

A black and white photograph of a concert stage with numerous spotlights and a large crowd of people in the foreground with their hands raised.

> 2016

HDS
ZAMP
SUMMARY
ANNUAL
REPORT

HDS
ZAMP

Glas autora!

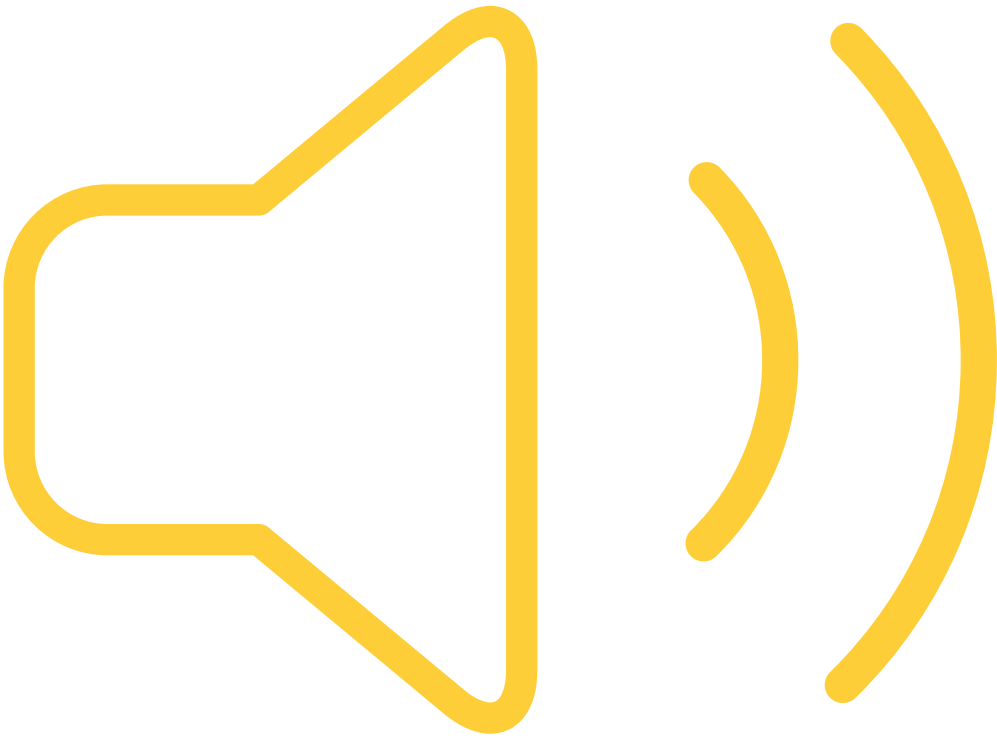
2016



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Rights remunerations growth and continuing decrease of administrative costs



Nenad Marčec

In 2016, HDS ZAMP has procured a distributable income of 88.242.486,72 kunas, which is 4,46% more than the previous year. As per Society's decision regarding administrative costs, the costs decreased for another year in a row, and they were 22,49 % of gross income which is 0,46% lower than the year before.

Nenad Marčec, HDS ZAMP'S general manager

2016 was another successful year for HDS ZAMP and collective rights management in Croatia. Both of our goals were successfully achieved: highest amount of remunerations collected and lowest administrative cost which, in the end, means more money for distribution to our members.

In 2016, HDS ZAMP has procured a distributable income of 88.242.486,72 kunas, which is 4,46% more than the previous year. As per Society's decision regarding administrative costs, the costs decreased for another year in a row, and they were 22,49 % of gross income which is 0,46% lower than the year before.

It is also worth noting that authors' royalties are no longer listed in register of non-tax revenues, as well as the fact that HDS ZAMP is not a public authority body, as Croatian Information Commissioner expressed – this decision was expected, but it is certainly welcome in case of media inquiries. Thus, the phrase "para fiscal charges" will hopefully not be related to royalties our members earn when their intellectual property is used.

