.740.453
Investments in associates	9	11.035.669	9.816.402
Other financial investments	10	9.893.993	12.821.943
Deferred tax assets	11	15.780.632	17.916.347
Financial assets available for sale	12	235.245	5.211.467
Trade and other receivables	14	8.944.424	7.350.329
		1.032.243.699	**1.046.564.345**
Current			
Inventories	15	63.180.116	62.402.186
Trade and other receivables	14	46.411.550	57.957.436
Current tax assets	16	3.668.125	2.429.005
Financial assets at fair value throught profit and loss	17	743.531	668.283
Cash and cash equivalents	18	57.908.617	60.794.912
		171.911.939	**184.251.822**
Total Assets		**1.204.155.638**	**1.230.816.167**
Equity			
Capital	19	210.543.091	207.669.869
Other reserves	20	1.903.637	(93.653)
Retained earnings	21	58.707.116	59.351.418
Profit for the year		2.433.694	10.840.503
Non-controlling interests	22	28.471.265	46.043.903
Total Equity		**302.058.803**	**323.812.040**
Liabilities			
Non-current			
Provisions	23	1.171.438	1.357.931
Loans and borrowings	24	394.601.151	349.115.727
Derivatives	25	7.089.256	7.388.214
Deferred tax liabilities	11	85.353.294	90.320.816
Deferred revenue	26	176.355.920	180.236.878
Trade and other payables	27	4.863.496	6.481.105
		669.434.555	**634.900.671**
Current			
Provisions	23	1.294.566	873.942
Loans and borrowings	24	120.148.176	161.594.306
Deferred revenue	26	26.504.923	24.530.377
Trade and other payables	27	83.582.451	82.997.686
Current tax liabilities	16	1.132.163	2.107.145
		232.662.280	**272.103.456**
Total Liabilities		**902.096.835**	**907.004.127**
Total Equity and Liabilities		**1.204.155.638**	**1.230.816.167**

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

Consolidated income statement

(amounts expressed in Euros)	Notes	Year 2014	Year 2013
Revenue	28;29	342.713.183	320.832.314
Cost of sales	15	(50.071.979)	(45.211.858)
External services and supplies	30	(113.698.780)	(111.189.885)
Personnel expenses	31	(86.798.971)	(87.018.758)
Charges/reversals of depreciations and amortizations	6;7;8	(42.155.230)	(44.103.148)
Reversal of impairment losses of tangible assets	6	4.269.135	3.284.991
Impairment of receivables	14	(946.115)	(1.166.805)
Impairment of inventories	15	(39.163)	(205.784)
Provisions	23	(204.462)	119.396
Other income	32	14.779.790	13.674.781
Other expenses	33	(22.075.685)	(19.492.682)
Gains and losses on Associates, Other financial investments and Financial assets available for sale	34	(2.879.045)	8.437.932
Profit before financial results and taxes		**42.892.678**	**37.960.494**
Financial expenses	35	(42.191.346)	(34.938.858)
Financial income	35	5.428.729	5.842.490
Profit before tax		**6.130.061**	**8.864.126**
Income tax	36	(818.306)	1.053.565
Profit for the year		**5.311.755**	**9.917.691**
Profit for the year attributable to:			
Shareholders		2.433.694	10.840.503
Non-controlling interests		2.878.061	(922.812)
		5.311.755	**9.917.691**
Earnings per share		4,03	7,52
EBITDA		82.597.497	80.943.645
EBITDAR		92.954.081	91.835.215

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

Consolidated statement of comprehensive income

(amounts expressed in Euros)	Notes	Year 2014	2013
Net profit for the year		**9.917.691**	**2.630.763**
Itens that are recycled to profit and loss:			
Change in the fair value of hedging derivatives	25	379.208	4.046.598
Impact of changes in tax rate (Portugal)	20	237.829	(359.889)
Foreign currency translation differences	20	(2.797.890)	(19.384.914)
Change in fair value of Financial assets available for sale	12	(17.038)	(144.199)
Tax impact in items booked directly in equity	25	(236.704)	(699.501)
Hyperinflation effect	20	–	1.260.603
Itens that are recycled to profit or loss, net of income tax		**(2.434.595)**	**(15.281.302)**
Total comprehensive income for the year		**2.877.160**	**(5.363.611)**
Comprehensive income attributable to:			
Shareholders		(901)	(4.440.799)
Non-controlling interests		2.878.061	(922.812)
		2.877.160	**(5.363.611)**
Earnings per share:			
- Basic earnings per share		2,18	(4,07)
- Diluted earnings per share		2,18	(4,07)

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

Consolidated statement of changes in equity

	Atributable to shareholders						
(amounts expressed in Euros)	Share capital	Other equity instruments	Other reserves	Retained earnings	Profit/loss for the period	Non-controlling interests	Total
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)**
Conversion differences			(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**

(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 2013	**5.241.868**	**30.146.495**	**4.052.132**	**48.349.090**	**2.493.366**	**5.537.694**	**95.820.645**
Changes in the period							
Changes in the consolidation perimeter			9.364.662	10.279.817	-	44.914.050	64.558.529
Net profit application			1.770.855	722.511	(2.493.366)	-	-
	-	**-**	**11.135.517**	**11.002.328**	**(2.493.366)**	**44.914.050**	**64.558.529**
Conversion differences			(19.384.914)	-	-	-	(19.384.914)
Change in fair value reserve - hedging derivatives			3.347.097	-	-	-	3.347.097
Change in fair value reserve - assets held for sale			(144.199)	-	-	-	(144.199)
Impact change income tax rate			(359.889)	-	-	-	(359.889)
Hyperinflation effect			1.260.603	-	-	-	1.260.603
Profit for the year			-	-	10.840.503	(922.812)	9.917.691
Comprehensive income			**(15.281.302)**	**-**	**10.840.503**	**(922.812)**	**(5.363.611)**
	-	**-**	**(4.145.785)**	**11.002.328**	**8.347.137**	**43.991.238**	**59.194.918**
Transactions with equity holders in the period							
Capital increase	161.383.370	10.898.136	-	-	-	-	172.281.506
Dividends	-	-	-	-	-	(3.485.029)	(3.485.029)
	161.383.370	**10.898.136**	**-**	**-**	**-**	**(3.485.029)**	**168.796.477**
At 31 December 2013	**166.625.238**	**41.044.631**	**(93.653)**	**59.351.418**	**10.840.503**	**46.043.903**	**323.812.040**

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

Consolidated cash flow statement

(Amounts expressed in Euros)	Note	31 December 2014	31 December 2013
Net profit before tax		**6.130.061**	**8.864.126**
+ Depreciation		37.886.095	37.579.421
+ Impairment of receivables		946.115	1.166.805
+ Impairment of inventories		39.163	205.784
- Share of profit of associated companies		6.701.219	(8.437.932)
		51.702.653	39.378.204
- Gains other income		(7.900.108)	(13.674.781)
+ Other expenses		17.312.933	19.492.682
		61.115.477	**45.196.105**
Changes in working capital			
- Inventories - increase (decrease)		(817.093)	(56.464.303)
+ Debtors - decrease		995.415	(25.815.040)
- Other debtors - increase		(3.242.238)	(5.481.056)
+ Prepayments - increase		(2.349.070)	(10.707.242)
- Provisions - decrease		234.130	1.889.708
- Other creditors - increase		(2.978.831)	(24.861.769)
+ Trade payables - decrease		498.043	(18.271.629)
Cash flow from operating activities		**53.455.832**	**(94.515.226)**
Interest received		2.118.043	842.525
Interes paid		(33.733.200)	(28.943.939)
Income tax		818.306	(1.053.565)
		(30.796.851)	**(29.154.979)**
Net cash flow from operating activities		**22.658.982**	**(123.670.204)**
Cash flow from investing activities			
Sale proceeds of fixed assets		1.566.005	2.176.345
Gains on disposal of assets		1.778.293	936.011
Losses on disposal of assets		(24.884)	(138.811)
Sale proceeds from investments		9.269.132	17.479.190
Acquisition of fixed assets		(25.478.549)	(63.251.586)
Acquisition of shares from non-controlling interests		(11.211.066)	-
Acquisition of financial investments		(5.514.047)	(3.725.362)
Net cash flow from investment activities		**(29.615.116)**	**(46.524.213)**
Cash flow from financing activities			
Shareholders loan		15.421.772	10.898.136
Loans & borrowings		38.987.692	(53.200.614)
Dividends paid		(15.865.164)	(3.485.029)
Leases		(971.208)	(1.535.437)
Net cash flow from financing activities		**37.573.092**	**(47.322.944)**
Non-cash investing and financing activities		(2.675.505)	161.383.370
Increase (decrease) in cash equivalents		30.616.958	(217.517.361)
Exchange differences		4.106.711	(188.393)
Net increase (decrease) in cash equivalents		**32.048.164**	**(56.322.384)**
Cash and cash equivalents at beginning of the year	18	(1.225.850)	6.953.932
Cash and cash equivalents - change in the perimeter		13.938	48.142.602
Cash and cash equivalents at end of the year	18	30.836.252	(1.225.850)
Net increase (decrease) in cash equivalents		**32.048.164**	**(56.322.384)**

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

Pestana Palace Lisboa Hotel & National Monument

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”.

The Pestana Group was founded in 1972, with the establishment of M & J Pestana - Sociedade de Turismo da Madeira, S.A. to invest on the currently denominated “Pestana Carlton Madeira”, and develops its activity mainly in the Hospitality sector, having also interests in Industry and Services. The Group is led by its majority shareholder, Mr. Dionisio 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, the Pestana Group won the tender to manage the network of “Pousadas de Portugal”, taking the operation of “Pousadas” in Portugal and promoting their internationalization.

Nowadays, the Pestana Group is by far the largest Portuguese group in the Hospitality sector, with an operation centered in hotels, but complemented by other activities such as timeshare, residential tourism, golf, touristic entertainment and retail.

Through the promotion of two brands (PH&R - Pestana Hotels & Resorts and “Pousadas de Portugal”) it currently operates 86 units of touristic lodging totalling approximately 10,409 rooms, which makes it the largest network with Portuguese origin, the twenty-fifth of Europe and the seventy-fifth worldwide.

In the leisure area, the Pestana Group currently holds, besides its 47 hotels (11 in Madeira, 6 in Algarve, 3 in Lisbon/Cascais/Sintra, 1 in Oporto, 9 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 Colombia 1 in Cuba and 1 in Maroccos) and the management of the 30 “Pousadas de Portugal”, including the one in Cascais, 9 units of Vacation Club, 6 golf courses, 4 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 S.A. (Note 40).

These consolidated financial statements were approved by the Board of Directors on the meeting dated 26 May 2015. The Board of Directors is of the opinion that such consolidated financial statements give a true and proper view of the operations of the Pestana Group, as well as its position and financial performance and 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 Porches Praia	Algarve
Pestana Grand	Madeira	Pestana Porches Praia Vacation Club	Algarve
Pestana Grand Vacation Club	Madeira	Pestana Gramacho Golf Resort	Algarve
Grand Private Collection	Madeira	Pestana Vale da Pinta Golf Resort	Algarve
Pestana Porto Santo	Madeira	Pestana Silves Golfe Resort	Algarve
Pestana Colombos (b)	Madeira	Pestana Alto Golfe Resort	Algarve
Pestana Promenade	Madeira	Pestana Vilasol Golfe Resort (b)	Algarve
Pestana Promenade Vacation Club	Madeira	Pestana Vilasol Hotel Resort (b)	Algarve
Pestana Miramar	Madeira	Hotel Bahia Palace (h)	Azores
Pestana Miramar Vacation Club	Madeira	Pestana Buenos Aires	Argentina
Pestana Village	Madeira	Pestana Convento Carmo (f)	Brazil
Pestana Village Vacation Club	Madeira	Pestana Bahia	Brazil
Pestana Palms	Madeira	Pestana Bahia Lodge	Brazil
Pestana Palms Vacation Club	Madeira	Pestana Angra	Brazil
Palms Private Collection	Madeira	Pestana Curitiba	Brazil
Pestana Bay (b)	Madeira	Pestana Natal	Brazil
Pestana Atlantic Gardens (b)	Madeira	Pestana Rio Atlantica	Brazil
Madeira Magic (f)	Madeira	Pestana São Luís	Brazil
Casino da Madeira (f)	Madeira	Pestana São Paulo	Brazil
Centro Intern. Neg. Madeira (f)	Madeira	Pestana Bahia Holiday club	Brazil
Cervejas da Madeira	Madeira	Pestana Natal Holiday club	Brazil
Pestana Palace	Lisbon	Pestana São Luis Holiday club	Brazil
Pestana Porto	Oporto	Pestana Trópico	Cape Verde
Pestana Cascais (b)	Cascais	Pestana Bogotá100 (g)	Colombia
Pestana Sintra Golf	Sintra	Pestana Cayo Coco (g) (e)	Cuba
Pestana Beloura Golf Resort	Sintra	Pestana Berlim	Germany
Pousadas de Portugal (network) (b) (f)	Portugal	Pestana Casablanca (g) (c)	Morocco
Pousada de Cascais (f)	Cascais	Pestana Rovuma (f)	Mozambique
Pestana Tróia Eco resort	Tróia	Pestana Bazaruto (f)	Mozambique
Pestana Alvor Park	Algarve	Pestana Inhaca Lodge	Mozambique
Pestana Alvor Park Vacation Club	Algarve	Pestana São Tomé	São Tomé and Príncipe
Pestana Alvor Praia	Algarve	Miramar by Pestana	São Tomé and Príncipe
Pestana Alvor Beach Club	Algarve	Pestana Equador	São Tomé and Príncipe
Alvor Private Collection	Algarve	Pestana Kruger Lodge	South Africa
Pestana Dom João II	Algarve	Pestana Arena Barcelona (d)	Spain
Pestana Dom João II Beach Club	Algarve	Pestana Miami (c)	U.S.A.
Pestana Delfim (b)	Algarve	Pestana London	United Kingdom
Pestana Viking	Algarve	Pestana Caracas	Venezuela

(a) Rented until September 2013, with acquisition as at that date
(b) Leased contract
(c) Opened in February 2013
(d) Acquisition in October 2013
(e) Opened in August 2013
(f) Concession
(g) Management
(h) Acquisition in September 2014

2. Accounting standards for the preparation of the financial statements

These financial statements are prepared by the Group in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as at 31 December 2014. IFRS include standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor Board. IFRS were adopted by the 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.

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

The preparation of the 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 the Group, with significant impact on the book value of assets and liabilities, as well as of income and expenses of the reporting period.

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

New standards

a) Impact of the adoption of the standards that became effective on 1 January 2014:

- **IAS 32** (amendment) ‘Offsetting financial assets and financial liabilities’. This amendment is part of the IASB offsetting project which clarifies the meaning of “currently has a legal enforceable right to off-set” and clarifies that some gross settlements systems (clearing houses) may be equivalent to net settlement. The adoption of this amendment had no impact on the Pestana Group consolidated financial statements.

- **IAS 36** (amendment) ‘Recoverable amount disclosures for non-financial assets’. This amendment addresses the disclosure of information about the recoverable amount of impaired assets when based on fair value less costs to sale model. The adoption of this amendment had no impact on the Pestana Group consolidated financial statements.

- **IAS 39** (amendment) ‘Novation of derivatives and continuation of hedge accounting’. This amendment allows hedge accounting to continue in a situation where a derivative designated as a hedging instrument is novated to effect clearing with a central counterparty, as a result of laws and regulation. This amendment had no impact on the Pestana Group consolidated financial statements.

- **Amendment to IFRS 10, 12 and IAS 27 'Investment entities'**. This amendment defines an Investment entity and introduces one exception to the application of consolidation under IFRS 10 for entities that qualify as Investment Entities, which investment in subsidiaries should be measured at fair value through profit or loss, by reference to IAS 39. Specific disclosures required by IFRS 12. These amendments had no impact on the Pestana Group consolidated financial statements.

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

- **IAS 1** (amendment), 'Review of disclosures' (effective for annual periods beginning on or after 1 January 2016). This amendment is still subject to endorsement by European Union. The amendment gives guidance as to the materiality and aggregation, presentation of subtotals, structure of financial statements and disclosure of accounting policies. Pestana Group will adopt this change in the year in which it becomes effective.

- **IAS 19** (amendment), 'Defined benefit plans – Employee contributions' (effective for annual periods beginning on or after 1 July 2014). This standard is still subject to endorsement by European Union. This amendment applies to contributions from employees or third parties to defined benefit plans and aims to simplify the accounting when contributions are independent of the number of years of service. This change will have no impact on the Pestana Group consolidated financial statements.

- **IAS 16 e IAS 38** (amendment), 'Depreciation and amortization calculation methods allowed' (effective for annual periods beginning on or after 1 January 2016). This amendment is still subject to endorsement by European Union. This amendment clarifies that the use of methods of depreciation/ amortization of assets based on the revenue are not usually suitable for the measurement of the consumption pattern of economic benefits associated with the asset. It is a prospective application. The adoption of this amendment will have no impact on the Pestana Group consolidated financial statements.

- **IAS 16 e IAS 41** (amendment), Agriculture: plants that produce consumable biological assets' (effective for annual periods beginning on or after 1 January 2016). This amendment is still subject to endorsement by European Union. This amendment gives the definition of a plant that produces consumable biological assets and removes this type of assets from the application of IAS 41 - Agriculture to IAS 16 - Tangible assets, with a consequent impact on their measurement. Nevertheless, the biological assets produced by these plants remain under IAS 41 – Agriculture. The adoption of this amendment will have no impact on the Pestana Group consolidated financial statements.

