



Board of Directors'  
Report and Accounts  
and  
Supervisory Council's Opinion  
2012

## **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 26, 2013, at 5 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 2012.

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 notice. These documents can also be examined online on SPA's website ([www.spautores.pt](http://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 11, 2013

Chairman of the Annual Meeting

Rui Vieira Nery

# BOARD OF DIRECTORS' REPORT

**SPA ADOPTED MEASURES AGAINST THE CRISIS**  
**AND INCREASED SUPPORT TO COOPERATIVE MEMBERS**  
**IN THE NAME OF UNITY AND THE FUTURE**

The year of 2012, which is under review and being duly assessed, was already one of the worst SPA has ever faced due to the serious national and international crisis, namely the strong decrease of collections (13% drop compared with 2011) in all areas of creation represented by SPA. In such a serious context, cultural consumption and, consequently, SPA's collection capacity were inevitably reduced. However, and notwithstanding the adverse situation that has been mentioned, it should be highlighted that the major reorganization of the Branch Offices/Public Performance Department has allowed for collections in this sector to remain almost the same as those of the previous year.

In spite of this difficult situation, which has transcended and still transcends the cooperative's intervention power, one can say that SPA has adopted all the measures within its reach in order to reduce the impact of the structural crisis that will continue to affect Portugal in the following years.

The year of 2012 has been remarkable due to the consolidation of the new organization system and of the operation of the Branch Offices, and because of the increased operation of the new computer system with the creation of SPADIGITAL, which encompasses all the computer tools with which SPA operates and which are essential for its modernization, efficiency and operation.

In 2012, the Board of Administrators tried to predict and anticipate all the situations that might affect its financial stability and harm the interests of authors in general. All the adopted measures have been unanimously supported by the Board of Directors and the remaining Governing Bodies, within a context of open management with active

participation. The Society's accounts for 2012 closed with a net loss of €493,909.

In 2012, efforts were made to reduce operating costs, which reflect mainly in the 4.1% decrease of expenses with External Supplies and Services. Within this group, there has been a reduction of 37% in Representation Expenses, 9% in Surveillance and Security, and 4% in Travel and Lodging. This effort was intensified by the plan for the reduction of operation expenditure, which, besides the examples above, has already had the necessary developments in early 2013.

The year of 2012 also saw an increased deterioration of the living conditions of Portuguese authors in general, who have received much less commissions, have had much less shows and have dealt with increasingly higher delays in the payment of invoices for their works and performances. For that reason, SPA was forced to activate and expand its social assistance mechanisms in order to be able to deal with emergency situations that, in the meantime, will tend to become worse. SPA has strengthened its intervention in this area, mostly during the last few years, thus honoring the duties of social assistance and solidarity that are inherent to its cooperative nature. Also for that reason, SPA's relationship with CASES (Cooperativa António Sérgio para a Economia Social - António Sérgio Cooperative for the Social Economy), the entity that coordinates and has jurisdiction over this sector on a national level, was strengthened in 2012. Let it be reminded that the cooperative sector represents more than 5% of the Portuguese GDP. It is also important to mention that the scope of the "Autores Mais" program has been broadened to include other resources and benefits that did not exist before.

On the other hand, in 2012 SPA also consolidated its presence in the media, namely with the third edition of the Authors Award Gala, another series of programmes on the TVI 24 television channel and a regular presence on TSF radio station. These transmissions on TVI will

continue in 2013. This visibility, which honors the work and the social and cultural importance of authors, has shown the general public that SPA is more modern, more efficient and better prepared for the huge challenges and dangers posed by the ongoing technological revolution. In 2012, SPA's need to be prepared to find the right measures in what concerns the digital world has increased.

Naturally, a credible and prestigious SPA will strengthen its negotiation capacity, as well as its influence and acceptance in such relevant sectors as the police forces or the judiciary.

The general situation became worse because, in 2012, the Portuguese Government did not honor any of its law-making commitments, which resulted namely in the huge losses caused by the new Private Copy Law not having seen the light of day. This practically condemned the Cultural Fund, a resource that has allowed SPA to support more than a hundred projects from different areas of creation for some years, to disappearance. Nothing has also been done in what concerns the promised Anti-Piracy Law and the revision of the Copyright Code. Instead, the Government urgently sought to approve a law on Collective Management that was neither foreseen nor announced.

At the end of 2012, the Board of Administrators had an audience with the new junior minister of State for Culture, who promised to materialize the Private Copy Law until the end of the year, but this did not happen. For that reason, SPA asked AGE COP, which is presided over by SPA's President, to consider the possibility of taking legal action against the State due to the losses caused by the literal stagnation of the Private Copy Law. That possibility is still completely open since the fundamental assumptions haven't changed. SPA regrets that the Government continues to behave like this towards Portuguese authors, postponing measures and decisions of vital importance for their survival.

In the meantime, SPA has kept regularly in touch with the Portuguese parliamentary groups in order to proceed with the new Private Copy Law, even though it is aware that the position of the majority that supports the Government in this matter is far from a positive change in the near future. When the interests of big operators overlap those of authors and artists, the weakest link eventually loses and the ideologic nature of the decision-makers is confirmed, usually in favor of those who hold economic power.

### **INCREASED AND VALUED INTERVENTION ON THE INTERNATIONAL FRONT**

In 2012, the most important event in International Relations was SPA's election to the Board of Directors of the European Grouping of Societies of Authors and Composers (GESAC), headquartered in Brussels. SPA now belongs to a group of nine societies, variable in size and importance, that perform a fundamental role within the European Commission and structures such as the CISAC<sup>1</sup>.

As in previous years, SPA has also consolidated in this way its position on the international stage, making itself heard at important meetings of the CISAC and the GESAC, as well as at the CIADLV<sup>2</sup> meetings, to whose Executive Committee it belongs. SPA's dynamic intervention in the Portuguese-Speaking Gatherings of Societies of Authors, a fundamental structure for the promotion of cooperation between sister societies in the Portuguese-speaking territory, also needs to be highlighted. In 2013, the continuity of this project will be assessed in light of the crisis that affects several Portuguese-speaking societies.

It is also important to mention that, on SPA's recommendation,

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1 International Confederation of Societies of Authors and Composers

2 International Council of Dramatic, Literary and Audiovisual Authors

Maestro António Victorino d'Almeida was the only author-artist performing at the opening of the annual EUObserver conference at the Musical Instruments Museum in Brussels, which gathered several Members of the European Parliament (MEPs) and representatives of societies of authors.

SPA was also present at a meeting with MEPs at the European Parliament in order to discuss aspects related to the making of directives that are fundamental for the future of authors and of the societies that represent them.

Further, SPA hosted the Annual Meeting of CISAC's European Committee in April 2012, which brought tens of directors of more than fifty societies from all over Europe to Lisbon. CISAC's assessment of this event was very positive, also because of the way our Cooperative received the participants and co-organized the event, thereby increasing its international prestige.

SPA's presence in Maputo for the third edition of the Portuguese-Speaking Gatherings of Societies of Authors should also be highlighted. It was represented by its administrator Pedro Campos and by the following department directors: Vanda Guerra (International Relations), Alexandre Miranda (Distribution and Documentation) and Vítor Amorim (IT).

## **SUPPORTING EMPLOYEES, REWARDING MERIT, PREPARING THE FUTURE**

Concerning the Cooperative's relationship with its employees, and because the country's economic and social situation does not allow for a rise in salary, social assistance has been increased, 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. Once more, the traditional Christmas dinner has been replaced with the distribution of a Christmas basket, which was considered to be a more helpful and practical way of supporting those that work at the Cooperative.

Meanwhile, the Board of Directors has approved the remodeling of the old bar area on the seventh floor of the headquarters building in order to serve more meals to its employees and also, perhaps, to the cooperative members. But this is still to be defined.

On the other hand, the first steps in the restructuring process of the Cooperative's departments have been taken. This restructuring process aims at adapting SPA's Permanent Employees to the huge technological challenges, to the new copyright realities, and also to the new circumstances created by the crisis that is seriously affecting and limiting the whole institution and its financial stability. This process will be concluded before the end of the first quarter of 2013.

### **THE MEMBERSHIP DEPARTMENT IS THE FRONT OFFICE FOR CONTACT WITH COOPERATIVE MEMBERS**

In 2012, there was a significant increase in the number of members using SPA's membership department services and in the quality of the service rendered at that level. This being the first line of the daily and continued contact with SPA's members and their specific needs, investment in this area is justified, also considering that the Membership Department is approached by authors who are living in hardship. This type of situation is dealt with by taking the appropriate measures in due course.

SPA's Board of Directors is aware that the quality and efficiency of the Membership Department are crucial, both at headquarters and at the branch offices, in order to speed up procedures and to create a

more modern, competent and dynamic image of an institution that can't postpone its response to present and future challenges and to the needs of its members, who are the reason why this entity approaching its 90th anniversary exists.

**EVEN BETTER COMMUNICATION**  
**IN ORDER TO UNITE AUTHORS AND**  
**BOOST SPA'S PRESTIGE**

In 2012, SPA continued to invest in a communication policy that started in late 2007 and is not comparable to anything that has been done before by the Cooperative in this area. 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. Everything is brought to the knowledge of the authors we serve.

Meanwhile, SPA's Corporate TV has been successfully launched in all of the cooperative's spaces, thus ensuring a more dynamic and modern internal information system. On the other hand, our presence on Facebook and the digital world in general has increased, which explains why SPA has a growing number of (younger) followers on these platforms. This goal was attained without any additional costs and without having to recruit new employees. Here are the numbers: from 80,734 visitors in 2011 to 117,440 in 2012, SPA got a daily average of approximately 800 visitors and a monthly average of more than 16,000.

In 2012, this communication strategy translated into SPA's regular presence on TV and on the radio, namely on the TVI 24 television channel, on the TSF radio station and at the Authors Award Gala at the Belém Cultural Center (CCB). SPA's Board of Directors is convinced

that this communication policy has significantly contributed to increase the cohesion and unity of authors, to strengthen their relationship with the Cooperative and to give credibility and enhance the image and prestige of the institution. This is particularly relevant in such a serious economic and social crisis context.

### **TO SUPPORT AND PROMOTE CREATORS** **FOR THE ADVANCEMENT OF CULTURE AND PORTUGAL**

An important aspect of the activity developed in 2012 was the support to cultural creation via the Cultural Fund, which made it possible to sustain a few more dozens of projects from different areas of creation. However, the amount made available to fund these projects was much lower than in 2011 because the inexistence of a new Private Copy Law reduced the cooperative's capacity to finance new project applications almost to nothing. Hence the decision to put them on hold until the Government honors and fulfils the promises it made.

In spite of the budget restrictions, which have continued to increase, the number of exhibitions, conferences, work presentation sessions and other cultural events did not drop at headquarters and in Porto. This means SPA was, once again, a reference cultural offer center and that it didn't just operate as a mere copyright collective management company. We would also like to highlight the protocols that have been signed and implemented all over the country, which allowed SPA to strengthen its link with civil society structures and its presence in the country's collective life. This decentralization also needs to be underlined and should always be valued.

A special reference should be made to the tribute to Luís Góes at the Coimbra City Hall, with the posthumous delivery of the

Cooperative's Medal of Honor to his widow, the delivery of the first Pedro Osório Award to the musician Jorge Palma, the creation of the Igrejas Caeiro Award for the radio sector and the delivery, for the first time, of the António Alçada Baptista Autobiographical Literature Award to António Cartaxo. Other important events were the tributes to Fernando Alvim and Artur Cruzeiro Seixas, who have both received the Cooperative's Medals of Honor.

