

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018

1. IDENTIFICATION OF THE ENTITY

Fundação Millennium bcp (hereinafter referred to as Foundation), with head office at Rua Augusta, n.º 62-64 in Lisbon, is a private non-profit legal person, incorporated on 27 December 1991 exclusively for social purposes, in the areas of culture, science and charity. The Foundation aims to develop activities that contribute to enhance and spread the Portuguese language and culture, develop scientific research, promote charitable actions in Portuguese speaking countries and financially support entities that promote activities targeting cultural training, scientific research, health care, charitable activities in general or humanitarian purposes.

The Foundation was recognised by the Minister for Internal Administration as a legal person, as published in the Portuguese Official Gazette no. 195, 2nd Series, of 24 August 1994, and was recognised as an entity that serves the public interest (utilidade pública) by a declaration published in the Portuguese Official Gazette no. 15, 2nd Series, of 18 January 1995. Its status of institution serving the public interest was renewed through Decision No. 2032/2019, from the Minister of the Presidency and Administrative Modernization, of February 13, 2019, and that renewal is valid for five years starting on February 28, 2018.

Under the terms of Article 62-B (1.c) of the Tax Benefits Statute “foundations and associations that carry out activities of cultural nature or of cultural interest, namely in the defence of the material and immaterial historical and cultural heritage are classified as entities beneficiary of cultural sponsorship” and the activity pursued by the Foundation falls into that classification.

The Foundation was created by its Founder, Banco Comercial Português, S.A., with registered office at Praça D. João I, 28, in Oporto, with an initial capital of 1,496,394 Euros (note 9). The allocation amount is fully paid at the balance sheet date.

2. ACCOUNTING REFERENCES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

2.1. The financial statements of the Foundation were drawn up in accordance with the Financial Reporting and Accounting Standard for Non-Profit Entities (NCFR - ESNL) adopted in Portugal in through the Accounting Standardization System.

The financial statements, which include the balance sheet, the income statement by nature, the statement on changes to own funds, the cash flow statement and the annex, where approved by the Board of Directors of the Foundation, on 25 March 2019, were made in Euros and were based on the premises of continuity and of an accrual basis whereby items are recognised as assets, liabilities, equity, income and expenditure when they meet the definitions and criteria for recognising those elements in the conceptual structure, in accordance with the qualitative features of being understandable, relevant, material, reliable, true, substance over form, neutral, prudent, complete and comparable.

The accounting policies, presented in note 3, were used in the financial statements for the financial year ended on 31 December 2018 and in the comparative financial information presented in these statements for the financial year ended on 31 December 2017.

2.2. No derogations were made to the provisions of the NCFR-ESNL.

2.3 There are no accounts in the balance sheet or income statements whose contents are not comparable with those of the previous period.

3. MAIN ACCOUNTING POLICIES

The main accounting policies used to draw up the financial statements are the following:

3.1. Measurement basis used to prepare the financial statements

The financial statements were prepared in accordance with the assumption of continuity of operations from the Foundation's accounting records.

The preparation of the financial statements in compliance with NCRF – ESNL requires the Executive Committee to make judgments, estimates and assumptions that affect the application of the accounting policies and valuations of assets, liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which are the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent through other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgement or complexity, or where assumptions and estimates are considered to be significant are presented in note 3.3. – Accounting estimates and judgements when applying accounting policies.

3.2. Other relevant accounting policies

a) Financial investments

Financial investments are measured initially in the balance sheet at fair value and all subsequent changes to the fair values are recognised directly in the income statements, in item "Fair value increases/reductions".

b) Recognition of income and expenditure

Income and expenditure items are recorded in the period to which they pertain, regardless of being payable or receivable, according an accrual basis. The differences between the amounts received and paid and the corresponding income and expenditure are recorded under "Other accounts receivable or payable, depending on such amounts being receivable or payable and deferments.

c) Cash flow and equivalent

Cash flow and equivalents include money in cash and in bank current deposits and short term financial investments, with high liquidity that are readily convertible into known amounts in cash and that have an insignificant price volatility risk.

The cash flow statements are prepared using the direct approach, through which are disclosed the gross cash receivables and payables for operating, investment and funding activities.

The Foundation classifies interests and dividends received as investment activities.

d) Income tax in the financial year

By a joint decision of the Ministers for Finance and Culture dated of 30 December 1997, published in the II Series of the Portuguese Official Gazette of 27 January 1998, the Foundation was exempted of Corporate Income Tax (IRC) under the terms of article 10 of the Portuguese IRC Code.

e) Fixed tangible assets

Fixed Tangible Assets are recorded at the acquisition or production price, after deducting the depreciations and impairment losses accrued. The acquisition or production cost initially recorded includes the purchase cost, any costs directly attributable to the activities required to place the items on the location and condition required to operate as desired and, if applicable, the initial estimate of the costs involved in dismantling and removing the assets and in restoring the respective installation or operation locations that the Entity foresees.