- **IAS 27** (amendment), 'Equity method in the separate financial statements' (effective for annual periods beginning on or after 1 January 2016). This amendment is still subject to endorsement by European Union. This amendment allows an entity to apply the equity method in the measurement of investments in subsidiaries, joint ventures and associates in the separate financial statements. This amendment is retrospective application. Currently, it is not expected that the Pestana Group will choose to apply the equity method.

- **Amendment to IFRS 10 and IAS 28**, 'Sale or contribution of assets between an investor and its Associate or Joint Venture' (effective for annual periods beginning on or after 1 January 2016). This amendment is still subject to endorsement by European Union. This amendment clarifies that the gain/loss from the sale or contribution of assets between an investor and its associate or joint venture is recognized in full when the transferred assets constitute a business, and only partially (the share held by third parties) when the assets transferred do not constitute a business. These changes will have no impact on the Pestana Group consolidated financial statements.

- **Amendment to IFRS 10, 12 and IAS 28**, 'Investment entities: application of the exemption from the obligation to consolidate' (effective for annual periods beginning on or after 1 January 2016). This amendment is still subject to endorsement by European Union. This amendment clarifies that the exemption from the obligation to consolidate applies to an intermediate holding Group that constitutes a subsidiary of an investment entity. Additionally, the option of applying the equity method of accounting in accordance with IAS 28, extends to an entity which is not an investment entity, but holds an interest in an associate or joint venture that is an "investment entity ". These changes will have no impact on the Pestana Group consolidated financial statements.

- **IFRS 11** (amendment), 'Accounting for the acquisition of interest in a joint operation' (effective for annual periods beginning on or after 1 January 2016). This amendment is still subject to endorsement by European Union. This amendment introduces guidance on the accounting for the acquisition of interest in a joint operation that qualifies as a business, by applying the principles of IFRS 3 - Business combinations. The adoption of this amendment will have no impact on the Pestana Group consolidated financial statements.

- **Annual improvement 2010–2012**, (generally effective for annual periods beginning on or after 1 July 2014). These improvements are still subject to endorsement by European Union. The 2010-2012 annual improvements affects: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. Pestana Group will apply 2010-2012 annual improvements in the period it becomes effective.

- **Annual improvement 2011–2013**, (effective for annual periods beginning on or after 1 January 2015). The 2011-2013 annual improvements affects: IFRS 1, IFRS 3, IFRS 13 and IAS 40. Pestana Group will apply 2011-2013 annual improvements in the period it becomes effective, except for IFRS 1, because Pestana Group already reports under IFRS.

- **Annual improvement 2012–2014**, (generally effective for annual periods beginning on or after 1 January 2016). These improvements are still subject to endorsement by European Union. The 2012-2014 annual improvements affects: IFRS 5, IFRS 7, IAS 19 and IAS 34. Pestana Group will apply 2012-2014 annual improvements in the period it becomes effective.

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

- **IFRS 14** (new), 'Tariff deviations' (effective for annual periods beginning on or after 1 January 2016). This standard is still subject to endorsement by European Union. This standard allows IFRS first-time adopters to continue to recognize regulatory assets and liabilities in accordance to the policy followed in the previous accounting standards. Nevertheless, in order to allow the comparability between entities that have already adopted IFRS and have not recognize regulatory assets/liabilities, the referred amounts should be disclosed in the financial statements separately. This standard will have no impact on the Pestana Group consolidated financial statements.

- **IFRS 15** (new), 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2017). This standard is still subject to endorsement by European Union. This new standard applies only to contracts regarding products or services delivery and requires the entity to recognize revenue when the contractual obligation to deliver the assets or services is satisfied and by the amount that reflects the consideration to which the entity is entitled, as foreseen in the five steps methodology. Pestana Group will apply IFRS 15 in the year in which it becomes effective.

- **IFRIC 21** (new), 'Government levies' (effective for annual periods beginning on or after 17 June 2014). IFRIC 21 is an interpretation of IAS 37 and the recognition of liabilities, clarifying that past event which results in a fee or tax payment obligation (excluding corporate income tax – IRC) corresponds to the activity described in the relevant legislation which requires the payment. Pestana Group will apply this new interpretation when it becomes effective.

3. 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 the 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 variable 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.

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

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

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

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

Entities that qualify as subsidiaries are listed in Note 39.

3.1.2. **Associates**

Associates are entities which the 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 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 the Pestana Group 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 statement of financial position. The accounting policies of the associates are changed, whenever needed, to ensure its consistent application by all the group companies.

When the Pestana Group consolidated 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 legal or constructive obligation or made payments on behalf of the associate.

Entities that qualify as Associates are listed in Note 9 and 39.

3.1.3. Other financial investments

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

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

Entities that qualify as Other financial investments are listed in Note 10 and 39.

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 balance sheet date, of monetary assets and liabilities denominated in foreign currencies, are recognized in the 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 the Pestana Group which have a functional currency other than Euro and which are not in the currency of a hyperinflationary economy, are translated into the presentation currency as follows:

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

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

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

Pestana Pousada Viana do Castelo

The results and financial position of the foreign operating units of the 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 profit or loss.

iv) Exchange rates used

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

Currency	31-12-2014	31-12-2013
AOA - Angolan Kwanza	124,900	134,037
ARS - Argentine Peso	10,383	8,940
AUD - Australian Dollar	1,483	1,542
BRL - Brazilian Real	3,221	3,258
CAD - Canadian Dollar	1,406	1,467
CHF - Swiss Franc	1,202	1,228
CVE - Cape Verdean Escudo	110,265	110,265
DKK - Danish Krone	7,445	7,459
GBP - Pound Sterling	0,779	0,834
MAD - Moroccan Dirham	10,977	11,094
MZN - Mozambican Metical	40,470	41,355
NOK - Norwegian Krone	9,042	8,363
SEK - Swedish Kronor	9,393	8,859
STD - Sao Tomean Dobra	24.500,000	24.500,000
USD - US Dollar	1,214	1,379
UYU - Uruguayan Peso	29,200	28,677
VEF - Bolivar	60,062	15,583
ZAR - Rand	14,035	14,566

As at 31 December 2014 for the translation of the Venezuelans balances, Pestana Group applied the last governamental published exchange rate, called SICAD II, with an exchange rate of 49,47 Venezuelian Bolivar per US Dollar.

As at 31 December 2013, in Venezuela there were two governmental published exchange rates: CADIVI (official exchange rate of 6,3 Venezuelan Bolivar per US Dollar) and the near year-end established one named SICAD, with an exchange rate of 11,36 Venezuelan Bolivar per US Dollar. For the translation of the Venezuelans balances at that date, in a conservative perspective, Pestana Group considered the SICAD exchange rate as being the most adequate.

Regarding Property, plant and equipment as at 31 December 2014, Pestana Group applies SICAD (official exchange rate of 6,3 Venezuelan Bolivar per US Dollar), the historical cost of these assets, which continues to reflect their best estimated recoverable value.

3.3. **Property, plant and equipment**

Property, plant and equipment 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, are measured at fair value, while for all the other tangible fixed assets corresponds to the net amount carried over from previous GAAP, including legal revaluations, and (b) the acquisition cost of assets acquired or constructed after that date.

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

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

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

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

Depreciation is calculated on a straight line basis, using estimated useful lives. The most significant are as follows:

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

Initial direct costs incurred in negotiating and arranging 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 by 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.

The subsidiaries' Grupo Pestana Pousadas, S.A. and I.T.I. – Sociedade de Investimentos Turísticos na Ilha da Madeira, S.A. tangible fixed assets associated with the concession of Pousadas de Portugal and gambling (Casino da Madeira), respectively, are reversible to the Portuguese state 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**

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

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

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

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

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

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

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

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

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

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

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

Amortization is calculated on a straight line basis, using estimated useful lives. The most significant are as follows:

	Years
Concessions	From 20 to 70 years
Website	6 years

3.5. Investment properties

Investment properties are real estate (land, buildings or parts of buildings) held for the purpose of capitalization value, obtaining income, or both, and therefore not used in operational activity of the Pestana Group. On the date of transition to IFRS, Investment properties were valued at fair value or at the net value carried from the previous standards and subsequently valued under the cost model, which is applied to all assets classified as investment properties.

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

Depreciation is calculated on a straight line basis, using estimated useful lifes. These useful lifes are similar to the ones applied in Property, plant and equipment.

3.6. Impairment of non-financial assets

The Pestana Group performs the annual impairment tests during December and whenever events or changes in surrounding conditions indicate that the book value may not be recoverable.

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

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

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

When there is a place to record an impairment loss or its reversal, the depreciation/amortization of its assets are recalculated prospectively in accordance with the recoverable amount of 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 on the financial reporting date, that is expected to apply to the period when the deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit are available for the use of the temporary difference. Deferred tax liabilities are recognized for all taxable temporary differences, except those arising from: i) the initial recognition of goodwill, or ii) the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (loss). However, for taxable temporary differences associated with investments in equity interests, deferred tax liabilities should not be recognized to the extent that: i) the parent 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 - includes non-derivative financial assets held for trading with respect to short-term investments and assets at fair value through profit or loss at the time of initial recognition;

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

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

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

Purchases and sales of investments in financial assets are recorded at trade date, in other words, the date on which 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 income. These assets are subsequently measured at fair value with gains and losses resulting from changes in fair value recognized in income for the period they occur in net financial expenses, which include also the amounts of interest income and dividends earned.

Financial assets available for sale are initially recognized at fair value plus transaction costs. In subsequent periods are measured at fair value and the change in fair value recognized in the fair value reserve in equity. Dividends and interest earned on financial assets available for sale are recognized in the income of the period during which, under other operating gains, when the right to receive payment is established.

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

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

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

3.9. **Fair value of assets and liabilities**

In determining the fair value of an asset or financial 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 in the market, based on market assumptions are used. This is the second level of the hierarchy of fair value.

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

For some types of assets and liabilities valuation models and assumptions and data that are not directly observable in the market are used, for which the Pestana Group uses estimates and internal 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 customers and accounts receivable are recorded, whenever there is objective evidence that they are not recoverable under the terms of the initial transaction. Impairment losses identified are recorded in the consolidated income statement under Impairment of receivables and are subsequently reversed by the results, when indicators of impairment to 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 service and construction.

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

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

As part of construction activities, finished goods relate 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 selling expenses.

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

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

The costing method used for registering the consumption / sale of inventories is the weighted average cost. However, in the case of land and housing 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 heading Loans and are considered in the preparation of financial statements of cash flows as cash and cash equivalents.

3.13. 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.

3.14. **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 a necessary expense of internal resources to pay 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, the Pestana Group discloses this fact as a contingent liability, unless the assessment of the requirement of output funds for the payment thereof is considered remote.

Pestana Group recognizes a provision for onerous contracts, on the date for which contracts in progress to determine that the cost of meeting the obligation exceeds the assumed economic benefits estimated. This analysis is performed for each individual contract in accordance with the information provided by the responsible for projects.

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

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

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

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

3.16. **Loans and borrowings**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost is the difference between nominal value and the initial fair value recognized in consolidated income statement during the period of the loan, using the effective interest rate.

Borrowings are classified as current liabilities unless the Pestana Group has an unconditional right to defer payment of the liability for at least 12 months after the date of financial reporting, in which case they are classified as non-current liabilities.

3.17. **Derivatives**

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

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

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

3.18. **Government grants and incentives**

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

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

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

The subsidies granted to the Pestana Group not reimbursed to finance tangible fixed assets are recorded in the statement of financial position as deferred income and recognized in the consolidated income statement in proportion to the depreciation of tangible assets subsidized.

3.19. **Leases**

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

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

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

3.20. **Costs and Revenues**

Income and expenses are recorded in the period to which they relate, regardless of the payment or receipt, in accordance with the principle of accrual accounting. The differences between the amounts received, paid and the corresponding revenue and expenses are recognized as assets or liabilities, to qualify as such.

3.21. **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 the 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 the Pestana Group, and iii) a significant part of the risks and benefits 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 implementation of specific activities, but to the continuing provision of the service.

i) Hotel business

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

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

ii) Timeshare

The Pestana Group recognizes revenue from the timeshare contracts sales, depending on the transmission of risks and benefits associated to each contract.

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

In this case, the revenue from the sale of the timeshare contract is deferred for the period of the contract linearly, since the Pestana Group retains all the risks and benefits associated with the underlying asset (the building) in addition to maintaining the active management of the same (possibility of lease to third parties during the period that the timeshare is not sold).

When the timeshare sale is made with credit granted to the customers, and there is no interest charge, the amount of revenue to differ is calculated based on the present value of receivables. When interest is charged to customers, the amount of revenue is recorded by it’s 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, there is, as well, recognition of revenue related to revenues from property investment and management services for condominiums and businesses.

The 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 the Pestana Group, and iii) a significant part of the risks and benefits have been transferred to the buyer.

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

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

Revenue from management services for condominiums is recognized in the period corresponding to the service. Deferred revenue corresponds to the conditions negotiated, not including the amount of the costs of building management / enterprise to the owners.

iv) Touristic entertainment

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

v) Management contracts

Management services represent fees received for managing hotels owned by third parties managed by the Pestana Group, usually agreed under long-term contracts. Revenue corresponds ordinarily to a percentage of revenues from the hotel plus a payment of incentives that tend to be calculated by applying a percentage (fixed or variable) of the income and/or on the gross operating profits of the hotel (G.O.P.).

3.22. **Construction contracts**

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

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

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

Pestana Porto

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

As regards the guarantee of service construction, 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, any remaining amount should be reversed at the end of warranty period of each contract.

3.23. **Subsequent events**

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

4. **Financial risk management policies**

4.1. **Financial risk factors**

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

Pestana Group's consolidated 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, the interest rate risk, the credit 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 consolidated functional currency, the Euro.

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

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

ii. Credit risk

The supervision of credit risk is made centrally by the finance department of the 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 receivable accounts balances when the balances are overdue by more than six months, when debtors financial difficulties are observed and in the case of the bankruptcy, being each situation assessed case by case.

iii. Liquidity risk

The cash requirements are managed centrally by the finance department of Pestana Group, overseen by the Board of Directors, managing the liquidity surpluses and deficits of each of the Group 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.

The consolidated financial statements have been prepared under the going concern basis. Despite the fact that the Group can present a negative working capital (current liabilities excluding deferred revenue, less current assets) at year-end, this follows in part the seasonal nature of the Group's activity, being duly met these responsibilities within the overall cash management of the Pestana Group, existing short-term credit plafonds not used more than sufficient to meet its short-term obligations to third parties (Note 24).

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

The following table analyzes 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 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

31 December 2013	Less than 1 year	Between 1 year and 5 years	More than 5 years
Total Loans and borrowings:	161.645.669	246.743.755	105.037.559
- bank loans	71.827.049	185.848.644	105.037.559
- bond loans	23.498.774	33.544.623	–
- commercial paper	–	27.000.000	–
- bank overdrafts	62.020.762	–	–
- interests payable - accrual	4.299.084	350.488	–
Trade and other payables - non group	28.989.976	3.169.190	3.273.231
Derivatives financial instruments	2.722.661	4.164.536	152.148

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, the Pestana Group entities hires, whenever appropriate, derivative financial instruments to hedge the respective cash flows (interest rate swaps). It represents the hedge of those long-term loans and has the possibility to equally choose to fix the interest rate in the first years of those loans and analyze later the possibility to engage interest rate swaps to cover the cash flows of the remaining period of those funding contracts.

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

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

Considering Pestana Pestana Group consolidated net debt as at 31 December 2014, an increase of 0,25% in the interest rate would result in the increase in the net finance expenses for the year of approximately 1.140.000 Euros (31 December 2013: approximately 1.125.000 Euros).

4.2. Capital risk management

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

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

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

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

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

	31-12-2014	31-12-2013
Total Loans and borrowings	514.749.328	510.710.033
Less: Cash and cash equivalents	57.908.617	60.794.912
Net debt	456.840.711	449.915.121
Equity	302.058.803	323.812.040
Total capital	758.899.514	773.727.161
Gearing	**60%**	**58%**

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

	31-12-2014	31-12-2013
Total Loans and borrowings	514.749.328	510.710.033
Less: Cash and cash equivalents	57.908.617	60.794.912
Net debt	456.840.711	449.915.121
Equity adjusted	489.945.215	512.821.684
Total capital	946.785.926	962.736.804
Gearing	**48%**	**47%**

4.3. Accounting for derivative financial instruments

As at 31 December 2014 and 2013 the Pestana Group has hedged its economic exposure to cash flows from existing borrowings and loans through interest rate swaps.

If a derivative financial instrument is not assigned as hedging it is classified as trading.

The loans subject to hedged instrument have implicit spreads much more reduced than the ones that are being currently practiced in the market. Consequently, the total cost of these loans that are being penalized with this derivatives do not have a total cost higher than the ones being currently practiced in the moment.

5. Main accounting estimates and judgments

The estimates and judgments that have an impact on the Pestana Group 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 financial statements of the following year are as follows:

5.1. Tangible assets

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 in the consolidated income statement of each year.

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 of the same sector abroad.

5.2. Impairment

The determination of whether a potential impairment loss may be triggered by the occurrence of various events, many of which are beyond Pestana Group's consolidated 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, useful lives and residual values. Pestana Group results obtained during the last 40 years in this sector are, however, a good indicator to assess the estimates that are been used.