Besides the continued publishing cooperation with the Portuguese Mint and Official Printing Office, it is also important to mention the publication of a book to pay tribute to some of the great authors that were cooperative members of SPA, entitled *Biographies of 55 Great Portuguese Authors*.

### **AUSTERITY, RIGOR AND SOLIDARITY**

During 2012, SPA fought on all fronts to dignify copyright and to stand up for its primary nature in relation to neighboring rights, with reference to collected royalties. Neighboring rights are not and cannot be considered primary rights.

It was a year during which SPA associated itself with the fair fight lead by institutions and citizens against the announced privatization of the public radio and television service. The society's visibility in this process honors the principles and values it has been defending for decades.

Besides that, the cooperative saw its demand for authors to be considered equal to employees in tax lien situations enshrined in the law. This was made possible by the law-making efforts of the Portuguese Socialist Party's (left-wing) Parliamentary Group.

Under no circumstances can it be said that SPA did not live up to the responsibilities imposed by the political and social situation, always

in an objective and committed way, in the name of the thousands of authors it represents and of the future of the institution itself. This report refers to a year that has been characterized by austerity, rigor and realism. Indeed, the Board of Directors and the Board of Administrators were always conscious that we are facing one of the darkest and most dramatic periods of SPA's now long history.

It was a year in which authors' cohesion was significantly strengthened around the institution that legitimately represents them and in which, without prejudice to the Cooperative's democratic vitality, the minor criticism that results from personal hard feelings or individual and anachronistic projects was reduced to its real dimension.

The Board of Directors reiterates the need for authors to be united around their Cooperative and the rights and interests on which depends their career, their subsistence and the future of Portuguese culture itself. Everything was done in 2012 to ensure and strengthen that unity, and for cooperative members to have a more active participation in SPA's life. That was the Board of Directors' and the Board of Administrators' aim, and that is what has been achieved.

Never mistaking what is accessory for what is essential, the Board of Directors and the Board of Administrators have strengthened the solidarity and support mechanisms for those who need them.

The year of 2012 was also a time to invest in the modernity and rejuvenation of the cooperative, even though we are all aware that a lot still needs to be done in this area and that it is necessary to create new ways of attracting young authors. This will be done in 2013 and in the following years, in partnership with entities that will ensure the best possible distribution of the works that will be made available to the public.

All was done in 2012 to defend SPA's authors, from meetings with political decision-makers to training sessions with the police forces and

the judiciary, always believing that the fight for copyright consists of the following requirements and measures: the creation of a new consumer mentality, especially at a time of technological revolution in which the idea that cultural goods are for free consumption, unlike the rest of the products on the market, is dangerously expanding.

In the year of 2012, in all the domains of its intervention, SPA understood even more clearly which priorities must be defined, which investments need to be made, which management options should be privileged, which allies and partners should be counted on, which sacrifices will have to be made and what should be focused on when thinking about the future, namely in what concerns technology, the economy and society.

In 2012, SPA's Board of Directors and Board of Administrators made it quite clear that no one can ask authors to contribute to overcome the crisis without the appropriate legal support. This fight took place in Portugal and at the European institutions. It will continue to happen in the following years, and the team that is responsible for the cooperative's future is utterly convinced that this is a fair and pressing fight supported by everyone, and fought on behalf of everyone.

### **GUIDELINES FOR 2013**

The serious economic, financial, social and political situation that Portugal is facing naturally reflects in an obvious and disturbing way in SPA's life, as well as in the forecasts, commitments and projections made for 2013, which are expressed in the Annual Plan and Budget that has already been approved by the Governing Bodies.

The situation experienced in 2012 is showing signs of getting worse in 2013, first and foremost because there are no sustainable signs of

take off and recovery.

The true tax "assault" that is being carried out against Portuguese citizens will have disastrous consequences for the country in general and for its artists in particular, who are increasingly being deprived of the conditions that allow them to create and promote their works, and that allow them to find an audience with a minimum purchasing power to buy books; to go to the theater, to the movies, to the ballet or to the opera; to attend music shows; or to buy visual arts works.

Portuguese authors have never lived in times of such uncertainty and accelerated impoverishment. It is therefore inevitable that this reality will severely condition the action of the Portuguese Society of Authors.

However, the Board of Directors and the Board of Administrators will do everything in their power to reduce the impacts of the violent social and economic crisis, on the one hand, and to give the Cooperative the means to become increasingly competitive and to face and overcome the huge challenges that are being posed to copyright, on the other hand.

One of the measures of undeniable importance is the ongoing restructuring of SPA's departments, which will make it possible to optimize efforts, value skills, support new positions, separate what is essential from what is accessory, fight the anachronistic nature of a company that didn't modernize itself at the right moment, and invest in the training of its employees.

Only a new organic structure based on a modern strategic vision that understands the ongoing changes in copyright will give the Cooperative the effective possibility of facing future challenges and the most penalizing and debilitating aspects of the current crisis.

In line with the above-mentioned, another of the society's pillars of action in 2013 is the adoption of measures that will ensure the future sustainability of the Cooperative by reducing expenses and increasing

income. To that end, several initiatives are already underway that will, in time, bear the necessary fruits.

The conclusion of the installation of the SGS system, which is the central pillar of a new reality now called SPADIGITAL, with all the advantages of modern IT systems, will allow for prompter services, greater efficiency in providing answers and SPA's greater capacity to adapt to the international network in which it operates. It will also make it possible to seize the new business opportunities that this tool puts within our grasp.

To this end, special attention will be given to the situation of collective management societies in the Portuguese-speaking territory, with which we maintain a relationship of cooperation and dialog and which can benefit from these new resources that SPA is now making available, with material and operational advantages for all the parties involved.

For that purpose, contacts have been established at the end of 2012 in order to find alternative income sources, and they may produce some results during 2013. This may be the start of a new cycle of the Cooperative's life and its economic future.

The year of 2013 will be one of the worst in SPA's whole history because the music industry is collapsing; because every day dozens of restaurants and hotels close down; and because ordinary citizens, who are penalized by a fierce middle class eradication policy, have no purchasing power to buy cultural products.

We are perfectly aware of the seriousness of this situation, which appals and transcends us. We will continue to fight for what we know is fair and (everywhere our voice can be heard) for the demonstration that culture and its creators can be determinant for more wealth, more employment and the strengthening of the national identity and cohesion, as well as for the recovery of our international prestige as a free and sovereign nation. Therefore, the unity of authors of all



generations and from all areas of creation has never been more important, as well as their capacity to make it clear where they intervene that they have rights and that the values they are fighting for (work, civil, cultural, tax justice, the inflexible defense of a country that sees its sovereignty and its future seriously mortgaged) are important.

### **PROPOSAL FOR THE APPROPRIATION OF LOSS**

The Board of Directors proposes that the Net Loss for 2012, in the amount of EUR 493,909, be transferred to Retained Earnings.

Lisbon, March 11, 2013

SPA's Board of Directors

**Cultural Activities**  
**January - December 2012**

**January 19 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Recital by the Lisbon Metropolitan Orchestra - "Mozart Quartets".

**January 19 – Carlos Paredes Room – 6 p.m.**

Opening of the photography exhibition by João Ribeiro - "Man and His Perspective: The Magic of the Moment".

**January 25 – Reception at SPA's Building II – 6.30 p.m.**

Opening of the exhibition "Pedro Osório: Let Music Live!", a tribute to Maestro Pedro Osório for his life and work, with photos by Inácio Ludgero.

**January 27 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

"Authors Talking About Authors" session, with Maestro António Victorino d'Almeida.

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**February 6 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Tribute to Fernando Alvim, with the participation of Cristina Branco, António Victorino d'Almeida and José Jorge Letria.

**February 15 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Launch of the CD by Maestro Álvaro Cassuto; and  
"Authors Talking About Authors" session - Álvaro Cassuto talks about Joly Braga Santos.

**February 24 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Recital by the Lisbon Metropolitan Orchestra – Contemporary music for violin solo.

**February 27 – CCB – 9 p.m.**

2012 SPA/RTP Authors Award Gala.

**February 29 – Carlos Paredes Room – all day**

AIC 2012 - "Cooperatives and the Social Economy" seminar, organized by CASES – António Sérgio Cooperative.

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**March 2 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Session by Associação Abril - Tribute to the journalist Duda Guennes, with Guadalupe Magalhães.

**March 5 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Launch of the book by José Caldas, presented by António Torrado.

**March 8 – Carlos Paredes Room – 6 p.m.**

Opening of the exhibition "Colonial War - Tarrafal 50 Years Later".

**March 15 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

"Authors Talking About Authors" session - Jorge Leitão Ramos talks about Fernando Lopes.

**March 20 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Session of the Jaime Salazar Sampaio Dramaturgy and Performing Arts Cycle, dedicated to Luiz Francisco Rebello.

**March 22 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Recital by the Lisbon Metropolitan Orchestra.

**March 24 – São Jorge Movie Theater – 9 p.m.**

Spautores Award Ceremony | Vasco Granja – 2012 Monstra Festival.

**March 28 – Maestro Frederico de Freitas Auditorium – 6 p.m.**

Screening of the movie *O Meu Avô Republicano* (My Republican Grandfather), by Fernando Matos Silva.

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**April 16 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Authors Talking About Authors Session - Ricardo Alexandre talks about João Aguardela.

**April 19 and 20 – Altis Hotel**

Annual Meeting of CISAC's European Committee.

**April 20 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Session by Associação Abril, for the opening of the April Carnation Festival, with Isabel do Carmo, José Zaluar Basílio, Francisca Soromenho and João Marecos.

**April 23 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Session by Associação Abril entitled "The Academic Crisis of 1962 – 50 years later", within the scope of the Memory and Resistance Cycle.

**April 27 – Maestro Frederico de Freitas Auditorium – 6 p.m.**

Launch of the book *100 Poemas para Albano Martins* (100 Poems for Albano Martins).

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**May 7 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Session dedicated to literature for children and youth presented by the Brazilian writers José Santos and Selma Maria, who talked about the exchanges between Brazil and Portugal in this area. The focus was on the work by illustrator Jo Oliveira, writer Lucília Garcez, professor Susana Ventura, the publishers FTD and Peiropolis, and the creator of *Turma da Mônica*, Maurício de Sousa.

**May 8 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Presentation of the DVD *Cantares do Povo Português* (Songs of the Portuguese People), by José Barros and Navegante.

**May 10 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Recital by the Lisbon Metropolitan Orchestra.

**May 14 – Maestro Frederico de Freitas Auditorium – 6 p.m.**

Delivery of the Pedro Osório Award to Jorge Palma for the CD *Com Todo o Respeito* (With All Due Respect), published in 2011.

**May 15 – Carlos Paredes Room – 6 p.m.**

Opening of the photography exhibition "Proximity" and launch of the book *As ilhas desconhecidas* (The Unknown Islands), by Jorge Barros.

**May 22 – Carlos Paredes Room – 6 p.m.**

Celebration of the Portuguese Author Day.

**May 28 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

"Paths of Freedom" session by Associação Abril – Memory and Resistance Cycle, with Amândio Silva, Camilo Mortágua and Manuel Pedroso Marques.

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**June 1 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Recital by the Lisbon Metropolitan Orchestra – Violin, flute and piano trio.

**June 12 – Carlos Paredes Room – 9 a.m. to 1 p.m.**

CASES (António Sérgio Cooperative) Workshop.

**June 14 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Session evoking the 50th anniversary of Marilyn Monroe's death, with Jorge Leitão Ramos.