Generally, the collective rights management is moving in the right direction. However, European copyright reform is having difficulties dealing with the "value gap" concerning online copyrighted content. The new directive should raise the level of responsibility of digital platforms such as YouTube and alike – their market value is based largely on the creative content they share, but without appropriate compensation to the authors.

Heads of various sectors within our organization and myself personally are active participants of all relevant meetings organized by CISAC and GESAC in which we discuss and exchange methods for protecting copyright in digital market

Highest amount of remunerations collected and **lowest** **administrative cost.**



sphere. Consequently, our Society continues to receive various recognitions, at the same time being ranked as a society with high efficiency.

As far as business details of HDS ZAMP are concerned, it is worth noting that Public performance sector received 10% more concert setlists than the previous year, which is the result of activities undertaken towards the users of music. We also registered the growth of license applications. We also sponsored various benefits as well as socially responsible events. A number of DJ workshops was organized in Split and Zagreb resulting in growth of DJ licenses. Sector management had upgraded their procedures by introducing the Document Management Software to help manage field records more efficiently.

Since October 2016, the Distribution and Documentation sector is even more efficient in processing royalties from abroad and rights from mechanical reproduction and digital services – the royalties are distributed on semiannual basis. With distribution of rights from Deezer, YouTube and Google Play, we are expecting them to be even more significant in the future. Overall, the sector finalized 5 distributions with a negligible number of reclamations from the membership – we hope it stays this way, despite the challenges that lie ahead.

Media and New Technology sector signed the contracts covering HDS ZAMP pan-European licenses for YouTube, Deezer and Google Play covering more than 40 countries resulting in better protection for the works of our members. We are also working on terms of future agreement with services such as Apple Music and Spotify.

Legal department continues its cooperation with other authors societies in Croatia, to the satisfaction of all included.

Communications and PR department expanded its activities to a number of external projects such as “Creative Croatia” stressing the importance and economic potential of cultural and creative industries in Croatia. Promotion of intellectual property and copyright continued with theatre play “Priroda i društvo” aimed at elementary and high school audiences. The fourth edition of International authors’ & creators’ conference MAKK was excellently visited and covered under the motto “The author is a creative heart of digital economy”, with respected domestic and international speakers and record number of musicians and creators.



TOTAL REMUNERATION COLLECTED LAST 5 YEARS:

2012.	103 million kn	⬇️	2015.	120,1 million kn	⬆️
2013.	105 million kn	⬆️	2016.	124,4 million kn	⬆️
2014.	111,5 million kn	⬆️			



The department launched a number of activities targeting the members, general public and media representatives ("Songwriters in poetry", Rendez-vous Internet in cooperation with French Institute in Croatia, 1st Music Hackathon in Croatia, INTRO workshops for young authors etc.). Thanks to our Membership department's efforts, a survey conducted among our members showed their overall satisfaction with the way our Society operates – more than 82% of them are exceptionally or generally satisfied with their cooperation with HDS ZAMP. We will work to make that percentage even higher in the future.



