



2013

SUMMARY
ANNUAL
REPORT



Glas autora!





REPORT BY HDS ZAMP'S GENERAL MANAGER

By the accession of the Republic of Croatia to the European Union HDS ZAMP has also joined formally the European society of the most developed and most professional societies for the collective management of rights. Simultaneously with the accession of the HR to the EU, at the annual CISAC General Assembly, HDS ZAMP was randomly chosen for Professional Rules and Binding Resolutions review. We are proud to be able to say that a high level of harmonization was established during the review carried out in November 2013, confirming once more a reputable status of HDS ZAMP in Europe and in the world.

On the other hand, financial results are also stable in spite of the economic crisis. The overall collection result in 2013 is 1,2% higher than in 2012, and is approximately at the same level as in 2011. With regard to the situation in our country, this result may be assessed as a very good one, with an additional increase tendency including extension to digital, online musical services.

DIRECTIVE OF THE EUROPEAN UNION ON THE COLLECTIVE MANAGEMENT OF RIGHTS AS ADOPTED

In February 2014, the European Parliament and the Council of the European Union adopted Directive on the collective management of rights. It is the first Directive expressly dealing with the collective management of copyright, and the period of 2 years is left for the Member States to implement it in the local legislation. The Directive is divided in two parts. The first part regulates the transparency and the good management of copyright societies, and the second part regulates the issue of cross-border management of copyright in the online environment. HDS ZAMP is already harmonized with the majority of provisions contained in the first part of the Directive, whereas, the second part, dealing with online operation, brings a considerable novelty, since it provides for the possibility that foreign societies (PRS, GEMA and the like) and foreign publishers (UNIVERSAL, SONY and the like) license directly their rights to digital musical services operating in HR. It also provides HDS ZAMP with the possibility to license, on behalf of the Croatian authors, the rights to digital services for Europe and even beyond it.

DIGITAL SERVICES IN CROATIA

The HDS ZAMP initiative to offer to digital musical services the possibility to regulate the rights for the whole region in one place has finally given results. Negotiations with the majority of services, except for with iTunes, which continues to fail showing its interest in the HR or the region have started. Up to now, the agreements with Deezer and RDIO services have been signed and the agreements with other services have been intensively negotiated. We expect that during this year almost all the important streaming services will start to operate, constituting a new source of revenue for authors. Parallel to that, HDS ZAMP, being aware that almost 99% of all the music on the Internet is used illegally, is planning to provide education to the general public on the use of legal online musical services, and in particular, to the youngest people attending primary and secondary schools. For that purpose, we have prepared a specially adapted Finnish program, containing interesting stories, comics, copy books, and the like, and started to present it to teachers at their professional meetings.

COPYRIGHT IS NOT A PARAFISCAL TAX

Unfortunately, during the year we have witnessed statements made to the public by certain politicians and officials (even by important political parties) who pointed out that the remunerations due to authors are parafiscal taxes, burdening the Croatian economy in the crisis, and demanded their reduction or in certain cases even their withdrawal. In fact, first of all, the remuneration due

to authors is not a parafiscal tax, it is not the revenue of the state or the local self-administration, but it is the remuneration for a service which is invoiced to those who need and use such a service. Also, economy cannot be disburdened by the reduction of remunerations, since the remunerations due to authors are also revenues of a certain economic branch. By the reduction, the revenues from the cultural sector would simply be “poured” to the catering sector. How can it be beneficial for economy if the families of artists waive a part of their revenues for the benefit of the families of e.g. caterers? For the purpose of explaining the role of HDS ZAMP and the nature of remunerations due to authors, meetings were held in the Ministry of Finance, the Ministry of Economy, the Ministry of Entrepreneurship and Crafts, the Ministry of Regional Development and EU Funds, the Ministry of Science and the like. The majority of Ministries showed understanding, but there is however the need for a continuous systematic education of all the institutions on the work and role of the societies for the collective management of rights.