**June 18 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Session by Associação Abril within the scope of the Memory and Resistance Cycle entitled "Progressive Catholics", featuring several personal accounts.

**June 20 – Maestro Frederico de Freitas Auditorium – 6 p.m.**

Launch of the book *Jogo de Janelas* (Window Set), by Francisco Ceia.

**June 22 and 23 – Voz do Operário – all day**

SPA participated in the "Cooperative Identity Exhibition" with a stand displaying the cooperative's promotional and informative material.

**June 27 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Presentation of the book *Nova Antologia de Poetas Alentejanos* (New Anthology of Poets from Alentejo), directed by Eduardo M. Raposo and prefaced by Urbano Tavares Rodrigues.

**June 28 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Session of the Jaime Salazar Sampaio Dramaturgy and Performing Arts Cycle dedicated to a new Theater concept, "Fast Theater", with Alexandre Gonçalves, its driving force and creator.

**June 29 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Session evoking the 50th anniversary of Paulo de Carvalho's musical career, with the participation of José Jorge Letria, Tozé Brito and Ivan Lins. On this day, he was also given SPA's Medal of Honor.

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**July 9 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Session by Associação Abril within the scope of the Memory and Resistance Cycle - Documentary *À Procura do Socialismo* (Looking for Socialism), by Alípio de Freitas and Mário Lindolfo.

**July 12 – Carlos Paredes Room – 6.30 p.m.**

Opening of the exhibition "Igrejas Caeiro: The Companion of Joy", a tribute to the author, actor, politician, radio and television man.

**July 23 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Session by Associação Abril within the scope of the Memory and Resistance Cycle - screening of the film *A Fuga* (The Escape), by Luís Filipe Rocha.

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**August - No activities**

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**September 18 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

"Camilo: a Modern Romantic" session, within the scope of the cycle commemorating the 150th anniversary of the publication of the book *Amor de Perdição* (Doomed Love), by Camilo Castelo Branco, with Annabela Rita.

**September 27 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Session of the Jaime Salazar Sampaio Dramaturgy and Performing Arts Cycle under the title "PALCO 13" (STAGE 13), whose aim was to show that the Theater is alive and renovated, with young people committed to fight against the indifference of the political power and leaders. The Company Palco 13 was founded in 2010 by stage director and actor Marco Medeiros, together with other colleagues.

**September 28 – Maestro Frederico de Freitas Auditorium – 6 p.m.**

Tribute to the painter and poet Cruzeiro Seixas. The presentation was made by Rui Mário Gonçalves, an art historian, with the participation of Professor António Sampaio da Nóvoa, President of the University of Lisbon, and Mr. José Jorge Letria. The artist received SPA's Medal of Honor.

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**October 11 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Recital by the Lisbon Metropolitan Orchestra: "Transfigured Night", with violin and viola.

**October 24 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Session evoking the 150th anniversary of the birth of Auguste Lumière, with Jorge Leitão Ramos.

**October 25 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Session of the Jaime Salazar Sampaio Dramaturgy and Performing Arts Cycle entitled "Directing Actors", with the presence of two great actors and actor directors: Lucinda Loureiro and António Melo. In an informal talk with the audience, they explained what it is like to direct actors.

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**November 5 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Launch of the book *Fernando Lopes – Um rapaz de Lisboa* (Fernando Lopes - A Boy from Lisbon), by Jorge Leitão Ramos.

**November 7 – Great Hall of Coimbra's City Hall – 6 p.m.**

Tribute to Luiz Goes, who posthumously received SPA's Medal of Honor.

**November 8 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Recital by the Lisbon Metropolitan Orchestra: "Czech Composers", with violin, cello and piano.

**November 12 - Maestro Frederico de Freitas Auditorium - 6.30 p.m.**

Session by Associação Abril – X-RAYS OF OUR TIME Conference Cycle entitled "The Poor and the Rich - Contemporary Globalization, Capitalism's Last Stage?", with Prof. Mário Moutinho.

**November 13 – D. Maria II National Theater – 7 p.m.**

Tribute to Carlos Avilez - SPA and the Cascais City Hall delivered a silver piece to honor the author.

**November 16 – Carlos Paredes Room – 7 p.m.**

Opening of the exhibition entitled "The News Report Poet: Ryszard Kapuściński (1932-2007)". On this occasion, excerpts of Ryszard Kapuściński's work were read by the actor Álvaro Faria.

**November 22 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Lecture on "Music Language", with Maestro Miguel Graça Moura.  
A fun approach to music, illustrated on the piano.

**November 27 – Casa da Música, Porto – 7 p.m.**

Tribute to Maestro Álvaro Salazar – SPA gave a tribute plate to the composer Álvaro Salazar, the artist and man.

**November 29 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Session of the Jaime Salazar Sampaio Dramaturgy and Performing Arts Cycle entitled "Portuguese Cinema Paths". The starting point for the debate was the Portuguese Cinema Paths Festival. The panel included the Festival Director Vítor Ferreira, the program manager Margarida Mateus, and Fernando Mateus, journalist, university professor, director and video producer for the cinema and television.

**November 30 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Session entitled "THE VIRTUE OF LIVING BY WRITING", a tour of Monteiro Lobato, Jorge Amado, Érico Veríssimo and Vinícius de Moraes; the session was offered by professor Susana Ramos Ventura.

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**December 5 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Session evoking the 25th anniversary of the death of Carlos Drummond de Andrade, with Leonor Xavier and Numa Ciro.

**December 6 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Recital by the Lisbon Metropolitan Orchestra - "French Music Influences", with flute, violin, cello and piano.

**December 6 – Carlos Paredes Room – 6 p.m.**

Delivery of the Pro-Author Award to the Odivelas City Hall.

**December 10 – Maestro Frederico de Freitas Auditorium – 6.30 p.m.**

Session by Associação Abril – X-RAYS OF OUR TIME Conference Cycle entitled "Young unemployment and its consequences", with the members of MSE-Movimento Sem Emprego (Movement of the Unemployed).

**December 12 – Carlos Paredes Room – 6.30 p.m.**

Delivery of the Portuguese Pen Club Awards for works published in 2011:

**- Poetry**

Fernando Guimarães, *As raízes diferentes* (The Different Roots) (Relógio d'Água)

Jury: Maria do Sameiro Barroso, Albano Martins, Rita Taborda Duarte.

**- Essay**

Maria Filomena Molder, *O Químico e o Alquimista. Benjamin, Leitor de Baudelaire* (The Chemist and the Alchemist. Benjamin, Baudelaire Reader) (Relógio d'Água)

Jury: Maria João Cantinho, Paula Mendes Coelho, Ricardo Gil Soeiro.

**- Narrative**

Rita Ferro, *A menina é filha de quem?* (Whose Daughter Are You?) (Dom Quixote)

Jury: Helena Barbas, Artur Anselmo, Fernando Dacosta.

**- First Work**

Pedro Vieira, *Última paragem em Massamá* (Last Stop: Massamá) (Quetzal)

Jury: Teresa Salema and all the other jury members, especially those belonging to the Narrative jury.



# FINANCIAL STATEMENTS AND NOTES

SOCIEDADE PORTUGUESA DE AUTORES, C.R.L.

BALANCE SHEETS AS AT DECEMBER 31, 2012 AND 2011

(Amounts in euros)

ASSETS	Notes	2012	2011 (Restated)
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	6	8,619,829	8,856,546
Investment property	7	693,963	717,924
Intangible assets	8	1,499,618	1,564,494
Holdings - other methods		78	78
Non-current assets total		10,813,489	11,139,042
<b>CURRENT ASSETS:</b>			
Receivables	10	12,749,710	9,725,478
Advances to suppliers	11	1,784,169	1,414,393
Other receivables	12	657,554	500,964
Deferrals	13	45,968	54,885
Cash and bank deposits	4	29,639,706	33,099,301
Total current assets		44,877,108	44,795,021
Total assets		55,690,597	55,934,063
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY:</b>			
Paid-in capital	14	13,364	12,846
Legal reserve	14	80,399	77,024
Bylaws reserves	14 and 28	1,846,859	2,393,187
Retained earnings	14	(11,052,958)	(11,406,361)
Other changes in equity	14	97,875	97,875
		(9,014,461)	(8,825,430)
Net income (loss) for the FY		(493,909)	353,404
Total equity		(9,508,370)	(8,472,026)
<b>LIABILITIES:</b>			
<b>NON-CURRENT LIABILITIES:</b>			
Provisions	15	984,046	1,058,747
Post-employment benefits liabilities	16	3,625,648	3,599,965
Total non-current liabilities		4,609,694	4,658,712
<b>CURRENT LIABILITIES:</b>			
Payables	11	44,068,769	45,374,882
Invoices pending approval	10	13,159,334	11,672,542
State and other public bodies	17	1,526,378	944,654
Other payables	18	1,791,204	1,623,067
Deferrals	13	43,586	132,232
Total current liabilities		60,589,272	59,747,377
Total liabilities		65,198,966	64,406,089
Total equity and liabilities		55,690,597	55,934,063

The notes are an integral part of the balance sheet as at December 31, 2012.

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

SOCIEDADE PORTUGUESA DE AUTORES, C.R.L.

INCOME STATEMENT BY NATURE

FOR FYS ENDED DECEMBER 31, 2012 AND 2011

(Amounts in euros)

INCOME AND EXPENSES	Notes	2012	2011 (Restated)
Services rendered	19	7,311,241	7,327,940
Work for the entity itself	8	149,151	266,685
External services and supplies	20	(1,794,178)	(1,872,153)
Employee expenses	21	(6,410,484)	(6,368,045)
Impairment of receivables ((losses)/reversals)	12	5,940	(25,610)
Provisions ((increases)/reductions)	15	(51,998)	168
Other income and gains	22	212,484	1,012,007
Other expenses and losses	23	(323,765)	(414,963)
Earnings before interest, taxes, depreciation, and amortization (EBITDA)		(901,608)	(73,971)
Depreciation and amortization expenses	24	(613,592)	(610,602)
Operating loss (before interest and taxes)		(1,515,200)	(684,573)
Interest and similar receivable income	25	1,080,245	1,092,054
Interest and similar expenses	26	(58,954)	(54,077)
Net income (loss) for the FY		(493,909)	353,404

The notes are an integral part of this income statement by nature for the FY ended December 31, 2012.

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

SOCIEDADE PORTUGUESA DE AUTORES, C.R.L.

STATEMENT OF CHANGES IN EQUITY

FOR FYS ENDED DECEMBER 31, 2012 AND 2011

(Amounts in euros)

Equity allocated to capital holders							
Notes	Paid-in capital	Legal reserve	Bylaws reserves	Retained earnings	Other changes in equity	Net income (loss) for the year	Total equity
Balance as at January 1, 2011	12,337	73,784	2,664,662	(12,571,333)	97,875	747,235	(8,975,441)
Effect of the accounting policy change	5	-	-	417,737	-	-	417,737
Balance as at January 1, 2011 (restated)	12,337	73,784	2,664,662	(12,153,596)	97,875	747,235	(8,557,704)
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	-	(747,235)	(267,726)
Net income for the year (restated)	-	-	-	-	-	353,404	353,404
Balance as at December 31, 2011 (restated)	12,846	77,024	2,393,187	(11,406,361)	97,875	353,404	(8,889,763)
Increases	14	625	3,375	1,462,616	-	-	1,466,616
Decreases	14	(107)	-	(2,008,944)	-	-	(2,009,051)
Appropriation of the 2011 income (restated)	14	-	-	353,404	-	(353,404)	-
	518	3,375	(546,328)	353,404	-	(353,404)	(542,435)
Net loss for the year	-	-	-	-	-	(493,909)	(493,909)
Balance as at December 31, 2012	13,364	80,399	1,846,859	(11,052,958)	97,875	(493,909)	(9,926,107)

The notes are an integral part of this statement of changes in equity for the FY ended December 31, 2012.