5.3. Provisions

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

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

6. **Property plant and equipment**

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 40)	129.005	29.719.113	4.465.100	57.842	67.086	8.873	–	34.447.019
Changes in the perimeter - depreciation (Note 40)	–	(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 exchange differences - acquisition cost	620.168	1.002.977	114.806	13.554	82.328	2.604	(5.010)	1.831.426
Currency exchange differences - depreciation	–	(303.872)	(106.244)	(13.259)	(73.736)	(2.379)	–	(499.490)
Currency exchange differences - 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**

During the year ended as at 2013 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 2013								
Acquisition cost	792	12.278.794	23.968.658	2.043.150	2.547.024	7.557.284	5.946.982	54.342.682
Accumulated depreciation	–	(7.010.899)	(11.472.228)	(1.890.881)	(2.077.285)	(6.082.402)	–	(28.533.695)
Accumulated impairment	–	–	–	–	–	–	–	–
Net book value	**792**	**5.267.895**	**12.496.430**	**152.269**	**469.739**	**1.474.882**	**5.946.982**	**25.808.988**
Changes in 2013								
Changes in the perimeter - acquisition cost (Note 40)	218.007.990	1.049.339.119	227.694.430	5.116.772	31.517.530	1.097.580	58.406.515	1.591.179.936
Changes in the perimeter - depreciation (Note 40)	–	(395.303.097)	(143.430.773)	(3.778.275)	(25.853.007)	(1.280.734)	–	(569.645.886)
Changes in the perimeter - impairment (Note 40)	(27.290.377)	(26.682.315)	(60.742)	(716)	(141.548)	–	(344.049)	(54.519.747)
Transfer from investment properties - acquisition cost (Note 8)	7.242.033	19.000.100	–	–	–	1.049.197	–	27.291.330
Transfer from investment properties - depreciation (Note 8)	–	(788.655)	–	–	–	(598.752)	–	(1.387.407)
Transfer from investment properties - impairment (Note 8)	(4.500)	(2.497.613)	–	–	–	–	–	(2.502.113)
Additions	7.500.000	40.341.241	1.908.399	83.111	1.089.065	362.702	4.611.412	55.895.930
Disposals, transfers and write offs - acquisition cost	7.230.628	8.404.594	(252.292)	(454.798)	(965.179)	1.222.522	(19.221.316)	(4.035.842)
Disposals, transfers and write offs - depreciation	–	342.585	1.096.972	187.031	198.819	34.089	–	1.859.496
Depreciation	–	(28.561.381)	(11.445.000)	(366.236)	(1.903.540)	(538.284)	–	(42.814.441)
Impairment - charge	–	(1.498.480)	(23.172)	–	(1.300)	–	–	(1.522.952)
Impairment - reversal	–	4.815.119	–	–	–	–	–	4.815.119
Currency exchange differences - acquisition cost	(12.489.440)	(61.344.719)	(3.237.102)	(111.464)	(2.099.489)	(133.499)	–	(79.415.713)
Currency exchange differences - depreciation	–	9.304.060	2.642.762	85.968	1.606.204	46.518	–	13.685.512
Currency exchange differences - impairment	2.639.933	1.529.417	7.358	87	16.679	–	–	4.193.474
Net book value	**202.837.059**	**621.667.870**	**87.397.270**	**913.749**	**3.933.973**	**2.736.221**	**49.399.544**	**968.885.683**
31 December 2013								
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**

Additions

Regarding 2014 this caption relates mainly to the construction of Pestana South Beach Hotel (Algarve) and Pousada of Lisbon, the extension of Pestana Porto hotel as well as some major hotel improvements in Pestana Caracas and Pestana Bahia.

The 2013 additions include the acquisition, in September 2013, of Pestana Carlton Madeira Hotel building, in the amount of 30.000.000 Euros. Until this date, this building was rented as an operational lease.

Both years additions also include refurbishment and replacements in hotels, as well as initial direct costs incurred in negotiating and accepting timeshare contracts, such as commissions paid to salesmen (Note 3.3).

Transfers

2013 transfers refer mainly to the Pestana Miami Hotel, opened in February 2013.

Changes in the consolidation perimeter

The 2014 changes in the consolidation perimeter are due to Hotel Bahia Palace, owned by Industria Açoreana Turístico – Hoteleira (I.A.T.H.), S.A. (Note 40).

In 2013, with the exception of Cervejas da Madeira and Pestana Berlin, this captions relates to all business units described in Note 1 due to the corporate reorganization that occurred (Note 40).

Impairment

The 2014 impairment charges and reversals respect to:

- The brasilian 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, considering the assets recoverable amount, which was determined based on the estimated operational profit (GOP) from 2015 to 2019, with a discount rate derived from the group w.a.c.c. and other assumptions associated with the respective activities of the Group.

The charge of the impairment loss for the year 2013 in the amount of 1.522.952 Euros mainly relates to Madeira Magic complex because it was not generating sufficient cash flows to ensure it's carrying amount. The correspondent impairment test was made with reference to 31 December 2013 resulting that the recoverable value was lower when compared to it's net book value. The recoverable amount was calculated with reference to the usage value of the asset, based on the estimated gross operating profits between 2014 and 2018, using the hotel group w.a.c.c., with zero growth in the perpetuity.

The reversal of the impairment loss, occurred in 2013, in the amount of 4.815.119 Euros, is related to Pestana Porto Santo Hotel as a result of the excellent performance that this hotel unit has demonstrated, generating higher cash flows than the estimated and it is foreseen that it will improve in the near future. Thus, considering the estimated future cash flows and the group w.a.c.c. rate, it was verified that the fair value of the asset is greater than its current net book value.

Assets under construction

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

	2013	2012
Quinta da Amoreira Project (Algarve)	15.981.106	15.981.106
Tróia Project	12.370.631	11.408.792
Turistic Project - Hotel and golf course (Algarve)	5.394.352	5.715.952
Pousada of Lisbon project	5.260.135	168.281
Extension of Pestana Porto hotel	4.317.346	2.166.585
Lisbon downtown building	3.848.092	3.612.439
Pestana South Beach project (Algarve)	3.226.518	867.495
Pestana Bahia - Hotel improvements (Brazil)	1.980.114	–
D. Fernando land (Algarve)	1.926.288	1.926.288
North of Gramacho golf course (Algarve)	1.826.117	1.873.825
Project in Silves area (Algarve)	1.215.396	1.215.396
Project Golfe course (Algarve)	1.199.852	1.236.445
Pestana Atlantic Gardens/Bay/Palms/Carlton- Hotel improvements (Madeira)	854.670	389.611
Pestana Caracas - Hotel improvements (Venezuela)	700.981	474.049
Si-turismo Project	666.429	–
Pestana Montevideu project (Uruguay)	440.729	–
Land at Vale da Pinta golf course (Algarve)	354.900	354.900
Pestana Arena redecoration (Barcelona)	314.537	127.183
Land at Quinta S. Pedro (Algarve)	298.886	298.886
Others	2.047.512	1.582.311
	64.224.591	**49.399.544**

The Quinta da Amoreira Project in Algarve is characterized by a 4-star tourist resort in the area of Alvor, Algarve. This is a project with a low density of construction, consisting of a block of flats and a set of villas and bungalows, in a total of 860 beds.

The Tróia Project consists of one aparthotel, one shopping mall, services and management and also a touristic village, bring the first stage of the project already concluded.

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

The Turistic project - Hotel and golf course in Algarve relates to a 4 star Aparthotel and a 9 holes golfe course, located in Silves.

The Extension of Pestana Porto relates to the acquisitions of 2 buildings next to the current Pestana Porto Hotel in order to expand it, doubling the rooms capacity. The project is expected to be concluded in 2015.

The Lisbon downtown building relates to a project started with a building acquired in the city centre of Lisbon with a capacity for building a 4-star hotel.

Pestana South Beach Resort is a 4 star hotel, and is located at the forefront of Alvor beach which stretches for several kilometres and is fully integrated with the local natural resources and the facilities of a modern hotel. Another project that has as differentiation factor to its low density, with about 80 beds. The conclusion of this Hotel is expected to be in the beginning of the 2nd half of 2015.

The Pestana Bahia Hotel in Brazil is related to major improvements in this business unit.

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

The project North of Gramacho golf course in Algarve, with a total area of 100 hectares, also known as Quinta de S. Pedro, is on a early stage of development where a golf course of 18 holes and a real state area is projected.

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

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

The Project Golf course is in a land of 20 hectares surrounding the Hotel Pestana Alvor Praia and Pestana Delfim. given its location near to the beach of Alvor, Algarve, and towards the diversification of services supplied, in future it is intended to build a golf course of 9 holes.

SI-tourism project relates to a project financed by an incentive scheme from the Madeira's Tourism association for the production of photovoltaic energy in several Hotels in that region.

The Pestana Atlantic Gardens/Bay/Palms/Carlton Hotels in Madeira relates to some improvements in this businees unit.

The Pestana Montevideu project (Uruguay) relates to the development of a new Hotel unit, still with a not established date for opening.

As at 31 December 2014 and 2013, the Pestana Group capitalized financial expenses in the amount of 515.797 Euros and 220.463 Euros, respectively.

Assets which are reversible to the State

The Pestana Group has been recognizing in its financial statements assets which are reversible to the State at the end of the respective concessions without any amount involved. The useful life of these assets corresponds to the respective economical life or the concession period, whichever is lower. The assets where the concession period is lower than their economical life are related with gambling business and with the concession of the network "Pousadas de Portugal", with a net book value of 7.986.238 Euros (31 December 2013: 7.767.125 Euros).

Property, plant and equipment acquired through financial leasing

In the year ended 31 December 2014 and 2013, the net book value of Property, plant and equipment acquired through financial leasing was as follows:

	2014	2013
Acquisition cost	15.069.957	15.310.881
Accumulated depreciation	(6.505.906)	(6.150.890)
	8.564.051	**9.159.991**

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7. Intangible assets

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)	2.663
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**

During the year ended as at 31 December 2013 the movements occurred in Intangible assets are as follows:

	Software	Concessions	Website	Total
1 January 2013				
Acquisition cost	–	–	–	–
Accumulated amortization	–	–	–	–
Accumulated impairment	–	–	–	–
Net book value	**–**	**–**	**–**	**–**
Changes in the perimeter - acquisition cost (Note 40)	2.080.572	28.880.787	421.105	31.382.464
Changes in the perimeter - amortization (Note 40)	(710.378)	(12.692.487)	(153.078)	(13.555.943)
Changes in the perimeter - impairment (Note 40)	–	(634.423)	–	(634.423)
Additions	43.927	–	21.216	65.143
Disposals	–	–	–	–
Amortization	(119.233)	(769.356)	(107.346)	(995.935)
Impairment - charge	–	–	–	–
Impairment - reversal	–	–	–	–
Exchange differences - acquisition cost	(482.356)	–	(30)	(482.386)
Exchange differences - amortization	42.795	–	6	42.801
Net book value	**855.327**	**14.784.521**	**181.873**	**15.821.720**
31 December 2013				
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**

The 2014 concessions amounting 13.575.297 Euros relate to:

- The right to operate the Pousadas in Portugal until 2023 inclusive, obtained under the contract for Assignment of Exploitation of “Rede de Pousadas”, concluded on 8 August 2003 with Enatur - Empresa Nacional de Turismo, S.A..
- The law gambling license until 2023 inclusive, including the operation of games of chance in the permanent area of Funchal (Portugal), representing the amount paid to the Regional Government of Madeira.
- The concession right of “Cidadela de Cascais”, in Portugal, during 70 years, through a contract celebrated in 26 November 2009 with Fortaleza de Cascais, E.M., where the Pousada of Cascais exists since March 2012.
- The concession right of Palácio do Freixo, in Portugal, for a period of 50 years, obtained through a contract with the City Council of Oporto, where operates the Pousada of Porto.
- 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 2014 and 2013, the movements occurred in Investment properties are as follows:

	2014	2013
1 January		
Acquisition cost	12.817.722	27.291.330
Accumulated depreciation	(3.435.877)	(1.387.407)
Accumulated impairment	(641.392)	(2.502.113)
Net book value	**8.740.453**	**23.401.810**
Changes in the perimeter - acquisition cost (Note 40)	–	12.817.722
Changes in the perimeter - depreciation (Note 40)	–	(3.328.761)
Changes in the perimeter - impairment (Note 40)	–	(634.216)
Transfer to Property, plant and equipment - acquisition cost (Note 6)	(3.017.920)	(27.291.330)
Transfer to Property, plant and equipment - depreciation (Note 6)	899.827	1.387.407
Transfer to Property, plant and equipment - impairment (Note 6)	–	2.502.113
Additions	65.634	–
Depreciation	(86.241)	(107.116)
Impairment - charge	–	(7.176)
Impairment - reversal	–	–
	(2.138.700)	**(14.661.357)**
31 December		
Acquisition cost	9.865.436	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**

As at 31 December 2014 and 2013 Investment properties are mainly leased or intended to be leased and are detailed as follows:

	2014	2013
Spaces rented to third parties, Algarve	2.134.819	2.221.060
Property in S. Gonçalo, Madeira	1.263.034	1.263.034
Land in Angra dos Reis, Brazil	962.902	962.902
Property in Lumiar, Lisbon	684.432	684.432
Property in Mouraria, Lisbon	134.009	134.009
Offices rented to third parties, São Tomé and Príncipe (Note 6)	–	2.118.093
Others	1.422.556	1.356.923
	6.601.752	**8.740.453**

The 2014 transfers to Property, plant and equipment relates exclusively to Offices rented to third parties in São Tomé and Príncipe that started to be used by Pestana São Tomé Hotel.

In 2013, with the change in the consolidation perimeter, Pestana Berlin, S.à.r.l. and Carvoeiro Golfe, S.A., subsidiaries that explore Pestana Berlin Hotel and the Silves Golf course, respectively, are consolidated and consequently these two assets had been reclassified to Property, plant and equipment.

As at balance sheet date, the fair value of each 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 2014 and 2013 are as follows:

	2014	2013
1 January	9.816.402	64.721.603
Acquisitions	241.333	–
Changes in perimeter - exists (Note 40)	-	(57.444.462)
Changes in perimeter - entrances (Note 40)	-	10.071.080
Disposals	-	(7.277.141)
Profit/(losses) of the equity method	264.939	(254.678)
Transfers from accounts receivables (Note 14)	712.995	–
31 December	**11.035.669**	**9.816.402**

The 2014 acquisitions relate to a capital increase made by Pestana Group in Soehotur, S.A..

With the 2013 change in consolidation perimeter (Notes 39 and 40), Grupo Pestana, S.G.P.S., S.A. and Salvintur, S.G.P.S., S.A. became subsidiaries of Pestana Group, now fully consolidated, and derecognized from Associates, in the total amount of 57.444.462 Euros. This change has also implicated that the following Associates of these two subsidiaries were added to this caption: Enatur, S.A.; SDEM, S.A.; Albar, S.A.; Soehotur, S.A. and Fantasy Land, Ltd., in total amount of 10.071.080 Euros.

During 2013, the Pestana Group sold to Pestana Atlantic, S.à.r.l. 21.250 shares of Quanlux, S.à.r.l., equivalent to 84,99% of the total share capital, subsidiary that owned 46,75% of Euro Atlantic Airways – Transportes Aéreos, S.A., with a gain of 10.202.049 Euros.

The 2014 profit of the equity method mainly regards to Enatur – Empresa Nacional de Turismo, S.A. (Note 34) (2013: loss of the equity method mainly concerns to SDEM, S.A.).

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

		Acquisition cost			Loans granted				
Entity	**Owned %**	**Equity method**	**Impairment loss**	**Total**	**Gross value**	**Impairment loss**	**Total (Note 41)**	**Investment value**	**Goodwill included**
SDEM - Sociedade de Desenvolvimento Empresarial da Madeira, SGPS, S.A.	3,75% (i)	372.291	–	372.291	–	–	–	372.291	-
Enatur - Empresa Nacional de Turismo, S.A.	49,00%	8.121.269	–	8.121.269	1.190.593	–	1.190.593	9.311.862	3.837.382
Albar - Sociedade Imobiliária do Barlavento, S.A.	49,81%	582.592	–	582.592	–	–	–	582.592	-
Soheotur, S.A.	25,00%	596.403	-	596.403	172.521	-	172.521	768.924	-
Fantasy Land, Ltd.	33,00%	150.068	150.068	-	-	-	-	-	-
		9.822.623	**150.068**	**9.672.555**	**1.363.114**	**-**	**1.363.114**	**11.035.669**	**3.837.382**

(i) Associate owned by SDM – Sociedade de Desenvolvimento da Madeira, S.A. in 25% (Note 39).

As at 31 December 2013 the Investments in associates refers to the following entities:

		Acquisition cost			Loans granted				
Entity	**Owned %**	**Equity method**	**Impairment loss**	**Total**	**Gross value**	**Impairment loss**	**Total (Note 41)**	**Investment value**	**Goodwill included**
SDEM - Sociedade de Desenvolvimento Empresarial da Madeira, SGPS, S.A.	3,75% (i)	819.563	–	819.563	–	–	–	819.563	-
Enatur - Empresa Nacional de Turismo, S.A.	49,00%	7.514.349	–	7.514.349	477.598	–	477.598	7.991.947	3.837.382
Albar - Sociedade Imobiliária do Barlavento, S.A.	49,81%	584.153	–	584.153	–	–	–	584.153	-
Soheotur, S.A.	25,00%	–	–	–	420.739	-	420.739	420.739	-
Fantasy Land, Ltd.	33,33%	150.068	150.068	–	–	-	–	–	-
		9.068.133	**150.068**	**8.918.065**	**898.337**	**-**	**898.337**	**9.816.402**	**3.837.382**

The summary of financial statements from these associates is presented in Note 39.

