



Board of Directors'
Report and Accounts
and
Supervisory Council's Opinion
2011

ANNUAL MEETING NOTICE

Under the terms of Article 35(2) of the Bylaws, I hereby give notice that the Annual Meeting of the Society's Cooperative Members will be held on March 30, 2012, at 8 p.m., at the building of Rua Gonçalves Crespo, 62, in Lisbon, with the following agenda:

Before the Agenda:

- 1- Message from the Board of Directors
- 2- Comments from Cooperative Members

Agenda:

Review and voting on the Board of Directors' Report and Accounts and on the Opinion of the Supervisory Council for 2011.

Should the number of Cooperative Members not be enough to make the quorum stipulated in Article 38 of the Bylaws at the appointed hour, the Annual Meeting will take place an hour later at the same location with whatever number of Cooperative Members.

In accordance with the applicable legal provisions, the annual meeting agenda documents can be examined by the Cooperative Members at the Registered Address - Membership Department - and at the Porto branch office during normal business hours, from the date of the enclosed notice. These documents can also be examined on SPA's website (www.spautores.pt).

In accordance with Article 41 of the Bylaws, voting right can be exercised:

- in person
- by proxy
- by mail

Vote by proxy can be delegated to any other Cooperative Member, under the terms of the enclosed power of attorney. When voting by mail, the letter addressed to the Chairman of the Annual Meeting in the postpaid envelope should clearly indicate whether the vote on both items in the Agenda is for or against.

Lisbon, March 15, 2012

Chairman of the Annual Meeting

Rui Vieira Nery

BOARD OF DIRECTORS' REPORT

SPA DEFINED AND FULFILLED STRATEGY TO FACE SEVERITY OF THE CRISIS

SPA's Annual Report refers to the year of 2011, which has already been heavily limited by the global crisis. This crisis became more acute mainly in the second quarter due to the growing number of bankruptcies in the hotel and restaurant sector.

As would be inevitable in such a serious context, cultural consumption has decreased. Consequently, SPA's royalty collections have also fallen. This has happened both at headquarters and at the branch offices, which operate countrywide from the north of Portugal to the Autonomous Regions.

In spite of this worrying state of affairs, SPA was able to take the necessary steps to reduce the impact of this structural crisis.

A huge investment was made in the creation of a new network of branch offices nationwide, as well as in the final steps to install the new computer system. The branch offices are now operating on a different model, based on a direct relationship between local employees and headquarters. The commission agent system that has prevailed for decades has therefore been abandoned.

In 2011, SPA adopted the measures it saw fit to solve a series of problems and obstacles that had never reached the current level. Said measures were always unanimously supported by the Board of Directors and by the other Governing Bodies within a context of open management with active participation. The Society's 2011 accounts closed with a net income of €532,406 in spite of the 4.7% decrease in royalty collections compared with 2010. This fall was due to the substantial aggravation of the country's social and economic situation.

Notwithstanding, a strict management strategy made it possible to reduce employee expenses. Furthermore, an 85% increment of financial investment interest translated into an increase of that income, from €586,113 to €1,092,054.

On the other hand, the degradation of the living conditions of most Portuguese authors became evident in 2011. They now receive less

commissions, have less performances and deal with increasingly longer delays in the payment of invoices for their works and performances. Therefore, the number of those who have been forced to use the cooperative's assistance mechanisms has significantly increased and continues to grow, sometimes dramatically, in 2012.

The year of 2011 also saw the consolidation of SPA's presence on the media, namely with the second edition of the Authors Award Gala, with a new series of TV shows on TVI 24 and with its regular presence on TSF radio station, which will resume in the middle of 2012. This presence has revealed a more modern and active SPA, which is better prepared for the huge challenges posed by the ongoing technological revolution.

A credible and prestigious SPA naturally strengthens its negotiation power, as well as its influence and acceptance by such relevant sectors as the police forces or the judiciary.

The Board of Directors, knowing that the inevitable reduction of collected royalties can only be offset by more negotiation power with large and medium operators, has approved the Board of Administrators' proposal to create the Contract Management Department. This has allowed SPA to augment collected royalties, to identify new operators and to outline new negotiation strategies in order to increase its income.

When a new Government took office in July 2011, SPA's Board of Administrators used its best endeavors to convey its claims and expectations to the new administration. In two meetings with the junior minister of State for Culture, the urgent need for the new Private Copy Law, the new anti-piracy legislation and the new Cinema Law to come into effect was emphasized, as well as the need for a more dynamic relationship with the Inspectorate General for Cultural Activities (IGAC – Inspeção Geral das Actividades Culturais).

By the end of 2011, there were still no practical results of the efforts made in this area, so the main expectations were postponed to 2012. A cordial relationship doesn't always lead to the fulfillment of the most equitable and legitimate needs on a political level. Notwithstanding, the Board of Directors hopes that this relationship may lead to practical results that will satisfy the legitimate needs of the Portuguese authors.

When the Portuguese Music Export Office project was suspended, the Board of Directors was concerned. In the meantime, the junior minister of State

announced that there would be some changes, with a probable extension to the audiovisual sector. However, no office and no extension have seen the light of day so far.

On the other hand, SPA has kept in touch with parliamentary groups on a regular basis in order to proceed with the new Private Copy Law, a goal which was not achieved by the end of the year and continues to be uncertain.

INTERNATIONAL SITUATION:

PRESTIGE AND STRENGTHENED PRESENCE

During 2011, as in previous years, SPA consolidated its position on the international stage, having its say in major CISAC¹ and GESAC² meetings, as well as at the CIADLV³ meetings, of whose Executive Committee it is a member. In addition, SPA's dynamic presence and intervention at the annual meeting of the Portuguese-Speaking Gatherings of Societies of Authors, a fundamental structure to promote cooperation between sister societies in the Portuguese-speaking territory, deserves to be mentioned.

In Prague, SPA also submitted an application to organize the Annual Meeting of CISAC's European Committee in April 2012, which was unanimously accepted. This meeting is to be a moment of intense reflection and debate about the future of copyright in the European continent.

COUNTING ON EMPLOYEES, REWARDING MERIT

Concerning the Cooperative's relationship with its employees, and because the country's economic and social situation does not allow for salary increases, social assistance has been reinforced, namely in what concerns the funding of the Cultural and Sports Center (CCD - Centro Cultural e Desportivo), which has made it possible to double the number of daily meals at a reduced price. Along the same line, the traditional Christmas dinner has been replaced with the

1 International Confederation of Societies of Authors and Composers

2 European Grouping of Societies of Authors and Composers

3 International Council of Dramatic, Literary and Audiovisual Authors

distribution of a Christmas basket, a more comprehensive and tangible measure that satisfied the needs of most of the cooperative's employees. On the other hand, all the social measures already in force were maintained as a way of providing assistance to the society's employees.

The Career Plan also continues to be implemented, and maintaining jobs is a priority of which the Board of Directors believes employees are aware. It should be mentioned that SPA was one of the few societies of authors that did not resort to dismissals in 2011, thus going against a tendency in much wealthier and influential societies.

MORE AND BETTER MEMBER SERVICES

The year of 2011 also saw a significant increase in the number of members that benefited from SPA's services and in the quality of the services provided by SPA to its members. This is the front office that allows SPA to maintain a daily and continued relationship with members and their individual situations. Hence the constant attention to such a key priority area.

SPA's Board of Directors is aware that the quality and efficiency of its member services are fundamental, both at headquarters and at the branch offices, so as to speed up procedures and create a more modern and dynamic image of an entity that needs to win the battle for the future.

QUALITY COMMUNICATION, **STRENGTHENED IMAGE,** **INCREASED PRESTIGE**

Regarding the society's activities in 2011, it is important to highlight the continuous investment in a communication policy that is not comparable to past practices, including the more recent past. Every week, cooperative members receive by email, via the cooperative's website or on paper (when this is still necessary) detailed information on all the relevant aspects of SPA's activity, and everything is brought to the knowledge of the authors we serve.

In 2011, that communication strategy translated into SPA's regular presence on TV and on the radio, namely on TVI 24 television channel, on TSF radio station and at the Authors Award Gala at the CCB. SPA's Board of Directors is convinced that this communication policy has significantly contributed to increase the cohesion of authors, to bring them closer to the cooperative and to strengthen and spread the society's image and prestige.

TO PROMOTE AND SUPPORT CULTURE

IN A COHERENT AND DECENTRALIZED WAY

Another key aspect of the society's activities in 2011 was the support to cultural creation via the Cultural Fund, which allowed SPA to help a few more dozens of projects from different areas of creation. That practice and that priority shall be maintained, provided that this fund's sustainability is not called into question due to reasons beyond the cooperative's control.

In spite of the 2011 budget restrictions, the number of exhibitions, conferences, presentations of works and other cultural events has not slowed down, both at the society's headquarters and in Porto. This means that SPA is once again a dynamic and creative center in terms of cultural offer, and that it does not just operate as a mere copyright collective management company. Emphasis should also be placed on the protocols that have been made and implemented nationwide, which have allowed SPA to strengthen its connection with civil society structures and its presence in the country's collective life, in a key decentralization movement.

It is also important to mention the Tribute to Fado Gala, which took place in November 2011 at the Auditorium (*Aula Magna*) of the Rectorate of the University of Lisbon a few days before the announcement of the successful inscription of Fado on UNESCO's Representative List of the Intangible Cultural Heritage of Humanity. There was a previous gala in 2010 dedicated to Portuguese Pop-Rock Music. It precedes the one that will take place in 2012 and others in the forthcoming years, which will always be dedicated to different themes.

SPA AT AGE COP'S PRESIDENCY

SPA continues to play an important role at AGE COP's Presidency, where it keeps battling for the new Private Copy Law and for the maintenance of the values that are indispensable to the existence and continuity of, for example, the Cultural Fund. This fund has already made it possible to support more than a hundred projects from almost all areas of creation in three years.

SPA CONTINUES TO FIGHT FOR THE PRIORITY OF COPYRIGHT

The year of 2011 was also that of SPA's fair and pressing fight for the consolidation of the primary and priority nature of Copyright in relation to neighboring rights, which often overlap the basic right (copyright), thus contributing to market saturation.

Thousands of users feel tired of, and angry at, an excess of dispersed collections, which aggravates, for example, the already difficult situation of the hotel and restaurant sector. SPA has taken all the necessary steps to create a one-stop shop for the collection of royalties, but this was not implemented in the end due to the systematic obstacles created by the entities that collect neighboring rights royalties.

SPA did not stop fighting in 2011, and will not stop fighting in the future, for the priority of copyrights over neighboring rights. Neighboring rights are unequivocally subordinate to copyrights in what concerns collected royalties (this is what happens in Brazil).

AUSTERITY, RIGOR AND SOLIDARITY

This report refers to a year of austerity. But it also refers to a year of pragmatism because, during its first year in office, SPA's Board of Directors has always been conscious that it is facing one of the darkest and most dramatic periods in the cooperative's history.

In 2011, the cohesion of authors around the entity that represents them has been maintained and strengthened. Without prejudice to the cooperative's democratic vitality, the critical voices representing views and interests that are the complete opposite of the cooperative's goals were reduced to their real dimension.

The Board of Directors knows that authors should be united around SPA, now more than ever, without mistaking what is essential for what is accessory and strengthening the solidarity and support mechanisms on which depends the future of SPA, which is almost one hundred years old.

In 2011, SPA also made a strategic investment in modernization and rejuvenation, although everyone knows that there is still a lot to be done in this area and that it is necessary to find new ways to attract and secure new authors that can guarantee the future of this entity, its prestige and its representativeness. Everything has been done in 2011 to protect them, from talks with political decision-makers to training sessions with the police forces and the judiciary, without forgetting that the fight for the defense of copyright depends on the creation of a new consumer mentality. Especially in an era of technological revolution in which the idea that the consumption of cultural goods is free, unlike that of other products, is dangerously spreading.

This was also a year in which SPA clearly understood who it can count on or not. The society became aware that, even in a sector where public interest and cooperation should prevail, there are those who are intent on antagonizing SPA because it is the strongest and most representative entity in the sector. And this is done under the deceiving illusion that by making SPA weaker it is possible to obtain economic benefits and to share new powers. SPA has made it clear to everyone last year that its position is solid, that its determination is unshakable and that its internal unity is indestructible. SPA has also made it clear that there is no unscrupulous ambition masked as technical superficiality that can harm an entity with more than 25 thousand members and 87 years of existence. SPA will not be baffled by feeble attacks that will never be able to lift off, even if they try to take advantage of the law.

PROPOSAL FOR THE APPROPRIATION OF INCOME

The Board of Directors proposes that the Net Income for 2011, in the amount of EUR 532,406, be transferred to Retained Earnings.

Lisbon, March 2012

SPA's Board of Directors

Cultural Activities
January - December 2011

January 13 - Duque de Loulé Building – 6 p.m.