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

SOCIEDADE PORTUGUESA DE AUTORES, C.R.L.

CASH FLOW STATEMENT

FOR FYS ENDED DECEMBER 31, 2012 AND 2011

(Amounts in euros)

	Notes	2012	2011
<u>OPERATING ACTIVITIES:</u>			
Receipts from customers		31,268,255	35,994,146
Payments to suppliers		(29,149,570)	(27,559,564)
Payments to employees		(6,391,317)	(6,384,193)
Cash flow generated by operations		(4,272,632)	2,050,389
Other operating receipts/payments		370,004	1,284,418
Cash flow generated before extraordinary items		(3,902,628)	3,334,807
Extraordinary items receipts/payments		-	45,500
Cash flow generated by extraordinary activities		-	45,500
Operating cash flow (1)		(3,902,628)	3,380,307
<u>INVESTING ACTIVITIES:</u>			
Receipts from:			
Interest and similar income		1,175,263	994,215
Payments for:			
Intangible assets		(137,619)	(295,831)
Investing cash flow (2)		1,037,644	698,384
<u>FINANCING ACTIVITIES:</u>			
Receipts from:			
Increases of capital and bylaws reserves	14	1,466,616	1,663,737
Payments for:			
Interest and similar expenses	26	(58,954)	(54,077)
Reductions of capital and bylaws reserves	14	(2,009,051)	(1,931,463)
		(2,068,005)	(1,985,540)
Financing cash flow (3)		(601,389)	(321,803)
Variations in cash and cash equivalents (4) = (1) + (2) + (3)		(3,466,373)	3,756,888
Cash and cash equivalents at the beginning of the FY	4	31,594,301	27,837,413
Cash and cash equivalents at the end of the FY	4	28,127,928	31,594,301

The notes are an integral part of the cash flow statement for the FY ended December 31, 2012.

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 is covered by the special scheme provided for in Law no. 83/2001, and is therefore a public interest corporation. 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 11, 2013.

## 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 deducts 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 financial statements are those described below. Except for the change mentioned in Note 5, the accounting policies have been consistently applied to all the FYs presented in these notes.

#### **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) that 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, which refer to software, are recorded at the cost of acquisition 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 by 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 immediately recorded 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, demand and 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 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 copyright royalties collected from television operators, pay TV and radio services is recorded in accordance with the accrual basis of accounting. Until December 31, 2011, SPA recorded the revenue from these commissions when it was distributed. However, following a review of the agreements made with TV operators, pay TV and radio services, and considering the concepts of *NCRF 20 - Revenue*, SPA changed its accounting policy for the recognition of revenue associated with those operators. It is the Board of Directors' view that this change provides a more reliable and relevant financial information on SPA's operational activity. Under the terms of *NCRF 4 - Accounting policies, changes in accounting estimates and errors*, the financial statements of December 31,

2011, shown for comparative purposes, have been restated because a change in accounting policies must apply retrospectively under the terms of this rule. The impact of this change is disclosed in Note 5.

The 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 that 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**

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 under the "Post-employment benefits liabilities" (Note 16) heading, 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, two 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 "Post-employment benefits liabilities" item (Note 16).

The actuarial study, drawn up as at December 31, 2012, by an independent and specialized entity, used the following calculation method:

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

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

Social security salary increase rate	2.5%
Discount rate	3.5%
Pension increase rate	1.5%
Mortality table (retired and early retired employees)	TV 88/90
Number of pensions paid yearly:	14

(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. 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, 2012 and 2011:

	2012	2011
Cash	24,735	23,944
Bank deposits	29,614,972	33,075,357
Cash and bank deposits	29,639,706	33,099,301
Restricted cash (a)	(1,511,778)	(1,505,000)
Cash and cash equivalents	28,127,928	31,594,301

(a) The "Restricted cash" item refers to cash deposits that are not available for use by SPA. They are made up of the deposit in favor of the Social Security Financial Management Institute, in the amount of EUR 1,505,000 (Note 29), and of a balance, in the amount of EUR 6,778, seized by the Labor Court under an employment case brought against SPA in 2012.

Bank deposits as at December 31, 2012 and 2011, include time deposits, as follows:

	2012	2011
Santander Totta	-	2,000,000
Montepio Geral	2,500,000	2,500,000
BES	2,600,000	1,500,000
Millennium BCP	15,880,000	15,880,000
BANIF	1,000,000	750,000
	21,980,000	22,630,000

Time deposits have a maturity of 3 months or less. When they have a maturity of more than 3 months, they can be used immediately without a significant loss of value.

**5. CHANGES IN ACCOUNTING ESTIMATES AND POLICIES, AND ERRORS**

As mentioned in Note 3.9, during the FY ended December 31, 2012, SPA changed its accounting policy of recognition of the revenue from the commissions on copyright royalties collected from TV operators, pay TV and radio services. As required by the *NCRF 4 - Accounting policies, changes in accounting estimates and errors*, the financial statements of December 31, 2011, which are presented for comparative purposes, have been restated with the following impacts:

**Income statement**

	December 31, 2011		
	Reported	Adjustments	Restated
Services rendered	7,506,942	(179,002)	7,327,940
Work for the entity itself	266,685	-	266,685
External services and supplies	(1,872,153)	-	(1,872,153)
Employee expenses	(6,368,045)	-	(6,368,045)
Impairment of receivables ((losses)/reversals)	(25,610)	-	(25,610)
Provisions ((increases)/reductions)	168	-	168
Other income and gains	1,012,007	-	1,012,007
Other expenses and losses	(414,963)	-	(414,963)
Earnings before interest, taxes, depreciation, and amortization	105,031	(179,002)	(73,971)
Depreciation and amortization expenses	(610,602)	-	(610,602)
Operating loss	(505,571)	(179,002)	(684,573)
Interest and similar receivable income	1,092,054	-	1,092,054
Interest and similar payable expenses	(54,077)	-	(54,077)
Net income (loss) for the FY	532,406	(179,002)	353,404

NOTES TO THE FINANCIAL STATEMENT AS AT DECEMBER 31, 2012  
(Amounts in euros)

Balance Sheet

	December 31, 2011		
	Reported	Adjustments	Restated
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	8,856,546	-	8,856,546
Investment property	717,924	-	717,924
Intangible assets	1,564,494	-	1,564,494
Holdings - Other methods	78	-	78
Non-current assets total	11,139,042	-	11,139,042
<b>CURRENT ASSETS:</b>			
Receivables	9,486,743	238,735	9,725,478
Advances to suppliers	1,414,393	-	1,414,393
Other receivables	500,964	-	500,964
Deferrals	54,885	-	54,885
Cash and bank deposits	33,099,301	-	33,099,301
Total current assets	44,556,286	238,735	44,795,021
Total assets	55,695,328	238,735	55,934,063
<b>EQUITY:</b>			
Paid-in capital	12,846	-	12,846
Legal reserve	77,024	-	77,024
Bylaws reserves	2,393,187	-	2,393,187
Retained earnings	(11,824,098)	417,737	(11,406,361)
Other changes in equity	97,875	-	97,875
	(9,243,167)	417,737	(8,825,430)
Net income (loss) for the year	532,406	(179,002)	353,404
Total equity	(8,710,761)	238,735	(8,472,026)
<b>LIABILITIES:</b>			
<b>NON-CURRENT LIABILITIES:</b>			
Provisions	1,058,747	-	1,058,747
Post-employment benefits liabilities	3,599,965	-	3,599,965
Total non-current liabilities	4,658,712	-	4,658,712
<b>CURRENT LIABILITIES:</b>			
Payables	45,374,882	-	45,374,882
Invoices pending approval	11,672,542	-	11,672,542
State and other public bodies	944,654	-	944,654
Other payables	1,623,067	-	1,623,067
Deferrals	132,232	-	132,232
Total current liabilities	59,747,377	-	59,747,377
Total liabilities	64,406,089	-	64,406,089
Total equity and liabilities	55,695,328	238,735	55,934,063

NOTES TO THE FINANCIAL STATEMENT AS AT DECEMBER 31, 2012  
(Amounts in euros)

## 6. PROPERTY, PLANT AND EQUIPMENT

During the FYs ended December 31, 2012 and 2011, movements in property, plant and equipment amounts, as well as in the respective accumulated depreciation, were as follows:

2012							
	Land and natural resources	Buildings and other constructions	Basic equipment	Office equipment	Other property, plant and equipment	Property, plant and equipment in progress	Total
Gross assets:							
Opening balance	2,137,500	6,662,500	363,698	1,159,693	756,207	-	11,079,598
Acquisitions	-	-	-	123,987	9,487	6,267	139,741
Disposals and write-offs	-	-	(3,638)	(22,541)	(144)	-	(26,323)
Closing balance	2,137,500	6,662,500	360,060	1,261,139	765,551	6,267	11,193,016
Accumulated depreciation:							
Opening balance	-	755,996	363,698	1,024,612	78,746	-	2,223,052
Depreciation for the FY (Note 24)	-	251,999	-	102,439	21,166	-	375,604
Disposals and write-offs	-	-	(3,638)	(21,687)	(144)	-	(25,469)
Closing balance	-	1,007,995	360,060	1,105,364	99,768	-	2,573,187
Net assets	2,137,500	5,654,505	-	155,775	665,782	6,267	8,619,829
2011							
	Land and natural resources	Buildings and other constructions	Basic equipment	Transportation equipment	Office equipment	Other property, plant and equipment	Total
Gross assets:							
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 assets	2,137,500	5,906,504	-	-	135,080	677,462	8,856,546

The office equipment acquisitions in the FYs of 2012 and 2011 essentially refer to servers and IT equipment.



**7. INVESTMENT PROPERTY**

During the FYs ended December 31, 2012 and 2011, movements in investment property amounts, as well as in the respective accumulated depreciation, were as follows:

2012			
	Land and natural resources	Buildings and other constructions	Total
Gross assets:			
Opening balance	197,875	590,000	787,875
Acquisitions	-	-	-
Closing balance	197,875	590,000	787,875
Accumulated depreciation:			
Opening balance	-	69,950	69,950
Depreciation for the FY (Note 24)	-	23,961	23,961
Closing balance	-	93,912	93,912
Net assets	197,875	496,088	693,963

2011			
	Land and natural resources	Buildings and other constructions	Total
Gross assets:			
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 assets	197,875	520,050	717,924

Investment property includes the António Gião House, located in Reguengos de Monsaraz, and the Rebordão Navarro House, located in Foz do Douro.

**8. INTANGIBLE ASSETS**

During the FYs ended December 31, 2012 and 2011, movements in intangible assets amounts, as well as in the respective accumulated amortization, were as follows:

2012			
	Software	Intangible assets in progress	Total
Gross assets:			
Opening balance	1,232,023	499,307	1,731,330
Acquisitions	-	149,151	149,151
Transfers	480,190	(480,190)	-
Closing balance	1,712,213	168,268	1,880,481
Accumulated amortization:			
Opening balance	166,836	-	166,836
Amortization for the FY (Note 24)	214,027	-	214,027
Closing balance	380,863	-	380,863
Net assets	1,331,350	168,268	1,499,618

2011			
	Software	Intangible assets in progress	Total
Gross assets:			
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 assets	1,065,187	499,307	1,564,494

The intangible assets in progress amount refers to the still unfinished installation of the SGS and SPA Digital software, in the amounts of EUR 19,117 and EUR 149,151 respectively.