ECONOMIC ASPECTS OF CULTURAL AND CREATIVE INDUSTRIES

HDS ZAMP is by all means a subject which contributes to the Croatian economy, paying millions to the Croatian budget, ensuring revenues on the market for several thousands of artists and their families, and stimulating in such a way the creation of new jobs in the cultural and creative sector. Also, we consider that it is very important to promote the cultural and creative sector as an important production and economic sector, in which with little investment a new creative product (music, book, painting and the like), which has economic value, which has export potential and which may not be outsourced tomorrow to the countries of the third world is being created.

In order to promote the values of the cultural and creative sector in HR, we are now establishing the Coordination of the Cultural and Creative Industries at HUP (Croatian Association of Employers), and enrolling in the Cluster of Cultural and Creative Industries at the Ministry of Economy. We are confident that through HUP and Cluster we will easier enter in dialogue with institutions in HR, and explain the economic contribution as well as economic potentials of our creative sector. We have also commissioned an international study on the contribution of the collective management associations to economy and employment.

RELATIONS WITH MEMBERS

HDS ZAMP continues to develop new high-quality services for its members. Thus, in 2013, we carried out a survey on the satisfaction of the members with our work. The results of the survey were very good, but a space was left for improvements. The first improvement is introduction of the performing rights’ distribution twice a year, instead of once a year. A very complex process including the processing of a large quantity of data concerning 42.550 users and more than 94.000 domestic and foreign authors and right holders is involved. Furthermore, on our web site we have introduced a service “My Profile”, a private part of HDS ZAMP web site intended for its members. A user profile contains information on the author and his works, enables online registration of musical works and contains information on distributions as carried out.

We have also organized a series of workshops entitled Intro, intended for the youngest authors, in order for them to gain knowledge on the work of HDS ZAMP, as well as on the system of collective management of copyrights. That project continues to be implemented. The latest action, very positively accepted by the public is a joint action of HDS ZAMP and authors “A Playlist for Slavonia” carried out for the benefit of flood victims.

RELATIONS WITH USERS

The last year was marked by the objective financial problems of many user groups. HDS ZAMP, as always thus far, was cooperative and provided its contractual partners with various discounts and reductions. Thus, the reductions were provided to hotels, radio stations, cinematographs, HRT and the like. Furthermore, during 2013, several hundred of humanitarian events were supported free of charge, and a special sponsorship was provided for the celebration of the accession of the HR to the European Union.

In addition to that, on several occasions demands for the reduction of remunerations were made by hotel managers. In order to react argumentatively to their demands, we engaged the Institute of



Economics in Zagreb, to draft a study which would objectively assess the amount of remuneration for hotels, as well as the impact of that remuneration to business operations of the hotel sector. The research showed that Croatian remunerations, as well as the impact on business operations of hotel sector were among the lowest in Europe. Moreover, according to the opinion of the Institute of Economic, there is even space for increasing remunerations.

Furthermore, we engaged an independent agency to make a sample survey of the satisfaction with the work of HDS ZAMP including 10.000 caterers in HR. The survey showed that the majority of caterers understand the importance of music in their business operations and they are ready to pay remunerations. But there is also the need for basic education of users and improvement of the work of the HDS ZAMP's field inspectors. For that purpose, up to the end of the year, we plan to organize new educations for the field controllers and some twenty county workshops for the users.

PUBLIC RELATIONS

In time, public relations have become one of the most important segments of the work of HDS ZAMP. Among the most important projects, we can point out a support provided to the organization of the International Copyright Creativity Conference (MAKK), held in December 2013. MAKK was especially approved by renowned domestic and foreign lecturers and guests, as the most important forum for the discussion on the current topics in the field of copyright.

We would like to point out a serial "Author's Week" running on CMC music television that we initiated. Each week of the year is dedicated to one author, presenting to the public the author's creative work and its value.

One of the most important projects is by no means a public campaign "Creators Make the World A Better Place". The campaign is conceived as an attempt of raising the awareness of the general public about the value of the work of authors in all the segments (music, film, book, photograph, architecture, painting and the like), as well as the establishment of the central place for information on authors on the web site www.autori.hr. A television promotional spot, radio commercials and advertisements for printed media were produced. The result of the campaign is very good, in particular on the Internet. There is almost no person failing to notice the campaign in any manner whatsoever.