Ceremony to affix a plate in honor of the authors of the Republic.

January 19 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

Book launch: *Coreto* (Bandstand), by Maestro Jorge Costa Pinto.

January 27 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

Concert by the Lisbon Metropolitan Orchestra - "Harp, Harpsichord, Oboe and Horn".

February 4 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

Jaime Salazar Sampaio Cycle - "Dramaturgy and Performing Arts":

Session entitled "The Day of Wonders - From the Novel to the Stage".

February 17 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

Concert by the Lisbon Metropolitan Orchestra - "Piazzolla and Schumann" (violin, viola, cello and piano).

February 21 - CCB (Belém Cultural Center) - 9 p.m.

2011 SPA/RTP Authors Award Gala.

February 24 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

Jaime Salazar Sampaio Cycle - "Dramaturgy and Performing Arts":

Session entitled "Soap Operas: From the Paper to the Screen".

March 21 - Maestro Frederico de Freitas Auditorium - 6 p.m.

Celebration of the World Poetry Day - Session with José Fanha.

March 22 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

CD launch: *Quem foi que te fez Fado?* (Who Made You Fado?), by Miguel Brito Rebelo and Rui Rocha.

March 24 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

Concert by the Lisbon Metropolitan Orchestra - "Béla Bartók's Contrasts" (violin, clarinet and piano).

March 31 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

Jaime Salazar Sampaio Cycle - "Dramaturgy and Performing Arts":

Session entitled "How is a Song Born?".

April 7 - Carlos Paredes Room - 6 p.m.

Opening of the exhibition celebrating the Revolution of April 25, 1974:
"Memory Testimonies - April of Arrivals, April of Artists", by photographer Carlos Gil.

April 15 - Maestro Frederico de Freitas Auditorium - 3 p.m.

Meeting of the IBBY - International Board on Books for Young People.

April 19 - Maestro Frederico de Freitas Auditorium - 6 p.m.

Book launch: *Escritos de Palco* (Works for the Stage), by Leandro Vale.

April 28 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

Jaime Salazar Sampaio Cycle - "Dramaturgy and Performing Arts":
Session entitled "Perfirst – Theater, Installation or Performance?".

May 5 - Carlos Paredes Room - 6 p.m.

Opening of the exhibition commemorating the 80th Anniversary of Michel Giacometti's birth - "Michel Giacometti: 80 Years, 80 Pictures".

May 5 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

Concert by the Lisbon Metropolitan Orchestra – "Wind Quintet and String Quartet".

May 11 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

Commemoration of Gustav Mahler's 100th Anniversary - Session with António Cartaxo.

May 20 - Carlos Paredes Room

Celebration of the Portuguese Author Day – SPA's 86th Anniversary.

May 26 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

Jaime Salazar Sampaio Cycle - "Dramaturgy and Performing Arts":
Session entitled "Meisner's Technique – The Actor and the Character".

June 2 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

Concert by the Lisbon Metropolitan Orchestra – "Woodwind Trio and String Quartet".

June 17 - Maestro Frederico de Freitas Auditorium - 2.30 p.m.

Meeting of the IBBY - International Board on Books for Young People.

June 20 - Carlos Paredes Room - 6 p.m.

Opening of the exhibition evoking the life and work of the writer Matilde Rosa Araújo –
"Matilde Rosa Araújo, The Fate of Fairies".

July and August - No activities.

September 15 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

Concert by the Lisbon Metropolitan Orchestra – “French Trios” (violin, cello, piano).

September 21 - Maestro Frederico de Freitas Auditorium - 6 p.m.

Screening of the play *A Filha Rebelde* (The Rebellious Daughter), by Margarida Fonseca Santos.

September 22 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

Authors Talking About Authors Cycle - Maria Alzira Seixo talks about Alves Redol and Manuel da Fonseca.

September 29 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

Jaime Salazar Sampaio Cycle - “Dramaturgy and Performing Arts”:

Session entitled “The Adventure of Making People Laugh – Stand-up Comedy or Improvisation?”.

October 13 - Carlos Paredes Room - 6 p.m.

Opening of the exhibition evoking José Niza, “E Depois do Adeus - História de uma Canção de Abril” (After Saying Goodbye – Story of an April Revolution Song).

October 14 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

Second screening of the play *A Filha Rebelde* (The Rebellious Daughter), by Margarida Fonseca Santos.

October 24 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

Associação Abril - Women's Memory Session on “Women and the First Republic”, by Ana Vicente.

October 25 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

Authors Talking About Authors Cycle - Baptista-Bastos talks about Fialho de Almeida.

October 28 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

Concert by the Lisbon Metropolitan Orchestra - “The 200th Anniversary of Franz Liszt's Birth” (violin and piano).

November 3 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

Jaime Salazar Sampaio Cycle - "Dramaturgy and Performing Arts":
Session entitled "Behind the Mask".

November 7 - Auditorium of the Rectorate of the University of Lisbon - 9 p.m.

Tribute to Fado.

November 14 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

Associação Abril - Women's Memory Session on "Women Resistance Fighters".

November 17 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

Book launch: *Sérgio Godinho e as 40 Ilustrações* (Sérgio Godinho and the 40 Illustrations), by Sérgio Godinho, published by Editora Abysmo.

November 18 - Carlos Paredes Room - 6.30 p.m.

CD launch: *Cantos da Babilónia* (Babilonia Chants), by Pedro Osório.

November 21 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

Authors Talking About Authors Cycle - Tiago Torres da Silva talks about Amália Rodrigues.

November 25 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

Concert by the Lisbon Metropolitan Orchestra - "The 100th Anniversary of Nino Rota's Birth" (violin, double bass and piano).

November 28 - Carlos Paredes Room - 6 p.m.

Portuguese Pen Club Award Ceremony.

November 29 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

Jaime Salazar Sampaio Cycle - "Dramaturgy and Performing Arts":
Session entitled "Theater for Children".

December 5 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

Associação Abril - Women's Memory Session on "Maria de Lourdes Pintasilgo, The Politics of Difference".

December 19 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.

Jaime Salazar Sampaio Cycle - "Dramaturgy and Performing Arts":
Dedicated to the movie *Sangue do meu Sangue* (Blood of My Blood).

December 21 - Maestro Frederico de Freitas Auditorium - 11 a.m.

Field trip of the Associação de Solidariedade e Desenvolvimento do Laranjeiro (Laranjeiro Solidarity and Development Association), followed by a lecture given by Mr. Lucas Serra.

FINANCIAL STATEMENTS AND NOTES

SOCIEDADE PORTUGUESA DE AUTORES, C.R.L.

BALANCE SHEETS AS AT DECEMBER 31, 2011 AND 2010

(Amounts in euros)

ASSETS	Notes	2011	2010
NON-CURRENT ASSETS:			
Property, plant and equipment	6	8,856,546	9,148,577
Investment property	7	717,924	741,886
Intangible assets	8	1,564,494	1,296,078
Holdings - other methods		78	78
Non-current assets total		<u>11,139,042</u>	<u>11,186,619</u>
CURRENT ASSETS:			
Receivables	10	9,486,743	8,818,027
Advances to suppliers	11	1,414,393	1,422,590
Other receivables	12	500,964	2,205,436
Deferrals	13	54,885	81,335
Cash and bank deposits	4	33,099,301	30,587,413
Total current assets		<u>44,556,286</u>	<u>43,114,801</u>
Total assets		<u>55,695,328</u>	<u>54,301,420</u>
EQUITY AND LIABILITIES			
EQUITY:			
Paid-in capital	14	12,846	12,337
Legal reserve	14	77,024	73,784
Bylaws reserves	14 and 27	2,393,187	2,664,661
Retained earnings	14	(11,824,098)	(12,571,333)
Other changes in equity	7 and 14	97,875	97,875
		<u>(9,243,167)</u>	<u>(9,722,676)</u>
Net income for the fiscal year (FY)		532,406	747,235
Total equity		<u>(8,710,761)</u>	<u>(8,975,441)</u>
LIABILITIES:			
NON-CURRENT LIABILITIES:			
Provisions	15	1,058,747	1,193,114
Post-employment benefits liabilities	16	3,599,965	4,598,791
Total non-current liabilities		<u>4,658,712</u>	<u>5,791,905</u>
CURRENT LIABILITIES:			
Payables	11	45,374,882	43,213,272
Invoices pending approval	10	11,672,542	11,328,209
State and other public bodies	17	944,654	688,740
Other payables	18	1,623,067	1,798,685
Deferrals	13	132,232	456,050
Total current liabilities		<u>59,747,377</u>	<u>57,484,956</u>
Total liabilities		<u>64,406,089</u>	<u>63,276,861</u>
Total equity and liabilities		<u>55,695,328</u>	<u>54,301,420</u>

The notes are an integral part of the balance sheet as at December 31, 2011.

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

SOCIEDADE PORTUGUESA DE AUTORES, C.R.L.

INCOME STATEMENT BY NATURE

FOR FYS ENDED DECEMBER 31, 2011 AND 2010

(Amounts in euros)

INCOME AND EXPENSES	Notes	2011	2010
Services rendered	19	7,506,942	7,687,973
Operating subsidies	13	-	252,700
Work for the entity itself	8	266,685	104,696
External services and supplies	20	(1,872,153)	(1,889,744)
Employee expenses	21	(6,368,045)	(6,670,954)
Impairment of receivables ((losses)/reversals)	12	(25,610)	(24,786)
Provisions ((increases)/reductions)	15	168	765,039
Other income and gains	22	1,012,007	757,877
Other expenses and losses	23	(414,963)	(340,098)
Earnings before interest, taxes, depreciation, and amortization (EBITDA)		105,031	642,703
Depreciation and amortization expenses	24	(610,602)	(425,507)
Operating (loss) income (before interest and taxes)		(505,571)	217,196
Interest and similar income	25	1,092,054	586,113
Interest and similar expenses	25	(54,077)	(56,074)
Net income for the FY		532,406	747,235

The notes are an integral part of this income statement by nature for the FY ended December 31, 2011.

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

SOCIEDADE PORTUGUESA DE AUTORES, C.R.L.

STATEMENT OF CHANGES IN EQUITY

FOR FYS ENDED DECEMBER 31, 2011 AND 2010

(Amounts in euros)

Equity allocated to capital holders							
	Notes	Paid-in capital	Legal reserve	Bylaws reserves	Retained earnings	Other changes in equity	Total equity
Balance as at January 1, 2010		11,681	69,194	2,949,225	(15,150,487)	-	(12,075,406)
Increases	14	850	4,590	1,493,250	2,534,173	-	4,032,863
Decreases	14	(194)	-	(1,777,814)	-	-	(1,778,008)
Rebordão Navarro House	7 and 14	-	-	-	-	97,875	97,875
Appropriation of the 2009 income	14	-	-	-	44,981	-	(44,981)
		656	4,590	(284,564)	2,579,154	97,875	2,352,730
Net income for the FY		-	-	-	-	-	747,235
Balance as at December 31, 2010		12,337	73,784	2,664,661	(12,571,333)	97,875	(8,975,441)
Increases	14	600	3,240	1,659,897	-	-	1,663,737
Decreases	14	(91)	-	(1,931,372)	-	-	(1,931,463)
Appropriation of the 2010 income	14	-	-	-	747,235	-	(747,235)
		509	3,240	(271,475)	747,235	-	(267,726)
Net income for the FY		-	-	-	-	-	532,406
Balance as at December 31, 2011		12,846	77,024	2,393,187	(11,824,098)	97,875	(8,710,761)

The notes are an integral part of this statement of changes in equity for the FY ended December 31, 2011.

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

SOCIEDADE PORTUGUESA DE AUTORES, C.R.L.

CASH FLOW STATEMENT

FOR FYS ENDED DECEMBER 31, 2011 AND 2010

(Amounts in euros)

	Notes	2011	2010
<u>OPERATING CASH FLOW:</u>			
Receipts from customers		35,994,146	37,771,245
Payments to suppliers		(27,559,564)	(33,093,829)
Payments to employees		(6,384,193)	(6,651,168)
Cash flow generated by operations		2,050,389	(1,973,752)
Other receipts/(payments)	9 and 15	1,329,918	712,890
Operating cash flow (1)		<u>3,380,307</u>	<u>(1,260,862)</u>
<u>INVESTING CASH FLOW:</u>			
Payments for:			
Property, plant and equipment		(295,831)	(85,505)
Receipts from:			
Interest and similar income		994,215	500,306
Investing cash flow (2)		<u>698,384</u>	<u>414,801</u>
<u>FINANCING CASH FLOW:</u>			
Receipts from:			
Paid-in capital and reinforcement of legal and bylaws reserves	14	1,663,737	1,498,691
Payments for:			
Interest and similar expenses	25	(54,077)	(56,074)
Reductions of capital and bylaws reserves	14	(1,931,463)	(1,778,008)
Financing cash flow (3)		<u>(321,803)</u>	<u>(335,391)</u>
Variations in cash and cash equivalents (4) = (1) + (2) + (3)		3,756,888	(1,181,452)
Cash and cash equivalents at the beginning of the FY	4	27,837,413	29,018,865
Cash and cash equivalents at the end of the FY	4	31,594,301	27,837,413

The notes are an integral part of the cash flow statement for the FY ended December 31, 2011.