**9. TAXES**

SPA is exempt from the payment of the Portuguese Corporate Income Tax pursuant to Law no. 151/99 of September 14.

With the publication of Law no. 64-B/2011 of December 30, the tax exemption on the transfer of copyrights provided for in Article 9(16) of the Portuguese VAT Code no longer applies to the transfer and permission to use intellectual works when the rightholders are corporations, but it still applies when they are individuals. Due to this law change, SPA became a VAT mixed taxable person. Therefore, it settles said tax in the invoices issued to copyright users when they refer to the management of collective works. The 2012 definitive pro rata percentage is 79%. Considering that SPA was provisionally using a percentage of 60%, it made a settlement in its favor in the amount of EUR 300,796 (Note 20).

**10. RECEIVABLES**

As at December 31, 2012 and 2011, receivables broke down as follows:

	2012	2011
<u>Debit balances:</u>		
Accounts receivable (a)	12,157,100	9,486,743
Amounts pending invoicing (b)	592,610	238,735
	<u>12,749,710</u>	<u>9,725,478</u>
<u>Credit balances:</u>		
Invoices pending approval (a)	<u>13,159,334</u>	<u>11,672,542</u>

(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).

(b) Amounts pending invoicing to TV operators, pay TV and radio services.

## 11. PAYABLES

As at December 31, 2012 and 2011, payables broke down as follows:

	2012	2011
<u>Debit balances:</u>		
Advances to suppliers:		
Authors (a)	1,784,169	1,414,393
<u>Credit balances:</u>		
Accounts payable:		
Authors (b)	10,516,803	8,592,710
Foreign societies (b)	9,251,911	9,462,630
	19,768,714	18,055,340
Copyright royalties to be distributed (c)	24,300,055	27,319,542
	44,068,769	45,374,882

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

(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, 2012 and 2011, the items in "Other receivables" break down as follows:

	2012			2011		
	Gross amount	Accumulated Impairment	Net amount	Gross amount	Accumulated impairment	Net amount
Income accruals - interest	203,448	-	203,448	298,466	-	298,466
Royalties pending receipt from representatives	491,846	(123,637)	368,209	269,538	(129,577)	139,961
Bank securities	73,301	-	73,301	57,437	-	57,437
Others	12,596	-	12,596	5,099	-	5,099
	781,192	(123,637)	657,554	630,541	(129,577)	500,964

During the FY ended December 31, 2012, impairment losses in the amount of EUR 5,940 were reversed.

The bank securities refer to amounts deposited by SPA during labor legal proceedings brought against the society.

**13. DEFERRALS**

As at December 31, 2012 and 2011, the "Deferred assets" and "Deferred liabilities" headings are itemized as follows:

	2012	2011
<u>Deferred assets:</u>		
Software licenses	19,187	19,423
Insurance paid in advance	6,488	11,769
Surveillance paid in advance	8,075	9,095
Others	12,219	14,598
	<u>45,968</u>	<u>54,886</u>
<u>Deferred liabilities:</u>		
AGECOP cultural fund (a)	<u>43,586</u>	<u>132,232</u>

- (a) In 2012 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. In the FYs ended December 31, 2012 and 2011, subsidies allocated to projects totalled EUR 222,791 and EUR 323,818 respectively.

**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, 2012, the capital is represented by 3,775 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, 2012, the capital was increased by EUR 625, represented by 125 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 2012, as follows:

	2012	2011
Opening balance	12,846	12,337
Increases:		
Admission of new cooperative members	625	600
Decreases:		
Death of cooperative members	(92)	(91)
Others	(15)	-
Closing balance	<u>13,364</u>	<u>12,846</u>

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, 2012 and 2011, 25 and 24 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 destined 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 for life which is 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 approved by the Board of Administrators to permanently disabled cooperative members when they are not covered in the previous sub-paragraph;
- 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, 2012 and 2011, they corresponded to 3% of the collected Theater/Dance copyright royalties and 10% of the collected Literary Publishing copyright royalties and remaining copyright royalties, with the exception of Mechanical Reproduction copyright royalties and Neighboring Rights royalties.

The increases in the bylaws reserves that occurred during the FYs ended December 31, 2012 and 2011, 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 1,462,616 and EUR 1,659,897 respectively, and they break down as follows:

NOTES TO THE FINANCIAL STATEMENT AS AT DECEMBER 31, 2012  
(Amounts in euros)

	2012	2011
Reserve for assistance purposes	1,462,241	1,659,537
Reserve for cooperative education and training	375	360
	<u>1,462,616</u>	<u>1,659,897</u>

As for decreases, they are itemized as follows:

	2012	2011
Copyright royalties credited to cooperative members and surviving spouses (Note 28)	1,894,549	1,827,108
Reserve for cultural purposes (a)	69,286	65,438
Cooperative members health, funeral, checkups, life insurance and personal accident insurance expenses	45,109	38,826
	<u>2,008,944</u>	<u>1,931,372</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" (Note 7) item by a contra entry of this heading.

Retained earnings for 2010 - At the Annual Meeting of the Cooperative Members that was held on March 29, 2011, it was decided to transfer the net income for 2010 to retained earnings.

Retained earnings for 2011 - At the Annual Meeting of the Cooperative Members that was held on March 30, 2012, it was decided to transfer the net income for 2011 to retained earnings.

## 15. PROVISIONS

During the FYs ended December 31, 2012 and 2011, the movements that occurred in the provisions items amounts were as follows:

	2012			
	Taxes	Ongoing legal proceedings	Other provisions	Total
Opening balance	312,318	640,863	105,566	1,058,747
Increases	-	51,998	-	51,998
Reversals	-	-	-	-
Uses	(126,699)	-	-	(126,699)
Closing balance	<u>185,619</u>	<u>692,861</u>	<u>105,566</u>	<u>984,046</u>

	2011			
	Taxes	Ongoing legal proceedings	Other provisions	Total
Opening balance	439,017	648,363	105,734	1,193,114
Reversals	-	-	(168)	(168)
Uses	(126,699)	(7,500)	-	(134,199)
Closing balance	312,318	640,863	105,566	1,058,747

**Provisions for taxes**

The FYs from 1994 to 2002 were inspected in 2003 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 ("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 year 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, with the application of an annual 2.5% rate for the calculation of accruing interest. As at December 31, 2012, SPA maintains a provision for this debt under the "Provisions for taxes" heading, in the amount of EUR 312,318.

As at December 31, 2012, the payment schedule was as follows:

Amount to be paid until 2011	182,870
Amount to be paid in 2018	3,049
	-----
Total amount of the liability	185,619
	=====

**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, with the assistance of its legal advisers, based on the assessment of the underlying risks of SPA's activity.

**16. POST-EMPLOYMENT BENEFITS**

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



NOTES TO THE FINANCIAL STATEMENT AS AT DECEMBER 31, 2012  
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	2012		
	Pension liabilities	Art. 76 and 77 of the CBA	Total
Opening balance	3,357,300	242,666	3,599,966
Increases	26,990	89,508	116,498
Uses (a)	-	(90,816)	(90,816)
Closing balance	3,384,290	241,358	3,625,648

	2011		
	Pension liabilities	Art. 76 and 77 of the CBA	Total
Opening balance	4,309,060	289,731	4,598,791
Increases	-	17,922	17,922
Reversals	(878,411)	-	(878,411)
Uses	(73,349)	(64,988)	(138,337)
Closing balance	3,357,300	242,666	3,599,965

(a) During the FY ended December 31, 2012, four employees left the cooperative and SPA made the respective severance payments, which are recorded in the "Employee expenses" item.

## 17. STATE AND OTHER PUBLIC BODIES

As at December 31, 2012 and 2011, the "State and other public bodies" heading is itemized as follows:

	2012	2011
Individual Income Tax	823,477	844,664
Social Security Contributions	126,737	99,990
Value Added Tax	576,164	-
	<u>1,526,378</u>	<u>944,654</u>

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

As mentioned in Note 9, SPA started settling VAT on invoices issued to copyright users in 2012 whenever the rightsholders are corporations.

## 18. OTHER PAYABLES

As at December 31, 2012 and 2011, the "Other payables" heading breaks down as follows:

	2012	2011
Accrued expenses	968,405	1,114,193
Royalties collected by representatives to be distributed	364,956	196,374
Investment suppliers	238,218	240,591
Commissions to be paid to representatives	173,973	48,125
Others	45,652	23,784
	<u>1,791,204</u>	<u>1,623,067</u>

The "Accrued expenses" item includes the amounts of EUR 830,592 and EUR 900,933, in 2012 and 2011 respectively, which refer to remunerations to be paid to employees.

## 19. REVENUE

The revenue recognized by SPA as at December 31, 2012 and 2011, is itemized as follows:

	2012	2011
Commissions on copyright royalties (a)	6,256,835	6,274,127
Extra commissions (b)	1,051,428	1,050,100
Others	2,978	3,713
	<u>7,311,241</u>	<u>7,327,940</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 SPA's 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, 2012 and 2011, is itemized as follows:

	2012	2011
Expert services	759,390	743,570
Professional fees	396,794	310,076
Materials	179,258	142,624
Energy and fluids	159,171	135,238
Travel, lodging and transportation	104,155	108,232
Pro rata VAT settlement (a)	(300,796)	-
Sundry services	496,207	432,413
	<u>1,794,178</u>	<u>1,872,153</u>

(a) As mentioned in Note 9, SPA recorded the pro rata VAT settlement to be deducted from the costs recorded in accordance with the provisional pro rata.

## 21. EMPLOYEE EXPENSES

The "Employee expenses" heading is itemized as follows in the years ended December 31, 2012 and 2011:

	2012	2011
Employee remuneration	4,737,296	4,819,096
Governing bodies remuneration	45,275	38,136
Post-employment benefits	186,116	230,286
Art. 76 and 77 of Collective Bargaining Agreement (Note 16)	89,508	17,922
Severance payments	88,751	-
Charges on remunerations	958,922	966,490
Occupational accident and disease insurances	29,235	23,450
Social assistance expenses	5,886	4,635
Others	269,494	268,029
	<u>6,410,484</u>	<u>6,368,045</u>

The "Governing bodies remuneration" item corresponds to the attendance vouchers that have been paid.

The "Post-employment benefits" item refers to the payments of retirement pension supplements to SPA's retired employees. The liabilities that have been paid to SPA's retired and early retired employees, as well as the increase of EUR 26,990 in pension liabilities (Note 16) are included in the "Employee remunerations" item.

During the years of 2012 and 2011, the average number of SPA's employees was 164 and 163, respectively.

## 22. OTHER INCOME AND GAINS

In the FYs ended December 31, 2012 and 2011, the "Other income and gains" heading was itemized as follows:

	2012	2011
Extra income (a)	57,591	87,441
Gains from disposals of property, plant and equipment	-	45,500
Others (b)	154,893	879,066
	<u>212,484</u>	<u>1,012,007</u>

(a) The amounts recorded in this item correspond to the beneficiary member admission fees, which reached EUR 35,700 and EUR 35,250 in the FYs ended December 31, 2012 and 2011, respectively, as well as the fees charged by SPA for the registration of works by beneficiary members.

- (b) In the FY ended December 31, 2011, the gain derived from the update of post-employment benefits liabilities was recorded (Note 16).