10. **Other financial investments**

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

	2014	2013
1 January	12.821.943	9.898.894
Acquisitions	4.595.667	3.499.604
Disposals	(5.446.958)	–
Impairment losses	(2.076.659)	(1.509.439)
Changes in the perimeter (Note 40)	–	9.183.057
Transfers to subsidiaries	–	(9.832.205)
Transfers from subsidiaries	–	1.500.000
Loans granted	–	82.032
31 December	**9.893.993**	**12.821.943**

The acquisitions in 2014 and 2013 relates mainly to capital subscriptions in Imóveis Brisa – F.I.I.F..

The 2014 disposals relates 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. Both sales obtained a gain of 1.452.632 Euros and 2.369.542 Euros respectively (Note 34).

The impairment losses booked in 2014 and 2013 are all related to Imóveis Brisa – F.I.I.F. due to the market value depreciation occurred.

With Grupo Pestana, S.G.P.S., S.A. being controlled by Pestana Group due to the 2013 change in the consolidation perimeter, all the other financial investments held by this new subsidiary have been included in this caption as at 1 January 2013, in the total amount of 9.183.057 Euros.

Transfers from subsidiaries relates to the sale of 84,99% of Quanlux,S.à.r.l. (Note 9), and consequently the remaining financial interest in this company was presented in 2013 in Other financial investments, in the amount of 1.500.000 Euros.

The summary of financial information of these Other investments is presented in Note 39.

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

Entity	Owned %	Acquisition cost: Investment value	Acquisition cost: Impairment loss	Acquisition cost: Total	Loans granted: Investment value	Loans granted: Impairment loss	Loans granted: 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**

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

Entity	Owned %	Acquisition cost: Investment value	Acquisition cost: Impairment loss	Acquisition cost: Total	Loans granted: Investment value	Loans granted: Impairment loss	Loans granted: Total	Investment value
Imóveis Brisa – F.I.I.F.	n.a	13.647.823	7.037.074	6.610.749	–	–	–	6.610.749
Euro Atlantic Airways - Transportes Aéreos, S.A.	15,00%	3.946.958	–	3.946.958	–	–	–	3.946.958
Quanlux,S.à.r.l.	15,00%	1.500.000	–	1.500.000	82.032	–	82.032	1.582.032
Other financial investments	n.a	964.710	292.979	671.730	10.474	–	10.474	682.204
		20.059.491	**7.330.054**	**12.729.437**	**92.506**	**–**	**92.506**	**12.821.943**

11. Deferred tax assets and liabilities

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

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

	2014	2013
Impact on net income		
Deferred tax assets	(2.050.753)	1.367.168
Deferred tax liabilities	5.066.726	(8.426.928)
	3.015.973	(7.059.760)
Impact on change in consolidation perimeter		
Deferred tax assets	–	18.473.502
Deferred tax liabilities	(149.889)	(106.667.446)
	(149.889)	(88.193.944)
Impact on equity		
Deferred tax assets	(84.961)	(2.325.278)
Deferred tax liabilities	50.685	(12.285.856)
	(34.276)	(14.611.134)
Net impact on deferred taxes	**2.831.808**	**(109.864.838)**

By a decision adopted in 2014, there is a change in the income tax rate from 23% to 21% from 2015 and onwards in Portugal. In 2013, there also was a change in the income tax rate from 25% to 23% for 2014.

Thus, as at 31 December 2014 and 2013, deferred taxes for Portuguese subsidiaries were recalculated discharging a positive impact of 2.348.964 Euros and 2.324.052 Euros, respectively, on equity (positive impact on net income of 2.748.358 Euros and 1.964.163 Euros, respectively).

This variation is explained by the decrease in deferred tax assets and deferred tax liabilities of 1.275.004 Euros and 3.623.968 Euros, respectively. In 2013, this variation is also explained by the decrease in deferred tax assets and deferred tax liabilities of 612.855 Euros and 2.936.907 Euros, respectively.

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

	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 adjustment	–	–	–	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**

	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 2013	**18.407**	**–**	**282.607**	**122.877**	**19.982**	**63.706**	**–**	**853.612**	**1.620.772**
Changes in the perimeter (Note 40)	300.000	1.618.527	2.231.419	11.107.676	–	2.144.954	230.982	839.944	18.473.502
Constitution/reversal through equity	–	–	(1.059.390)	–	–	–	–	–	(1.059.390)
Reversal through profit or loss	–	–	(13.165)	(303.356)	(14.627)	(499.970)	–	(35.117)	(866.235)
Constitution through profit or loss	34.878	–	–	927.528	2.695	837.862	259.581	430.440	2.492.984
Use of consolidated tax losses carried forward (i)	–	–	–	–	–	(1.219.817)	–	–	(1.219.817)
Currency translation adjustment	–	–	–	(1.260.249)	–	–	–	(5.639)	(1.265.888)
Changes on period	**334.878**	**1.618.527**	**1.158.864**	**10.471.599**	**(11.932)**	**1.263.029**	**490.563**	**1.229.628**	**16.555.156**
31 December 2013	**353.285**	**1.618.527**	**1.441.471**	**10.594.476**	**8.050**	**1.326.735**	**490.563**	**2.083.240**	**17.916.347**

(i) Special Taxation Regime for Company Groups (RETGS) in Portugal.

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 2014	88.858.271	374.624	1.087.921	90.320.816
Changes in the perimeter (Note 40)	–	–	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**

	Deemed cost investment properties (IFRS 1)	Revaluation under previous GAAP	Others	Total
1 January 2013	2.599.371	48.399	1.718.384	4.366.154
Changes in the perimeter (Note 40)	97.781.543	8.722.182	163.721	106.667.446
Constitution/ reversal through equity	–	–	–	–
Reversal through profit or loss	(6.183.040)	(1.449.704)	(895.243)	(8.527.987)
Constitution through profit or loss	–	–	101.059	101.059
Currency translation adjustment	(5.339.603)	(6.946.253)	–	(12.285.856)
Changes on period	**86.258.900**	**326.225**	**(630.463)**	**85.954.662**
31 December 2013	**88.858.271**	**374.624**	**1.087.921**	**90.320.816**

12. Financial assets available for sale

As at 31 December 2014 and 2013, the Pestana Group has capital financial instruments in some listed entities in the amount of 235.245 Euros and 5.211.467 Euros, respectively. As at 31 December 2014 and 2013, the total acquisition costs of these capital financial instruments amounts to 5.225.000 Euros.

The financial assets available for sale are recorded at fair value. Since the date of acquisition, valuation changes are recognized net of impairment losses in the Hedging reserve – Available for sale investments (Note 20). In course of significant (20%) and prolonged (more than 9 months) quoted market price decline or below its cost is considered as an impairment indicator, at that time changes in fair value are recorded in income statement (Note 39).

The variations in the Financial assets available for sale were as follows:

	2014	2013
1 January	**5.211.467**	**–**
Changes in the perimeter (Note 40)	–	5.129.903
Acquisitions	–	225.758
Impairment losses	(4.959.184)	–
Fair value variation (Note 20)	(17.038)	(144.194)
Changes on period	(4.976.222)	5.211.467
31 December	**235.245**	**5.211.467**

The impairment loss fully respects to the participation held on Espírito Santo Financial Group, S.A., declared insolvent as at 9 October 2014.

The fair value of the capital financial instruments was determined as at 31 December 2013 based on the market price, corresponding to the first level of the hierarchy of fair value. As at 31 December 2014, excluding the Espírito Santo Financial Group, S.A. participation, fully impaired, this accounting policy was also applied for the remaining assets held available for sale.

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 2014	Cash and Receivables	Available-for-sale financial investments	Other financial liabilities	Non-financial assets/ liabilities	Total
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
Available for sale investments	–	235.245	–	–	235.245
	96.095.492	**235.245**	**–**	**17.912.631**	**114.243.367**
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
	–	**–**	**568.040.607**	**42.243.924**	**610.284.531**

31 December 2013	Cash and Receivables	Available-for-sale financial investments	Other financial liabilities	Non-financial assets/ liabilities	Total
Financial assets					
Cash and cash equivalents	60.794.912	–	–	–	60.794.912
Trade and other receivables	49.434.695	–	–	15.873.070	65.307.765
Financial assets at fair value through profit and loss	668.283	–	–	–	668.283
Financial assets available for sale	–	5.211.467	–	–	5.211.467
	110.897.890	**5.211.467**	**–**	**15.873.070**	**131.982.427**
Financial liabilities					
Loans and borrowings	–	–	510.710.033	–	510.710.033
Derivatives	–	–	7.388.214	–	7.388.214
Trade and other payables	–	–	47.968.105	41.510.686	89.478.791
	–	**–**	**566.066.352**	**41.510.686**	**607.577.038**

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:

	31-12-2014			31-12-2013		
	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	–	–	668.283	–	–
Available for sale investments	235.245	–	–	5.211.467	–	–
	978.776	**–**	**–**	**5.879.750**	**–**	**–**
Financial liabilities						
Derivatives	–	7.089.256	–	–	7.388.214	–
	–	**7.089.256**	**–**	**–**	**7.388.214**	**–**

14. Trade and other receivables

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

	31-12-2014			31-12-2013		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables (i)	28.667.217	–	28.667.217	30.952.258	341.779	31.294.037
Other receivables (ii)	7.314.192	284.829	7.599.021	17.521.120	–	17.521.120
Prepayments (iii)	4.649.829	8.659.595	13.309.424	3.951.804	7.008.550	10.960.354
Accrued income	1.177.105	–	1.177.105	953.423	–	953.423
Taxes receivables (v)	4.603.206	–	4.603.206	4.578.831	–	4.578.831
	46.411.550	**8.944.424**	**55.355.974**	**57.957.436**	**7.350.329**	**65.307.765**

i) Trade receivables

	31-12-2014			31-12-2013		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables - group (Note 41)	25.582	–	25.582	878.533	–	878.533
Trade receivables - other	28.641.635	–	28.641.635	30.073.725	341.779	30.415.504
Doubtful debtors	15.350.882	–	15.350.882	14.573.615	66.688	14.640.303
	44.018.099	–	44.018.099	45.525.873	408.467	45.934.340
Impairment of trade receivables	(15.350.882)	–	(15.350.882)	(14.573.615)	(66.688)	(14.640.303)
	28.667.217	**–**	**28.667.217**	**30.952.258**	**341.779**	**31.294.037**

The ageing of Trade receivables as at 31 December 2014 and 2013 is as follows:

	31-12-2014				
	Total	0-30 days	31-60 days	61-90 days	>90 days
Trade receivables - group (Note 41)	25.582	25.582	–	–	–
Trade receivables - current account	28.511.453	18.235.060	3.261.445	2.698.829	4.316.119
Trade receivables - others	130.182	130.182	–	–	–
	28.667.217	**18.390.824**	**3.261.445**	**2.698.829**	**4.316.119**

	31-12-2013				
	Total	0-30 days	31-60 days	61-90 days	>90 days
Trade receivables - group (Note 41)	878.533	878.533	–	–	–
Trade receivables - current account	29.836.759	13.182.517	5.446.231	6.808.972	4.399.039
Trade receivables - others	578.745	578.745	–	–	–
	31.294.037	**14.639.795**	**5.446.231**	**6.808.972**	**4.399.039**

Impairment of Trade receivables – movements of the year:

	2014	2013
1 January	14.640.303	2.065.538
Changes in the perimeter (Note 40)	-	10.638.648
Increases	3.337.450	3.171.689
Reversals	(1.706.045)	(1.160.738)
Utilizations	(920.826)	(74.834)
31 December	**15.350.882**	**14.640.303**

ii) Other receivables

	31-12-2014			31-12-2013		
	Current	Non-current	Total	Current	Non-current	Total
Other debtors - group (Note 41)	3.739.916	–	3.739.916	14.146.422	–	14.146.422
Other debtors	4.191.292	284.829	4.476.121	4.710.099	–	4.710.099
Personnel	171.969	–	171.969	333.885	–	333.885
Impairment	(788.985)	–	(788.985)	(1.669.286)	–	(1.669.286)
	7.314.192	**284.829**	**7.599.022**	**17.521.120**	**–**	**17.521.120**

As at 31 December 2014 and 2013, Other debtors – group mainly respects to the account receivable from Pestana Atlantic, S.à.r.l. from the sale of Quanlux, S.à.r.l., amounting to 2.952.632 Euros and 12.548.549 Euros, respectively.

According to the Assignment agreement of 12 June 2014 the Pestana Group assigned all rights, titles and benefits of the Pestana Atlantic, S.à.r.l account receivable, in the amount of 12.548.550 Euros, decreasing the capital contributions (Note 19) with the consent of Dionísio Fernandes Pestana, principal shareholder of both companies.

Additionally, as at 31 December 2014 and 2013, Other debtors - group also includes the amount of 712.995 Euros and 1.425.990 Euros respectively, related to credit to be receivable from the associate Enatur – Empresa Nacional de Turismo, S.A. arising from outflows on expanding the facilities of Pousadas's network and which are not part of the expansion plan complement. Up to the 75th day after the date of issue of the tourist use, this credit will be converted into shareholder loans, mainly to the development of the Pousada do Terreiro do Paço, in the center of Lisbon. In 2014, 712.995 Euros have been converted into shareholders loans, and for the same purpose, after the issuance of the construction licence.

Impairment of Other receivables - movements of the year:

	2014	2013
1 January	1.669.286	–
Changes in the perimeter (Note 40)	–	2.714.720
Increases	8.273	–
Reversals	(693.563)	(844.146)
Utilizations	(195.011)	(201.288)
31 December	**788.985**	**1.669.286**

iii) Prepayments

	31-12-2014			31-12-2013		
	Current	Non-current	Total	Current	Non-current	Total
Commissions	805.635	8.659.595	9.465.230	620.469	7.008.550	7.629.019
Rentals	721.817	–	721.817	787.895	–	787.895
Insurance	710.641	–	710.641	323.103	–	323.103
Maintenance services	576.608	–	576.608	707.989	–	707.989
Other services	1.835.127	–	1.835.127	1.512.348	–	1.512.348
	4.649.829	**8.659.595**	**13.309.424**	**3.951.804**	**7.008.550**	**10.960.354**

As at 31 December 2014, the balance of Prepayments - Commissions include commissions paid related to sales of Timeshare – Options contracts (Note 3.21 ii)), amounting to 9.421.451 Euros (31 December 2013: 7.576.622 Euros).

iv) Taxes receivable

This caption is mainly related to VAT receivable.

15. Inventories

Inventories as at 31 December 2014 and 2013 are detailed as follows:

	2014	2013
Purchased finished goods	815.595	773.159
Raw and subsidiary materials	3.059.774	3.513.348
Finished goods	23.599.083	25.900.142
Work in progress	35.969.199	32.596.265
	63.443.651	62.782.914
Impairment of inventories	(263.535)	(380.728)
	63.180.116	**62.402.186**

Finished goods and in Work in progress are as follows:

	2014	2013
Tróia Project (Tróia, Portugal)	15.382.868	10.446.944
Vila Maria Villas (São Tome and Principe)	8.619.656	8.619.656
Tróia Villas (Tróia, Portugal)	8.179.560	8.442.055
North of Gramacho Land (Algarve, Portugal)	6.828.552	7.000.419
Abrunheira Project (Portalegre, Portugal)	6.291.949	6.291.949
Buildings (Madeira, Portugal)	4.259.890	3.675.250
Vale da Pinta Land (Algarve, Portugal)	3.191.588	3.895.626
Silves turistic Project (Algarve, Portugal)	3.031.647	3.031.647
Bazaruto Villas (Mozambique)	1.918.984	5.163.181
Flats (Algarve, Portugal)	620.993	996.118
Others	1.242.595	933.562
	59.568.282	**58.496.407**

The Tróia Project relates mainly with the construction of houses and respective infrastructures in the holiday village Tróia, Portugal, near Lisbon.

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

Tróia Villas are houses already constructed and with a promise contract for sale already signed, with the correspondent deed going to be made during 2015.

North of Gramacho Land in Algarve, Portugal, is a real estate project on a early stage of development nearby a future golf (Note 6).

Abrunheira project located in Portalegre, Portugal, is a project to develop 10 holiday villages with houses and flats, framed among typical environment of the Alentejo Portuguese region.

The caption Buildings relates to assets located mainly in Funchal, Madeira that were bought for the purpose of resale.

Vale da Pinta Land located in Algarve, Portugal, has several development possibilities, including the expansion of the real estate project of Vale de Pinta and the construction of an hotel property.

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 7 apartments near Gramanho and Vale da Pinta golf course in Algarve – Portugal. These apartments are ready to be sold.

The 2014 Cost of sales amounted to 50.071.979 Euros (31 December 2013: 45.211.858 Euros).

As at 31 December 2014 the Pestana Group capitalized financial expense in the amount of 252.548 Euros (31 December 2013: 416.420 Euros).

Impairment of Inventories – movements of the year:

	2014	2013
1 January	**380.728**	**250.043**
Changes in the perimeter (Note 40)	–	139.569
Increases	76.249	261.492
Reversals	(37.086)	(55.708)
Utilizations	(156.356)	(214.668)
31 December	**263.535**	**380.728**

16. Current tax assets and liabilities

The balances of Current income tax for the years ended 31 December 2014 and 2013 are as follows:

	31-12-2014		31-12-2013	
	Assets	Liabilities	Assets	Liabilities
Income tax	3.668.125	1.132.163	2.429.005	2.107.145
	3.668.125	**1.132.163**	**2.429.005**	**2.107.145**

The balance of Income tax is detailed as follows:

	2014	2013
Advance payments	3.482.026	2.429.005
Withholding taxes	186.100	43.763
Current income tax estimate	(1.132.164)	(2.150.908)
	2.535.962	**321.860**

Pestana Miami

17. Financial assets at fair value throught profit and loss

During the years of 2014 and 2013, the Pestana Group has capital financial instruments in the amount of 743.531 Euros and 668.283 Euros, respectively.