RELATIONS WITH PARTNERS

HDS ZAMP has just finished negotiations on a new multiannual Agreement with its permanent partners, HUZIP (the Croatian Performers' Rights Collecting Society) and ZAPRAF (the Association for Protection, Collection and Distribution of Phonogram Producers' Rights). The Agreement includes a joint collection of remunerations in the territories of the local radio and TV stations, general users (hotel managers, caterers, shops and the like), cable retransmission, and remunerations for private copying, digital juke-boxes, DJs and the like).

CHANGE IN THE HDS ZAMP ORGANIZATIONAL STRUCTURE

In order to adapt ourselves to dynamic business challenges and to organize ourselves effectively, we have divided HDS ZAMP into six individual independent units, i.e. sectors. Those are: Media and New Technologies Sector, Legal and General Affairs Sector, Public Performance Sector, Distribution and Documentation Sector, Communication and PR Sector, and Finance and Accounting Sector. Heads of Sectors together with the General Manager constitute the management core of HDS ZAMP. The reorganization results are already visible in the form of more efficient work and decrease of operational costs.

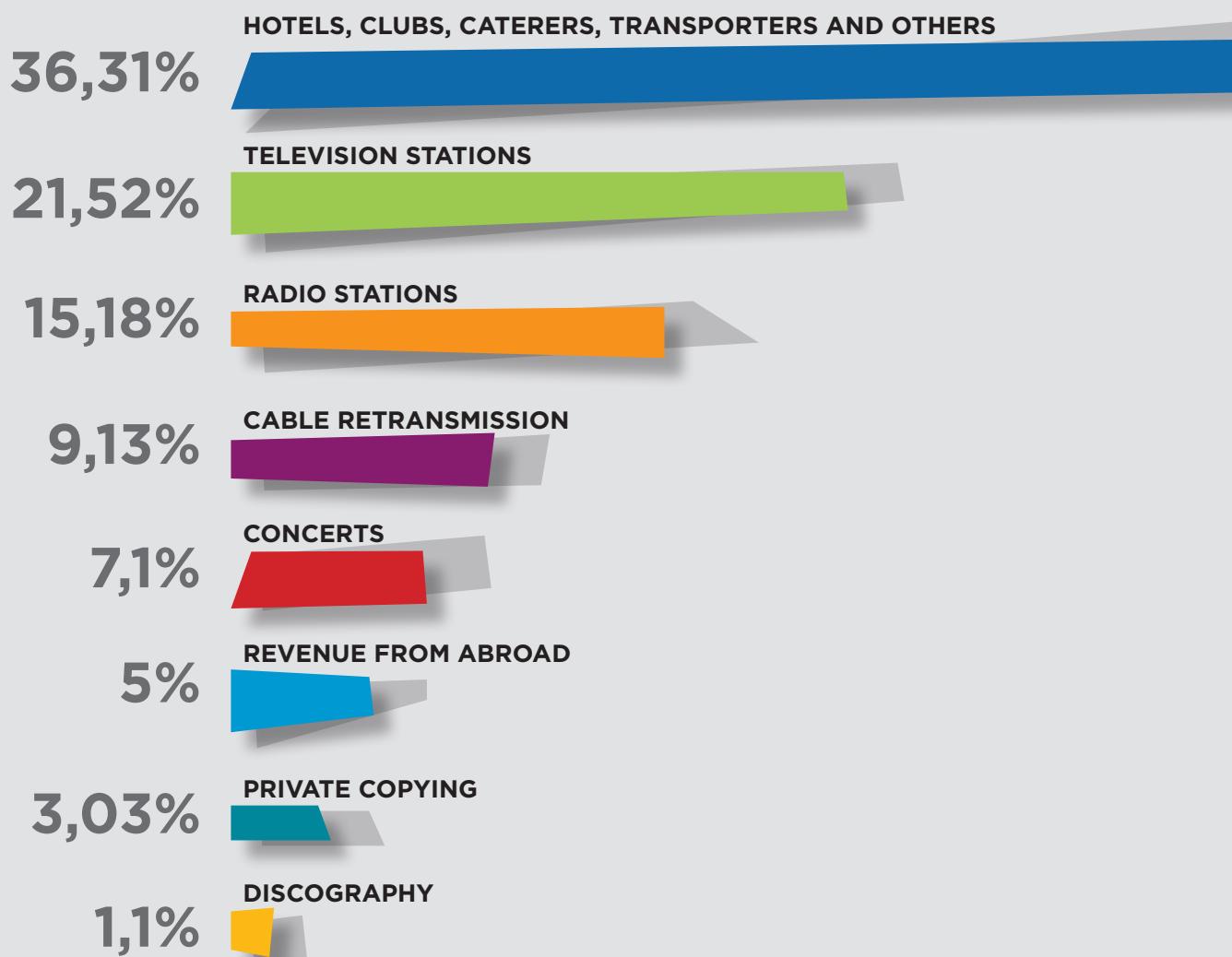
Nenad Marčec
General Manager
HDS ZAMP



FINANCIAL RESULTS IN 2013

	A	B	C	D	E	F	G	H
COLLECTED IN 2013 - KN	COLLECTED IN TOTAL	EXPENSES	EXPENSES %	FOR DISTRIBUTION (A-B)	DEDUCTIONS FOR SOCIAL AND CULTURAL PURPOSES	DEDUCTIONS %	NET FOR DISTRIBUTION	%
(1) PUBLIC PERFORMANCE RIGHTS								