### 23. OTHER EXPENSES AND LOSSES

The "Other expenses and losses" heading in the FYs ended December 31, 2012 and 2011, was itemized as follows:

	2012	2011
Membership fees	136,190	219,677
Taxes	112,960	193,981
Others	74,615	1,305
	<u>323,765</u>	<u>414,963</u>

### 24. DEPRECIATION AND AMORTIZATION EXPENSES

In the FYs ended December 31, 2012 and 2011, the "Depreciation and amortization expenses" heading was itemized as follows:

	2012	2011
Property, plant and equipment (Note 6)	375,604	432,638
Investment property (Note 7)	23,961	23,961
Intangible assets (Note 8)	214,027	154,003
	<u>613,592</u>	<u>610,602</u>

### 25. INTEREST AND SIMILAR RECEIVABLE INCOME

Interest and other similar income recognized during the FYs ended December 31, 2012 and 2011, refer to interest received from bank deposits.

### 26. INTEREST AND SIMILAR PAYABLE EXPENSES

Interest and similar expenses recognized during the FYs ended December 31, 2012 and 2011, refer to expenses incurred with reference to bank services in the amounts of EUR 38,993 and EUR 34,148 respectively, and interest incurred with reference to the Extrajudicial Conciliation Procedure, as mentioned in Note 15, in the amounts of EUR 19,961 and EUR 19,929 respectively.

### 27. 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 copyright user, 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.

## 28. 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 for life that is 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 2012, pensions in the amount of EUR 1,894,549 were paid to cooperative members and surviving spouses, and the bylaws reserves were used in the same amount (Note 14).

29. GUARANTEES

As at December 31, 2012 and 2011, SPA had given guarantees to third parties that break down as follows:

	<u>2012</u>	<u>2011</u>
IGFSS - Social Security Financial Management Institute (a)	1,308,529	1,308,529
Others	14,964	14,964
	<u>1,323,493</u>	<u>1,323,493</u>

- (a) In order to meet this bank guarantee given by Millennium BCP that will end in 2018, mandatory time deposits were made in 2012 and 2011 totaling EUR 1,505,000 (Note 4).

THE CERTIFIED ACCOUNTANT

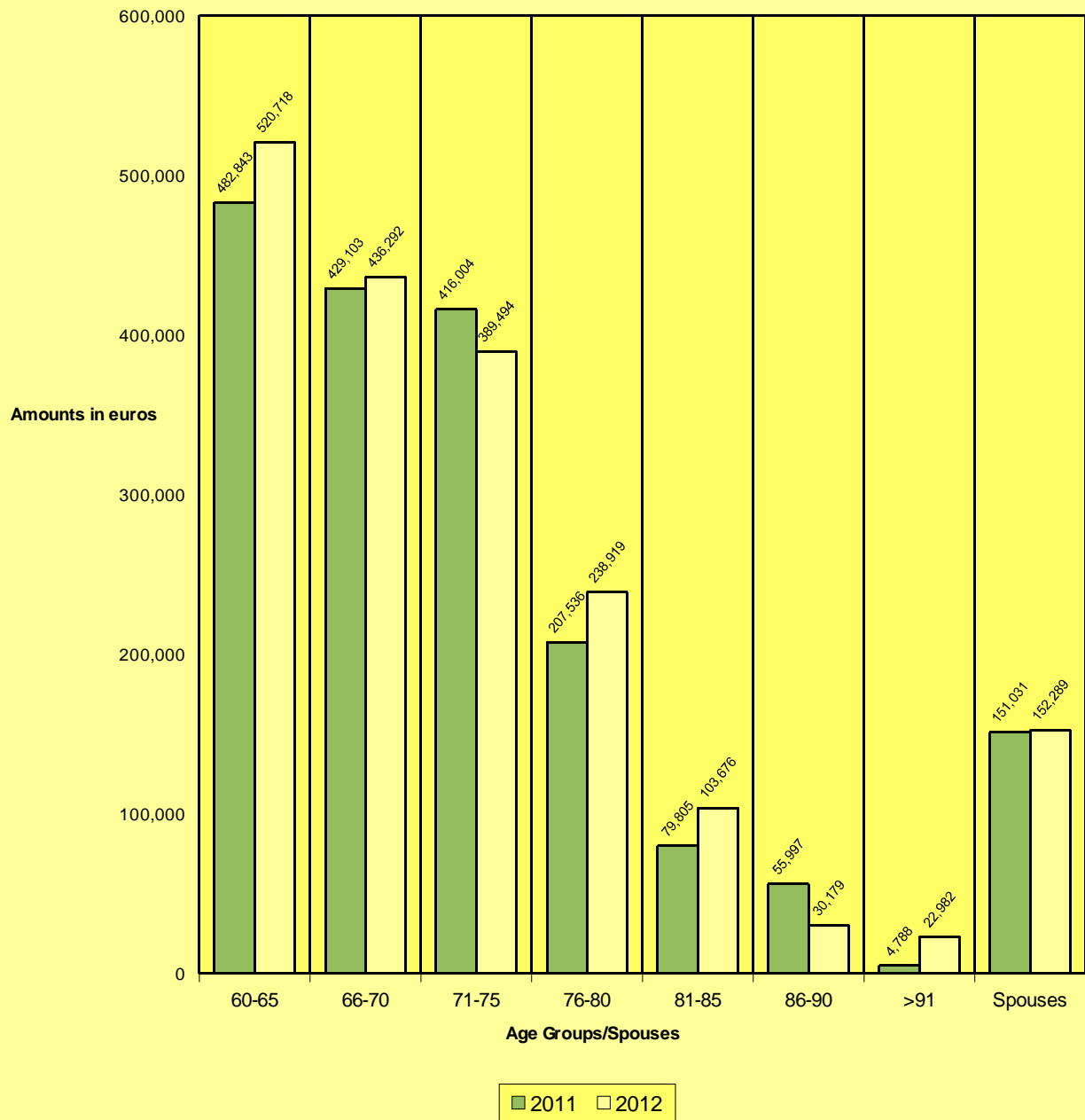
THE BOARD OF DIRECTORS

(Amounts in euros)

<b>ASSISTANCE CHARGES IN 2012</b>		
<b>Article 56(1) of the Bylaws</b>		
	<b>2011</b>	<b>2012</b>
Royalties Credited to Cooperative Members and Surviving Spouses	1,827,108	1,894,549
Permanent Disability Benefit and Funeral Costs	11,000	8,000
Group Insurance (Life, Personal Accidents, Health, Checkups)	27,826	22,909
<b>Total</b>	<b>1,865,934</b>	<b>1,925,458</b>

<b>CULTURAL AND SOCIAL ACTIVITIES IN 2012</b>		
	<b>2011</b>	<b>2012</b>
Portuguese Author Day	26,818	9,768
Literary and Music Awards	249	0
International Events	3,626	0
Sundry Sponsorships	5,550	15,005
Carlos Paredes Auditorium	12,261	20,813
Emergency Benefit	7,800	14,200
Fado Gala	40,395	-
SPA Gala	-	21,474
Other Expenses (António Gião House)	16,194	2,227
<b>Total</b>	<b>112,893</b>	<b>83,486</b>

## ASSISTANCE TO COOPERATIVE MEMBERS





# **COPYRIGHT ROYALTIES COLLECTED IN 2012**

(Amounts in euros)

<b><u>PERFORMING ARTS &amp; SERIOUS MUSIC</u></b>		
Plays	821,707	
Concerts + Ballet	362,404	<b>1,184,110</b>

<b><u>AUDIOVISUAL</u></b>		
Radio	99,303	
Television	1,009,711	
Cinema	24,856	
Advertising	497,329	<b>1,631,199</b>

<b><u>PUBLISHING</u></b>		
Literary (incl. Sheet Music)	1,433,334	
Plastic Arts	122,841	
Photography	114,350	
Software	60,892	<b>1,731,417</b>

<b><u>PUBLIC PERFORMANCE</u></b>		
General	13,245,067	
Television	53,187	
Cable TV - Public Communication	1,988,400	
Satellite TV - Public Communication	190,837	
Video Recordings	101,106	
Film Screenings	7,288	<b>15,585,885</b>

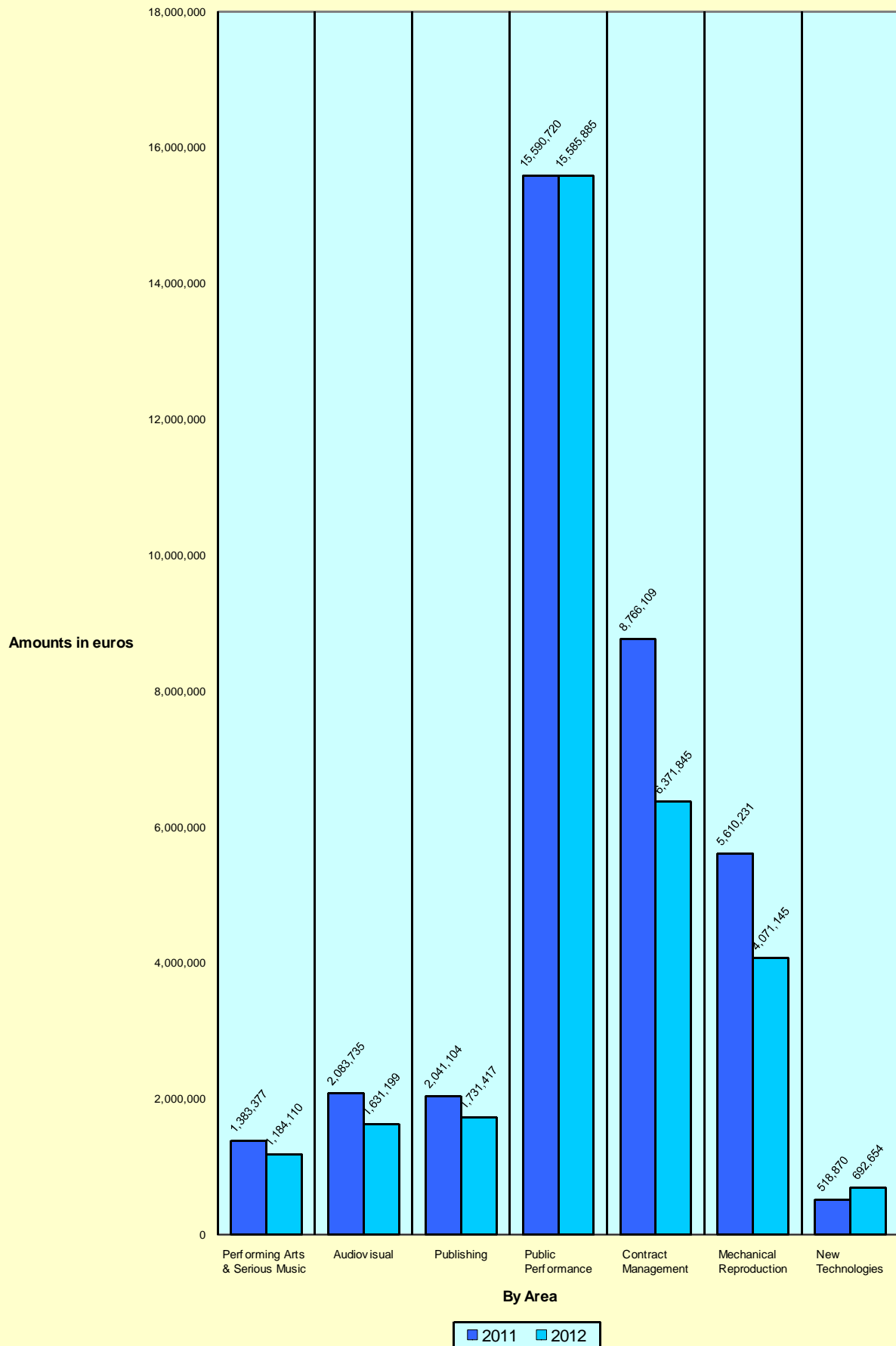
<b><u>CONTRACT MANAGEMENT</u></b>		
Television - Flat Rate	2,202,972	
National Radio - Flat Rate	1,281,107	
Local Radio - Flat Rate	185,499	
Cable TV - Neighboring Rights	33,474	
Cable TV - Copyrights	2,668,793	<b>6,371,845</b>