The subsequent expenses that the Entity has with maintenance and repair of the assets are recorded as expenditure for the period in which there are made, as long as they are not susceptible of allowing current and future additional activities.

The depreciations are computed as soon as the assets can be used, using the method of the straight line in accordance with the service life estimated for each group of assets.

The depreciation rate used for administrative equipment takes into account an estimated service life of eight years.

The Entity reviews the service life of each asset every year, as well as its residual value, if any.

The losses or gains from the sale of fixed tangible assets are determined by the difference between the fully paid up value and the amount inserted in the deed on the sale date, and are recorded in the Income Statement under item "Other expenditure and services".

f) Donations received

Donations received are recorded in the period of time in which they were granted and are measured at their fair value and are identified in the item "Subsidies, donations and legacies to operation" of the financial statements (note 13).

g) Donations granted

Donations granted are recorded in the period in the period of time in which they were granted regardless of their payment, according to the financial year specialization principle and on an accrual basis, taking into account, namely, the validation of the conditions which the Foundation considers necessary for the attainment of the right to the donation. The amounts granted and not yet paid, are recorded under "Other accounts payable" (note 14).

h) Events after the balance sheet date

The Foundation analyses events that occur after the balance sheet date, that is, favourable and/or unfavourable events that occur between the balance sheet date and the date the financial statements were authorized for disclosure. In this context, two types of events can be identified:

- i) those that provide evidence of conditions that existed at the balance sheet date (events after the balance sheet date that give rise to adjustments); and
- ii) those that are indicative of the conditions that arose after the balance sheet date (events after the balance sheet date that do not give rise to adjustments).

Events occurring after the date of the financial position statement that are not considered as adjustable events, if they are significant, are disclosed in the annex of the financial statements.

3.3. Accounting estimates and judgements when applying accounting policies

The NCRF-ESNL require that estimates and judgements be made within the scope of the decision-making regarding some accounting actions with impacts on the amounts recorded as total assets, liabilities, equity, expenditure and income. The real effects may differ from the estimates and judgements made, namely in what concerns the effect of real expenditure and income.

The main estimate is related to the process of acknowledgement of costs with the donations granted, based on the accruals principle.

The main accounting policies used by the Foundation are presented in detail in note 3.2.

3.4. Continuity

No situations were identified by the Executive Committee that could jeopardise the continuity of the Foundation.

4. FIXED TANGIBLE ASSETS

This item breaks down as follows:

	(Euros)	
	2018	2017
Office furniture		17,910
Amortisation and Depreciation	(2,245)	(2,245)
Depreciation in previous financial years	(12,948)	(10,703)
	2,717	4,962

5. FINANCIAL INVESTMENTS

This item breaks down as follows:

	(Euros)	
	2018	2017
Other financial assets	750	750
SECURITIES		
Costs	910,000	910,000
Fair value variation	140,000	98,700
	1,050,750	1,009,450

The item Other financial assets recorded 750 euros (2017: 750 euros) representing 0.2% of the share capital of Millennium bcp – Prestação de Serviços, A.C.E. (note 16).

As at 31 December 2018 and 2017, the securities portfolio of the foundation consisted of 350,000 shares of EDP-Energias de Portugal, S.A., which were measured according to fair value on 31 December of each year, computed using the market value on the last trading day. During the financial year ended at 31 December 2018 these securities has a gain of 41,300 euros (2017: depreciated 4,200 euros), which was recognised according to the policy mentioned in note 3.2. a).

In the financial year ended at 31 December 2018 this investment paid dividends amounting to 66,500 euros (2017: 66,500 euros) (note 15).

6. STATE AND OTHER PUBLIC ENTITIES

This item breaks down as follows:

	(Euros)	
	2018	2017
Withholding at source, VAT and Social Security	15,087	3,628
	15,087	3,628

7. OTHER RECEIVABLES AND PAYABLES

This item breaks down as follows:

	(Euros)	
	2018	2017
ADDITIONAL INCOME		
Interests on term deposits (note 16)	1,951	2,050
Other amounts receivable (note 16)	5,908	-
	7,859	2,050
ADDITIONAL COSTS		
Vacations and Sub. Vacations	37,126	-
Estimate of invoices payable	352,175	888,069
Other	6,150	2,460
	395,451	890,529

The item Estimate of invoices payable corresponds to commitments related to donations granted, taking into account the accruals principle of the financial years, as well as the verification of the conditions that the Foundation considers necessary for the granting of the donation, but whose invoices have not yet been received.

8. CASH AND DEPOSITS

This item in the amount of Euros 1,830,119 (2017: EUR 2,308,553 corresponds to the balances of current and term deposits with Banco Comercial Português S.A. (BCP) (note 16).