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

1. INTRODUCTORY REMARK

The Portuguese Society of Authors (SPA - Sociedade Portuguesa de Autores, C.R.L.) is a non-profit, limited liability cooperative based in Lisbon and incorporated in 1925. It was recognized as a public interest entity by the ministerial order of June 28, 1984. Its corporate objective is the management of copyright, and the defense and promotion of cultural property. Its main activity consists of the administration of literary and artistic works whose rightholders - SPA's cooperative and beneficiary members, and the members of foreign sister societies - it represents.

The legal and institutional framework for SPA's operation is based on the Portuguese Copyright and Neighboring Rights Code, as approved by Decree-Law no. 63/85 and amended by Law no. 45/85 of September 17 and Law no. 114/91 of September 3; Decree-Law no. 332/97 and Decree-Law no. 334/97, both of November 27; Law no. 50/2004 of August 24 and Law no. 24/2006 of June 30; and Law no. 16/2008 of April 1; as well as on the Portuguese Cooperative Code. On an international level, SPA's activity falls under the Berne Convention of 1886 and the Universal Copyright Convention of 1952, both revised in 1971.

These financial statements were approved by the Board of Directors in the meeting of March 13, 2012.

It is the opinion of the Board of Directors that these financial statements truthfully and adequately reflect SPA's operations, its financial position and performance, and its cash flow.

2. ACCOUNTING REFERENCES USED TO PREPARE THE FINANCIAL STATEMENTS

The financial statements in attachment have been prepared according to the legal provisions in force in Portugal for the fiscal years (FY) started January 1, 2010, in compliance with Decree-Law no. 158/2009 of July 13. They have also been prepared in accordance with the Portuguese Accounting Standardization System (SNC - Sistema de Normalização Contabilística), which is made up of the conceptual framework, the accounting and financial reporting standards (NCRF - Normas Contabilísticas e de Relato Financeiro) and the standards interpretations (NI - Normas Interpretativas) established in notices 15652/2009, 15655/2009 and 15653/2009 of August 27, 2009, respectively. Said standards and interpretations will hereinafter be referred to in general as "NCRF".

As mentioned in the Introductory Remark, SPA is a non-profit, limited liability cooperative. Therefore, some points in its accounting policies are different from those that are set out in the Portuguese Accounting Standardization System ("SNC") as follows:

- In order to meet the liabilities related to the payment of pensions to cooperative members and surviving spouses (Note 3.11), SPA withholds commissions from specific copyright royalties which, as set out in its bylaws (Articles 55 and 56), are recorded directly in equity (Notes 14 and 27). In each FY, that reserve is used to pay pensions to cooperative members and surviving spouses. The maximum annual liability for this benefit granted to SPA's cooperative members and surviving spouses is limited to 10% of the performance royalties received in each FY. Said benefit can't be more than 10% and may be proportionally reduced if the amount resulting from the application of this percentage is lower than the amount of the benefit due. Under these circumstances, the Board of Directors and its legal advisers deem that the sum of those annual liabilities is limited to the amount of the commissions that are annually deducted and allocated to said commitments.

3. MAIN ACCOUNTING POLICIES

The main accounting policies adopted when preparing the enclosed financial statements are as follows:

3.1- Presentation bases

The enclosed financial statements have been prepared in accordance with the Portuguese Accounting and Financial Statement Standards on a going concern assumption based on SPA's accounting books and records, which have been kept according to the generally accepted accounting principles, with the exception of what is mentioned in Note 2.

3.2- Property, plant and equipment

Property, plant and equipment are initially recorded at the cost of acquisition or production. This includes the price of purchase and any costs directly attributable to bringing the assets to the intended working condition on site, with the deduction of depreciation and any accumulated impairment losses.

As soon as the asset is in working condition, depreciation is calculated in accordance with the straight-line method, in compliance with the estimated useful life period.

The depreciation rates that have been used correspond to the following estimated useful life periods:

	<u>Years</u>
Buildings and other constructions	50
Plant and machinery	5 - 10
Transport equipment	4
Office equipment	3 - 10
Other items of property, plant and equipment	6 - 8

The works of art and the library, which are included in "Other items of property, plant and equipment", are not being depreciated.

The useful lives and the depreciation method of the different assets are revised annually. The effect of any change to these estimates is recognized prospectively in the income statement.

Maintenance and repair costs (subsequent expenditure) which are not susceptible of generating additional future economic benefits are recorded as expenses in the period in which they are incurred.

The gain (or loss) resulting from the disposal or write-off of an item of property, plant and equipment is determined as the difference between the amount received in the transaction and the carrying amount of the asset, and it is recognized in the income statement for the period in which the write-off or disposal occurs.

3.3- Investment property

Investment property essentially includes realty held for capital appreciation. It is not used for production, for the supply of goods or services, for administrative purposes or for sale in the normal course of operations.

Investment property is measured at cost.

Costs incurred with investment property in use, namely maintenance, repairs, insurances and taxes on property, are recognized as an expense in the period they refer to. Improvements made to investment property that are expected to generate additional future economic benefits are capitalized in the "Investment property" item.

Investment property is depreciated in accordance with the straight-line method, by twelfths, during its useful life, which is estimated at 50 years.

3.4- Intangible assets

Intangible assets are recorded at the cost of acquisition. They refer to software and are amortized in accordance with the straight-line method during the useful life period, which is estimated at 8 years.

3.5- Impairment of property, plant and equipment assets, intangible assets and investment property

On each report date, a revision of the carrying amounts of SPA's property, plant and equipment assets, intangible assets and investment property is made in order to determine whether there is any indicator suggesting that they may be impaired. If there is any such indicator, an estimate is made of the recoverable amount of the respective assets so as to determine the extent of the impairment loss (if that is the case). When it is not possible to determine the recoverable amount of an individual asset, the recoverable amount of the cash generating unit to which that asset belongs is estimated.

The recoverable amount of the asset or cash-generating unit consists of the highest from among (i) the fair value net of selling costs and (ii) the value in use. When determining the value in use, the estimated future cash flow is deducted using a discount rate before taxes that reflects the market's expectations about the time value of the money and the specific risks of the asset or cash-generating unit for which the future cash flow estimates have not been adjusted.

Whenever the carrying amount of the asset or cash-generating unit is higher than its recoverable amount, an impairment loss is recognized. The impairment loss is recorded immediately in the income statement in the "Impairment losses" item.

The reversal of impairment losses recognized in previous FYs is recorded when there is evidence that the previously recognized impairment losses no longer exist or have decreased. The reversal of impairment losses is recognized in the income statement in the "Reversals of impairment losses" item. The reversal of the impairment loss is made up to the limit of the amount that would be recognized (net of amortization) if the loss had not been recorded.

3.6- Financial assets and liabilities

Financial assets and liabilities

Financial assets and liabilities are recognized in the balance sheet when SPA becomes a party to the corresponding contractual provisions.

Financial assets and liabilities at cost or at amortized cost

Financial assets and liabilities are measured at cost or at amortized cost, net of any possible accumulated impairment losses, when:

- They are spot assets or liabilities or have a defined maturity; and
- They have an associated fixed or determinable return; and
- They are not or do not incorporate a derivative financial instrument.

The amortized cost corresponds to the amount at which a financial asset or financial liability is measured at the initial recognition, minus principal repayments, plus or minus the cumulative amortization, using the effective interest rate method, of any difference between that initial amount and the maturity amount. The effective interest rate is the rate that discounts future

payments or receipts estimated in the net carrying amount of the financial asset or financial liability.

Financial assets and liabilities at cost or at amortized cost include:

- Receivables;
- Other receivables;
- Payables;
- Other payables.

Cash and bank deposits

The amounts included in the "Cash and bank deposits" item correspond to the sums in cash, in demand and in time deposits with a maturity of less than 3 months and that can be immediately used with an insignificant risk of value change.

Impairment of financial assets

The financial assets under the category "at cost or at amortized cost" are subject to an assessment of indications of impairment on each report date. Such financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after their initial recognition, their estimated future cash flow is negatively affected.

For the financial assets measured at cost, the impairment loss to be recognized corresponds to the difference between the assets' carrying amount and the best estimate of the assets' fair value.

Impairment losses are recorded in the "Impairment losses" item of the income statement by nature in the period when they are determined.

Subsequently, if the impairment loss amount decreases and that decrease can be objectively related to an event that took place after the recognition of the loss, it is reversed by income. The reversal is made up to the limit of the amount that would be recognized (amortized cost) if the loss had not been initially recorded. The impairment losses reversal is recorded in the "Impairment losses reversal" item of the income statement by nature.

Derecognition of financial assets and liabilities

SPA derecognizes financial assets only when the contractual rights to its cash flow expire, or when it transfers the financial assets and all the significant risks and benefits that are associated with their ownership to another entity. The transferred financial assets on which SPA has retained some significant risks and benefits are derecognized, provided control over them has been assigned.

SPA derecognizes financial liabilities only when the corresponding obligation is settled, cancelled or expires.

3.7- Work for the entity itself

The internal expenses (essentially human resources) incurred to build intangible assets are capitalized, and they are accounted for in the "Work for the entity itself" item of the income statement by nature.

3.8- Provisions, contingent liabilities and contingent assets

Provisions are only recognized when SPA has a current obligation (legal or implicit) resulting from a past event. It is probable that, for the settlement of that obligation, there will be an outflow of resources and that the amount of the obligation can be reasonably estimated.

The recognized amount of the provisions consists of the present value of the best estimate on the date of report of the resources that are necessary to settle the obligation. Said estimate is determined considering the risks and uncertainties related to the obligation.

Provisions are revised on the date of report and are adjusted so as to reflect the best estimate on that date.

Contingent liabilities are not recognized in the financial statements. They are disclosed whenever the possibility of an outflow of resources that includes economic benefits is not remote.

Contingent assets are not recognized in the financial statements. They are disclosed when it is probable that there will be a future economic inflow of resources.

3.9- Revenue

Revenue from SPA's commissions on collected copyright royalties (Literature and Arts, Mechanical Reproduction and New Technologies Departments) is recognized in the income statement for the FY in which the distribution is made, with the exception of the copyright royalties collected by the Public Performance Department, which are recorded in the income statement for the FY in which the copyright royalties are effectively collected.

Interest revenue is recognized using the effective interest method, so long as it is probable that SPA will receive an inflow of economic benefits and its amount can be reliably measured.

3.10- Accrual accounting

Income and expenses are recorded in accordance with the accrual basis of accounting, by which they are recognized as they are generated, regardless of the moment in which they are received or paid. The differences between the invoiced amounts and the corresponding generated income and expenses are recorded as assets and liabilities.

3.11- Post-employment benefits

SPA has taken on the following liabilities:

(i) Commitments to employees

Defined benefit plans

SPA has adopted the provisions of *NCRF 28 – Employee Benefits* ("NCRF 28") as the accounting policy used to recognize its liabilities for the payment of retirement plan supplements.

The costs of retirement supplements were recorded in the "Employee expenses" item, as provided for in NCRF 28, based on the values determined in the actuarial studies.

The retired and the early retired

SPA has taken on the constructive obligation of paying retirement supplements to its retired and early retired employees.

Therefore, based on an actuarial study made in accordance with generally accepted actuarial methods and assumptions, SPA's liabilities on the date of the balance sheet, highlighted in the "Post-employment benefits liabilities" (Note 16) item, have been estimated.

Working employees

In accordance with Article 77 of the Collective Bargaining Agreement (CBA), SPA has undertaken to grant its working employees, upon retirement, 2 months base remuneration plus any annuities due until then without deductions.

Additionally, and according to Article 76 of the Collective Bargaining Agreement, all of SPA's permanent working employees can, when they reach 34 years of seniority: (i) terminate the employment contract with a compensation of at least 60% of the base remuneration (only for employees who started working for SPA up to December 31, 1979); or (ii) continue working for SPA with a single increase of 7% on their base remuneration (only for employees who started working for SPA up to December 31, 1983).

These liabilities have been quantified using an actuarial study on the date of the balance sheet, and they have been highlighted in the "Liabilities for post-employment benefits" (Note 16) item.

The actuarial study, drawn up as at December 31, 2011, by an independent and specialized entity, used the following calculation method:

- Old Age Pension: Projected Unit Credit;
- Early retired and retired: Current value of the temporary annuities' single premium up to 65 years of age;
- Retired: Current value of an immediate lifetime annuity's single premium.