<b><u>MECHANICAL REPRODUCTION</u></b>		
Sound Recordings and Video Recordings	4,071,145	
Private Copy/National	0	<b>4,071,145</b>

<b><u>NEW TECHNOLOGIES</u></b>		
Internet/Ringtones	692,654	<b>692,654</b>

<b>TOTAL</b>		<b>31,268,255</b>
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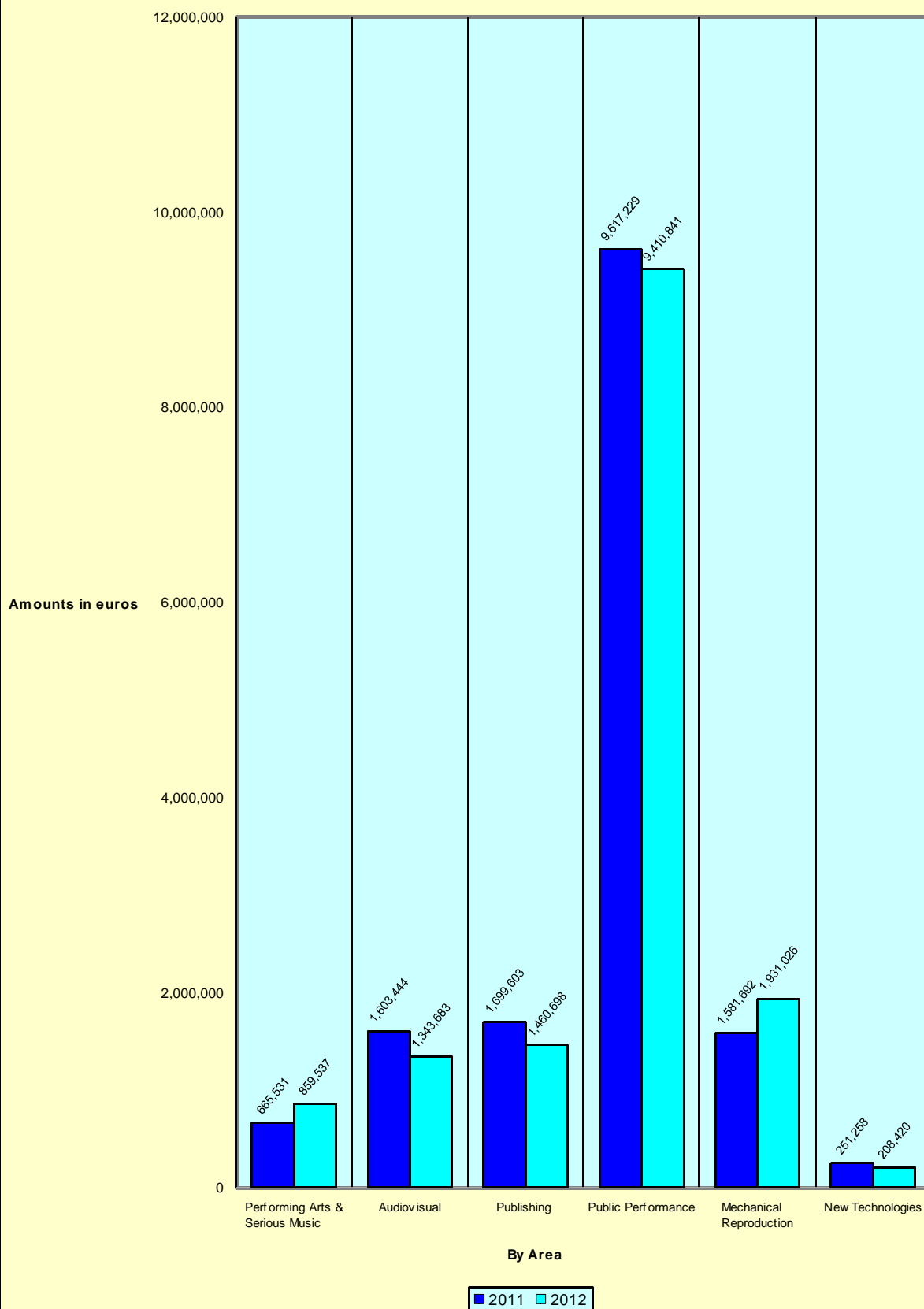
## COLLECTED COPYRIGHT ROYALTIES



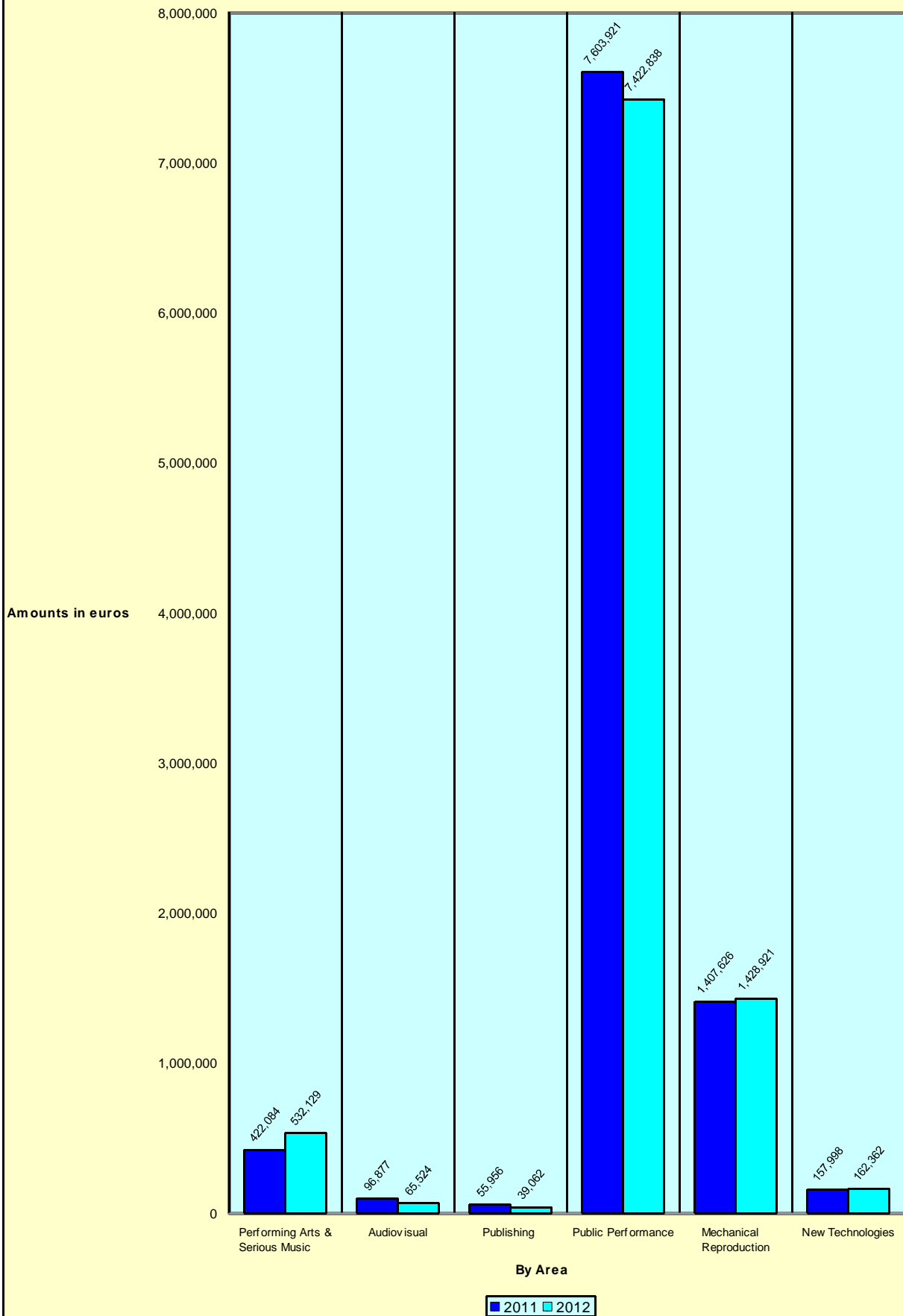
***COPYRIGHT ROYALTIES DISTRIBUTED IN 2012***

	NATIONAL	FOREIGN SOCIETIES	TOTAL
<b><u>PERFORMING ARTS &amp; SERIOUS MUSIC</u></b>			
Plays	485,029	180,431	
Symphonic Concerts and Ballet	374,509	351,698	
<b>Sum</b>	<b>859,537</b>	<b>532,129</b>	<b>1,391,666</b>
<b><u>AUDIOVISUAL</u></b>			
Cinema	16,358	10,802	
Radio and TV	895,546	21,633	
Advertising	431,779	33,090	
<b>Sum</b>	<b>1,343,683</b>	<b>65,524</b>	<b>1,409,207</b>
<b><u>PUBLISHING</u></b>			
Literary, Graphic, Plastic Arts, Photography	1,460,698	39,062	
<b>Sum</b>	<b>1,460,698</b>	<b>39,062</b>	<b>1,499,759</b>
<b><u>PUBLIC PERFORMANCE</u></b>			
General	4,940,111	3,489,457	
Radio and TV	4,470,730	3,933,381	
Cable TV/Neighboring Rights			
<b>Sum</b>	<b>9,410,841</b>	<b>7,422,838</b>	<b>16,833,679</b>
<b><u>MECHANICAL REPRODUCTION</u></b>			
General	1,602,023	1,093,473	
Private Copy	329,004	335,447	
<b>Sum</b>	<b>1,931,026</b>	<b>1,428,921</b>	<b>3,359,947</b>
<b><u>NEW TECHNOLOGIES</u></b>			
Internet/Ringtones	208,420	162,362	
<b>Sum</b>	<b>208,420</b>	<b>162,362</b>	<b>370,782</b>
<b>TOTAL</b>	<b>15,214,205</b>	<b>9,650,836</b>	<b>24,865,041</b>