The Financial assets at fair value throught profit and loss are recorded at fair value. Since the date of acquisition, valuation changes are recognized in profit and loss in the financial caption (Note 35).

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

	2014	2013
1 January	**668.283**	**–**
Changes in the perimeter (Note 40)	–	713.043
Acquisitions	–	–
Fair value variation (Note 35)	51.545	49.947
Exchange differences	23.703	(94.707)
Changes on period	75.248	668.283
31 December	**743.531**	**668.283**

18. Cash and cash equivalents

The breakdown of Cash and cash equivalentes is as follows:

	31-12-2014	31-12-2013
Cash	1.342.157	1.122.325
Bank deposits	56.566.460	59.672.587
	57.908.617	**60.794.912**

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 2014 and 2013 is as follows:

	31-12-2014	31-12-2013
Cash	1.342.157	1.122.325
Overdrafts	(27.072.365)	(62.020.762)
Bank deposits	56.566.460	59.672.587
	30.836.252	**(1.225.850)**

Bank deposits included balances in foreign currency mainly in the amounts of 12.128.115 USD and 5.615.444 GBP (31 December 2013: 17.366.344 USD and 3.662.206 GBP).

19. Capital

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

	31-12-2014	31-12-2013
Share capital (i)	166.625.238	166.625.238
Other equity instruments (ii):		
Other capital contribuitions not remunerated nor with reimbursement date	43.917.853	41.044.631
	210.543.091	**207.669.869**

(i) Share capital

As at 31 December 2014 and 2013 Share capital 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 term, 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 2014, Mr. Dionísio Pestana granted to Pestana Group capital contribution not remunerated and without established reimbursement term in the amount of 15.421.772 Euros (31 December: 10.898.136 Euros) and Pestana Group have also repaid to Mr. Dionísio Pestana the amount of 12.548.550 Euros (Note 14).

20. **Others reserves**

Other reserves had the following movements during the years ended 2014 and 2013:

	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 2013	1.306.467	2.140.281	(843.244)	–	–	1.091.730	356.899	**4.052.132**
Changes in the perimeter (Note 40)	13.201.837	4.276.150	–	–	–	(8.113.325)	–	**9.364.662**
Net profit application	1.026.077	744.778	–	–	–	–	–	**1.770.855**
Conversion differences	–	–	–	–	1.260.603	–	(19.384.914)	**(18.124.311)**
Change in fair value reserve - hedging derivatives net of tax	–	–	3.347.097	–	–	–	–	**3.347.097**
Change in fair value reserve - assets held for sale net of tax	–	–	–	(144.199)	–	–	–	**(144.199)**
Impact change tax rate	–	–	–	–	–	–	–	**–**
Impact change income tax rate	–	–	(359.889)	–	–	–	–	**(359.889)**
31 December 2013	**15.534.381**	**7.161.209**	**2.143.964**	**(144.199)**	**1.260.603**	**(7.021.595)**	**(19.028.015)**	**(93.653)**
Changes in the perimeter (Note 40)	–	–	–	–	–	–	–	**–**
Net profit application	977.242	20.791	-	-	-	-	-	**998.033**
Conversion differences	-	(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**

(i) Legal reserve

In accordance with the applicable commercial law in several countries where Pestana Group operates, a specific percentage of net profit, 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 company's liquidation but may be used to absorb losses, after all other available reserves have been extinguished, and to increase share capital.

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

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. (Available for sale Investments)

Cumulative changes in fair value net of impairment losses existing at the statement of financial position date, relating to financial assets held for sale, 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) Currency 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 2014 and 2013:

	2014	2013
VEF - Venezuelan Bolivar	(9.220.332)	(15.400.713)
BRL - Brazilian Real	(4.612.254)	(2.671.162)
ARS - Argentine Peso	(3.172.024)	(2.215.492)
ZAR - South African Rand	(166.666)	(126.106)
MZN - Mozambican Metical	(175.752)	(255.525)
GBP - British Pound	1.842.358	777.083
Others	364.664	863.900
	(15.140.008)	**(19.028.015)**

As at 31 December 2014 for the translation of the Venezuelans balances, Pestana Group applied the last governamental published exchange rate, called SICAD II, with an exchange rate of 49,47 Venezuelian Bolivar per US Dollar.

As at 31 December 2013, in Venezuela there were two governmental published exchange rates: CADIVI (official exchange rate of 6,3 Venezuelan Bolivar per US Dollar) and the near year-end established one named SICAD, with an exchange rate of 11,36 Venezuelan Bolivar per US Dollar. For the translation of the Venezuelans balances at that date, in a conservative perspective, Pestana Group considered the SICAD exchange rate as being the most adequate.

Regarding Property, plant and equipment as at 31 December 2014, Pestana Group applies SICAD (official exchange rate of 6,3 Venezuelan Bolivar per US Dollar), the historical cost of these assets, which continues to reflect their best estimated recoverable value.

21. Retained earnings

As at 2014 and 2013, Retained earnings movements were as follows:

	Total
1 January 2013	**48.349.089**
Changes in the perimeter (Note 40)	10.279.818
Net profit application	722.511
31 December 2013	**59.351.418**
Changes in the perimeter (Note 40)	(15.830)
Net profit application	9.842.470
Distributions (i)	(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**

(i) Distributions

The amount of 12.600.000 Euros were distributed to Mr. Dionísio Pestana.

(ii) Acquisitions of Non controlling interest

During 2014, 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 was transferred to Retained earnings in the amount of 16.503.624 Euros (Note 22).

22. Non–controlling interests

Non-controlling interests movements were as follows:

	2014	2013
1 January	**46.043.903**	**5.537.694**
Changes in the perimeter (Note 40)	(142)	44.914.050
Transfers from Non controlling interest of the shares acquired (Note 24)	(16.503.624)	–
Dividends	(3.090.000)	(3.485.029)
Profit/(Loss) of the period	2.878.061	(922.812)
Transfers to Retained earnings	(726.000)	–
Others	(130.932)	–
Currency translation adjustments	–	–
31 December	**28.471.265**	**46.043.903**

In 2014 and 2013, Dividends were paid by SDM – Sociedade de Desenvolvimento da Madeira, S.A..

Non-controlling interests relate to the following investments:

	2014		2013	
	% held	**Value**	**% held**	**Value**
SDM - Sociedade de Desenvolvimento da Madeira, S.A.	85,00%	16.203.494	85,00%	18.032.212
Pestana S.G.P.S. Sub-group (Portugal)	n.a.	11.662.039	n.a.	11.382.975
Pestana Inversiones Sub-group (Latin America)	n.a.	7.199.467	n.a.	6.742.131
Hoteis do Atlântico Sub-group (Europe)	n.a.	1.398.174	n.a.	(68.999)
Eurogolfe, S.A.	0,01%	15.427	0,01%	13.594
Brasturinvest Sub-group (Brazil)	n.a.	–	n.a.	16.503.624
Hotel Rauchstrasse 22,S.à.r.l.	n.a.	–	26,50%	1.465.598
Albar - Sociedade Imobiliária do Barlavento, S.A.	50,50%	(12.284)	50,50%	(12.274)
Salvintur Sub-group (África)	n.a.	(1.823.948)	n.a.	(1.988.914)
Pestana Pousadas Sub-group (Portugal)	n.a.	(6.171.105)	n.a.	(6.026.044)
		28.471.265		**46.043.903**

During 2014, Hotéis do Atlântico, S.A. bought from Pestana Internacional Holdings S.A. the shares of Hotel Rauchstrasse 22,S.à.r.l.. Therefore, the correspondent non-controlling interest in 2014 is presented in Hotéis do Atlântico sub-group (Europe).

Mr. Dionísio Pestana, who controls and owns Pestana Group, is also the owner of 11.017.429 Euros (33% of the total) and 29.963.210 Euros (54% of the total) of Non-controlling interests as at 31 December 2014 and 2013, respectively, as follows:

	2014		2013	
	% held	Value	% held	Value
Brasturinvest Investimentos Turísticos, S.A.	n.a.	–	46,54%	16.503.624
SDM - Sociedade de Desenvolvimento da Madeira, S.A. (Note 39)	55,00%	8.911.922	55,00%	11.667.902
Grupo Pestana S.G.P.S., S.A.	1,00%	2.103.670	1,00%	1.830.210
Hoteis do Atlântico - Sociedade Imobiliária e de Gestão de Hotéis, S.A.	0,08%	64.769	0,08%	66.563
Pinheiro Mar, S.A.	12,00%	(62.932)	12,00%	(105.089)
		11.017.429		**29.963.210**

23. Provisions

The movements in Provisions are as follows:

	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
Allocation	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**

	Customer guarantees (i)	Litigations and claims in progress (ii)	Other provisions (iii)	Total
1 January 2013	–	35.000	307.165	342.165
Changes in the perimeter (Note 40)	48.549	503.468	1.608.225	2.160.242
Utilizations	–	–	(56.520)	(56.520)
Allocation	–	–	158.470	158.470
Decreases	–	–	(277.866)	(277.866)
Currency translation adjustment	–	–	(94.618)	(94.618)
Changes on period	**48.549**	**503.468**	**1.337.691**	**1.889.709**
31 December 2013	**48.549**	**538.468**	**1.644.856**	**2.231.873**
Current balance	48.549	538.468	286.925	873.942
Non-current balance	–	–	1.357.931	1.357.931
	48.549	**538.468**	**1.644.856**	**2.231.873**

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 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.

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

24. Loans and borrowings

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

	31-12-2014			31-12-2013		
	Current	Non-current	Total	Current	Non-current	Total
Bank loans	65.728.109	293.117.812	358.845.921	71.827.049	290.886.203	362.713.252
Overdrafts	27.072.365	–	27.072.365	62.020.762	–	62.020.762
Commercial paper	–	3.000.000	3.000.000	–	27.000.000	27.000.000
Bond loans	23.456.239	102.064.492	125.520.731	23.498.774	33.544.623	57.043.397
	116.256.713	398.182.304	514.439.017	157.346.585	351.430.826	508.777.411
Payable interests - accrual	4.176.061	157.689	4.333.750	4.299.084	350.488	4.649.572
Paid interests - deferral	(284.598)	(3.738.842)	(4.023.440)	(51.363)	(2.665.587)	(2.716.950)
	120.148.176	**394.601.151**	**514.749.328**	**161.594.306**	**349.115.727**	**510.710.033**

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

Additionally Pestana Group, obtained in 2014 other Bond loan in the amount of 30.000.000 USD (28.165.900 Euros), that will be paid in 2019.

During 2014, the Pestana Group 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 37).

In the loans and borrowings contracted by the Group subsidiaries there are in some cases specific clauses that oblige the fulfillment of specific convenants such as: i) the maintenance of the subsidiaries share capital inside the Group; ii) maintenance of ratios related to the capital structure, among others. As at 31 December 2014, no exceptions with material impact have been identified in any of these convenants.

The Pestana Group has, as at 31 December 2014, authorized plafond's not used from financial institutions in the total amount of approximately 90 million Euros. This amount contains a line of commercial paper for use in the amount of 33.500.000 Euros, and the remaining relates mostly to escrow accounts and bank overdrafts authorized in the amount of 57.686.166 Euros and 2.000.000 USD, respectively.

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

	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**

	2014	2015	2016	2017	2018	Following years	Total
Bank loans							
Euro	49.295.415	46.391.819	41.102.922	46.161.427	34.320.511	70.166.691	287.438.785
Brazilian Real	21.364.231	–	13.014.413	783.441	–	–	35.162.085
British Pound	794.650	832.134	884.611	944.584	1.004.558	20.615.929	25.076.466
American Dollar	372.753	1.555.136	487.274	487.274	487.274	10.151.548	13.541.259
Venezuelan Bolivar	–	–	–	–	–	1.494.657	1.494.657
	71.827.049	**48.779.089**	**55.489.220**	**48.376.726**	**35.812.343**	**102.428.825**	**362.713.252**
Commercial paper							
Euro	–	9.500.000	17.500.000	–	–	–	27.000.000
	–	**9.500.000**	**17.500.000**	**–**	**–**	**–**	**27.000.000**
Bond loans							
American Dollar	21.753.317	4.253.518	6.697.785	–	–	–	32.704.620
Euro	–	20.000.000	–	–	–	–	20.000.000
Brazilian Real	1.745.457	–	–	2.593.320	–	–	4.338.777
	23.498.774	**24.253.518**	**6.697.785**	**2.593.320**	**–**	**–**	**57.043.397**
	95.325.823	**82.532.607**	**79.687.005**	**50.970.046**	**35.812.343**	**102.428.825**	**446.756.649**

25. Derivatives

As at 31 December 2014 and 2013, Pestana Group had traded Derivative financial instruments related to interest rate swaps (hedging derivatives) as follows:

	31-12-2014		31-12-2013	
	Assets	Liabilities	Assets	Liabilities
Swap interest – non-current	–	7.089.256	–	7.388.214
Swap interest – current	–	–	–	–
	–	**7.089.256**	**–**	**7.388.214**

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 31-12-2014	Fair Value 31-12-2013	Variation
Hotel Rauchstrasse 22,S.à.r.l.	Hedge	2.000.000	29-01-2020	Semiannual	Eur 6M / 3,52%	(304.238)	(239.382)	(64.856)
Hotel Rauchstrasse 22,S.à.r.l.	Hedge	2.000.000	29-01-2018	Semiannual	Eur 6M / 3,12%	(146.716)	(156.725)	10.009
Hotel Rauchstrasse 22,S.à.r.l.	Hedge	2.000.000	29-01-2019	Semiannual	Eur 6M / 3,3%	(221.800)	(197.838)	(23.962)
Hotel Rauchstrasse 22,S.à.r.l.	Hedge	3.000.000	29-01-2017	Semiannual	Eur 6M / 2,44%	(66.876)	(113.094)	46.218
Grupo Pestana S.G.P.S., S.A.	Hedge	10.000.000	30-12-2019	Semiannual	Eur 6M / 3,04%	(576.951)	(579.980)	3.029
Grupo Pestana S.G.P.S., S.A.	Hedge	15.000.000	30-12-2016	Semiannual	Eur 6M / 2,71%	(192.688)	(338.125)	145.437
Grupo Pestana S.G.P.S., S.A.	Hedge	10.000.000	28-12-2019	Semiannual	Eur 6M / 3,08%	(583.603)	(590.203)	6.600
M & J Pestana, S.A.	Hedge	5.000.000	30-12-2019	Semiannual	Eur 6M / 3,04%	(288.177)	(289.511)	1.334
M & J Pestana, S.A.	Hedge	5.000.000	18-12-2019	Semiannual	Eur 6M / 3,08%	(291.802)	(295.101)	3.299
M & J Pestana, S.A.	Hedge	8.750.000	02-07-2017	Semiannual	Eur 6M / 0,88%	(47.902)	(45.189)	(2.713)
ITI Soc.Inves. Tur. Ilha Madeira, S.A. (i)	Proportion hedge	7.000.000	26-09-2022	Semiannual	Eur 6M / 4,74%	(901.733)	(855.894)	(45.839)
ITI Soc.Inves. Tur. Ilha Madeira, S.A.	Hedge	6.000.000	10-10-2016	Semiannual	Eur 6M / 4,82%	(81.564)	(166.442)	84.878
Hoteis Atlântico, S.A.	Hedge	11.000.000	28-05-2020	Quartely	Libor GBP 3M / 3,43%	(1.262.629)	(805.866)	(456.763)
Carlton Palácio, S.A.	Hedge	5.000.000	30-12-2019	Semiannual	Eur 6M / 3,04%	(288.476)	(289.843)	1.367
Carlton Palácio, S.A.	Hedge	6.000.000	30-12-2016	Semiannual	Eur 6M / 2,71%	(77.075)	(135.250)	58.175
Carlton Palácio, S.A.	Hedge	5.000.000	28-12-2019	Semiannual	Eur 6M / 3,08%	(291.802)	(295.101)	3.299
Quinta Beloura	Hedge	453.079	30-07-2019	Semiannual	Eur 6M / 4,77%	(464.170)	(560.609)	96.439
Salvor, S.A.	Hedge	5.000.000	30-12-2019	Semiannual	Eur 6M / 3,04%	(286.388)	(287.527)	1.139
Salvor, S.A.	Hedge	7.000.000	30-12-2016	Semiannual	Eur 6M / 2,71%	(89.921)	(157.792)	67.871
Salvor, S.A.	Hedge	5.000.000	28-12-2019	Semiannual	Eur 6M / 3,08%	(291.802)	(295.101)	3.299
Salvor, S.A.	Trading	3.000.000	22-06-2015	Semiannual	Eur 6M / 4,77%	(5.542)	(32.108)	26.566
Intervisa Viagens Turismo, S.A.	Hedge	500.000	13-03-2017	Quartely	Eur 3M / 4,16%	(6.283)	(11.529)	5.246
Salvintur, S.G.P.S., S.A.	Hedge	2.000.000	30-12-2016	Semiannual	Eur 6M / 2,71%	(25.692)	(45.083)	19.391
Afrotours, S.A.R.L.	Hedge	7.500.000	15-02-2018	Semiannual	Eur 6M / 4,27%	(229.883)	(401.721)	171.838
Afrotours, S.A.R.L.	Hedge	5.000.000	15-07-2016	Semiannual	Eur 6M / 5,03%	(65.546)	(203.200)	137.654
						(7.089.256)	**(7.388.214)**	**298.958**

(i) This derivative financial instrument is designated as proportional hedge in 75%. The remaining 25% are considered as trading and its fair value is recorded in the income statement (Note 3.17 and Note 35).