Radio stations	15,870,800.05	3,806,565.78	23.98%	12,064,234.27	1,206,423.43	10.00%	10,857,810.84	68.41%
Television stations	22,502,687.03	5,189,844.62	23.06%	17,312,842.41	1,731,284.24	10.00%	15,581,558.17	69.24%
Cable retransmission	9,546,168.41	1,711,753.16	17.93%	7,834,415.25	783,441.53	10.00%	7,050,973.73	73.86%
Concerts	7,421,298.08	1,335,833.65	18.00%	6,085,464.43	0.00	0.00%	6,085,464.43	82.00%
Hotels, clubs, caterers, transporters etc.	37,968,075.48	11,280,315.23	29.71%	26,687,760.25	2,668,776.03	10.00%	24,018,984.23	63.26%
UKUPNO PRAVA JAVNOG PRIOPČAVANJA	93,309,029.05	23,324,312.44	25.00%	69,984,716.61	6,389,925.22	9.13%	63,594,791.39	68.16%
(2) MECHANICAL REPRODUCTION RIGHTS								
Discography	1,148,429.37	206,717.29	18.00%	941,712.08	0.00	0.00%	941,712.08	82.00%
MPRT	80,249.22	14,444.86	18.00%	65,804.36	0.00	0.00%	65,804.36	82.00%
MP3 juke-boxes	608,078.69	121,615.74	20.00%	486,462.95	0.00	0.00%	486,462.95	80.00%
DJs	748,980.00	149,796.00	20.00%	599,184.00	0.00	0.00%	599,184.00	80.00%
Other (digital archives, recorders...)	281,610.08	56,322.02	20.00%	225,288.06	0.00	0.00%	225,288.06	80.00%
Private copying	3,171,815.79	586,785.92	18.50%	2,585,029.87	775,508.96	30.00%	1,809,520.91	57.05%
TOTAL	6,039,163.15	1,135,681.83	18.81%	4,903,481.32	775,508.96	15.82%	4,127,972.36	68.35%
(3) GRAND AND SYNCHRONIZATION RIGHTS								
TOTAL	3,670.95	734.19	20.00%	2,936.76	0.00	0.00%	2,936.76	80.00%
(4) INTERNATIONAL								
Revenue from abroad	5,227,987.50	522,798.75	10.00%	4,705,188.75	0.00	0.00%	4,705,188.75	90.00%
TOTAL 1+2+3+4	104,579,850.65	24,983,527.21	23.89%	79,596,323.44	7,165,434.18	9.00%	72,430,889.26	69.26%