## DISTRIBUTED COPYRIGHT ROYALTIES - NATIONAL



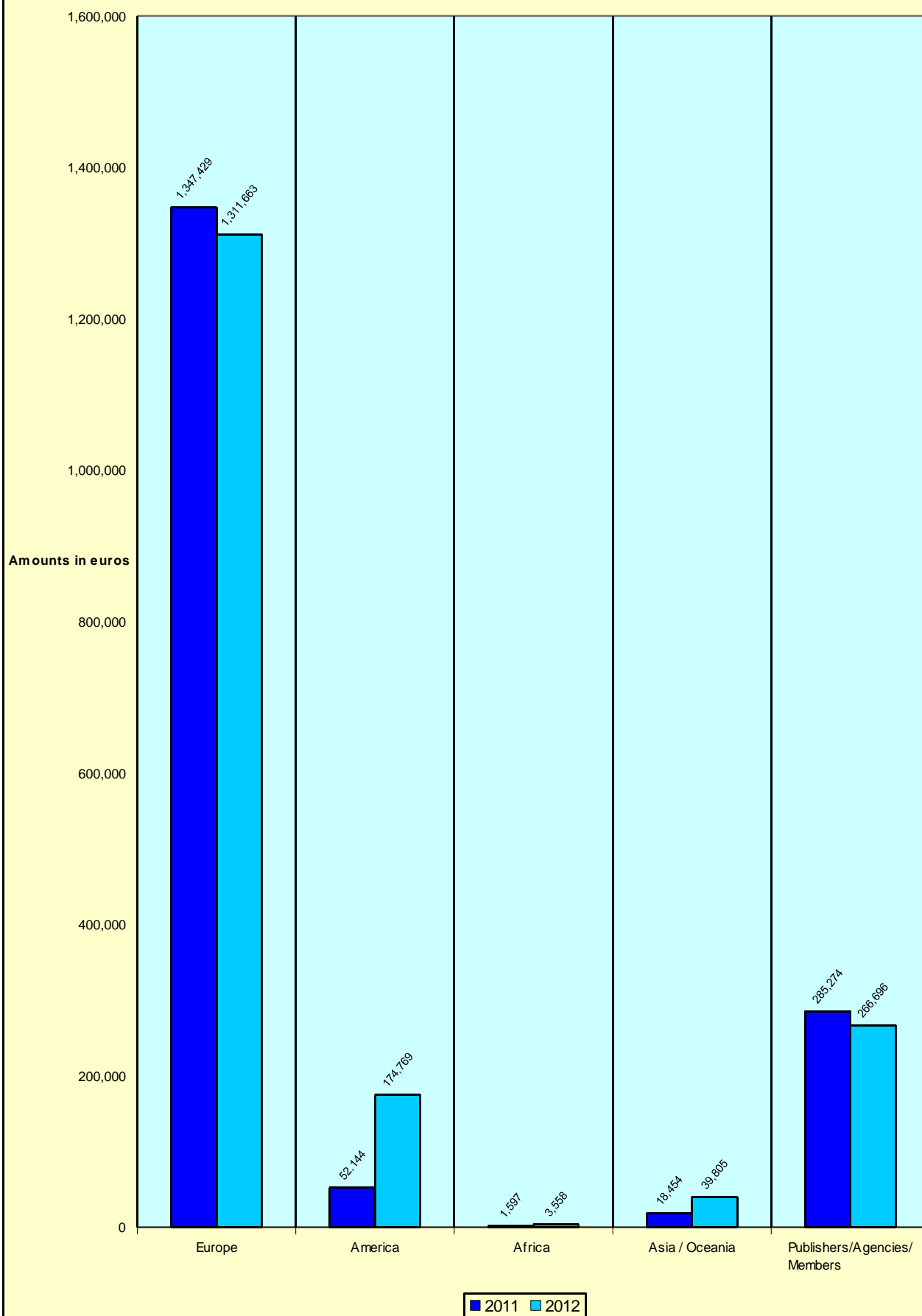
## DISTRIBUTED COPYRIGHT ROYALTIES - FOREIGN



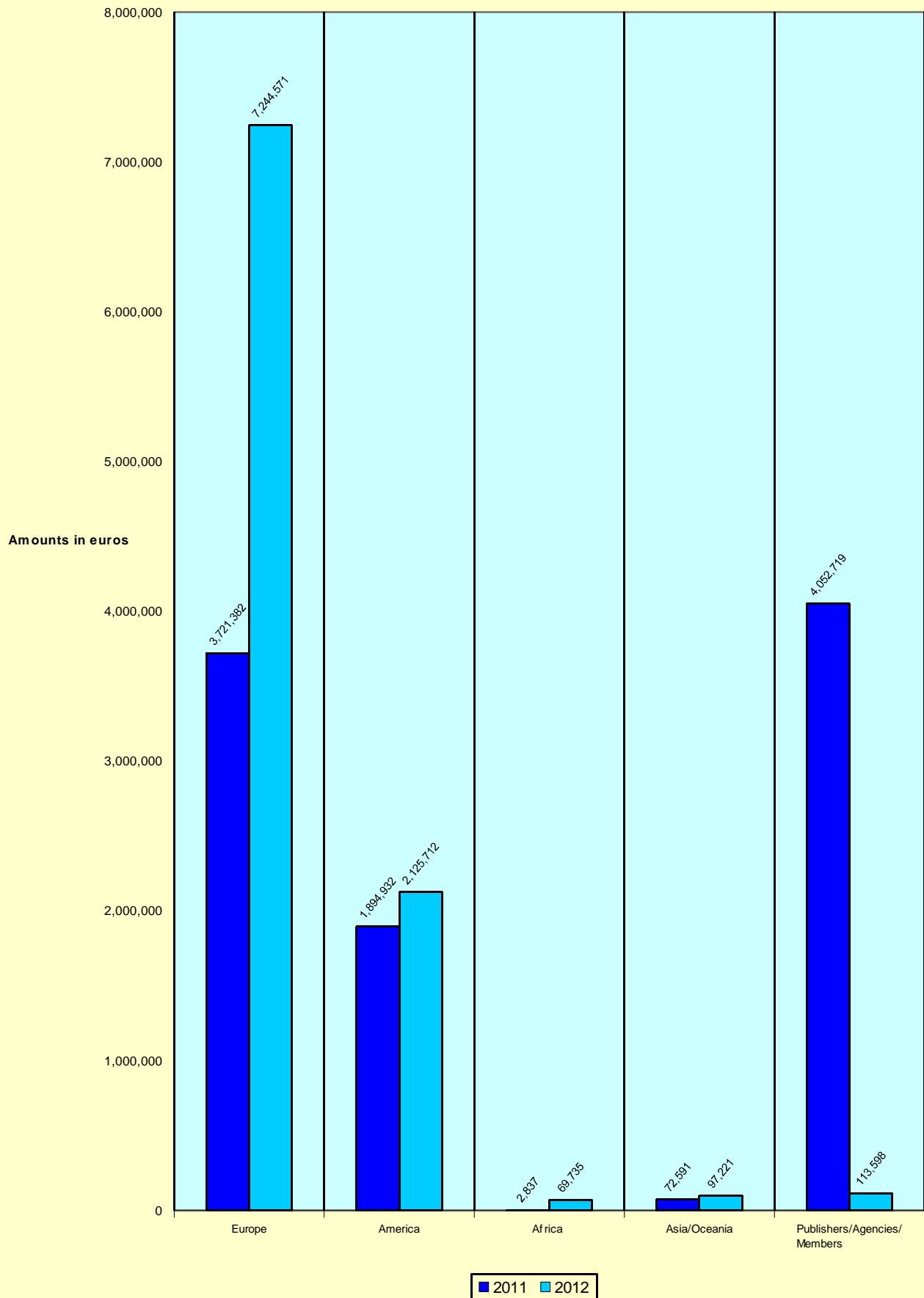
## FOREIGN SOCIETIES' MOVEMENTS IN 2012

	RECEIVED ROYALTIES	DISTRIBUTED ROYALTIES
<b>EUROPE</b>		
GERMANY (GEMA, BILD-KUNST)	62,239	218,241
AUSTRIA (AKM, AUSTRO-MECHANA, VBK)	23,220	21,204
BELGIUM (SABAM)	21,316	45,014
DENMARK (KODA, COPYDAN, NCB)	8,532	48,196
SPAIN (SGAE, VEGAP)	148,826	4,522,172
FINLAND (TEOSTO)	10,975	6,405
FRANCE (SACD, SACEM, SCAM, SDRM, ADAGP)	512,084	591,530
NETHERLANDS (BUMA, STEMRA)	79,254	163,867
ENGLAND (PRS, MCPS, MRS, ALCS)	248,573	1,295,242
ITALY (SIAE)	16,340	133,073
SWEDEN (BUS, STIM)	8,865	68,085
SWITZERLAND (SUISA, SSA)	120,991	48,545
OTHER COUNTRIES	50,446	82,997
	<b>1,311,663</b>	<b>7,244,571</b>
<b>AMERICA</b>		
ARGENTINA (SADAIC)	3,006	40,369
BRAZIL (ABRAMUS, ADDAF, AMAR, SADEMBRA, SBACEM, SBAT, SICAM, UBC)	60,839	267,303
CANADA (SOCAN, SODRAC)	21,120	106,714
UNITED STATES OF AMERICA (ASCAP, AMRA, BMI, H.FOX, SESAC, VAGA)	25,197	1,694,945
MEXICO (SACM)	180	12,152
VENEZUELA (SACVEN)	0	1,090
OTHER COUNTRIES	64,427	3,139
	<b>174,769</b>	<b>2,125,712</b>
<b>AFRICA</b>		
SOUTH AFRICA (SAMRO, SARRAL)	3,558	8,456
OTHER COUNTRIES	0	61,279
	<b>3,558</b>	<b>69,735</b>
<b>ASIA/OCEANIA</b>		
AUSTRALIA (APRA, AMCOS)	17,523	86,600
JAPAN (JASRAC)	12,395	5,325
OTHER COUNTRIES	9,887	5,296
	<b>39,805</b>	<b>97,221</b>
<b>PUBLISHERS/AGENCIES/MEMBERS</b>	<b>266,696</b>	<b>113,598</b>
<b>TOTALS</b>	<b>1,796,491</b>	<b>9,650,836</b>

## 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, 2012, which shows an asset total of EUR 55,690,597 and a negative equity amount of EUR 9,508,370, including a net loss of EUR 493,909; 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, 2012, 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" (Note 10) include very old open balances in the amounts of approximately EUR 3,501,000 and EUR 4,373,000 respectively, of which some are in litigation and do not show any accounting movements in the last FYs.
  - (ii) The item "Accounts payable" (Note 11) includes balances in the amount of approximately EUR 29,283,000 for royalties to be distributed, of which approximately EUR 5,610,000 refer to the years from 2006 to 2009 and for which we have not obtained a detail by beneficiary entity;
  - (iii) The item "Advances to suppliers" (Note 11) includes an amount of approximately EUR 351,000 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, 2012, SPA's property, plant and equipment includes the value of its library, in the amount of EUR 275,000, which is 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 amount.
7. As mentioned in Notes 3.11, 14 and 28, SPA keeps a bylaws reserve in the amount of EUR 1,846,859 basically to ensure a future remuneration for cooperative members over 60 years old who have been admitted as such more than 5 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.

## **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, 2012, 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, 2012, and without considering the possible effect of the matters described in paragraphs 4 through 7, SPA's equity was negative in EUR 9,508,370 and the 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) adopting the necessary measures for the improvement of its financial situation; and (ii) the future success of its operations.
10. In 2012, as mentioned in Notes 3.9 and 5, SPA changed the accounting policy used to recognize revenue from commissions on the copyright royalties collected from TV operators, paid TV and radio services. It has, under the No. 4 Accounting Standard and Financial Reporting Standard, restated the financial statements for December 31, 2011, which are shown for comparative effects.

Lisbon, March 11, 2013

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, 2012, 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, 2012, 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 2012 Financial Statements, submitted by Deloitte e Associados, SROC S.A. and dated March 11, 2013, 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 at the Annual Meeting of the Cooperative Members.

Lisbon, March 11, 2013

Jorge Leitão Ramos  
(President of the Supervisory Council)

José Cabeleira  
(Vice President of the Supervisory Council)

Emanuel (Américo Monteiro)  
(Member)

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