2012.	24,26%	↓
2013.	23,89%	↓
2014.	23,41%	↓
2015.	22,95%	↓
2016.	22,49%	↓

ADMINISTRATON COSTS IN % OF GROSS INCOME COLLECTED – LAST 5 YEARS

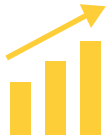
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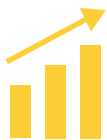
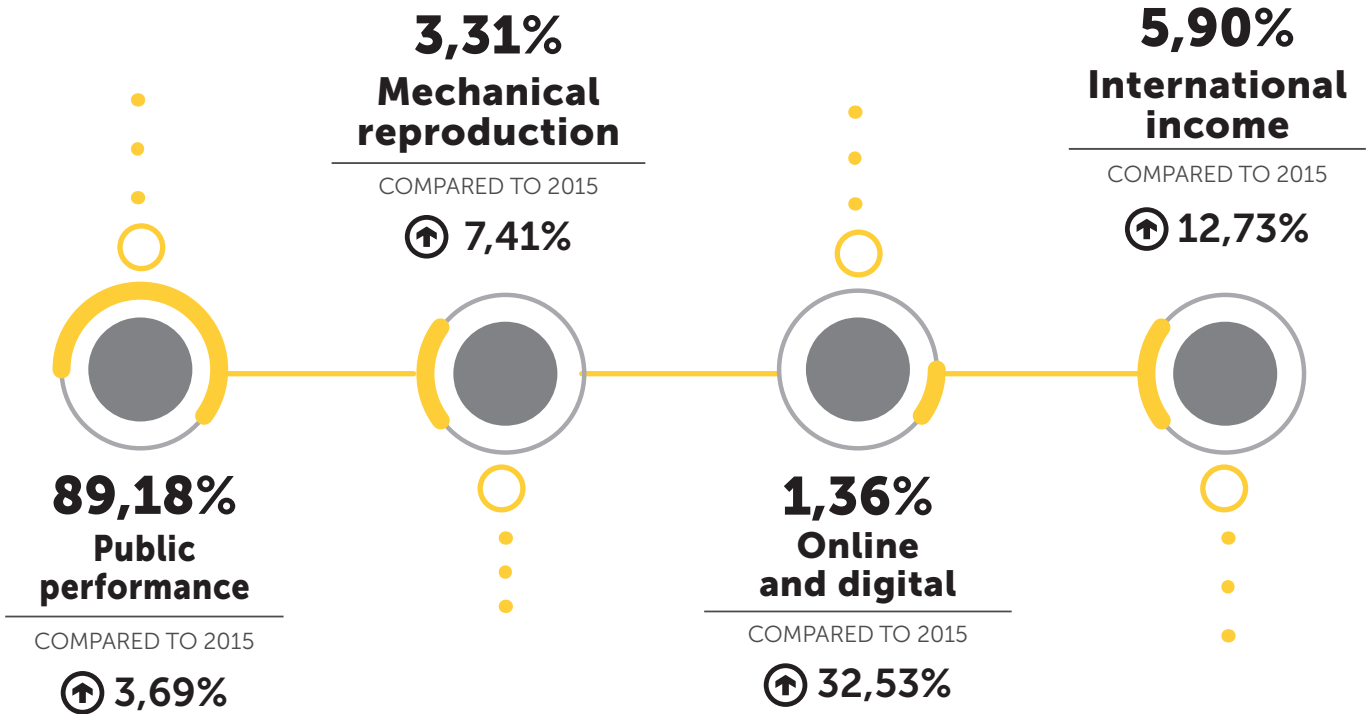
Financial results

COLLECTED 2016. - KN	A COLLECTED IN TOTAL	B EXPENSES	C EXP.%	D FOR DISTRIBUTION (A-B)	E DEDUCTIONS FOR SOCIAL & CULTURAL PURPOSES	F DEDUCT- ION %	G NET FOR DISTRIBUTION (D-E)	H %
PUBLIC PERFORMANCE RIGHTS								
Radio stations	17.154.914,97	4.134.669,29	24.10%	13.020.245,68	1.302.024,57	10.00%	11.718.221,11	68.31%
Television stations	25.049.034,93	5.771.032,57	23.04%	19.278.002,36	1.927.800,24	10.00%	17.350.202,12	69.26%
Cable retransmission	14.153.059,41	2.540.909,21	17.95%	11.612.150,20	1.161.215,02	10.00%	10.450.935,18	73.84%
Concerts	12.677.219,11	2.281.899,44	18.00%	10.395.319,67	0.00	0.00%	10.395.319,67	82.00%
Hotels, clubs, caterers, transporters, etc...	36.165.016,85	9.859.949,32	27.26%	26.305.067,53	2.584.944,13	9.83%	23.720.123,40	65.59%
Live music	5.694.208,05	1.525.476,94	26.79%	4.168.731,11	416.873,11	10.00%	3.751.858,00	65.89%
TOTAL	110.893.453,32	26.113.936,77	23.55%	84.779.516,55	7.392.857,07	8.72%	77.386.659,49	69.78%
MECHANICAL REPRODUCTION RIGHTS								
Discography	1.195.235,65	215.142,42	18.00%	980.093,23	0.00	0.00%	980.093,23	82.00%
Private copying	2.916.473,12	539.547,53	18.50%	2.376.925,59	713.077,68	30.00%	1.663.847,91	57.05%
TOTAL	4.111.708,77	754.689,95	18.35%	3.357.018,82	713.077,68	21.24%	2.643.941,14	64.30%
ONLINE AND DIGITAL								
DSPsi	517.292,19	103.458,44	20.00%	413.833,75	0.00	0.00%	413.833,75	80.00%
DJs	388.568,00	77.713,60	20.00%	310.854,40	31.085,44	10.00%	279.768,96	72.00%
MP3 juke-boxes	449.935,33	89.987,07	20.00%	359.948,26	0.00	0.00%	359.948,26	80.00%
Other (dig.archives, recorders, portals, etc.)	335.299,90	66.760,42	19.91%	268.539,48	0.00	0.00%	268.539,48	80.09%
TOTAL	1.691.095,42	337.919,53	19.98%	1.353.175,89	31.085,44	2.30%	1.322.090,45	78.18%
INTERNATIONAL								
Revenue from abroad	7.655.328,49	765.532,85	10.00%	6.889.795,64	0.00	0.00%	6.889.795,64	90.00%
UTOTAL (1+2+3+4)	124.351.586,00	27.972.079,10	22.49%	96.379.506,90	8.137.020,18	8.44%	88.242.486,72	70.96%