The change in the fair value of the derivatives financial instruments occurred in 2014 and 2013 were as follows:

	2014	2013
1 January	7.388.214	992.053
Changes in the perimeter (Note 40)	–	10.579.604
Changes in fair value	(283.852)	(4.046.598)
Trading net impact (Note 35)	(15.106)	(136.845)
31 December	**7.089.256**	**7.388.214**

The changes in the fair value reserve related to cash flow hedges in 2014 and 2013 were as follows:

	2014	2013
1 January	2.143.964	(843.244)
Changes in fair value	512.267	4.046.598
Deferred tax (Note 11)	(236.704)	(699.501)
Changes in tax rates (Note 11)	100.059	(359.889)
Ineffectiveness (Note 35)	(148.165)	(185.893)
Trading (Note 35)	15.106	136.845
Settlement	–	49.048
31 December	**2.386.527**	**2.143.964**

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 to the ones currently practiced in the market.

26. **Deferred revenue**

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

	31-12-2014			31-12-2013		
	Current	Non-current	Total	Current	Non-current	Total
Pestana Vacations Club (i)	14.242.350	124.754.002	**138.996.352**	13.891.237	131.358.876	**145.250.113**
Pestana Vacations Club – Options and Pestana Holiday Club (ii)	5.070.449	43.819.611	**48.890.060**	3.623.682	40.135.849	**43.759.531**
Government grants (iii)	1.108.026	7.782.307	**8.890.333**	1.042.844	8.742.153	**9.784.997**
Customer loyalty program ("PPG") (iv)	2.573.349	–	**2.573.349**	2.184.928	–	**2.184.928**
Other deferred income	3.510.749	–	**3.510.749**	3.787.686	–	**3.787.686**
	26.504.923	**176.355.920**	**202.860.843**	**24.530.377**	**180.236.878**	**204.767.255**

(i) Pestana Vacations Club

This balance refers to values obtained from the sale of timeshare rights, which are deferred over the period of the award of temporary right of use of hotels and apartments at the Pestana Group (Note 3.21 ii)), whose recognition period will end between 2015 and 2039.

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

This item refers to the sale of the Timeshare programs Options and Pestana Holiday Club. The customer acquires the right to use accommodation without having to choose the specific hotel at that time, 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

The Government grants are recognized through the useful lives of the correspondent subsided assets.

(iv) Customer Loyalty Program (PPG)

This item refers to the Customer loyalty program of Pestana Group, appointed by PPG - Pestana Priority Guest. The program consists of points earned in consumption and stays in hotels of the Pestana Group, enabling the exchange from points to stays in units of the Group and direct discounts at restaurants and bars as well as other benefits to participating customers. Revenue is recognised when the customer redeem the points in the acquisition of services and products, as established in the program or when the points expire (Note 3.21 i)).

27. Trade and other payables

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

	31-12-2014			31-12-2013		
	Current	Non-current	Total	Current	Non-current	Total
Trade payables						
Suppliers (i)	23.525.545	–	**23.525.545**	23.027.502	–	**23.027.502**
Other payables						
Other payables (ii)	1.785.301	–	**1.785.301**	4.993.467	953.242	**5.946.709**
Suppliers of property, plant and equipment (iii)	3.412.898	4.863.496	**8.276.394**	2.500.350	5.489.179	**7.989.529**
Advances from customers (iv)	23.618.107	–	**23.618.107**	22.710.078	–	**22.710.078**
Taxes payable (v)	6.011.544	–	**6.011.544**	7.307.910	–	**7.307.910**
Accrued expenses						
Holiday and subsidy pay	12.614.273	–	**12.614.273**	11.492.698	–	**11.492.698**
Others	12.614.784	–	**12.614.784**	10.965.681	38.684	**11.004.365**
	83.582.451	**4.863.496**	**88.445.947**	**82.997.686**	**6.481.105**	**89.478.791**

(i) Suppliers

	31-12-2014			31-12-2013		
Description	Current	Non-current	Total	Current	Non-current	Total
Suppliers - group (Note 41)	764.249	–	**764.249**	1.611.231	–	**1.611.231**
Other suppliers	22.761.295	–	**22.761.295**	21.416.271	–	**21.416.271**
	23.525.545	**–**	**23.525.545**	**23.027.502**	**–**	**23.027.502**

(ii) Other payables

The variations of this captions relates mainly to the payment of 2.457.492 Euros, regarding the last instalment for the acquisition made in 2011 of 20% of the capital of the subsidiary Sociedade Imobiliária Tróia B3, S.A., of a total initial payable amount of 9.215.596 Euros.

(iii) Suppliers of property, plant and equipment

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

	31-12-2014	31-12-2013
Less then 1 year	708.141	1.053.666
Between 1 and 5 years	2.019.152	2.215.948
More than 5 years	2.844.344	3.273.231
	5.571.637	**6.542.845**

(iv) Advances from customers

As at 31 December 2014 and 2013, advances from customers regards the advances received for the purchase of villas, apartments and townhouses in the amount of 12.915.982 Euros and 13.215.085 Euros, respectively, and the annual maintenance of timeshare fees, in the amount of 6.332.891 Euros and 6.272.349 Euros, respectively. The residual amount in both years mainly respects to reservations made by tour operators.

(v) Taxes payable

	31-12-2014			31-12-2013		
Description	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Personnel income tax withheld	1.291.280	-	**1.291.280**	882.557	-	**882.557**
Value added tax	2.122.797	-	**2.122.797**	2.395.287	-	**2.395.287**
Social security contributions	1.686.370	-	**1.686.370**	1.316.135	-	**1.316.135**
Others	911.097	-	**911.097**	2.713.931	-	**2.713.931**
	6.011.544	**-**	**6.011.544**	**7.307.910**	**-**	**7.307.910**

Pestana Arena Barcelona

28. Revenue

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

	2014	2013
Hotel business	232.507.374	216.578.737
Timeshare	27.436.285	27.278.921
Drinks (industry)	21.986.646	23.089.183
Real estate (i)	29.955.632	19.803.493
Golf	9.210.088	9.746.955
Entertainment	10.403.222	9.857.919
Others	11.213.935	14.477.106
	342.713.183	**320.832.314**

(i) Includes construction contracts (Note 29).

In 2014, Sales and services rendered related to Hotel business, from Pestana Miami, Pestana Marrocos, Pestana Colombos and Pestana Arena Barcelona, which opening occurred in 2013, were 3.926.715 Euros, 2.549.198 Euros, 2.687.773 Euros and 2.312.716 Euros, respectively (2013: 2.858.106 Euros, 1.854.041 Euros, 878.152 Euros and 448.088 Euros, respectively).

The 2014 and 2013 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	**2014**	**2013**
United Kingdom	20,4%	16,2%
Portugal	18,9%	17,0%
Brazil	12,5%	17,9%
Germany	9,9%	9,5%
United States	4,1%	3,1%
France	3,9%	3,3%
Spain	3,1%	2,9%
Venezuela	3,0%	5,5%
Switzerland	1,7%	1,2%
Sweden	1,6%	0,7%
Netherlands	1,6%	0,2%
Belgium	1,5%	0,9%
Russia	1,4%	1,7%
Italy	1,3%	0,6%
Ireland	1,2%	1,2%
Norway	1,1%	0,9%
Denmark	1,0%	0,3%
Others	11,7%	17,0%
	100%	**100%**

	Timeshare	
Country	2014	2013
United Kingdom	47,5%	47,2%
Brazil	17,0%	17,9%
Portugal	8,9%	8,8%
Germany	7,0%	6,7%
Finland	6,0%	5,8%
Sweden	3,0%	3,0%
Others	11,0%	10,6%
	100%	**100%**

29. Construction contracts

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

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

Description of the agreement	Incurred costs 2014	Incurred costs 2013	Recognized revenue 2014	Recognized revenue 2013
Construction contracts	2.941.556	1.504.895	3.673.981	1.882.964
	2.941.556	**1.504.895**	**3.673.981**	**1.882.964**

30. External services and supplies

The detail of External services and supplies is as follow:

	2014	2013
Professional fees	20.280.623	17.900.418
Rents	17.086.567	16.640.429
Energy	15.320.132	14.790.406
Cleaning	14.935.668	13.425.592
Advertising	12.522.925	12.099.691
Maintenance	10.036.274	9.906.627
Subcontracts	5.308.952	3.590.333
Tour operator business line expenses	4.702.415	6.687.042
Travelling and transport expenses	4.513.204	5.027.272
Insurance	1.667.958	1.410.085
Others	7.324.062	9.711.990
	113.698.780	**111.189.885**

In 2014, the costs incurred with hotels opened in 2013, Pestana Miami, Pestana Marrocos, Pestana Colombos, and Pestana Arena Barcelona, amounted to 1.538.525 Euros, 1.469.637 Euros, 1.653.437 Euros and 785.809 Euros, respectively (2013: 1.157.584 Euros, 1.059.821 Euros, 447.601 Euros and 185.598 Euros, respectively).

Costs incurred with Rents as at 31 December 2014 contain 7.695.346 Euros related to operational leases and 2.688.218 Euros related to concessions (2013: 8.005.380 Euros and 2.778.398 Euros, respectively).

31. Personnel expenses

Personnel expenses in 2014 and 2013 were as follows:

	2014	2013
Board of Directors		
Wages and salaries	3.267.512	3.544.091
Social security contributions	654.150	370.183
	3.921.662	**3.914.274**
Staff		
Wages and salaries	65.059.065	64.321.184
Social security contributions	13.189.636	13.594.351
Others	4.628.608	5.188.949
	82.877.309	**83.104.484**
	86.798.971	**87.018.758**

In 2014, the costs incurred with hotels opened in 2013, Pestana Miami, Pestana Marrocos, Pestana Colombus, and Pestana Arena Barcelona, amounted to 1.038.303 Euros, 278.566 Euros, 2.096 Euros and 736.167 Euros, respectively (2013: 915.405 Euros, 257.448 Euros, 494 Euros and 172.236 Euros, respectively).

The average number of employees of the Pestana Group in 2014 was 5.278 (2013: 5.475).

Personnel expenses – others includes non-recurring expenses with mutual agreement compensations for termination of employment contracts amounting to 1.062.319 Euros (2013: 1.521.378 Euros).

32. Other income

The detail of Other income is presented as follows:

	2014	2013
Foreign currency exchange gains	5.101.389	2.709.235
Supplementary income	4.741.761	5.349.206
Government grants (Note 26 (iii))	996.604	1.025.479
Gains on disposal of tangible assets	1.778.293	936.011
Others	2.161.743	3.654.850
	14.779.790	**13.674.781**

The Other income of hotels opened in 2014 and 2013 are not considered as being relevant.

In 2014, Gains on disposal of tangible assets is mainly related to the sale of K, L, M, O and P fractions of Pestana Grand Residence Hotel, B block, in the amount of 1.087.000 Euros.

33. Other expenses

The detail of Other expenses is as follows:

	2014	2013
Direct and indirect Taxes	9.164.407	8.231.990
Commissions of credit cards and similar commissions	2.443.887	2.935.546
Loss on inventories	1.211.129	1.486.761
Foreign currency exchange losses	4.060.821	3.716.571
Goodwill (Note 40)	677.047	–
Compensation	1.050.000	–
Others	3.468.393	3.121.814
	22.075.685	**19.492.682**

As at 31 December 2014, Direct and indirect taxes includes 4.134.585 Euros of property taxes (2013: 4.584.158 Euros).

Compensation captions relates to a financial payment for a breach in obligations assumed in a promise agreement entered by the subsidiary M & J. Pestana, S.A., owner of Grand Residence Hotel, which includes several properties for residential and commercial purposes and the owners of several buildings.

In 2005, during the construction of Grand Residence Hotel, this subsidiary had entered into a swap agreement with a number of owners in which it undertook to provide and deliver to the owners of that land all the real estate included in Block B in absolute living conditions and the owners of the land promised to provide and deliver to M & J Pestana, S.A. this same land free of liens and charges.

Upon termination of the contract it was understood that M & J Pestana, S.A. had not fulfilled all the obligations undertaken. Therefore an extrajudicial agreement has been signed that took over pay financial compensation referred to above.

The Other expenses of hotels opened in 2014 and 2013 are not considered as being relevant.

34. Gains and losses on Associates, Other financial investments and Financial assets available for sale

The detail of Gains and losses on Associates, Other financial investments and Financial assets available for sale as follows:

	2014	2013
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	10.202.049
Profit/(losses) of the equity method (Note 9):		
Enatur - Empresa Nacional de Turismo, S.A.	600.519	37.225
SDEM - Soc. de Desenv. Empr. da Madeira, S.G.P.S., S.A.	(379.640)	(289.668)
Albar - Sociedade Imobiliária do Barlavento, S.A.	(1.561)	(2.235)
Soehotour	45.621	
Financial assets available for sale (Note 12):		
Impairment loss in Espírito Santo Financial Group, S.A.	(4.959.184)	–
Impairment loss - Imóveis Brisa - F.I.I.F. (Note 10)	(1.753.190)	(1.509.439)
Others	(253.784)	(12.536)
	(2.879.045)	**8.425.396**

35. Financial expenses and income

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

	2014	2013
Finance expenses		
Interest loans	26.752.733	26.053.964
Interest rate swaps	3.296.734	2.889.975
Foreign currency exchange losses	8.458.146	4.042.510
Commissions and guarantee fees	3.524.108	1.766.516
Derivatives - Ineffectiveness	148.165	185.893
Derivatives fair value	11.460	–
	42.191.346	**34.938.858**
Finance income		
Interest income	1.308.639	767.442
Interest rate swaps	372.052	75.083
Foreign currency exchange gains	3.310.868	4.057.175
Derivatives fair value	26.565	136.845
Dividends received	–	750.000
Financial assets fair value gains	51.545	49.947
Others	359.060	5.998
	5.428.729	**5.842.490**

The financial currency exchanges results in 2014 have deteriorated in 5.142.278 Euros mainly due to the loans obtained in US Dollars and GBP (Note 24).

Commissions and guarantee fees include in 2014 the amount of approximately 1.180.000 Euros regarding bank loans prepayments compensations (Note 24).

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

36. **Income tax**

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

	2014	2013
Current tax income	(3.834.279)	8.113.325
Deferred tax income	3.015.973	(7.059.760)
	(818.306)	**1.053.565**

The subsidiary Grupo Pestana, S.G.P.S, S.A. is taxed by the Portuguese Special Taxation Regime for Groups Companies (“RETGS”). Consequently, the current tax is calculated based on the taxable results of the companies included in the tax consolidation, according to the RETGS rules.

The RETGS includes all Grupo Pestana, S.G.P.S., S.A. subsidiaries which directly or indirectly are detained at least 75% of the share capital (2013: 90% of the share capital) and that are resident in Portugal as well as taxed under the normal income regime.

For the remaining companies, current tax is calculated based on their respective taxable income, according to the tax rules in the country of the correspondent subsidiary.

37. **Commitments**

As at 31 December 2014 and 2013, there have been identified the following relevant commitments:

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

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

In 2014, Pestana Group proceeded to the anticipation of the purchase of the remaining shares and Other capital contributions still owned by Caixa Capital - Venture Capital Company Limited in the subsidiary Grupo Pestana Pousadas, S.A..

With reference to 2014, the subsidiary Grupo Pestana Pousadas, S.A. is making renovations of structures, redevelopment of facilities and features as well as conservation of the network of “Pousadas”, fulfilling the requirement in the Lease Agreement. Consequently, at the end of year 2014 an annual sum of not less than 3 million Euros was spent.

Since 1987 there is a supplementary pension plan for the 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 the liability, it was created in 1987 a fund that is autonomously managed by an insurance company - Groupama. The Fund amounts to 1.442.300 Euros as at 31 December 2014 (31 December 2013: 1.363.867 Euros).

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

38. Contingencies

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

	2014	2013
Mortgages over lands and buildings	155.744.205	158.162.325
Bank guarantees	36.850.286	50.239.039

Contingent assets

In December 2013 and in accordance with the Exceptional Regime of Tax Debt Settlement, established in Decree law 151-A/2013 of October 31 in Portugal, the subsidiary Carlton Palácio, S.A. made the full payment of the amount object case 312320101010700 concerning a process of SISA (old tax subject to transactions of properties), amounting to 439.472 Euros, getting free of payment of arrears and penalty interest and without any loss in the course of judicial proceedings before the competent courts terms. The Board of Directors continues to believe that the outcome will be favorable and this amount will be returned to Carlton Palácio, S.A..

Contingent liabilities

As at 31 December 2014, the Pestana Group has ongoing processes, assessed as contingent liabilities of, approximately, 6.200.000 Euros (local currency: 530.000 Euros and 18.000.000 Brazilian Real). As at 31 December 2013 the contingent liabilities were estimated in approximately 8.000.000 Euros (local currency: 350.000 Euros and 26.100.000 Brazilian Real).

Resulting from an inspection carried out by Customs in Lisbon relation to the Special Tax on Consumption (IEC) for the years 2002, 2003 and the first half of 2004, it was issued by the same entity an officious liquidation to Empresa de Cervejas da Madeira, Lda (ECM) in the amount of 2.029.130 Euros and 321.270 Euros of compensatory interest. In 2008 the Office of Finance of Câmara de Lobos notified ECM to increase the guarantee in the amount of 490.817 Euros for the interest calculated in five years and providing 25% to other costs (paragraph 5 of art. 199 of CPPT). The process is currently on hierarchical appeal and the subsidiary ECM had constituted bank guarantees.