REMUNERATIONS BY RIGHTS AND SEGMENTS



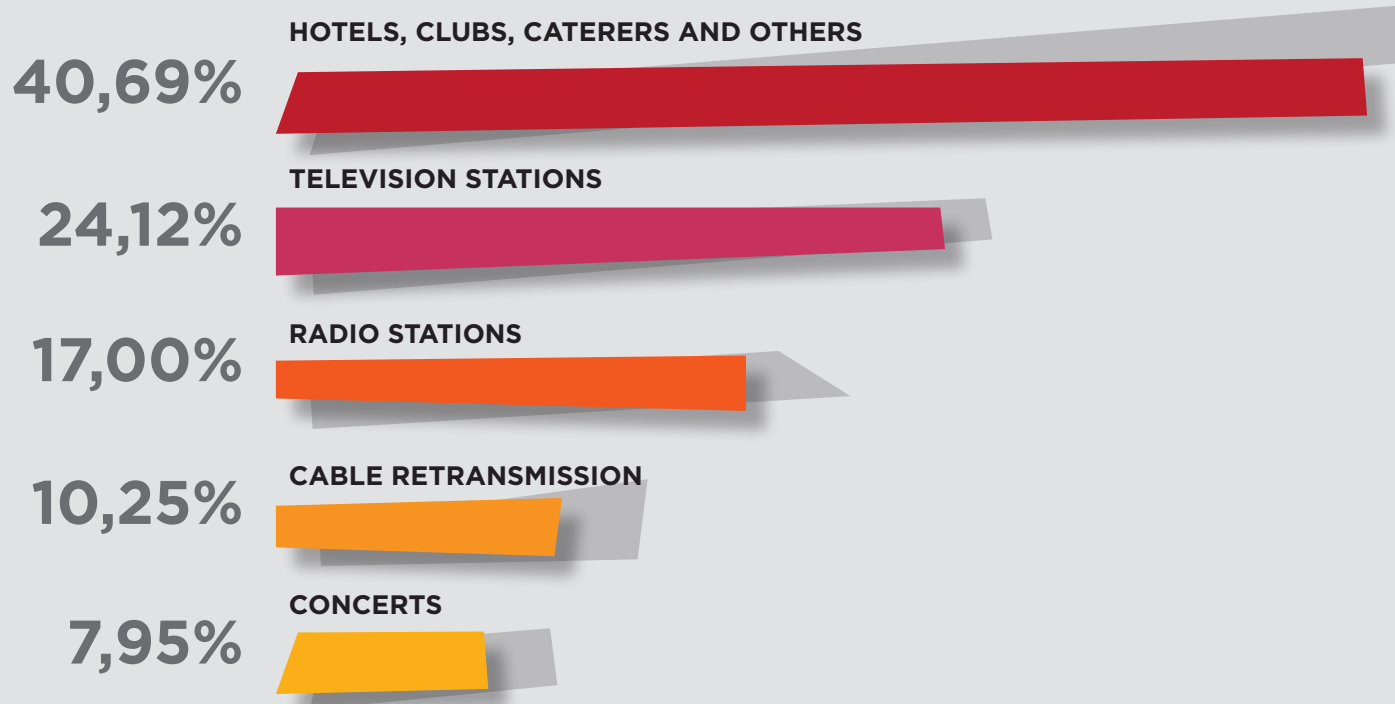
TOP 3 WORKS BY CROATIAN AUTHORS ACCORDING TO THE NUMBER OF BROADCASTS IN 2013.

TITLE	AUTHOR	PERFORMER
1 SUZE NAM STALE NA PUT	PREDRAG MARTINJAK/PREDRAG MARTINJAK/PREDRAG MARTINJAK	MASSIMO
2 SAMO DA ZNAŠ	HUSEIN HASANEFENDIĆ/HUSEIN HASANEFENDIĆ/GRUPA PARNI VALJAK	GRUPA PARNI VALJAK
3 GRIJEH	DINO ŠARAN/DINO ŠARAN/ĐANI PERVAN	NATALI DIZDAR