The technical and actuarial assumptions and bases used were as follows:

Social security salary increase rate	3.0%
Discount rate	5.0%
Pension increase rate	2.0%
Mortality table (retired and early retired employees)	TV 88/90

Number of pensions paid yearly:	14
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(ii) Commitments to cooperative members

SPA has undertaken to pay cooperative members that have met specific conditions an amount equivalent to the average copyright royalties that have been credited to their account in the 10 best years, and half that amount to surviving spouses that have also met specific conditions. In accordance with the recommendation of SPA's legal advisers, these benefits take the form of a defined contributions plan. To honor this undertaking, SPA holds commissions from specific royalties which, as stipulated in its bylaws, are recorded directly in equity (Note 14). In each FY, said reserve is used to pay cooperative members and surviving spouses.

3.12- Value judgements and main sources of uncertainty associated with estimates

When preparing the enclosed financial statements, value judgments and estimates were made and several assumptions were used that affect the reported asset and liability amounts, as well as the period's reported income and expenses amounts.

The underlying estimates and assumptions have been determined based on the best knowledge, at the date of approval of the financial statements, of the ongoing events and transactions, as well as on the experience of past and/or current events. However, situations that have not been considered in those estimates because they were not predictable at the date of approval of the financial statements may occur in subsequent periods. Changes to the estimates that occur after the date of the financial statements will be corrected prospectively.

For this reason, and considering the associated level of uncertainty, the effective results of the transactions in question may differ from the corresponding estimates.

3.13- Events after the balance sheet date

Events taking place after the balance sheet date that provide additional information on existing conditions at the balance sheet date are reflected in the financial statements. Events subsequent to the balance sheet date that provide information on conditions occurring after the balance sheet date are disclosed in the financial statements if they are considered material.

4. CASH FLOW

For the purposes of the cash flow statement, the "Cash and cash equivalents" item includes cash and bank deposits that are immediately available. This item is detailed as follows as at December 31, 2011 and 2010:

	2011	2010
Cash	23,944	16,234
Bank deposits	33,075,357	30,571,180
Cash and bank deposits	33,099,301	30,587,413
Restricted cash	(1,505,000)	(2,750,000)
Cash and cash equivalents	31,594,301	27,837,413

The "Restricted cash" item refers to cash deposits that are not available for use by SPA because they have been pledged to the Social Security Financial Management Institute (Note 28).

Bank deposits as at December 31, 2011 and 2010, include time deposits, as follows:

	2011	2010
BPI	-	3,000,000
Santander Totta	2,000,000	-
Montepio Geral	2,500,000	4,000,000
BES	1,500,000	1,000,000
Millennium BCP	15,880,000	13,380,000
BANIF	750,000	1,750,000
	22,630,000	23,130,000

5. CHANGES IN ACCOUNTING ESTIMATES AND POLICIES, AND ERRORS

During the FY ended December 31, 2011, there have been no changes to accounting policies or significant estimate changes, nor any material errors regarding previous FYs.

NOTES TO THE FINANCIAL STATEMENT AS AT DECEMBER 31, 2011
(Amounts in euros)

6. PROPERTY, PLANT AND EQUIPMENT

During the FYs ended December 31, 2011 and 2010, movements in property, plant and equipment amounts, as well as in the respective accumulated depreciation, were as follows:

2011							
	Land and natural resources	Buildings and other constructions	Basic equipment	Transportation equipment	Office equipment	Other property, plant and equipment	Total
Gross asset:							
Opening balance	2,137,500	6,662,500	365,838	151,477	1,097,942	736,825	11,152,082
Acquisitions	-	-	-	-	121,235	19,412	140,647
Disposals and write-offs	-	-	(2,141)	(151,477)	(59,484)	(30)	(213,131)
Closing balance	2,137,500	6,662,500	363,698	-	1,159,693	756,207	11,079,598
Accumulated depreciation:							
Opening balance	-	503,998	365,838	151,477	923,460	58,733	2,003,505
Depreciation for the FY (Note 24)	-	251,999	-	-	160,596	20,043	432,638
Disposals and write-offs	-	-	(2,141)	(151,477)	(59,444)	(30)	(213,091)
Closing balance	-	755,996	363,698	-	1,024,612	78,746	2,223,052
Net asset	2,137,500	5,906,504	-	-	135,080	677,462	8,856,546

2010							
	Land and natural resources	Buildings and other constructions	Basic equipment	Transportation equipment	Office equipment	Other property, plant and equipment	Total
Gross asset:							
Opening balance	2,137,500	6,662,500	367,600	207,753	1,097,773	727,621	11,200,747
Acquisitions	-	-	-	-	46,587	9,205	55,792
Disposals and write-offs	-	-	(1,762)	(56,276)	(46,418)	-	(104,456)
Closing balance	2,137,500	6,662,500	365,838	151,477	1,097,942	736,825	11,152,083
Accumulated depreciation:							
Opening balance	-	251,999	367,600	207,753	845,421	40,641	1,713,414
Depreciation for the FY (Note 24)	-	251,999	-	-	119,104	18,092	389,195
Disposals and write-offs	-	-	(1,762)	(56,276)	(41,066)	-	(99,103)
Closing balance	-	503,998	365,838	151,477	923,460	58,733	2,003,505
Net asset	2,137,500	6,158,502	-	-	174,483	678,092	9,148,577

7. INVESTMENT PROPERTY

During the FYs ended December 31, 2011 and 2010, movements in investment property amounts, as well as in the respective accumulated depreciation, were as follows:

	2010		
	Land and natural resources	Buildings and other constructions	Total
Gross asset:			
Opening balance	172,500	517,500	690,000
Acquisitions	25,375	72,500	97,875
Closing balance	197,875	590,000	787,875
Accumulated depreciation:			
Opening balance	-	22,511	22,511
Depreciation for the FY (Note 24)	-	23,478	23,478
Closing balance	-	45,989	45,989
Net asset	197,875	544,011	741,886

	2011		
	Land and natural resources	Buildings and other constructions	Total
Gross asset:			
Opening balance	197,875	590,000	787,875
Acquisitions	-	-	-
Closing balance	197,875	590,000	787,875
Accumulated depreciation:			
Opening balance	-	45,989	45,989
Depreciation for the FY (Note 24)	-	23,961	23,961
Closing balance	-	69,950	69,950
Net asset	197,875	520,050	717,924

The António Gíão House, located in Reguengos de Monsaraz, and the Rebordão Navarro House, located in Foz do Douro, are recorded in investment property.

8. INTANGIBLE ASSETS

During the FYs ended December 31, 2011 and 2010, movements in intangible assets amounts, as well as in the respective accumulated amortization, were as follows:

2011			
	Software	Intangible assets in progress	Total
Gross asset:			
Opening balance	1,232,023	76,889	1,308,912
Acquisitions	-	422,418	422,418
Closing balance	1,232,023	499,307	1,731,330
Accumulated amortization:			
Opening balance	12,834	-	12,834
Amortization for the FY (Note 24)	154,003	-	154,003
Closing balance	166,836	-	166,836
Net asset	1,065,187	499,307	1,564,494

2010			
	Software	Intangible assets in progress	Total
Gross asset:			
Opening balance	-	1,069,594	1,069,594
Acquisitions	-	239,318	239,318
Transfers	1,232,023	(1,232,023)	-
Closing balance	1,232,023	76,889	1,308,912
Accumulated amortization:			
Opening balance	-	-	-
Amortization for the FY (Note 24)	12,834	-	12,834
Closing balance	12,834	-	12,834
Net asset	1,219,189	76,889	1,296,078

The intangible assets in progress amount refers to the still unfinished installation of the SGS and ERP software.

The additions of intangible assets in progress include the amounts of EUR 266,685 and EUR 104,696, in 2011 and 2010 respectively. This corresponds to the capitalization of the hours spent by the departments involved.

9. TAXES

SPA is exempt from the payment of the Portuguese Corporate Income Tax pursuant to Law no. 151/99 of September 14, and it is also exempt from the Portuguese Value Added Tax pursuant to Decree-Law no. 394 – B/84 of December 26.

10. RECEIVABLES

As at December 31, 2011 and 2010, receivables broke down as follows:

	2011	2010
<u>Debit balances:</u>		
Accounts receivable (a)	9,486,743	8,818,027
<u>Credit balances:</u>		
Invoices pending approval (a)	11,672,542	11,328,209

(a) Copyright royalties are invoiced to customers on behalf of the authors and this invoicing is recorded in the "Invoices pending approval" item. The amount recorded in this item is reduced when the copyright royalties are collected by a contra entry in the "Copyright royalties to be distributed" item (Note 11).

11. PAYABLES

As at December 31, 2011 and 2010, payables broke down as follows:

	2011	2010
<u>Debit balances:</u>		
Advances to suppliers:		
Authors (a)	1,414,393	1,422,590
<u>Credit balances:</u>		
Accounts payable:		
Authors (b)	8,592,710	8,097,442
Foreign societies (b)	9,462,630	7,895,541
	18,055,340	15,992,983
Copyright royalties to be distributed (c)	27,319,542	27,220,289
	45,374,882	43,213,272

(a) The amounts in this item refer to advances for copyright royalties to be distributed.

NOTES TO THE FINANCIAL STATEMENT AS AT DECEMBER 31, 2011
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- (b) The amounts included in these items correspond to the copyright royalties that have already been collected and are pending payment to the respective rightholders.
- (c) Copyright royalties that have already been collected and are pending the identification of the respective rightholders for payment to be made.

12. OTHER RECEIVABLES

As at December 31, 2011 and 2010, the items in "Other receivables" broke down as follows:

	2011			2010		
	Gross amount	Accumulated impairment	Net amount	Gross amount	Accumulated impairment	Net amount
Other employee operations	57,437	-	57,437	1,863,679	-	1,863,679
Income accruals	298,466	-	298,466	200,627	-	200,627
Royalties pending receipt from representatives	269,538	(129,577)	139,961	237,035	(109,965)	127,070
Others	5,099	-	5,099	14,060	-	14,060
	<u>630,541</u>	<u>(129,577)</u>	<u>500,964</u>	<u>2,315,401</u>	<u>(109,965)</u>	<u>2,205,436</u>

In 2010, the "Other employee operations" item included the amount of EUR 1,806,242 as security for the legal action taken by Ms. Catarina Rebelo, which was returned during the FY ended December 31, 2011.

During the FY ended December 31, 2011, impairment losses in the amount of EUR 25,610 were recognized in receivables.

13. DEFERRALS

As at December 31, 2011 and 2010, the "Deferred assets" and "Deferred liabilities" headings were itemized as follows:

	2011	2010
Deferred assets:		
Software licenses	19,423	-
Insurance	11,769	11,063
Surveillance	9,095	8,947
Technical assistance	7,667	42,560
Others	6,931	18,765
	<u>54,885</u>	<u>81,335</u>
Deferred liabilities:		
AGECOP cultural fund (a)	<u>132,232</u>	<u>456,050</u>

- (a) In 2010 and 2011, the amount of the AGECOP cultural fund refers to the subsidy amounts provided by the Portuguese Private Copy Management Association (AGECOP - Associação para a Gestão da Cópia Privada) for operational purposes, namely the allocation of funds for the development of projects that are considered convenient by members, that are provided for by the Law, and that were not allocated in the mentioned FYs.
In the FYs ended December 31, 2011 and 2010, subsidies allocated to projects totalled EUR 323,818 and EUR 252,700 respectively.

From the year of 2011, subsidies were deducted from the respective expenses in the income statement, in the "Professional fees" item (Note 20).

14. EQUITY

According to SPA's bylaws, its paid-in capital is variable and has to be a minimum of EUR 2,500. As at December 31, 2011, the capital is represented by 3,663 securities with a par value ranging between EUR 0.5 and EUR 5. The minimum capital contributions to be fully subscribed by each cooperative member amounts to EUR 25, represented by five registered securities of EUR 5 each.

When cooperative members die, the subscribed securities will be reimbursed to their respective heirs according to their par value corrected under the terms of Article 23(4) of the Portuguese Cooperative Code.

As at December 31, 2011, the capital was increased by EUR 600, represented by 120 registered securities with a par value of EUR 5 each fully subscribed and paid-in in cash by the cooperative members admitted as such during the FY of 2011, as follows:

	2011	2010
Opening balance	12,337	11,681
Increases:		
Admission of new cooperative members	600	850
Decreases:		
Death of cooperative members	(91)	(194)
Closing balance	12,846	12,337

Legal Reserve - Article 54 of SPA's bylaws stipulates that 90% of the membership admission fees paid by cooperative members must be allocated to the legal reserve, and that 90% of the annual net surplus must be allocated to this reserve, which can only be used to absorb losses. The Board of Directors has been using the net surplus to cover its net losses. During the FYs ended December 31, 2011 and 2010, 24 and 34 cooperative members, respectively, have been admitted and each paid a membership admission fee of EUR 150.

