

# NOTES TO THE FINANCIAL STATEMENTS ON 31 DECEMBER 2019

## 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 have been recognized 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 has been 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 18, 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 Euros 1,496,394, (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, changes to own funds, the cash flow statement and the annex, where prepared by the Executive Committee of the Foundation, on 26 March 2020, were made in Euros and were based on the premises of continuity and of an accrual basis whereby items are recognized as assets, liabilities, equity, income and expenditure when they meet the definitions and criteria to recognize 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 2019 and in the comparative financial information disclosed in these statements for the financial year ended on 31 December 2018.

**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 judgements 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 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 recognized directly in the income statements, in caption "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 Fundação foresees to incur.

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 considers 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 that 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 that the Foundation considers necessary for the attainment of the right to the donation by the beneficiary entity. The amounts granted and not yet paid, are recorded under "Other accounts payable" (note 14).

**h) Events after the Balance Sheet date**

A The Foundation analyses the events occurred after the balance sheet date, that is, the favorable and /or unfavorable events that occur between the date of the balance sheet and the date when the financial statements were authorized for disclosure. Within this scope, two types of events can be identified:

- i) those that provide evidence of the conditions that existed on the date of the balance sheet (events occurred after the date of the balance sheet that result in adjustments); and
- ii) those that are an indication of the conditions that emerged after the date of the balance sheet (events occurred after the date of the balance sheet that do not result in adjustments).

The events occurred after the date of the disclosure of the financial position that are not considered as adjustable events, if significant, are disclosed in the annex to the financial statements.

**3.3. Accounting estimates when applying accounting policies**

The NCRF 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 is analysed as follows:

	(Euros)	
	2019	2018
Office furniture	17,910	17,910
Losses	(2,245)	(2,245)
Losses from previous financial years	(15,193)	(12,948)
	<b>472</b>	<b>2.717</b>

**5. FINANCIAL INVESTMENTS**

This item is analysed as follows:

	(Euros)	
	2019	2018
Other financial assets	750	750
<b>TITLES</b>		
Costs	910,000	910,000
Fair value variation	423,850	140,000
	<b>1,334,600</b>	<b>1,050,750</b>

The caption Other financial assets recorded Euros 750 (2018: Euros 750) representing 0.2% of the capital of Millennium bcp – Prestação de Serviços, A.C.E. (note 16)

As at 31 December 2019 and 2018, 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 2019 these securities recorded a gain of Euros 283,850 (2018: appreciated Euros 41,300), which was recognized in earnings according to the policy mentioned in note 3.2 a).

In the financial year ended at 31 December 2019 this investment paid dividends amounting to Euros 66,500 (2018: Euros 66,500) (note 15).

## 6. STATE AND OTHER PUBLIC ENTITIES

This item is analyzed as follows:

	(Euros)	
	2019	2018
Withholding at source, VAT and Social Security	35,697	15,087
	<b>35,697</b>	<b>15,087</b>

## 7. OTHER RECEIVABLES AND PAYABLES

This item is analyzed as follows:

	(Euros)	
	2019	2018
<b>ADDITIONAL INCOME</b>		
Interests on term deposits (note 16)	454	1,951
Other amounts receivable (note 16)	-	5,908
	<b>454</b>	<b>7,859</b>
<b>ADDITIONAL COSTS</b>		
Vacations and Sub. Vacations	36,690	37,126
Estimate of invoices payable	547,375	352,175
Other	7,379	6,150
	<b>591,444</b>	<b>395,451</b>

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 been received at 31<sup>st</sup> december 2019.

## 8. CASH AND DEPOSITS

This item amounts for Euros 1,859,307 (31 December, 2018: EUR 1,830,119 corresponds to the balances of current and term deposits with Banco Comercial Português S.A. (BCP) (note 16).

Term deposits on 31 December 2019 and 2018 were composed as follows:

	(Euros)			
	2019			
Deposit	Beginning	Maturity	Annual gross interest rate	Amount
3052817660	2019-05-01	2020-05-04	0.070%	750,000
2990522902	2019-11-19	2020-11-20	0.010%	1,000,000
				<b>1,750,000</b>

(Euros)

2018				
Deposit	Beginning	Maturity	Annual gross interest rate	Amount
2990522902	2018-01-12	2019-01-14	0.200%	850,000

Regarding liquidity, early withdrawals, full or partial, are allowed at any time during the term deposit, with a penalty applied to 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 Capital Fund of the Foundation, and corresponds to the initial amount allocated by BCP to incorporate the Foundation, worth Euros 1,496,394.

## 10. SUPPLIERS

On 31 December 2019, this item corresponds to unpaid invoices of which Euros 5,273 (2018: Euros 17,410) from entities of the BCP Group (note 16).