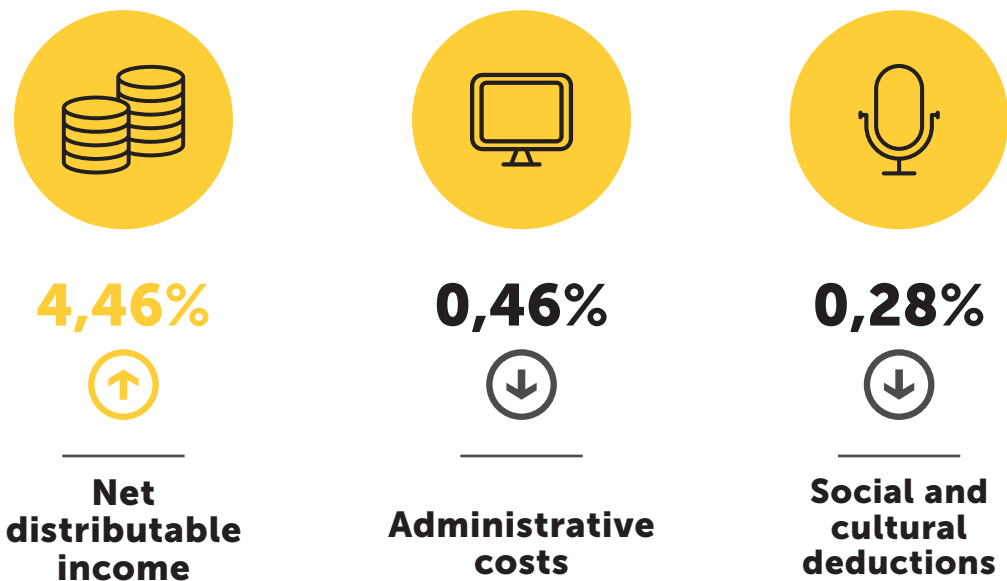
REMUNERATION BY RIGHTS - 2016.

TOTAL COLLECTIONS 2016 – 100% | GROWTH – 4,46%



TOTAL REMUNERATION COLLECTED - 2016

COMPARED TO 2015



Revenue from aboard

Top 5 societies | countries per total royalties for HDS members in 2016



LIST OF SISTERS SOCIETIES

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

* Denmark, Finland, Iceland, Norway, Sweden, Lithuania, Estonia



Top 10 authors

(in alphabetical order):

01 > WORLD

Bruce Springsteen	_____●
David Robert Jones	_____●
Diane Eve Warren	_____●
George Michael	_____●
Gordon M. T. Sumner	_____●
Mark Knopfler	_____●
Karl Martin Sandberg	_____●
Michael J. Jackson	_____●
Prince	_____●
Ryan B. Tedder	_____●