Bylaws Reserves - SPA's bylaws stipulate the creation of the following reserves in Articles 55 and 56:

Cooperative Education and Training Reserve – its purpose is to cover the costs of these activities and those of the cultural and technical training of SPA's cooperative members and employees. This reserve is made up of the following appropriations:

- Ten per cent of the paid membership admission fees and ten per cent of the annual net surplus;
- Donations and benefits that are especially reserved for the purposes of the reserve.

Social reserve - its purpose is:

- to ensure that cooperative members over 60 years old who have been admitted as such more than 5 years ago, and who have so requested to the Board of Directors, receive an annual amount equivalent to the average royalties they have been credited with in the 10 years when said royalties were at their highest value, and that their surviving spouses receive half that amount;
- to grant benefits to permanently disabled cooperative members when they are not covered in the previous sub-paragraph;

NOTES TO THE FINANCIAL STATEMENT AS AT DECEMBER 31, 2011
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- to contribute to the coverage of other risks to the benefit of cooperative members.

These reserves are essentially made up of the commissions collected by SPA for assistance purposes. In the FYs ended December 31, 2011 and 2010, they corresponded to 3% and 10% of the copyright royalties collected for Theater and Literary Publishing and remaining copyright royalties, with the exception of Mechanical Reproduction copyright royalties and Neighboring Rights royalties respectively.

The increases in the bylaws reserves that occurred during the FYs ended December 31, 2011 and 2010, are the result of the deductions of commissions for assistance or cultural purposes from the collected copyright royalties, made throughout the FY in accordance with Article 44 of the bylaws. In the mentioned FYs, these bylaws reserves amounted to EUR 1,659,897 and EUR 1,493,250 respectively, and they break down as follows:

	2011	2010
Reserve for assistance purposes	1,659,537	1,492,740
Reserve for cooperative education and training	360	510
	<u>1,659,897</u>	<u>1,493,250</u>

As for decreases, they are itemized as follows:

	2011	2010
Copyright royalties credited to cooperative members and surviving spouses (Note 27)	1,827,108	1,682,152
Reserve for cultural purposes (a)	65,438	53,339
Cooperative members health, funeral, checkups, life insurance and personal accident insurance expenses	38,826	42,323
	<u>1,931,372</u>	<u>1,777,814</u>

- (a) Different expenses are recorded in this item. They refer to cultural manifestations or events promoted or funded by SPA, including the expenses borne with premieres of musical works.

Other changes in equity (Donations) - During the FY of 2010, SPA received the donation of the Rebordão Navarro House. Based on an assessment by an independent expert, it was recorded in the amount of EUR 97,875 in the "Investment property" item (Note 7) by a contra entry of this item.

Retained earnings - In the FY ended December 31, 2010, SPA's Board of Directors decided, based on a "Decision" it issued on October 1, 2010, to settle payables balances for very old royalties to be distributed (balances previous to December 31, 2003) in the amount of EUR 2,465,639, which were recorded in retained earnings.

15. PROVISIONS

During the FYs ended December 31, 2011 and 2010, the movements that occurred in the provisions items amounts were as follows:

	2011			
	Taxes	Ongoing legal proceedings	Other provisions	Total
Opening balance	498,977	588,403	105,734	1,193,114
Reversals	-	-	(168)	(168)
Uses	(126,699)	(7,500)	-	(134,199)
Closing balance	372,278	580,903	105,566	1,058,747

	2010			
	Taxes	Ongoing legal proceedings	Other provisions	Total
Opening balance	569,757	1,407,406	107,688	2,084,852
Increases	55,919	76,618	-	132,537
Reversals	-	(895,621)	(1,954)	(897,575)
Uses	(126,699)	-	-	(126,699)
Closing balance	498,977	588,403	105,734	1,193,114

Provisions for taxes

The FYs from 1994 to 2002 were inspected in the 2003 FY as regards Social Security, resulting in two additional settlements dated April 23 and 24, 2004, in the amount of EUR 1,125,604, plus fines and interest in the amount of EUR 983,924. SPA approached several state bodies within the scope of Decree-Law no. 316/98 of October 20, 1998, ("Extrajudicial Conciliation Procedure") to propose a medium-term and a long-term payment schedule for that debt, as well as the pardon of fines and interest. The "Extrajudicial Conciliation Procedure" (ECP) no. 508 was concluded in the FY of 2005. As a result, the above-mentioned accrued interest and fines were pardoned, and the payment of the debt and accruing interest in 150 equal monthly installments from August 2005 was agreed, as well as the application of an annual 2.5% rate for the calculation of accruing interest. As at December 31, 2011, SPA maintains a provision for this debt under the "Provisions for taxes" heading, in the amount of EUR 372,278.

As at December 31, 2011, the payment schedule was as follows:

Amount to be paid until 2016	307,094
Amount to be paid from 2017 to 2018	65,184

Total amount of the liability	372,278
	=====

Provisions for legal proceedings

The aim of the "Provisions for legal proceedings" heading is to cover liabilities related to SPA's activity. It has been determined by the Board of Directors based on the assessment of the underlying risks of SPA's activity.

16. POST-EMPLOYMENT BENEFITS

According to actuarial studies obtained at the end of each FY, and under Articles 76 and 77 of the Collective Bargaining Agreement, the current value of SPA's liabilities for past services rendered by its early retired and retired employees is as follows:

	2011		
	Pension liabilities	Other liabilities	Total
Opening balance	4,309,060	289,731	4,598,791
Increases (Note 21)	-	17,922	17,922
Reversals (Note 22)	(878,411)	-	(878,411)
Uses	(73,349)	(64,988)	(138,337)
Closing balance	3,357,300	242,666	3,599,965

	2010		
	Pension liabilities	Other liabilities	Total
Opening balance	5,072,266	424,746	5,497,012
Increases (Note 21)	-	61,483	61,483
Reversals (Note 22)	(659,529)	(4,080)	(663,609)
Uses	(103,677)	(192,418)	(296,095)
Closing balance	4,309,060	289,731	4,598,791

During the FY of 2011, three employees left the cooperative and SPA used the amount of EUR 73,349 to settle the respective liabilities. The reversals refer to liability updates for post-employment benefits.

The "Other liabilities" heading is made up of the commitments to SPA's employees taken on by the society under Articles 76 and 77 of the Collective Bargaining Agreement, in the amounts of EUR 196,595 and EUR 46,071 respectively.

17. STATE AND OTHER PUBLIC BODIES

As at December 31, 2011 and 2010, the "State and other public bodies" heading was itemized as follows:

	2011	2010
Individual Income Tax	844,664	584,153
Social Security Contributions	99,990	104,587
	944,654	688,740

According to the law in force, tax returns are subject to correction by the Social Security for a period of 5 years.

18. OTHER PAYABLES

As at December 31, 2011 and 2010, the "Other payables" heading broke down as follows:

	2011	2010
Accrued expenses	1,114,193	1,166,588
Investment suppliers and sundry	240,591	307,065
Copyright royalties collected by representatives to be distributed	196,374	195,224
Commissions to be paid to representatives	48,125	70,488
Others	23,784	59,320
	<u>1,623,067</u>	<u>1,798,685</u>

The "Accrued expenses" item includes the amounts of EUR 900,933 and EUR 893,305, in 2011 and 2010 respectively, which refer to remunerations to be paid to the employees.

19. REVENUE

The revenue recognized by SPA as at December 31, 2011 and 2010, is itemized as follows:

	2011	2010
Services rendered:		
Commissions on copyright royalties (a)	6,453,129	6,777,665
Extra commissions (b)	1,050,100	906,183
Others	3,713	4,125
	<u>7,506,942</u>	<u>7,687,973</u>

(a) This amount corresponds to the commissions on the collected copyright royalties, in accordance with Article 52 of SPA's bylaws.

(b) This amount corresponds to a 10% extra commission on the amount of the copyright royalties collected by the licensing representatives, which is directly borne by the users of works protected by SPA.

20. EXTERNAL SUPPLIES AND SERVICES

The "External supplies and services" heading in the FYs ended December 31, 2011 and 2010, is itemized as follows:

	2011	2010
Expert services	743,570	784,316
Professional fees (a)	310,076	425,081
Materials	142,624	132,707
Energy and fluids	135,238	108,985
Travel, lodging and transportation	108,232	118,258
Sundry services	432,413	320,397
	<u>1,872,153</u>	<u>1,889,744</u>

(a) During the 2010 FY, the amount of EUR 252,700 was recorded in this item and referred to the funding of AGE COP projects.

21. EMPLOYEE EXPENSES

The "Employee expenses" heading is itemized as follows in the FYs ended December 31, 2011 and 2010:

	2011	2010
Governing bodies remuneration	38,136	64,575
Employee remuneration	4,819,096	4,887,575
Post-employment benefits:		
Defined benefits	230,286	222,229
Charges on remunerations	966,490	935,491
Occupational accident and disease insurances	23,450	31,535
Social assistance expenses	4,635	8,095
Others	285,952	521,453
	<u>6,368,045</u>	<u>6,670,954</u>

In 2011, the balance of the "Governing bodies remuneration" item corresponds to attendance vouchers. In 2010, this item also included the remuneration of SPA's President.

The "Post-employment benefits" item refers to the payments of retirement pension supplements to SPA's retired employees (Note 16). The liabilities that have been paid to its retired and early retired employees are included in the "Employee remunerations" item.

In 2011, the "Others" item includes the amount of EUR 17,922 (Note 16), which refers to the reinforcement of the post-employment benefits liability (Articles 76 and 77 of the CBA). In 2010, this item included the reinforcement of the post-employment benefits liability in the amount of EUR 61,483 (Note 16) and the amount of EUR 204,650 for severance payments.

During the FYs of 2011 and 2010, the average number of SPA's employees was as follows:

	2011	2010
Working employees	<u>163</u>	<u>162</u>

22. OTHER INCOME AND GAINS

In the FYs ended December 31, 2011 and 2010, the "Other income and gains" heading is itemized as follows:

	2011	2010
Extra income:		
Other extra income (a)	87,441	81,470
Gains from disposals of property, plant and equipment	45,500	12,798
Others (b)	879,066	663,609
	<u>1,012,007</u>	<u>757,877</u>

- (a) The amounts recorded in this item correspond to:
- the fee charged for the admission of new beneficiary members;
 - the fee charged by SPA for the registration of works by beneficiary members. Beneficiary members pay a fee for work declarations until they have an average credit balance of EUR 299;
- (b) The updates of post-employment benefits liabilities, which amounted to EUR 878,411 and EUR 663,609 (Note 16) on December 31, 2011 and 2010, respectively, are recorded in this item.

23. OTHER EXPENSES AND LOSSES

The "Other expenses and losses" heading in the FYs ended December 31, 2011 and 2010, is itemized as follows:

	2011	2010
Taxes	193,981	229,026
Membership fees	219,677	110,185
Others	1,305	888
	<u>414,963</u>	<u>340,098</u>

24. DEPRECIATION AND AMORTIZATION EXPENSES

In the FYs ended December 31, 2011 and 2010, the "Depreciation and amortization expenses" heading is itemized as follows:

	2011	2010
Property, plant and equipment (Note 6)	432,638	389,195
Investment property (Note 7)	23,961	23,478
Intangible assets (Note 8)	154,003	12,834
	<u>610,602</u>	<u>425,507</u>

25. INTEREST AND SIMILAR INCOME AND EXPENSES

Interest and similar expenses recognized during the FYs ended December 31, 2011 and 2010, are itemized as follows:

	2011	2010
Interest payable:		
Other funding	19,929	19,929
Other funding expenses	34,148	36,145
	<u>54,077</u>	<u>56,074</u>

Interest and similar income recognized during the FYs ended December 31, 2011 and 2010, are itemized as follows:

	2011	2010
Interest receivable:		
Bank deposits	<u>1,092,054</u>	<u>586,113</u>

26. RELATED PARTIES

In accordance with *NCRF 5 – Related parties disclosures* ("NCRF 5"), it is mandatory to disclose information about transactions between the entity reporting and individuals with voting power that gives them significant influence over the entity reporting, key individuals in the Board of Administrators or Board of Directors.

At SPA, the following individuals fit into this category:

One of the Administrators, Mr. João Carlos Branco Lourenço, who is also a member of SPA's Board of Directors, is the Director of the Novo Grupo de Teatro theater company.

The entity mentioned above is a User of SPA's services, i.e. this entity is invoiced for the use of Copyrights that are managed by SPA.

Mr. João David Nunes, a permanent member of SPA's Board of Directors, who is also an Adviser to SPA's Board of Administrators via a contract whereby his company, Estratégia Alternativa, renders services to SPA.