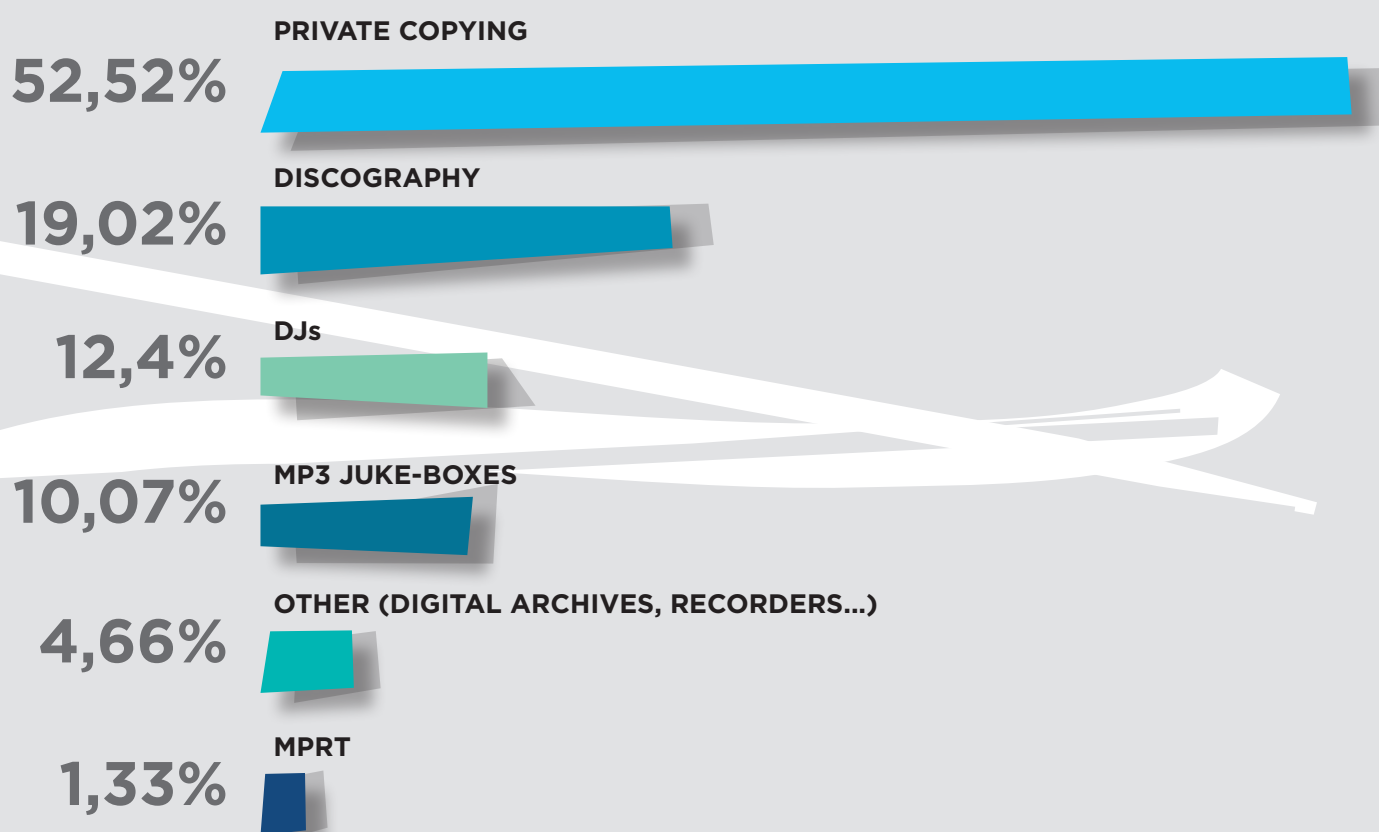
TOP 3 WORKS BY FOREIGN AUTHORS ACCORDING TO THE NUMBER OF BROADCASTS IN 2013.