02 > CROATIA

Ante Pecotić	_____●
Denis Dumančić	_____●
Husein Hasaneferdović Hus	_____●
Miro Buljan	_____●
Miroslav Škoro	_____●
Nenad Ninčević	_____●
Neno Belan	_____●
Tonči Huljić	_____●
Vjekoslava Huljić	_____●
Zlatan Stipišić	_____●

Top 10 works by Croatian authors

according to the number of broadcasts in 2016:

> TITLE	> AUTHOR(S)	> PERFORMER
Onako, od oka	> Zlatan Stipišić / Zlatan Stipišić / Zlatan Stipišić, Nikša Bratoš	> Gibonni
Zaljubila sam se	> Nenad Borgudan / Nenad Borgudan / Nenad Borgudan, Alen Križaj, Edi Grubišić, Vibor Čerić, Dominik Žagmešter, Gina Damjanović	> Detour
Dani i godine	> Nina Badrić, Predrag Martinjak / Nina Badrić, Predrag Martinjak / Predrag Martinjak	> Nina Badrić
Poslije nas	> Aljoša Šerić / Aljoša Šerić / Saša Jungić, Dean Melki, Jurica Hotko, Stipe Mađor - Božinović, Jakov Kolega, Jerko Jurin, Antonia Matković Šerić, Aljoša Šerić	> Pavel
Tvoj glas	> Neno Belan / Neno Belan / Neno Belan, Zvonimir Zrilić	> Neno Belan, Maja Posavec
Nisi tu	> Željko Banić, Srđan Sekulović / Željko Banić, Srđan Sekulović / Željko Banić	> Songkillers feat. Nikola Marjanović
Sreća	> Zlatan Stipišić / Zlatan Stipišić / Zlatan Stipišić, Nikša Bratoš	> Gibonni, Oliver
Tango	> Ivan Dečak / Ivan Dečak / Ivan Dečak, Irena Celio-Cega, Robert Kelemen, Marko-Robert Kasumović, Tomislav Franjo Šušak	> Vatra
Moj svijet	> Gabrijela Galant Jelenić, Marijan Jelenić / Marijan Jelenić	> Nola
Moje zlato	> Tonči Huljić / Vjekoslava Huljić, Petar Grašo	> Petar Grašo

Top 10 works by foreign authors

according to the number of broadcasts in 2016:

> TITLE	> AUTHOR(S)	> PERFORMER
Can't Stop the Feeling	> Max Martin, Justin R. Timberlake, Shellback	> Justin Timberlake
Fast car	> Tracy Chapman	> Jonas Blue ft. Dakota
Cake by the Ocean	> Justin Drew Tranter, Mattias Per Larsson, Joseph Adam Jonas, Robin Lennart Fredriksson	> DNCE
Cheap Thrills	> Kate I Furler Sia / Sean Paul Henriques / Greg Kurstin	> Sia ft. Sean Paul
Adventure of a Lifetime	> Guy Rupert Berryman / Jonathan Mark Buckland /William Champion / Mikkel Storleer Eriksen / Tor Erik Hermansen / Christopher A. John Martin	> The Coldplay
7 Years	> Brown Christopher Steven/Forchhammer Lukas / Forrest Stefan / Jensen Morten Ristorp / Labrel David James / Pilegaard Morten	> Graham Lukas
Hello	> Adele Laurie Adkins / Gregory Allen Kurstin	> Adele
Hymn for the Weekend	> Guy Rupert Berryman / Jonathan Mark Buckland /William Champion / Mikkel Storleer Eriksen / Tor Erik Hermansen / Christopher A. John Martin	> The Coldplay
Ain't Nobody	> David Wolinski	> Felix Jaehn
Be the One	> Jack Tarrant, Lucy Helene Taylor, Nicholas James Gale	> Dua Lipa

Report of factual findings

Deloitte.