27. OTHER FINANCIAL UNDERTAKINGS

SPA has undertaken to grant its cooperative members over 60 years old who have been admitted as such for more than 5 years an annual sum equivalent to the average amount of copyright royalties that has been credited to them in the 10 best years. When cooperative members die, SPA ensures the payment of half that amount to their surviving spouses, or to those that are considered their equals under the law. SPA's bylaws specify that its Board of Directors is empowered to adequately, reasonably and proportionally determine an annual commission to be deducted from the copyright royalties that are annually collected by SPA ("commission for assistance purposes") in order to meet these liabilities.

Based on its legal consultants opinion dated March 6, 2003, the Board of Directors has decided that the maximum annual liability of the assistance benefit allocated to SPA's cooperative members and surviving spouses is limited to 10% of the performance royalties received in each FY. The right to said benefit can't exceed the 10% limit and can be proportionally reduced if the amount resulting from the application of this percentage is lower than the amount of the benefit to

be paid. Under these circumstances, the Board of Directors and its legal consultants have deemed that the amount of those annual liabilities is limited to the amount of the commissions that are annually deducted and allocated to those undertakings. Therefore, they believe that the benefits allocated to cooperative members and surviving spouses are identical to a defined contributions plan, and feel that it is not necessary to record any liabilities related to said payment in the financial statements.

SPA's bylaws (Article 56) stipulate the creation of a reserve, whose movements will be recorded in equity in order to meet the payments for these commitments. In the FY of 2011, pensions in the amount of EUR 1,827,108 were paid to cooperative members and surviving spouses, and the bylaws reserves were used in the same amount (Note 14).

28. GUARANTEES

As at December 31, 2011 and 2010, SPA had given guarantees to third parties that are itemized as follows:

	2011	2010
IGFSS (a)	1,308,529	3,051,564
Others	14,964	14,964
	<u>1,323,493</u>	<u>3,066,528</u>

- (a) In order to meet this bank guarantee given by Millennium BCP, mandatory time deposits in the amounts of EUR 1,505,000 and EUR 2,750,000 were made in 2011 and 2010 respectively (Note 4), which can only be used when the bank guarantee expires (2018).

THE CERTIFIED ACCOUNTANT

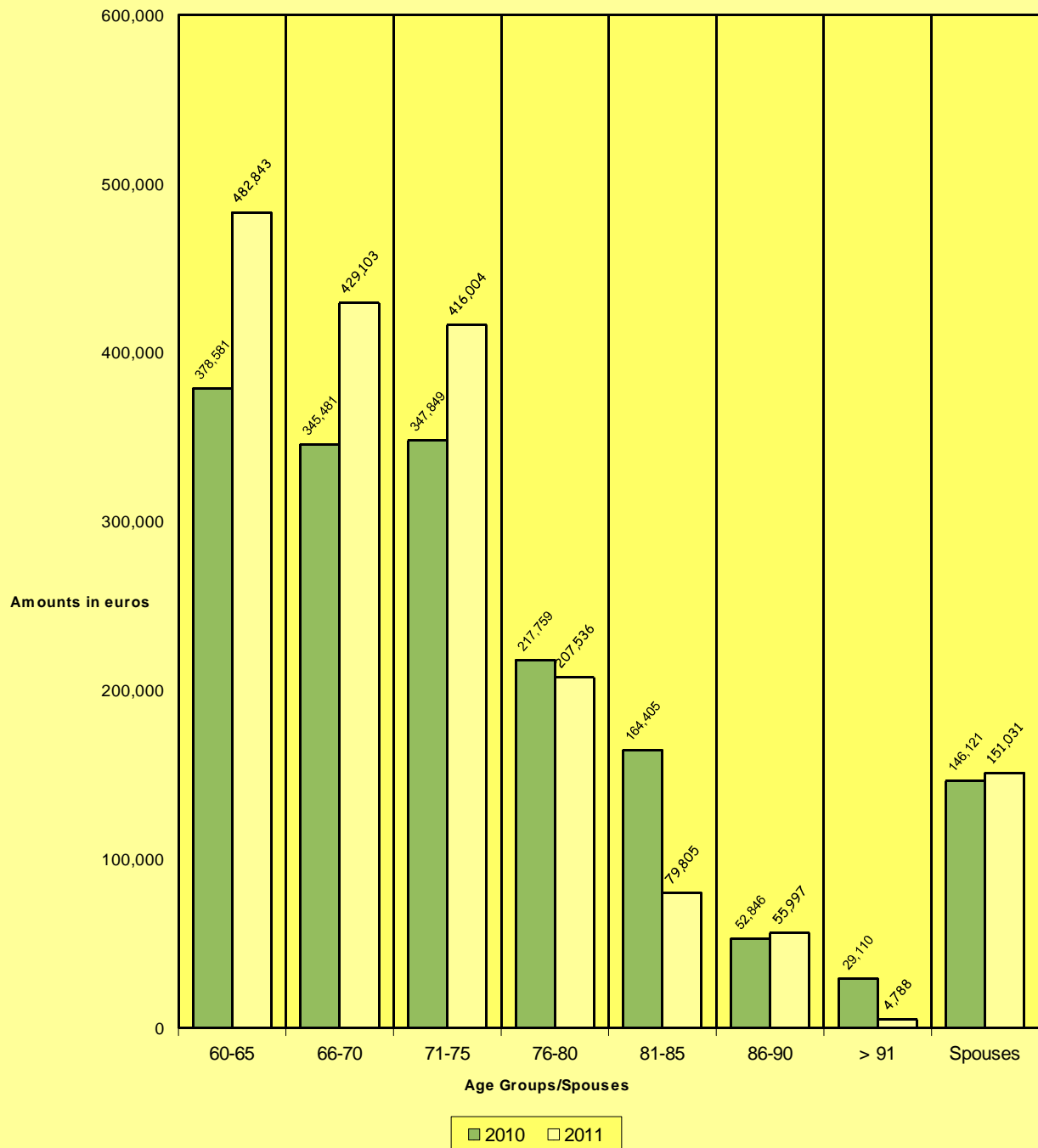
THE BOARD OF DIRECTORS

(Amounts in euros)

ASSISTANCE CHARGES IN 2011		
Article 56(1) of the Bylaws		
	2010	2011
Royalties Credited to Cooperative Members and Surviving Spouses	1,682,152	1,827,108
Permanent Disability Benefit and Funeral Costs	9,000	11,000
Group Insurance (Life, Personal Accidents, Health, Checkups)	33,323	27,826
Total	1,724,475	1,865,934

CULTURAL AND SOCIAL ACTIVITIES IN 2011		
	2010	2011
Portuguese Author Day	14,893	26,818
Literary and Music Awards	748	249
International Events	2,509	3,626
Sundry Sponsorships	12,982	5,550
Carlos Paredes Auditorium	21,938	12,261
Emergency Benefit	0	7,800
Fado Gala	0	40,395
Other Expenses	6,650	16,194
Total	59,721	112,893

ASSISTANCE TO COOPERATIVE MEMBERS

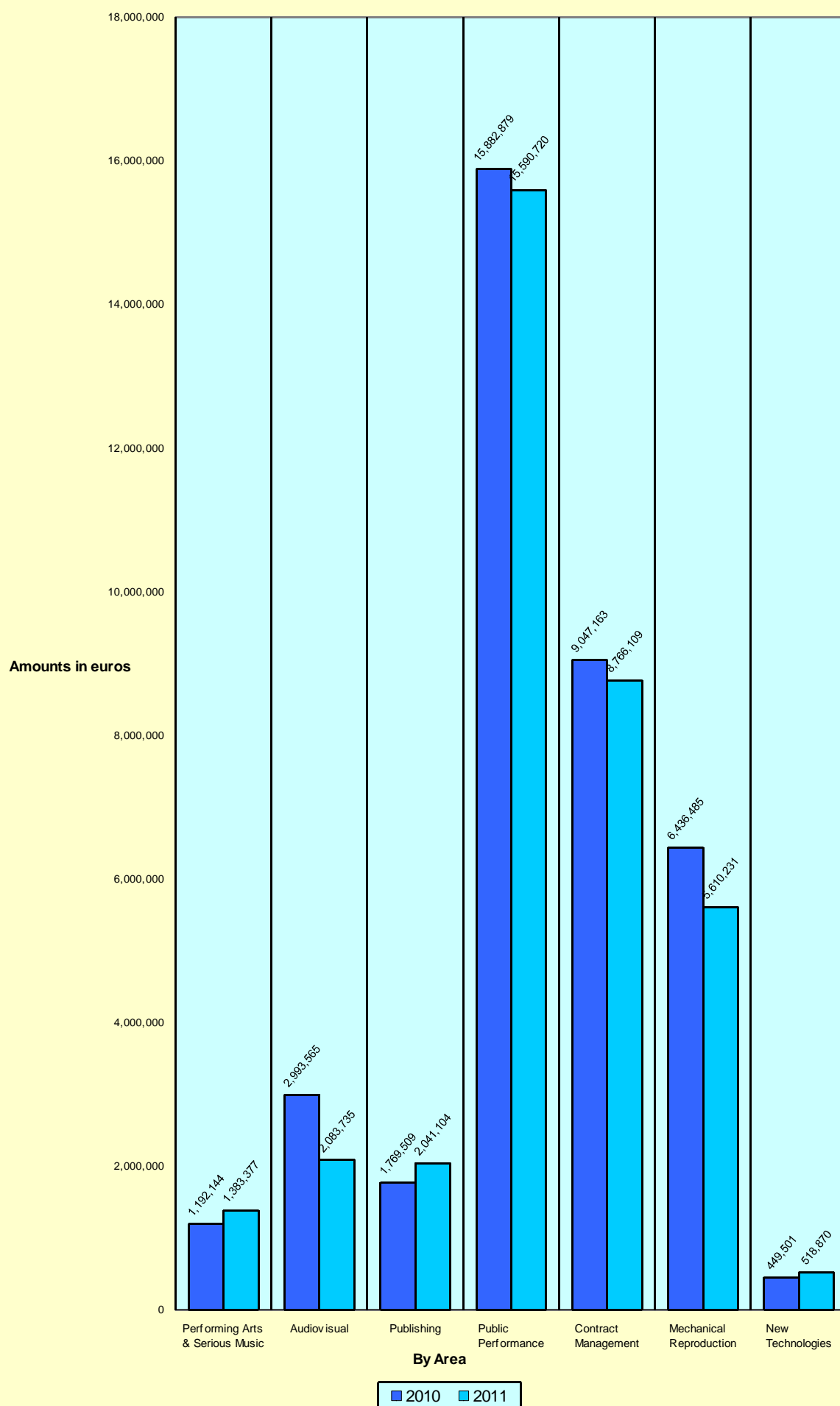


COPYRIGHT ROYALTIES COLLECTED IN 2011

(Amounts in euros)

<u>PERFORMING ARTS & SERIOUS MUSIC</u>			
Plays	955,134		1,383,377
Concerts + Ballet	428,243		
<u>AUDIOVISUAL</u>			
Radio	124,335		2,083,735
Television	1,265,236		
Cinema	80,903		
Advertising	613,262		
<u>PUBLISHING</u>			
Literary (incl. Sheet Music)	1,747,355		2,041,104
Plastic Arts	168,336		
Photography	46,495		
Software	78,919		
<u>PUBLIC PERFORMANCE</u>			
General	13,300,725		15,590,720
Television	47,344		
Cable TV - Public Communication	1,772,560		
Satellite TV - Public Communication	298,720		
Video Recordings	130,994		
Film Screenings	40,377		
<u>CONTRACT MANAGEMENT</u>			
Television - Flat Rate	4,256,540		8,766,109
National Radio - Flat Rate	848,626		
Local Radio - Flat Rate	199,206		
Cable TV - Neighboring Rights	114,303		
Cable TV - Copyrights	3,347,435		
<u>MECHANICAL REPRODUCTION</u>			
Sound Recordings and Video Recordings	4,852,229		5,610,231
Private Copy/National	758,002		
<u>NEW TECHNOLOGIES</u>			
Internet/Ringtones	518,870		518,870
TOTAL			35,994,146