TITLE	AUTHOR	PERFORMER
1 GET LUCKY	NILE RODGERS-CHRISTO GUY MANUEL HOMEN-THOMAS BANGALTER-PHARRELL L WILLIAMS	DAFT PUNK
2 BLURRED LINES	PHARRELL L WILLIAMS-ROBIN THICKE	ROBIN THICKE
3 MIRRORS	J. HARMON-J. R. TIMBERLAKE-J. E. II FAUNTLEROY-C. GODBEY-T. Z. MOSLEY-G. WAVERLY JR MOSLEY	JUSTIN TIMBERLAKE

RIGHTS OF PUBLIC PERFORMANCE

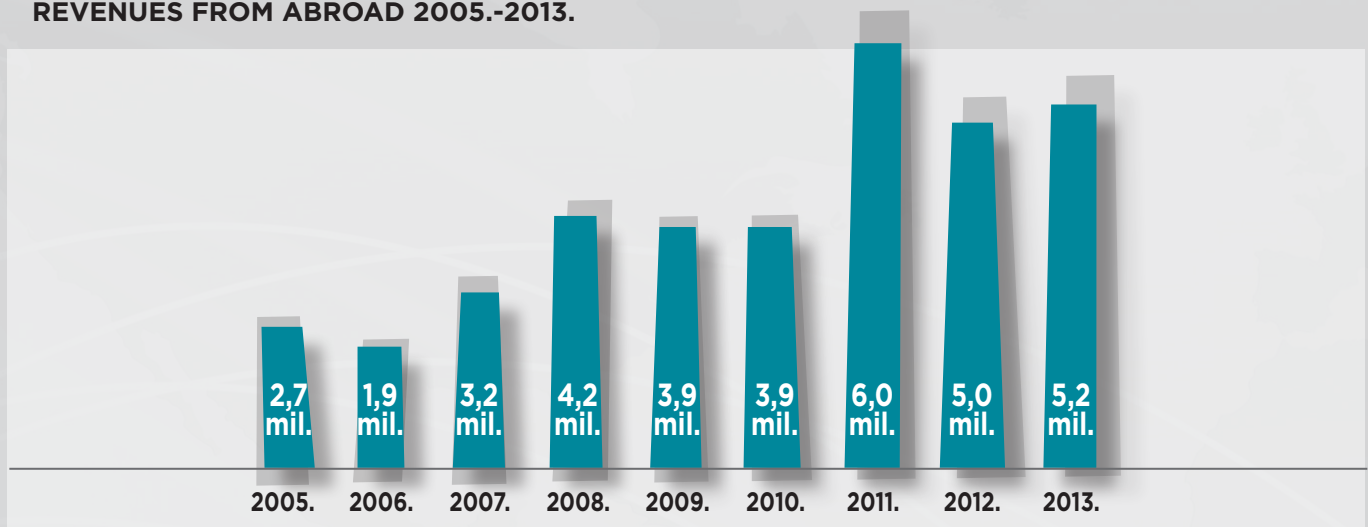


RIGHTS OF MECHANICAL REPRODUCTION



REMUNERATIONS FROM ABROAD

REVENUES FROM ABROAD 2005.-2013.



A LIST OF SISTER SOCIETIES

SOCIETY	COUNTRY	SOCIETY	COUNTRY
AAS	Azerbaijan	OSA	Czech Republic
ABRAMUS	Brasil	PAM CG	Montenegro
ACUM	Israel	PRS for music	United Kingdom
AEPI	Greece	RAO	Russian Federation
AKKA - LAA	Latvia	SABAM	Belgium
AKM	Austria	SACEM	France
ALBAUTOR	Albania	SACM	Mexico
AMCOS	Australia	SADAIC	Argentina
APRA	Australia	SAMRO	JAR
ARTISJUS	Hungary	SAS	Georgia
ASCAP	USA	SAYCO	Colombia
AsDAC	Moldova	SAZAS	Slovenia
AUME	Austria	SDRM	France
NCIP	Belarus	SESAC	USA
BMI	USA	SGAE	Spain
BUMA	Netherlands	SIAE	Italy
CASH	Hong Kong	SINE QUA NON	Bosnia and Herzegovina
EAU	Estonia	SOCAN	Canada
GEMA	Germany	SODRAC	Canada
HFA	USA	SOKOJ	Serbia
IMRO	Ireland	SOZA	Slovakia
JASRAC	Japan	SPA	Portugal
KODA	Denmark	STEF	Island
KOMCA	Republic of Korea	STEMRA	Netherlands
LATGA	Lithuania	STIM	Sweden
MACP	Malaysia	SUISA	Switzerland
MCPS	United Kingdom	TEOSTO	Finland
MCSC	China	TONO	Norway
MESAM	Turkey	UACRR	Ukraine
MSG	Turkey	UCMR ADA	Romania
MUSICAUTOR	Bulgaria	ZAIS	Poland
MUST	Taiwan, Chinese Taipei	ZAMP MAKEDONIJA	Macedonia
NCB	Scandinavia		