Term deposits on 31 December 2018 and 2017 were composed as follows:

(Euros)				
2018				
Deposits	Start	Maturity	Annual gross interest rate	Amount
2990522902	2018-01-12	2019-01-14	0.200%	850,000
(Euros)				
2017				
Deposits	Start	Maturity	Annual gross interest rate	Amount
2956515090	28-03-2017	28-03-2018	0.200%	1,000,000
2978357744	03-10-2017	05-10-2018	0.200%	1,000,000
				2,000,000

As to liquidity, early withdrawals, full or partial, are allowed at any time during the contracted term, with penalty of the interest for the amount withdrawn in the period under way.

Considering the liquidity and term of these deposits, the same were considered as cash equivalent for the purposes of the cash flow statement, in accordance with the policy defined in note 3.2. c).

9. FUNDS

This item records the Social Fund of the Foundation, and corresponds to the initial amount allocated by BCP to incorporate the Foundation, worth 1,496,394 euros.

10. SUPPLIERS

On 31 December 2018, this item corresponds to unpaid invoices of which 17,410 euros (2017: 28,176 euros) from entities of the BCP Group (note 16).

11. SUPPLIES AND OUTSOURCING

This item breaks down as follows:

	(Euros)	
	2018	2017
Specialised works	551,522	580,697
Other supplies and services	58,212	40,491
	609,734	621,188

The item specialized work recorded 241,478 euros (2017: 235.681 euros) regarding assignment of staff by BCP and services provided by Millennium bcp – Prestação de Serviços, A.C.E., amounting to 38.304 euros (2017: 36,701 euros) (note 16).

12. STAFF RELATED COSTS

In 2018, this item in the amount of 155,050 euros (2017: 12,000 euros) includes remunerations of the corporate bodies and costs with social security.

13. SUBSIDIES, DONATIONS AND LEGACIES TO OPERATION

In the financial year ended on 31 December 2018, this item includes the donation granted by BCP, amounting to 2,000,000 euros (2017: 2,000,000 euros) (note 16).

14. OTHER EXPENDITURE AND SERVICES

This item breaks down as follows:

	(Euros)	
	2018	2017
Donations granted	1,257,005	1,678,183
Shares	1,500	-
Sundry	2,503	2,390
	1,261,008	1,680,573

15. INTERESTS AND SIMILAR INCOME

This item breaks down as follows:

	(Euros)	
	2018	2017
Interest	3,506	4,668
Dividends (note 5)	66,500	66,500
	70,006	71,168

Interests were paid by financial investments with BCP (Notes 8 and 16).

16. RELATED PARTIES

Are considered related parties the subsidiary companies and associated companies of Group Banco Comercial Português, as well as the Pension Fund, the members of the Board of Directors and the key management individuals. Apart from the members of the Board of Directors and the key management individuals were equally considered as related parties the persons closely related to them (family members), the entities controlled by them or in whose management they exercise a significant influence.

On 31 December 2018 and 2017, the Foundation recorded the following assets and liabilities with related parties:

(Euros)

2018				
Related party	Other amounts receivable (note 7)	Cash and bank deposits (note 8)	Suppliers (note 10)	Financial investments (note 10)
Banco Comercial Português, S.A.	1,951	1,830,119	17,410	-
Millennium bcp – Prestação de Serviços, ACE	5,908	-	-	750
	7,859	1,830,119	17,410	750

(Euros)

2017				
Related party	Other amounts receivable (note 7)	Cash and bank deposits (note 8)	Suppliers (note 10)	Financial investments (note 10)
Banco Comercial Português, S.A.	2,050	2,308,553	17,198	-
Millennium bcp – Prestação de Serviços, ACE	-	-	10,978	750
	2,050	2,308,553	28,176	750

As of December 31, 2018, the results for transactions with related parties were as follows:

(Euros)

2018			
Related party	Supplies and outsourcing (note 11)	Interests and similar income (note 15)	Subsidies, donations and legacies to operation (note 13)
Banco Comercial Português, S.A.	241,478	3,506	2,000,000
Millennium bcp – Prestação de Serviços, ACE	38,304	-	-
	279,782	3,506	2,000,000

As of December 31, 2017, the results for transactions with related parties were as follows:

(Euros)

2017			
Related party	Supplies and outsourcing (note 11)	Interests and similar income (note 15)	Subsidies, donations and legacies to operation (note 13)
Banco Comercial Português, S.A.	235,681	4,668	2,000,000
Millennium bcp – Prestação de Serviços, ACE	36,701	-	-
	272,382	4,668	2,000,000

17. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

Within the scope of the activity pursued by the Foundation for its various cultural, educational and social initiatives, the Foundation made, on 31 December 2018, future commitments for donations amounting to Euros 345,300 (2017: 455,143 euros), regarding protocols signed.

Additionally, there are donations that have already been analysed favourably by the Foundation, but whose conditions for them to be effectively granted, including initiatives to be developed by the respective beneficiary entities, did not occur until December 31, 2018.

18. RELEVANT FACTS IN 2018

In 2018, no relevant facts were recorded.

19. EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date and until the financial statements' disclosure was authorised, there were no relevant transactions and/or events that merited disclosure or adjustment, beyond what note 1 mentions.