## 11. SUPPLIES AND OUTSOURCING

This item is analyzed as follows::

(Euros)

	2019	2018
Specialized works	644,692	551,522
Other supplies and services	10,842	58,212
	655,534	609,734

The item Specialized Work includes the amount Euros 233,596 (2018: Euros 241,478) regarding assignment of staff by BCP and services provided by Millennium bcp – Prestação de Serviços, A.C.E., amounting to Euros 37,024 (2018: Euros 38,304) (note 16).

The specialized works also includes the amount Euros 256.953 regarding the project for the renovation of the museum of the Archaeological Nucleus of Rua dos Correeiros (NARC). The renovation works are under way and is paid by Banco Comercial Português.

## 12. STAFF RELATED COSTS

In 2019, this caption amounts for Euros 259,418 (31 December, 2018: Euros 155.050) includes remunerations earned by the corporate bodies and expenses with social security.

The variation recorded in this item is a consequence of the fact that the Foundation, after the beginning of the second half-year of 2018, began to support all costs with the remunerations earned by the corporate bodies.

### 13. SUBSIDIES, DONATIONS AND LEGACIES TO OPERATION

In the financial year ended on 31 December 2019, this item includes the donation granted by BCP, amounting to Euros 2,505,437 (2018: Euros 2,000,000) (note 16).

### 14. OTHER EXPENDITURE AND SERVICES

This item is analyzed as follows:

	(Euros)	
	2019	2018
Donations granted	1,834,679	1,257,005
Fees	1,500	1,500
Sundry	2,200	2,503
	<b>1,838,379</b>	<b>1,261,008</b>

### 15. INTERESTS AND SIMILAR INCOME

This item is analyzed as follows:

	(Euros)	
	2019	2018
Interests	1,087	3,506
Dividends (note 5)	66,500	66,500
Other income	1,308	-
	<b>68,895</b>	<b>70,006</b>

Interests was 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 key-management individuals, were also considered related parties the individuals that are close to them (family relations) and the entities controlled by them or entities wherein they exercise a significant influence in their management.

On 31 December 2019 and 2018, the Foundation recorded the following assets and liabilities with related parties:

(Euros)

2019				
Related party	Other amounts receivable (note 7)	Cash and bank deposits (note 8)	Suppliers (note 10)	Financial Investments (note 5)
Banco Comercial Português, S.A.	454	1,859,307	-	-
Millennium bcp-Prestação de Serviços, ACE	-	-	5,273	750
	<b>454</b>	<b>1,859,307</b>	<b>5,273</b>	<b>750</b>

(Euros)

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

As of December 31, 2019, the results for transactions with related parties were as follows:

(Euros)

2019			
	Supplies and outsourcing (note 11)	Interests and similar income (note 15)	Subsidies, donations and legacies to operation (note 13)
Banco Comercial Português, S.A.	233,739	2,395	2.505.437
Millenniumbcp-Prestação de Serviços, ACE	37,024	-	-
	<b>270,763</b>	<b>2,395</b>	<b>2.505.437</b>

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	-	-
	<b>279,782</b>	<b>3,506</b>	<b>2,000,000</b>

## 17. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

Pursuant to the activities of the Foundation within the scope of its several cultural, educational and social initiatives, the Foundation had assumed on 31 December 2019 commitments regarding future donations amounting to Euros 763.600 (2018: Euros 345.300), concerning signed protocols.

In addition, there are donations that have already been approved by the Foundation but the conditions for the effective attribution, including initiatives to be developed by the respective beneficiary entities, were not met until 31 December 2019.

## 18. RELEVANT FACTS IN 2019

In 2019, no relevant facts occurred apart from the ones previously described.

## 19. EVENTS AFTER THE BALANCE SHEET DATE

Apart from the aspects disclosed in the remaining notes and as per the accounting policy described in note 1, the events occurred after the date of the financial statement and until the date of their approval, were:

### Covid-19

The Covid-19 has been affecting a very large number of countries and infected thousands of people all over the world. The facts known suggest that these figures will continue to grow. Considering the spreading of this situation worldwide, and in particular in some economies of the Euro area, the Foundation deems premature to estimate eventual impacts. However, we may point out that notes have been issued by supranational entities and rating agencies concerning downgrading the prospects on the world and European economic growth in 2020.

Within that context, the Foundation adopted a set of contingency measures conceived to ensure the protection of people and the continuity of its activity, including, among other, the recommendations from the health authorities and work at distance, trying to maximize the institution's resilience.

Depending on the significance and duration of the disruptive impacts, the Foundations' activities are going to be affected in a greater or lesser extent. Based on all the information available today, including on liquidity and future funds to be made available by Millennium bcp, as well as on the value of the assets, namely financial investments, it is considered that the operations continuity assumption underlying the making of the financial statements may continue to be applied.