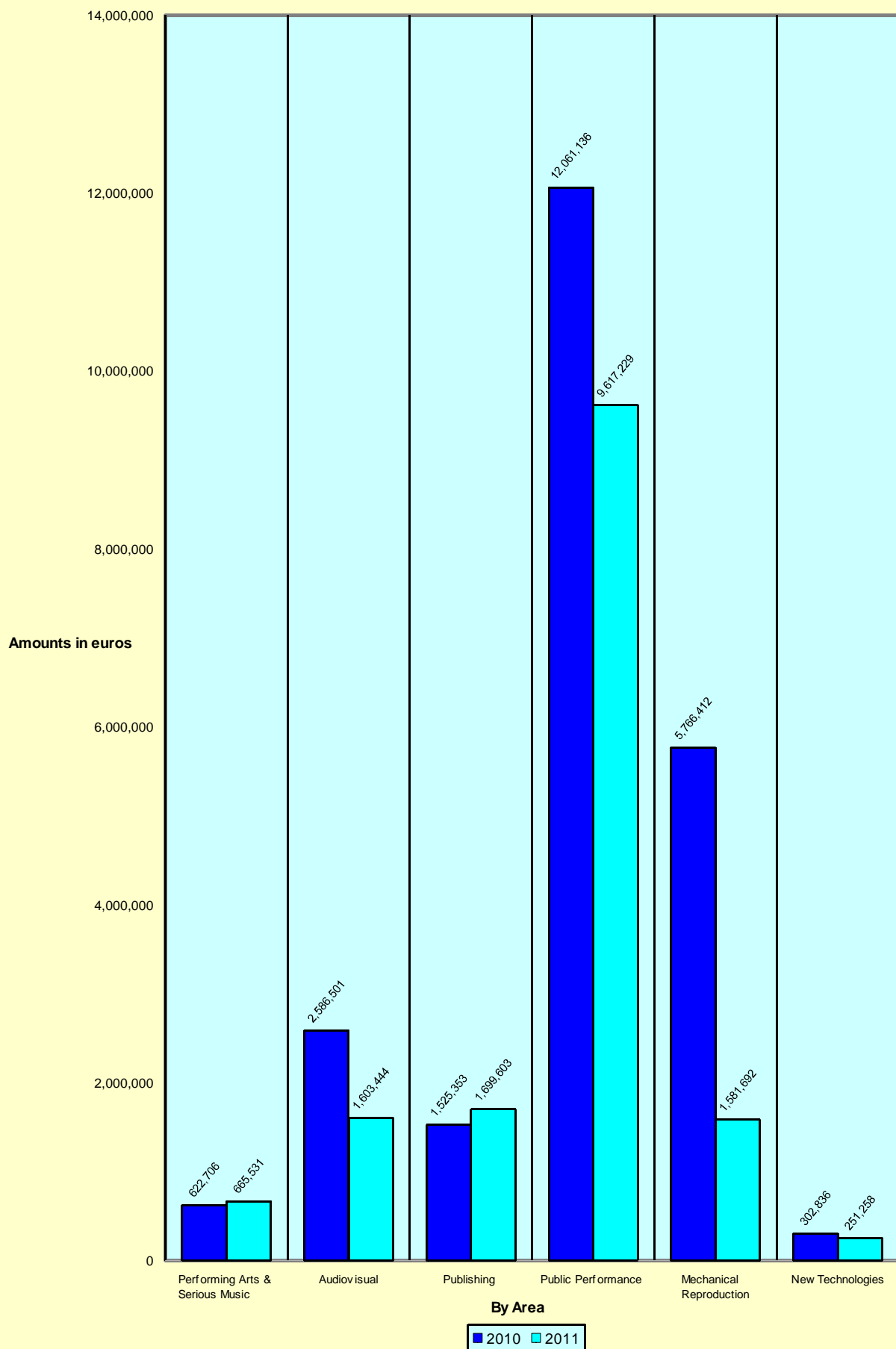
COLLECTED COPYRIGHT ROYALTIES



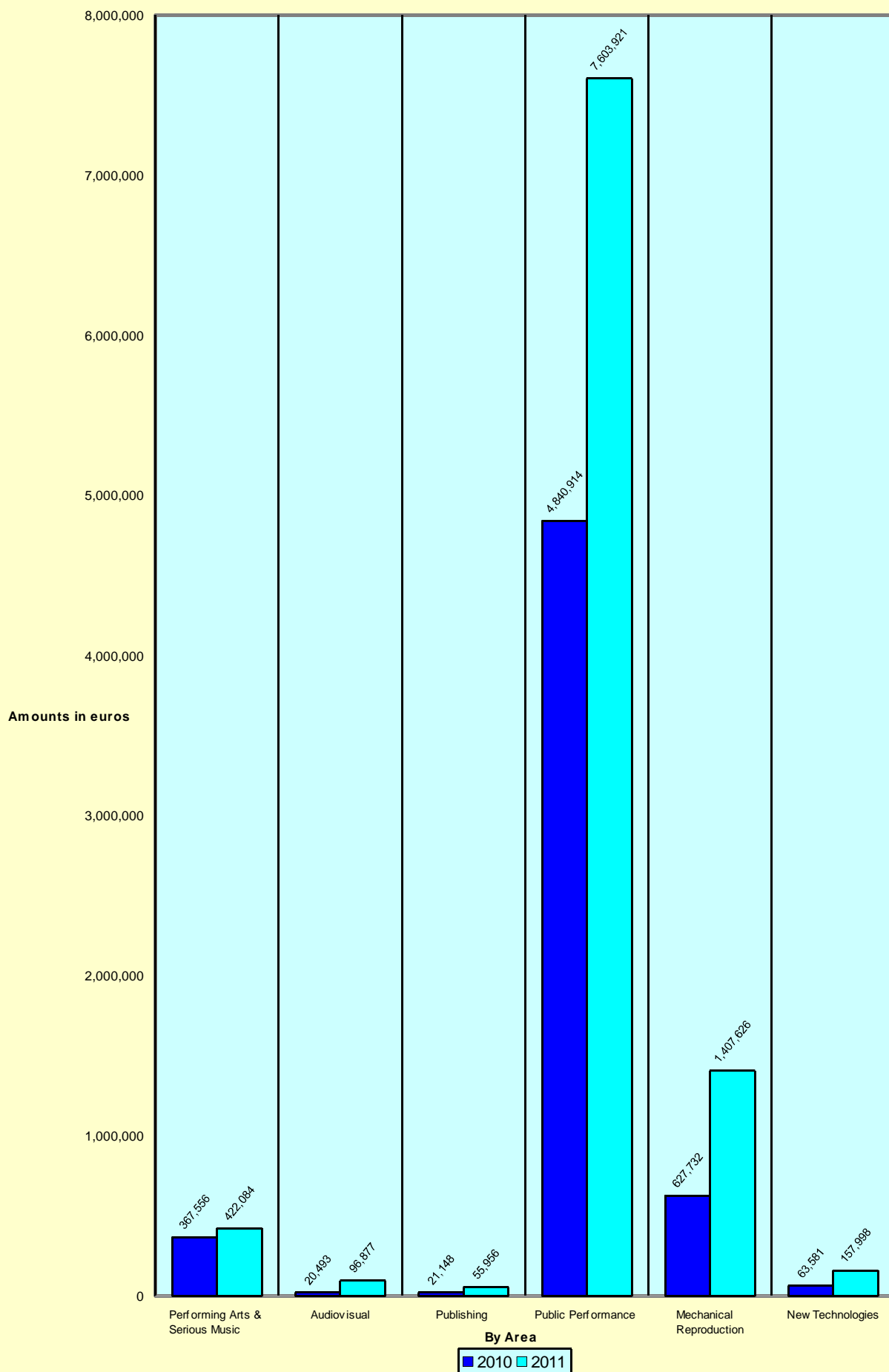
COPYRIGHT ROYALTIES DISTRIBUTED IN 2011

	NATIONAL	FOREIGN SOCIETIES	TOTAL
<u>PERFORMING ARTS & SERIOUS MUSIC</u>			
Plays	497,142	231,354	
Symphonic Concerts and Ballet	168,389	190,730	
Sum	665,531	422,084	1,087,615
<u>AUDIOVISUAL</u>			
Cinema	59,662	15,339	
Radio and TV	1,058,248	24,599	
Advertising	485,535	56,940	
Sum	1,603,444	96,877	1,700,321
<u>PUBLISHING</u>			
Literary, Graphic, Plastic Arts, Photography	1,699,603	55,956	
Sum	1,699,603	55,956	1,755,559
<u>PUBLIC PERFORMANCE</u>			
General	5,247,295	3,732,146	
Radio and TV	4,369,934	3,871,775	
Cable TV/Neighboring Rights	0	0	
Sum	9,617,229	7,603,921	17,221,150
<u>MECHANICAL REPRODUCTION</u>			
General	1,427,967	1,266,119	
Private Copy	153,725	141,507	
Sum	1,581,692	1,407,626	2,989,318
<u>NEW TECHNOLOGIES</u>			
Internet/Ringtones	251,258	157,998	
Sum	251,258	157,998	409,256
TOTAL	15,418,757	9,744,463	25,163,220