GESAC MEMBERSHIP

In May 2014., Croatian Composer's Society became a member of European Grouping of Societies of Authors and Composer (GESAC). Situated in Bruxelles, GESAC's primary goal is lobbying for creators and their societies in various EU institutions. GESAC contributed to drafting of the CRM Directive continues to participate in current European debates concerning the status and future of copyright.

REmira

d.o.o. za reviziju

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HDS – Croatian Composers' Society

Berislavićeva 9, Zagreb

Attn. of Mr. Nenad Marčec

Services:

- auditing
- accounting
- financial analysis
- tax consultancy

Zagreb, 30 May 2014

Re.: Audit Report Summary of the factual findings in connection with the General Statement of Funds Distribution to Right Holders for Jan-Dec 2013

As requested by you, below please find a summary of the factual findings in connection with the audit of the General Statement of Funds Distribution to Right Holders for Jan-Dec 2013 as follows:

1. Pursuant to the Agreement dated 7 March 2014, we have performed the agreed procedures in connection with the examination of the General Statement of Funds Distribution to Right Holders for Jan-Dec 2013.
2. Our engagement was completed in accordance with the International Standard on Related Services ISRS 4400 applicable to engagements to perform agreed-upon.
3. The agreed-upon pertained to:
 - a) examining and assessing segments of Society's financial statements included in the General Statement of Funds Distribution to Right Holders for Jan-Dec 2013;
 - b) issuing audit reports on established facts including an opinion on whether the collected fees are allocated in accordance with the distribution rules and provisions of the Copyright and Related Rights Act (Official Gazette 167/03, 79/07, 80/11 and 141/13) and whether the total costs for the collective entitlement were incurred in an amount permitted under Article 167, paragraph 5 of the Act.
4. On completion of the auditing procedures, we established as follows:
 - a) Regarding point 3a), we were assured that the records used to calculate the rights to distribution to authors were proper and based on authentic documentation and may as such be used to prepare the General Statement of Royalties for 2013.
 - b) Regarding point 3b), we were assured that the requirements under Article 167, paragraphs 5 and 7 of the Copyright and Related Rights Act have been met, as follows:
 - (b1) In connection with Article 167, paragraph 5 of the Copyright and Related Rights Act (Official Gazette 167/03, 79/07, 80/11 and 141/13), we were assured that the Society's costs for the collective entitlement amount to 22.72%, i.e. they do not exceed the legally permitted level of 30% of collected fees.
 - (b2) In connection with the provisions of Article 167, paragraph 7 of the Copyright and Related Rights Act (Official Gazette 167/03, 79/07, 80/11 and 141/13) and a review of the General Statement of Royalties for 2013, adopted by the Presidency of Croatian Composers' Society on 27 May 2014, in our opinion, the collected fees are distributed to right holders in accordance with the distribution rules defined by Society's normative documents, and the Resolution to Accept the General Statement of Royalties for 2013 of 27 May 2014 was based on the Rules for the Entitlement to Copyrights and the provisions of the Law.

Zagreb, 30 May 2014

Auditing firm:

Remira d.o.o.
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Zagreb

"REmira"
d.o.o. za reviziju
ZAGREB Mrazovićeva 9

Auditors:

Mira Hrelja, M.Econ.

Darija Lopotar, M.Econ.

THE END OF THE TRANSLATION

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