39. Consolidation perimeter

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

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Sales	Profit/ (Loss)	% Owned	% Control
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%
M. & J. Pestana - Sociedade de Turismo da Madeira, S.A.	Portugal	Hospitality / DRHP	31-12-2014	133.337.380	360.656.608	227.319.229	48.275.727	22.340.863	99,00%	100,00%
ITI - Sociedade de Investimentos Turísticos na Ilha da Madeira, S.A.	Portugal	Hospitality and Entertainment	31-12-2014	45.726.015	79.087.886	33.361.871	27.061.985	4.252.061	99,00%	100,00%
Hoteis do Atlântico - Sociedade Imobiliária e de Gestão de Hotéis, S.A.	Portugal	Hospitality	31-12-2014	32.426.740	74.094.487	41.667.748	5.206.480	84.460	98,92%	99,92%
Ponta da Cruz - Sociedade Imobiliária e de Gestão de Hotéis, S.A.	Portugal	Hospitality / DRHP	31-12-2014	14.224.947	28.669.220	14.444.273	7.267.804	1.413.484	51,31%	51,83%
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%
CapeGreen - Consultadoria Económica e Participações, S.A.	Portugal	Services	31-12-2014	3.290.239	3.338.541	48.302	6.000	532.304	99,62%	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%
Pestana Management - Serviços de Gestão, S.A.	Portugal	Services	31-12-2014	3.420.302	13.002.419	9.582.117	21.979.856	411.287	99,00%	100,00%
ECM - Empresa Cervejas da Madeira, Sociedade Unipessoal Lda.	Portugal	Beverages	31-12-2014	40.974.380	64.824.089	23.849.710	22.709.658	(1.589.701)	100,00%	100,00%
SDM - Sociedade de Desenvolvimento da Madeira, S.A. (a)	Portugal	Services	31-12-2014	20.375.250	23.580.484	3.205.234	8.733.112	2.116.631	15,00%	70,00%
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%
Mundo da Imaginação - Projectos de Animação Turística, S.A.	Portugal	Tourist Animation	31-12-2014	1.362.794	3.932.718	2.569.923	684.199	(105.733)	87,86%	88,75%
Pestana Segurança - Serviços de Segurança e Vigilância, Lda.	Portugal	Services	31-12-2014	–	–	–	–	–	99,00%	100,00%
Grupo Pestana Pousadas - Investimentos Turísticos, S.A.	Portugal	Hospitality	31-12-2014	9.388.780	73.514.152	64.125.372	28.983.661	(2.508.351)	84,03%	84,88%
Carlton Palácio - Sociedade de Construção e Exploração Hoteleiras, S.A.	Portugal	Hospitality	31-12-2014	21.196.076	50.641.495	29.445.418	11.281.745	300.109	99,00%	100,00%

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Sales	Profit/ (Loss)	% Owned	% Control
Porto Carlton - Sociedade de Construção e Exploração Hoteleira, S.A.	Portugal	Hospitality	31-12-2014	2.882.383	10.439.562	7.557.179	1.827.243	162.966	59,40%	60,00%
Beloura Hotel e Golfe - Investimentos Turísticos, S.A.	Portugal	Hospitality	31-12-2014	4.984.517	14.959.903	9.975.385	2.739.401	(245.051)	99,00%	100,00%
Intervisa Viagens e Turismo, Lda.	Portugal	Tourist distribution	31-12-2014	487.426	1.746.358	1.258.932	1.101.034	259.685	99,00%	100,00%
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%
Pestana Cidadela - Investimentos Turisticos, S.A.	Portugal	Hospitality	31-12-2014	6.078.615	18.737.515	12.658.900	5.016.725	131.064	99,00%	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%
Indústria Açoreana Turístico-Hoteleira (I.A.T.H.), S.A.	Portugal	Hospitality	31-12-2014	1.373.716	4.850.909	3.477.193	1.096.807	(778.750)	99,11%	100,00%
Salvor - Sociedade de Investimento Hoteleiro, S.A.	Portugal	Hospitality / DRHP	31-12-2014	122.825.250	179.655.204	56.829.954	23.646.547	2.529.631	98,00%	98,99%
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%
Carvoeiro Golfe, S.A.	Portugal	Golf and Real Estate	31-12-2014	37.544.775	80.067.004	42.522.229	20.461.648	1.172.361	98,00%	100,00%
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%
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%
Sociedade de Investimento Hoteleiro D. João II, S.A.	Portugal	Hospitality / DRHP	31-12-2014	1.248.252	4.234.054	2.985.802	680.951	109.647	98,00%	100,00%
Viquingue, Sociedade Turística, S.A.	Portugal	Hospitality / DRHP	31-12-2014	10.321.962	16.750.104	6.428.142	4.188.172	252.420	98,00%	100,00%
Carvoeiro Golfe Sociedade Mediação Imobiliaria, Lda.	Portugal	Real Estate	31-12-2014	292.641	501.261	208.620	711.202	265.285	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%
Natura XXI Unipessoal, Lda.	Portugal	Real Estate	31-12-2014	1.486.472	1.536.008	49.536	135	(35.919)	98,00%	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%
Pinheiro Mar, S.A.	Portugal	Hospitality	31-12-2014	(493.783)	3.726.903	4.220.686	7.334.803	327.308	87,12%	88,00%
Salvor Hotéis Moçambique, Investimentos Turísticos, S.A.R.L.	Mozambique	Hospitality	31-12-2014	14.409.020	24.585.744	10.176.724	6.017.392	410.047	91,63%	91,98%
Wildbreak 29 (PTL), Lda.	South africa	Hospitality	31-12-2014	2.283.798	3.343.362	1.059.564	1.695.053	285.433	98,81%	100,00%
Bazaruto Limited	Mozambique	Hospitality	31-12-2014	6.977.068	15.014.217	8.037.149	5.348.010	1.209.634	91,39%	99,74%
Empreendimentos Turísticos, Lda.	Cape verde	Hospitality	31-12-2014	930.417	4.774.379	3.843.962	2.981.048	321.104	99,62%	100,00%

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Sales	Profit/ (Loss)	% Owned	% Control
Southern Escapes Travel and Tourism (PTY), Ltd	South africa	Hospitality	31-12-2014	24.017	24.017	–	–	(2.414)	99,62%	100,00%
Afrotours, S.A.R.L.	Sao tome	Hospitality	31-12-2014	3.085.464	23.222.350	20.136.885	4.364.048	481.892	79,69%	80,00%
Rotas de África, Lda.	Sao tome	Hospitality	31-12-2014	(1.267.681)	1.526.543	2.794.224	1.063.777	(184.215)	99,57%	99,95%
São Tomé Investimentos, S.A.	Sao tome	Hospitality	31-12-2014	31.059	462.409	431.350	953.371	133.214	99,62%	100,00%
Pestana Marrocos, s.a.r.l.	Morocco	Hospitality	31-12-2014	601.325	1.385.469	784.143	2.549.198	125.945	99,52%	100,00%
Brasturinvest Investimentos Turísticos, S.A.	Brazil	Hospitality	31-12-2014	17.323.851	117.432.235	99.158.887	38.332.971	(2.866.917)	100,00%	100,00%
Argentur Inversiones Turisticas SA	Argentina	Hospitality	31-12-2014	3.012.922	4.242.773	1.229.851	3.890.520	216.619	99,52%	100,00%
Convento do Carmo, S.A.	Brazil	Hospitality	31-12-2014	(5.212.720)	3.960.908	9.173.627	1.956.995	(540.513)	63,02%	75,00%
Praia do Marceneiro PH, Ltda	Brazil	Hospitality	31-12-2014	9.139.889	14.742.090	5.602.201	6.260.831	709.713	100,00%	100,00%
Inversiones Vistalparque C.A.	Venezuela	Hospitality	31-12-2014	10.079.235	15.274.595	5.195.359	11.809.205	1.587.607	71,08%	71,42%
Pestana Miami LLC	United states	Hospitality	31-12-2014	3.710.915	17.761.044	14.050.129	4.296.457	80.002	98,92%	100,00%
Surinor, S.A.	Uruguay	Hospitality	31-12-2014	(1.817.701)	6.697.697	8.515.398	57.701	(1.782.892)	99,52%	100,00%
Carolgud, S.A.	Uruguay	Hospitality	31-12-2014	54.508	882.881	828.373	–	(69.561)	99,52%	100,00%
Fundo Inv. Imob Araucárias	Brazil	Real Estate Fund	31-12-2014	8.294.470	11.755.829	3.461.359	1.787.562	2.146.932	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%
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%
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 UK, Limited	United kingdom	Hospitality	31-12-2014	889.734	4.816.138	3.926.403	14.250.218	564.257	98,92%	100,00%
Hotel Rauchstrasse 22, S.A.R.L.	Luxembourg	Hospitality	31-12-2014	6.136.436	20.986.785	14.850.349	2.000.090	633.580	72,70%	73,50%
Pestana Berlim S.A.R.L.	Luxembourg	Hospitality	31-12-2014	(889.039)	2.455.430	3.344.470	5.221.114	(584.498)	72,70%	73,50%
Desarollos Hoteleros de Barcelona	Spain	Hospitality	31-12-2014	4.704.869	14.940.736	10.235.867	2.312.716	(34.949)	98,92%	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 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	–	–	–	–	–	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%
Soehotur, S.A.	Angola	Construction	31-12-2014	3.075.697	6.578.354	3.502.657	–	182.483	25,00%	25,00%

The Subsidiaries of Pestana Group as at 31 December 2013, are as follows:

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Sales	Profit /(Loss)	% Owned	% Control
Afrotours, S.àr.l.	Sao Tomé	Hospitality	31-12-2013	6.983.849	24.853.248	17.869.398	2.944.053	(73.850)	79,39%	80,00%
Amoreira - Aldeamento Turístico, Lda.	Portugal	Real Estate	31-12-2013	4.939.793	6.402.389	1.462.596	–	100.532	98,00%	100,00%
Argentur Inversiones Turisticas, S.A.	Argentina	Hospitality	31-12-2013	3.399.581	4.839.769	1.440.188	4.085.525	351.686	99,52%	100,00%
Atlantic Holidays Flights, Ltd.	United Kingdom	Transport Provider	31-12-2013	62.290	72.623	10.333	4.373.211	281.696	100,00%	100,00%
Atlantic Holidays, Ltd.	United Kingdom	Tour Operator	31-12-2013	346.733	1.411.355	1.064.621	6.959.836	(1.027.529)	100,00%	100,00%
Bazaruto Limited	Mozambique	Hospitality	31-12-2013	12.978.602	22.545.658	9.567.056	50.228	(898.327)	91,39%	99,74%
Brasturinvest Investimentos Turísticos, S.A.	Brazil	Hospitality	31-12-2013	19.922.335	121.202.726	101.280.390	39.173.943	(4.645.826)	53,46%	53,46%
Capegreen - Consult. Económica e Participações, S.A.	Portugal	Services	31-12-2013	3.317.935	3.743.609	425.674	–	1.384.178	99,62%	100,00%
Carlton Palácio - Soc. de Const. e Explor. Hoteleiras, S.A.	Portugal	Hospitality	31-12-2013	15.833.708	47.479.604	31.645.896	9.962.853	(138.898)	99,00%	100,00%
Carolgud, S.A.	Uruguay	Hospitality	31-12-2013	128.328	877.533	749.205	–	(103.614)	99,52%	100,00%
Carvoeiro Golfe Soc. Mediação Imobiliária, Lda.	Portugal	Real Estate	31-12-2013	270.587	579.569	308.982	647.712	243.231	98,00%	100,00%
Carvoeiro Golfe, S.A.	Portugal	Golf and Real Estate	31-12-2013	41.146.836	68.004.251	26.857.415	14.134.285	453.822	98,00%	100,00%

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Sales	Profit /(Loss)	% Owned	% Control
Convento do Carmo, S.A.	Brazil	Hospitality	31-12-2013	(4.617.817)	4.014.612	8.632.429	1.771.640	(1.603.092)	56,67%	75,00%
Cota Quarenta, S.A.	Portugal	Real Estate	31-12-2013	612.397	35.315.162	34.702.764	15.000	586	99,00%	100,00%
Desarrollos Hoteleros Barcelona 2004, S.A.	Spain	Hospitality	31-12-2013	4.739.818	15.057.752	10.317.934	448.083	(942.651)	98,92%	100,00%
Djebel, S.G.P.S., S.A.	Portugal	Sub-Holding	31-12-2013	11.741.968	36.821.213	25.079.245	–	(945.378)	100,00%	100,00%
ECM - Emp. de Cervejas da Madeira, Soc. Unip., Lda.	Portugal	Beverages	31-12-2013	41.115.653	67.032.514	25.916.861	23.089.183	(2.405.806)	100,00%	100,00%
Empreendimentos Turísticos, Lda.	Cape Verde	Hospitality	31-12-2013	1.198.802	5.262.185	4.063.384	2.961.227	610.358	99,62%	100,00%
Eurogolfe, S.A.	Portugal	Golf	31-12-2013	9.158.982	12.062.581	2.903.599	436.858	196.834	99,71%	100,00%
Fundo Investimento Imob. Araucárias	Brazil	Real Estate Fund	31-12-2013	6.142.866	10.483.485	4.340.619	3.361.858	2.344.045	53,46%	100,00%
Grupo Pestana Pousadas - Invest. Turísticos, S.A.	Portugal	Hospitality	31-12-2013	12.698.547	75.877.948	63.179.401	26.270.609	(4.243.374)	75,55%	76,32%
Grupo Pestana, S.G.P.S., S.A.	Portugal	Sub-Holding	31-12-2013	247.543.970	411.877.943	164.333.973	800.000	13.139.677	99,00%	99,00%
Herdade da Abrunheira, S.A.	Portugal	Real Estate	31-12-2013	1.422.043	6.530.096	5.108.053	–	(91.753)	66,00%	66,67%
Hotéis Atlântico - Soc. Imob. e de Gest. de Hotéis, S.A.	Portugal	Hospitality	31-12-2013	32.712.927	63.640.845	30.927.918	4.818.905	2.269.105	98,92%	99,92%
Hotel Rauchstrasse 22, S.àr.l.	Luxembourg	Hospitality	31-12-2013	5.530.558	21.591.988	16.061.429	1.650.000	219.991	73,50%	73,50%

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Sales	Profit /(Loss)	% Owned	% Control
Intervisa - Viagens e Turismo, S.A.	Portugal	Tourist distribution	31-12-2013	223.906	1.997.373	1.773.467	957.907	(224.861)	98,90%	99,90%
Inversiones Vistalparque, C.A.	Venezuela	Hospitality	31-12-2013	23.292.713	33.685.462	10.392.749	9.578.387	1.770.103	71,08%	71,42%
ITI - Soc. de Invest.Turísticos na Ilha da Madeira, S.A.	Portugal	Hospitality and Entertainment	31-12-2013	60.549.506	93.279.278	32.729.772	24.080.771	8.126.050	99,00%	100,00%
M. & J. Pestana - Soc. de Turismo da Madeira, S.A.	Portugal	Hospitality / DRHP	31-12-2013	125.906.230	351.200.802	225.294.572	44.918.301	3.938.096	99,00%	100,00%
Mundo da Imaginação, S.A.	Portugal	Tourist Animation	31-12-2013	1.468.528	4.204.894	2.736.367	645.754	(1.387.381)	87,86%	88,75%
Natura XXI, Lda.	Portugal	Real Estate	31-12-2013	1.522.391	1.544.862	22.471	780	(25.713)	98,00%	100,00%
Pestana Berlin, S.à.r.l.	Luxembourg	Hospitality	31-12-2013	(304.541)	2.820.785	3.125.326	5.077.246	(329.032)	72,87%	73,50%
Pestana Cidadela - Investimentos Turísticos, S.A.	Portugal	Hospitality	31-12-2013	2.947.551	19.352.796	16.405.246	4.721.728	(181.657)	99,00%	100,00%
Pestana International Holdings S.A.	Luxembourg	Holding	31-12-2013	229.348.591	293.121.710	63.773.119	–	17.301.301	Parent	Parent
Pestana Inversiones, S.L.	Spain	Services	31-12-2013	18.273.644	28.387.389	10.113.745	–	(94.973)	99,52%	100,00%