DISTRIBUTED COPYRIGHT ROYALTIES - NATIONAL



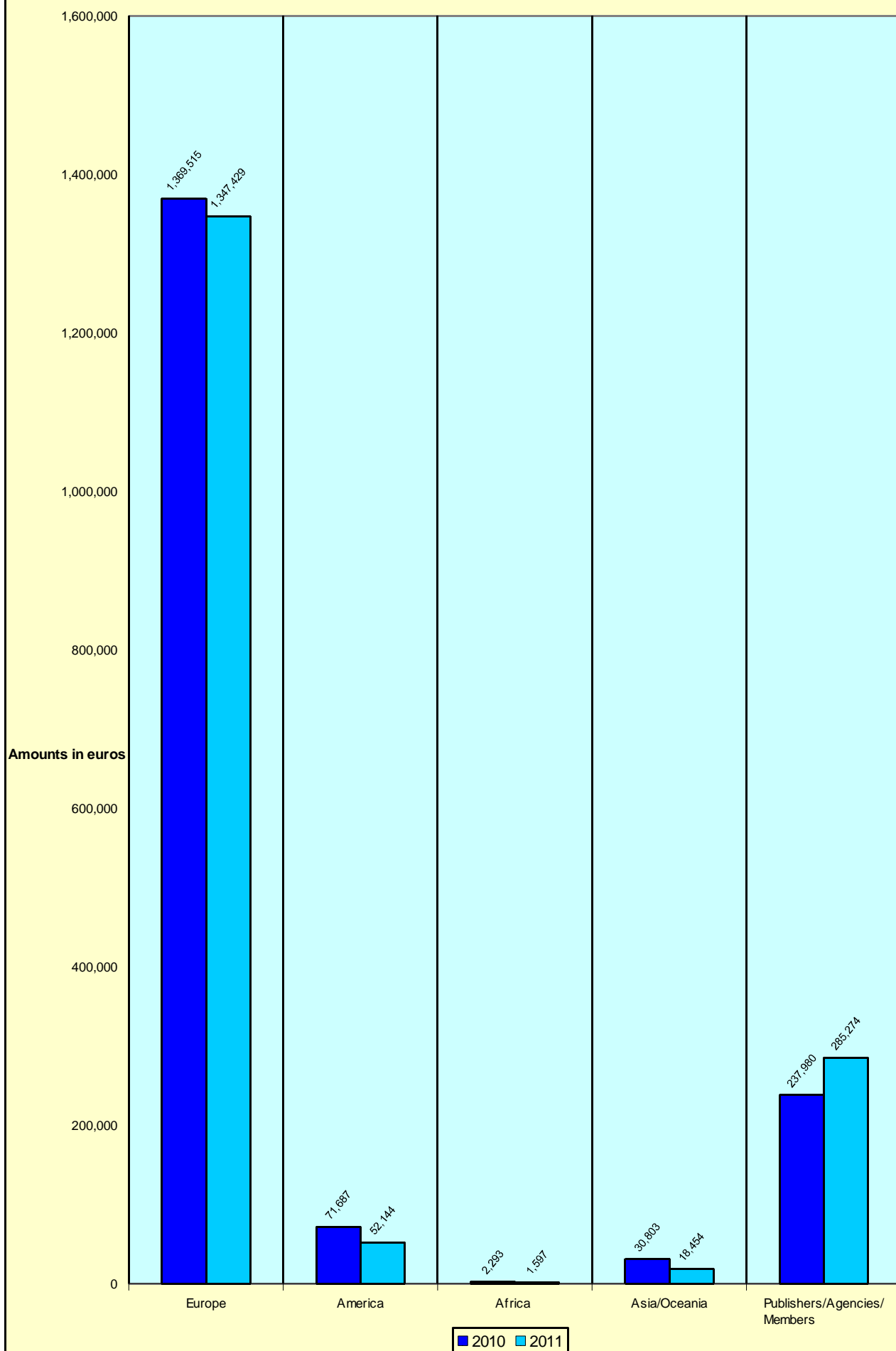
DISTRIBUTED COPYRIGHT ROYALTIES - FOREIGN



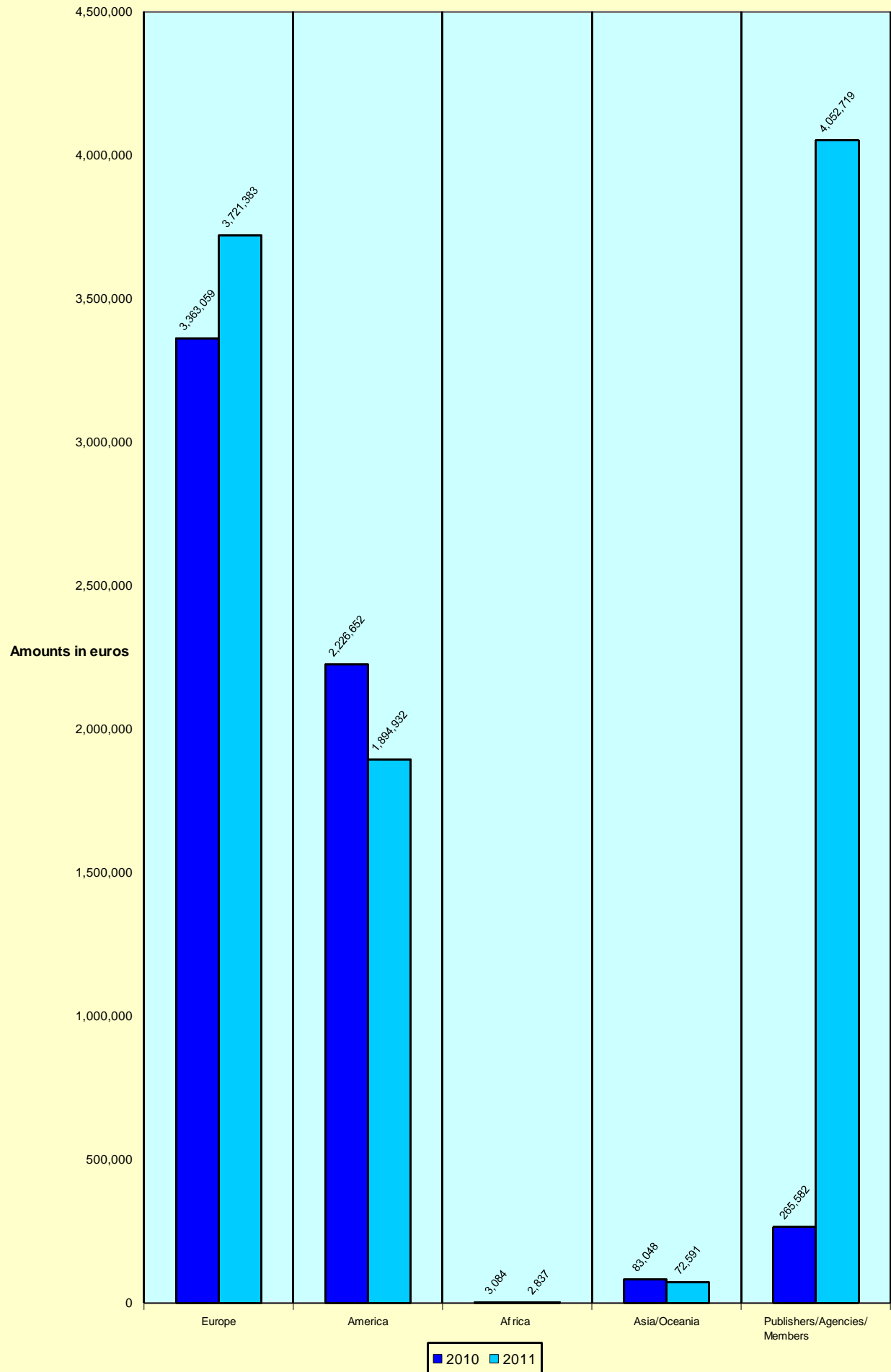
FOREIGN SOCIETIES' MOVEMENTS IN 2011

	RECEIVED ROYALTIES	DISTRIBUTED ROYALTIES
EUROPE		
GERMANY (GEMA, BILD-KUNST)	84,338	185,159
AUSTRIA (AKM, AUSTRO-MECHANA)	23,264	21,336
BELGIUM (SABAM)	916	40,817
DENMARK (KODA, NCB)	9,099	45,543
SPAIN (SGAE, VEGAP)	78,653	941,945
FINLAND (TEOSTO)	10,636	7,793
FRANCE (SACD, SACEM, SCAM, SDRM, ADAGP)	849,724	728,874
NETHERLANDS (BUMA, STEMRA)	45,111	83,541
ENGLAND (PRS, MCPS, MRS, ALCS)	0	1,427,568
ITALY (SIAE)	42,055	116,075
SWEDEN (STIM)	11,398	50,774
SWITZERLAND (SUISA, SSA)	97,719	38,553
OTHER COUNTRIES	94,515	33,405
	1,347,429	3,721,383
AMERICA		
ARGENTINA (SADAIC)	1,494	45,434
BRAZIL (ADDAF, AMAR, SADEMBRA, SBACEM, SBAT, SICAM, UBC)	4,202	212,827
CANADA (SOCAN, SODRAC)	18,556	90,250
UNITED STATES OF AMERICA (ASCAP, AMRA, BMI, H.FOX, SESAC)	26,341	1,538,357
MEXICO (SACM)	118	4,923
VENEZUELA (SACVEN)	0	514
OTHER COUNTRIES	1,434	2,627
	52,144	1,894,932
AFRICA		
SOUTH AFRICA (SAMRO, SARRAL)	1,597	2,390
OTHER COUNTRIES	0	447
	1,597	2,837
ASIA/OCEANIA		
AUSTRALIA (APRA, AMCOS)	6,843	64,935
JAPAN (JASRAC)	8,783	6,413
OTHER COUNTRIES	2,828	1,243
	18,454	72,591
PUBLISHERS/AGENCIES/MEMBERS	285,274	4,052,719
TOTALS	1,704,899	9,744,463

RECEIVED COPYRIGHT ROYALTIES



DISTRIBUTED COPYRIGHT ROYALTIES



AUDITOR'S REPORT
AND
OPINION OF THE SUPERVISORY COUNCIL

AUDITOR'S REPORT

Introduction

1. We have examined the enclosed financial statements of the Portuguese Society of Authors (Sociedade Portuguesa de Autores, C.R.L., "SPA"). These include the balance sheet as at December 31, 2011, which shows an asset total of EUR 55,695,328 and a negative equity of EUR 8,710,761, including a net income of EUR 532,406; the income statements by nature; the equity changes; the cash flow for the FY ended on that date; and the corresponding notes.

Responsibilities

2. It is the Board of Directors' responsibility to prepare financial statements that truthfully and appropriately show SPA's financial position, the result of its operations, its equity changes and its cash flow, as well as the adoption of suitable accounting policies and criteria, and the maintenance of an appropriate internal control system. Our responsibility consists of expressing a professional and independent opinion based on our examination of said financial statements.

Scope

3. Except in what concerns the limitations described in paragraphs 4 through 6, our examination has been made in accordance with the Audit Technical Standards and Guidelines of the Association of Portuguese Certified Auditors, which require it to be planned and performed for the purpose of obtaining an acceptable degree of confidence as to whether the financial statements are free of materially relevant distortions. This examination included the verification of samples of the supporting documents for the amounts and information disclosed in the financial statements, as well as the assessment of the estimates based on judgements and criteria defined by the Board of Directors and used in the preparation thereof. This examination also included the consideration of whether, under the circumstances, the accounting policies that have been adopted and their disclosure, as well as the verification of the applicability of the going concern principle, are suitable; and the consideration of whether the presentation of the financial statements is appropriate in general. It is our understanding that the examination that has been performed provides an acceptable basis for our opinion.

Basis for Qualified Opinion

4. As a consequence of the accounting procedures and practices adopted by SPA in previous FYs, and due to the complexity and nature of the situations and the insufficiency of the information, as at December 31, 2011, there is still a group of balances whose reasonableness we cannot ascertain, nor can we quantify the effect of potential settlements in these financial statements because of their long duration, namely:
 - (i) The items "Accounts receivable" and "Invoices pending approval" include very old open balances in the amounts of approximately EUR 3,136,000 and EUR 2,830,000 respectively, of which some are in litigation and do not show any accounting movements in past FYs. Additionally, the mentioned items also include open balances in the amounts of approximately EUR 1,390,000 and EUR 1,831,000 respectively, which showed no accounting movements during the FY in question;
 - (ii) The item "Accounts payable" includes balances in the amount of approximately EUR 30,278,000 for royalties to be distributed, of which approximately EUR 3,832,000 refer to years previous to 2008 and for which we have not obtained a detail by payee;
 - (iii) The item "Advances to suppliers" includes an amount of approximately EUR 658,000 for payments made in previous FYs to authors who are not currently associated with SPA or who did not have accounting movements during the FY in question.
5. During the FY of 2010, SPA's Board of Directors cancelled a liability accounted for in previous FYs (up to 2003 inclusively) for royalties to be distributed, in the approximate amount of EUR 2,470,000, by a contra entry in equity under the heading "Retained earnings", allegedly because the payees could not be identified with reasonable certainty. Under the present circumstances, and due to the lack of available information, it is still not possible to confirm whether there may still be liabilities that can be claimed in the future.
6. As at December 31, 2011, SPA's property, plant and equipment includes the value of its library and works of art, in the amounts of EUR 275,000 and EUR 270,910 respectively, which are not being depreciated. We have not obtained information on the assessment method used to determine its value, nor on the corresponding detail of the assessment per work. Therefore, we are unable to draw any conclusions as to the reasonableness of said amounts.
7. As mentioned in Notes 3.11, 14 and 27, SPA keeps a bylaws reserve in the amount of EUR 2,393,187 basically to ensure a future remuneration for cooperative members over sixty years old who have been admitted as such more than five years ago and who so request it to the Board of Directors. This remuneration is to be based on the credited royalties, albeit subject to the existence of funds for this purpose. In accordance with the current accounting rules in force, and considering that this Reserve is a real liability of the Society towards its cooperative members which is to be determined by actuarial calculation, the total amount should be included in the Society's liabilities (thus, the short-term portion would be approximately EUR 1,931,000 and the medium and long-term portions would be approximately EUR 462,000).

Qualified Opinion

8. In our opinion, except for the effects of the adjustments that might become necessary if the limitations described in paragraphs 4 through 6 did not exist, and with the exception of the effects of the matter mentioned in paragraph 7, the financial statements mentioned in paragraph 1 give a true and fair view, in all materially relevant aspects, of the financial position of the Portuguese Society of Authors as at December 31, 2011, as well as of the result of its operations, its equity changes and its cash flow in the FY ended on that date, in accordance with the accounting principles generally accepted in Portugal.

Emphasis of Matter

9. The financial statements mentioned in paragraph 1 have been prepared under the going concern assumption, although as at December 31, 2011, SPA had a negative equity of EUR 8,710,761 and its short term liabilities surpassed the current assets. Consequently, SPA's going concern, the realization of its assets and the settlement of its liabilities are dependent upon: (i) keeping its creditors' current financial support; (ii) adopting the necessary measures for the improvement of its financial situation; and (iii) the future success of its operations.

Lisbon, March 14, 2012

Deloitte & Associados, SROC S.A.
Represented by Manuel Maria Reis Boto

REPORT AND OPINION OF THE SUPERVISORY COUNCIL

**To the Members of the
Portuguese Society of Authors (Sociedade Portuguesa de Autores C.R.L.)
Avenida Duque de Loulé, 31
1069-153 LISBOA**

Under the terms of Article 48(c) of the Bylaws of the Portuguese Society of Authors ("SPA"), and in accordance with the law in force and the mandate we have been entrusted with, we hereby submit to Your consideration our Report and Opinion. It includes information on our activity and the accounts documents of the Portuguese Society of Authors ("SPA" or "Society") for the FY ended December 31, 2011, for which the Board of Directors is responsible.

We have followed, with the periodicity and duration we have considered appropriate, the evolution of SPA's activity, the regularity of its accounting records and the compliance with the legal and bylaws rules in force, having received from the Board of Directors and the different services the requested information and clarifications.

Within the scope of our duties, we examined the balance sheet as at December 31, 2011, the income statement by nature, the equity changes and the cash flow for the FY ended on that date, as well as the corresponding notes. In addition, we have reviewed the Report of the Board of Directors and the proposal therein.

We have also considered the Auditor's Report on the 2011 Financial Statements, submitted by Deloitte e Associados, SROC S.A. and dated March 14, 2012, which we accept.

The Supervisory Council has been informed, and trusts and insists on the fact, that all legal requirements are being satisfied in what concerns payments to the State and other Public Bodies, as well as the agreements signed by the Society.

Taking the above-mentioned into account, the Supervisory Council believes that, after having duly considered the issues that have been referred to in the enclosed Auditor's Report, the financial statements mentioned above and the Report of the Board of Directors, as well as the proposal therein, comply with the applicable accounting and bylaws provisions. Therefore, they can be approved in the Annual Meeting of the Cooperative Members.

Lisbon, March 14, 2012

Jorge Leitão Ramos
(President of the Supervisory Council)

José Cabeleira
(Vice President of the Supervisory Council)

Maria de Lourdes de Carvalho
(Alternate Member)

Deloitte & Associados, SROC S.A.
Represented by Manuel Maria Reis Boto