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Sales	Profit /(Loss)	% Owned	% Control
Pestana Management UK, Ltd.	United Kingdom	Hospitality	31-12-2013	303.681	4.689.209	4.385.528	12.868.437	264.328	98,92%	100,00%
Pestana Management, S.A.	Portugal	Services	31-12-2013	3.009.014	13.908.237	10.899.223	20.160.819	155.550	99,00%	100,00%
Pestana Marrocos, S.àr.l.	Morocco	Hospitality	31-12-2013	461.914	1.713.891	1.251.978	1.850.014	130.926	99,52%	100,00%
Pestana Miami, LLC	U.S.A .	Hospitality	31-12-2013	3.201.875	16.163.871	12.961.996	2.856.796	275.257	98,92%	100,00%
Pinheiro Mar, S.A.	Portugal	Hospitality	31-12-2013	(821.091)	4.394.671	5.215.762	6.773.051	(176.227)	87,12%	88,00%
Ponta da Cruz - Soc. Imob. e de Gest. de Hotéis, S.A.	Portugal	Hospitality / DRHP	31-12-2013	12.811.464	29.189.381	16.377.917	6.686.666	848.425	51,31%	51,83%
Porto Carlton - Soc. de Const. e Explor. Hoteleira, S.A.	Portugal	Hospitality	31-12-2013	2.719.417	8.432.134	5.712.717	1.786.422	143.821	59,40%	60,00%
Praia do Marceneiro	Brazil	Hospitality	31-12-2013	8.716.847	14.410.916	5.694.069	5.711.841	432.064	53,46%	100,00%
Quinta da Beloura Golfe, S.A.	Portugal	Hospitality	31-12-2013	1.166.040	16.115.160	14.949.120	2.409.053	(600.336)	99,00%	100,00%
Rio de Prata - Consultadoria e Participações, S.A.	Portugal	Services	31-12-2013	47.595	147.328	99.733	–	(12.152)	99,00%	100,00%
Rolldown Golfe, Lda.	Portugal	Golf	31-12-2013	62.522	5.593.193	5.530.671	1.179.031	(132.729)	98,00%	100,00%
Rotas África, Lda.	Sao Tomé	Hospitality	31-12-2013	(1.045.089)	1.380.894	2.425.983	1.118.518	(387.443)	99,57%	99,95%
Rotas de África, S.A.	Portugal	Services	31-12-2013	(4.681.865)	4.495	4.686.360	–	(8.191)	99,62%	100,00%
Salvintur - Soc. de Invest. Turísticos, S.G.P.S., S.A.	Portugal	Sub-Holding	31-12-2013	17.396.719	32.034.054	14.637.335	70.000	(304.754)	99,62%	100,00%
Salvor - Soc. de Investimento Hoteleiro, S.A.	Portugal	Hospitality / DRHP	31-12-2013	120.229.361	183.237.153	63.007.793	22.292.740	2.992.762	98,00%	98,99%
Salvor Hotéis Moçambique Invest. Turísticos, S.A.	Mozambique	Hospitality	31-12-2013	13.687.310	23.159.450	9.472.140	6.803.225	3.846	91,63%	91,98%
São Tomé Invest, S.A.	Sao Tomé	Hospitality	31-12-2013	(137.701)	297.829	435.530	702.027	(73.249)	99,62%	100,00%
SDM - Soc. de Desenvolvimento da Madeira, S.A.(a)	Portugal	Services	31-12-2013	22.838.854	25.658.828	2.819.974	7.661.228	2.746.060	15,00%	70,00%
Soc. de Investimento Hoteleiro D. João II, S.A.	Portugal	Hospitality / DRHP	31-12-2013	1.444.058	4.693.395	3.249.337	818.448	305.453	98,00%	100,00%
Soc. Imobiliária Troia B3, S.A.	Portugal	Real Estate	31-12-2013	15.997.636	30.869.691	14.872.055	7.140.637	1.232.670	98,00%	100,00%
Southern Escapes Travel	South Africa	Hospitality	31-12-2013	25.530	47.986	22.457	–	167.990	98,81%	100,00%
Surinor, S.A.	Uruguay	Services	31-12-2013	167.993	6.814.381	6.646.388	–	(192.083)	99,52%	100,00%
Viquingue, Soc. Turística, S.A.	Portugal	Hospitality / DRHP	31-12-2013	10.069.542	18.352.331	8.282.790	3.962.359	(173.650)	98,00%	100,00%
Wild Break 29 (PTY) LTD	South Africa	Hospitality	31-12-2013	1.902.081	3.134.310	1.232.229	1.590.744	(81.400)	98,81%	100,00%

The Associates of Pestana Group as at 31 December 2013 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	31-12-2013	1.705.080	1.733.359	28.279	21.996	(2.731.844)	3,75%	25,00%
Enatur - Empresa Nacional de Turismo, S.A.	Portugal	Real estate	31-12-2013	71.984.643	110.083.735	38.099.092	2.210.549	75.969	37,02%	49,00%
Albar - Sociedade Imobiliária do Barlavento, S.A.	Portugal	Real estate	31-12-2013	1.172.789	1.193.237	20.448	–	(4.488)	49,50%	49,81%
Soehotur, S.A.	Angola	Construction	31-12-2013	250.869	2.375.314	2.124.445	–	(247.781)	24,91%	25,00%

The Other financial investments of Pestana Group as at 31 December 2013 are as follows:

Name	Headquarters	Activity	Reference date	Equity	Assets	Liabilities	Sales	Profit/ (Loss)	% Owned	% Control
EuroAtlantic, Transportes Aéreos, S.A.	Portugal	Aviation	31-12-2013	12.594.027	101.172.041	88.578.013	67.280.573	3.753.273	14,85%	15,00%
Quanlux, S.àr.l.	Luxembourg	Services	31-12-2013	1.501.566	1.609.632	108.066	_	(32.520)	15,00%	15,00%

40. Business combinations

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 Statement of Financial position as at 1 September 2014, the reference date of acquisition of this company, is as follows:

	IATH, S.A.
Purchasing price	**661.074**
Assets	
Property, plant and equipment	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 it's full value (Note 33).

The Income statement of the company included in the consolidation perimeter 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)

According to the Contribution Agreement made on 2013 with Mr. Dionísio Pestana ("the Contributor") and the Pestana Group, it was decided the contribution with shares that "the Contributor" held in the subsidiaries in exchange of the 1.277.677 new shares (increased the share capital of the Pestana International Holdings S.A. in the amount of 161.383.370 Euros) issued to the Contributor by Pestana International Hodings S.A.. The shares, subsidiaries and correspondent amounts that have been contributed were the following:

- 59.714.700 shares of Grupo Pestana, S.G.P.S., S.A., in the amount of 147.866.286 Euros (73,24% of the capital);
- 6.655.000 shares of Djebel, S.G.P.S., S.A., in the amount of 6.655.000 Euros (60,50% of the capital);
- 5.002.050 shares of Pestana Inversiones S.L., in the amount of 5.724.584 Euros (31,17% of the capital);
- 227.500 shares of Salvintur – Sociedade de Investimentos Turísticos, S.G.P.S., S.A., in the amount of 1.137.500 Euros (35% of the capital).

In 2013, Pestana Group bought to Grupo Pestana, SG.P.S., S.A. the following shares:

- 2.172.500 shares of Djebel, S.G.P.S., S.A. by the amount of 5.527.500 Euros (19,75% of the capital).
- 1.605.021 shares of Pestana Inversiones S.L. in the amount of 2.852.181 Euros (10% of the capital).

Consequently, in 2013 Pestana Group owns and starts to control the following subsidiaries that represent the following sub-regional holdings:

- Grupo Pestana, S.G.P.S., S.A. – Sub-holding for Portugal, Europe and North America (99% of the capital);
- Djebel, S.G.P.S., S.A. - Sub-holding for Brazil (100% of the capital);
- Pestana Inversiones S.L. - Sub-holding for Latin América and Morocco (51,65 % of the capital plus 48,35% trought Grupo Pestana, S.G.P.S., S.A.);
- Salvintur – Sociedade de Investimentos Turísticos, S.G.P.S., S.A. – Sub-holding for Africa (99,62 % of the capital).

The Statement of Financial position as at 1 January 2013 of the companies included in the consolidation perimeter in 2013 is as follows:

	31-12-2013
Assets	
Property, plant and equipment	967.014.303
Intangible assets	17.192.098
Investment properties	8.854.745
Investments in associates	10.071.080
Other financial assets	9.183.057
Deferred tax assets	18.473.502
Financial assets available for sale	5.129.903
Trade and other receivables	66.055.912
Inventories	43.774.854
Current tax assets	3.350.513
Financial assets at fair value throught profit and loss	713.043
Cash and cash equivalents	48.142.602
Total Assets	**1.197.955.612**
Liabilities	
Provisions	2.160.242
Loans and borrowings	463.510.292
Deferred tax liabilities	106.667.446
Derivatives	10.579.604
Deferred income	214.001.717
Trade and other payables	81.354.547
Current tax liabilities	837.013
Total Liabilities	**879.110.861**
Pestana Group interest	**273.930.701**
Non controlling interests	**44.914.050**

The Income statement of the companies included in the consolidation perimeter in 2013 is as follows:

	2013
Revenue	292.594.831
Cost of sales	(39.384.321)
External services and supplies	(97.912.806)
Personnel expenses	(80.208.550)
Charges/reversals of depreciations and amortizations	(41.087.781)
Impairment of assets depreciation / amortization	3.284.991
Impairment of receivables	(1.020.238)
Impairment of inventories	24.710
Provisions	109.352
Other income	12.304.474
Other expenses	(17.645.608)
Share of profit of associated and joint ventures	(1.776.653)
Profit before financial results and taxes	**29.282.401**
Finance expenses	(32.392.773)
Finance income	4.825.472
Profit before tax	**1.715.100**
Income tax	896.652
Profit for the year	**2.611.752**
Profit for the year attributable to:	
Shareholders	1.630.079
Non-controlling interests	981.673

41. **Related parties**

As at 31 December 2014 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.

Transactions and balances with related parties

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

	Services obtained	Investment 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 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**	**27.239**

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

	Services obtained	Dividends obtained	Investments gain	Services rendered	Interest earned
Associates	**2.511.471**	**–**	**–**	**54.509**	**11.121**
Enatur - Empresa Nacional de Turismo, S.A.	2.511.471	–	–	54.509	11.121
Other related parties	**–**	**750.000**	**10.202.049**	**175.835**	**4.227**
Euro Atlantic Airways - Transportes Aéreos, S.A.	–	–	–	168.139	–
Quanlux, S.à.r.l.	–	750.000	–	7.696	4.227
Pestana Atlantic, S.à.r.l.	–	–	10.202.049	–	–
Key management personnel	–	–	–	–	–
	2.511.471	**750.000**	**10.202.049**	**230.344**	**15.348**

As the ended of the years 2014 and 2013, loans with related parties are as follows:

	31-12-2014		31-12-2013	
	Loans obtained	**Loans granted**	**Loans obtained**	**Loans granted**
Associated companies	**-**	**1.363.114**	**-**	**898.337**
Enatur - Empresa Nacional de Turismo, S.A.	-	1.190.593	-	477.598
Soheotur, S.A.	-	172.521	-	420.739
Key Management personnel	**-**	**–**	**-**	**–**
	-	**1.363.114**	**-**	**898.337**

The balances, by financial caption, as at 31 December 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 related parties	**2.952.438**	**–**	**2.952.632**	**–**
Pestana Atlantic, S.àr.l.	2.952.438	–	2.952.632	-
Key management personnel	**–**	**–**	**–**	-
	3.765.498	**–**	**3.765.692**	**764.249**

The balances by financial caption as at 31 December 2013 are as follows:

	Receivables current	Impairment Receivables current	Net Receivables current	Payables current
Associates	**2.083.393**	**(601.222)**	**1.482.171**	**1.527.500**
Enatur - Empresa Nacional de Turismo, S.A.	1.462.740	–	1.462.740	1.527.500
Albar - Sociedade Imobiliária do Barlavento, S.A.	13.715	–	13.715	–
Soehotur, S.A.	606.938	(601.222)	5.716	–
Other related parties	**12.941.562**	**(102.298)**	**12.839.264**	**83.731**
Euro Atlantic Airways - Transportes Aéreos, S.A.	194.615	–	194.615	3.843
CITG - Companhia Ibérica de Turismo Global, SGPS, S.A.	88.157	(88.157)	–	–
Sonhando - Organização de Viagens, S.A.	94.029	(14.141)	79.888	79.888
Quanlux	16.211	–	16.211	–
Pestana Atlantic, S.àr.l.	12.548.550	–	12.548.550	–
Key management personnel	**–**	**–**	**–**	**–**
	15.024.955	**(703.520)**	**14.321.435**	**1.611.231**

42. Subsequent events

In January 2015, Pestana Group has provided a commitment in the amount of 250.000 Euros to be granted private use of an infrastructure in the Praça do Mar in Funchal. This concession relates to a 4-star hotel with 50 rooms in that location, near the sea and the port of Funchal, with a splendid and wide view of the bay of Funchal. This hotel will have a swimming pool and sunbathing area, as well as a restaurant area and a terrace in the very sought out Sea Square. Because of its location, decor and environment, it is a hotel that is expected to draw segments of younger and less seasonal customers.

In early 2015, the subsidiary Hotéis do Atlântico, S.A. acquired a lease ground for 99 years in Manhattan (New York), aiming to promote, in the course of 2015, the construction of a hotel with 176 rooms. The new facility is scheduled to open in 2017.

In May 2015 Pestana won in Spain (Madrid) a local tender for developing a 70 key hotel in Plaza Mayor. Projects for refurbishment the building will be presented to the municipality in 2015 and construction it is expected to begin in 2016.

Luxembourg, 26 May 2015

The Board of Directors

Dionísio Fernandes Pestana	José Alexandre Lebre Theotónio
Director	Director
Hermanus R.W. Troskie	Chiara Louise Deceglie
Director	Director

Pestana Arena Barcelona

L'Alliance Révision S.à r.l.
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To the shareholders of
Pestana International Holdings S.A.
Société anonyme
58, rue Charles Martel
L-2134 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of **Pestana International Holdings S.A.** and its subsidiaries (**the "group"**), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cashflow statement for the year ended 31 December 2014 and a summary of the significant accounting policies and other explanatory information.

Responsibility of the Board of directors 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 and 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 réviseur d'entreprises agréé's judgement, 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 group'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 group's internal control.

An audit also includes evaluating the appropriateness of the group 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 consolidated financial position of the group as of 31 December 2014, and of the group's consolidated financial performance and consolidated cashflows 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 Management report which is the responsibility of the Board of Directors is consistent with the consolidated financial statements.

Luxembourg, 22 June 2015

L'Alliance Révision S.à r.l.
Cabinet de révision agréé
Represented by Bishen Jacmohone
Réviseur d'entreprises agréé
1, rue des Glacis
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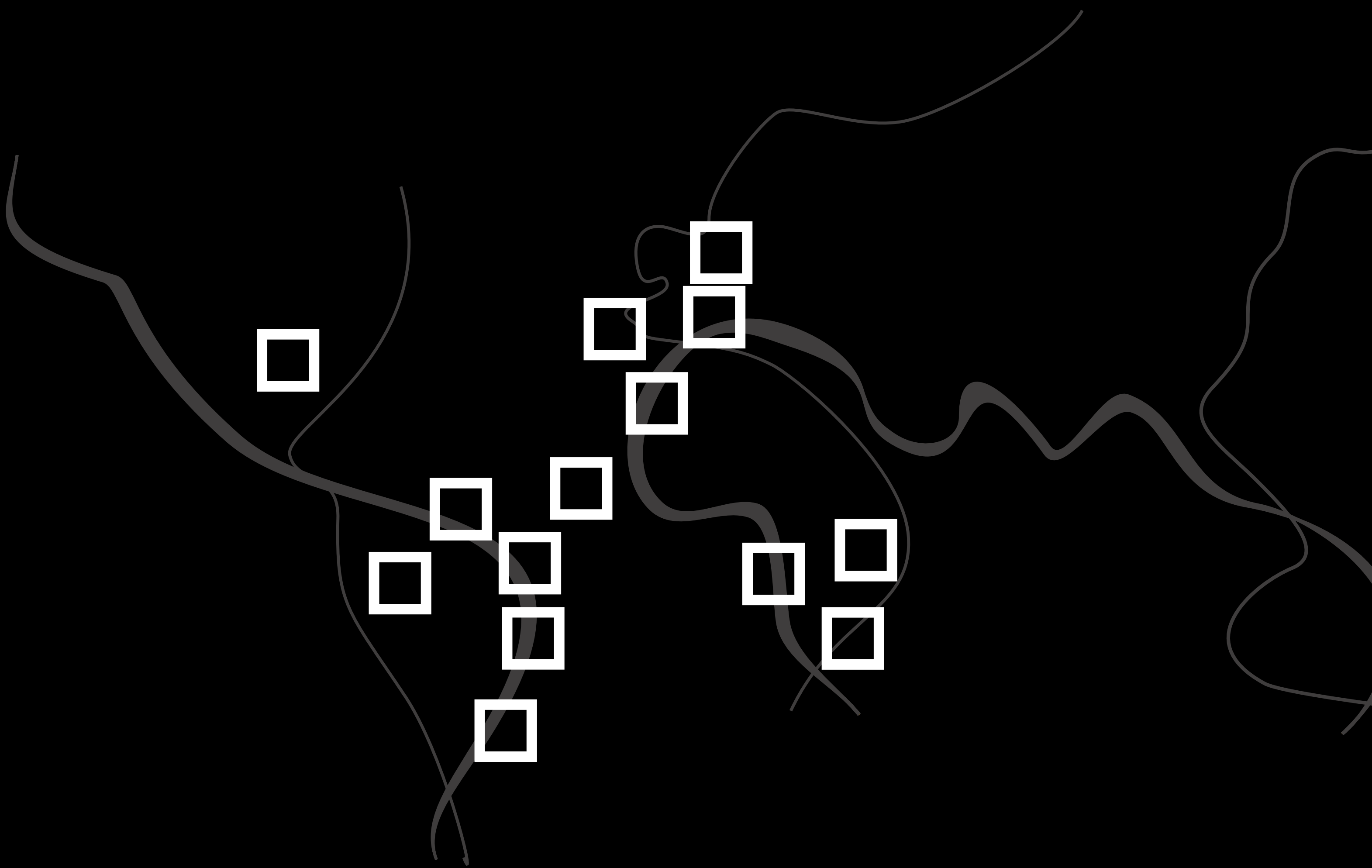

PESTANA INTERNATIONAL HOLDINGS S.A.

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