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REPORT OF FACTUL FINDINGS

24 May 2017

Croatian Composers' Society
Berislavićeva 9
10 000 Zagreb
Mr. Ante Pecotić

Dear Sir,

We have applied the procedures determined in agreement with you, which are given below, with regard to the General statement of account regarding distribution of funds to right holders (hereinafter: "General statement of account regarding distribution") for the period from 1 January to 31 December 2016, prepared by the Croatian Composers' Society (hereinafter: "Society").

The Report was prepared for the purposes of audit and evaluation of the General statement of account regarding distribution in accordance with the provisions of the Copyright and Related Rights Act (Official Gazette 167/03, 79/07, 80/11, 141/13 and 127/14; hereinafter: "Act").

The above procedures were conducted in compliance with the International Standard for Related Services 4400, which is applied on engagements to perform agreed-upon procedures. The responsibility for the sufficiency of the procedures is exclusively borne by the Society. Accordingly, herewith we do not make any statements on the sufficiency of the procedures described below for the purposes for which the Report has been requested, or for any other purposes.

The procedures we have applied comprise the following:

1. We have reviewed the normative documentation of the Society based on which the Society performs the tasks of copyright protection, the collection and distribution of remunerations, in order to check whether the determinants of the documentation are in line with the requirements of the Act. The documentation, which we have inspected within the scope of our procedures, includes the Statute of the Society (of 31 May 2015, by which the Statute of 26 May 2013 ceased to be valid), the Decision on amendments to the Statute (of 31 May 2014), the Rules on the Exercise of Author's Copyright (of 17 May 2016 and of 7 December 2016), the Price Lists and the Rules on Remunerations, as well as the Decision on the amount of protection costs (of 10 September 2013). We have considered the provisions of the above documents in order to understand the rules of accounting and distribution, as well as the percentages used in the calculation of legally established allocations from the budget for distribution within the General statement of account regarding distribution in Annex 1.
2. Since within the Society the amounts of debt for payment obligors are calculated automatically (rules for calculations are defined, within the Rules on the Exercise of Author's Copyright), on a selected sample, we have tested whether the debt of obligors is correctly calculated and whether a proper invoice is issued in accordance with debt. We have also checked whether debt is correctly shown in the relevant systems of the Society.

The Society registered in the Court Register of the Commercial Court of Zagreb: Registration No. 030022053; share capital paid in: HRK 44,900.00; members of the Management Board: Branislav Vrtančnik, Eric Daniel Olcott, Marina Tonžetić, Juraj Moravec, Dražen Nimčević and John Jozef H. Ploem; commercial bank: Zagrebačka banka d.d., Trg bana Josipa Jelačića 10, 10 000 Zagreb, giro account/bank account no. 2360000-1101896313; SWIFT Code: ZABHR2X IBAN: HR2723600001101896313; Privredna banka Zagreb d.d., Radnička cesta 50, 10 000 Zagreb, giro account/bank account no. 2340009-1110098294; SWIFT Code: PBZGHR2X IBAN: HR3823400091110098294; Raiffeisenbank Austria d.d., Petrinjska 59, 10 000 Zagreb, giro account/bank account no. 2484008-1100240905; SWIFT Code: RZBHHR2X IBAN: HR1024840081100240905.

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3. Based on the selected sample we have reviewed accounting records and bookkeeping documents, which are the basis for the calculation of rights to the distribution of funds to authors in order to check their credibility and their applicability in the preparation of the General statement of account regarding distribution.
4. Since the distribution of collected remunerations to the Society's revenues and transmitted items intended for disbursement to authors is carried out automatically, within the information system, and based on the percentages determined in the normative documents referred to in item 1, we have requested the review of the collected remunerations in the period from 1 January to 31 December 2016 (based on a sample of 25 invoices), based on which we have carried out a manual recalculation with the aim of checking the correctness of the calculation and the distribution. During the recalculation we have also checked whether the Society applies the percentages (performs the allocation from the budget for distribution) in the manner as it is regulated by normative documents referred to in item 1 and the provisions of the Act. More precisely, from each examined collection we have checked the allocation to the Fund for the promotion of copyright and fight against piracy, costs of protection, Fund for culture, Fund for appeals and complaints, in order to verify whether the amount after the allocation is calculated in compliance with the provisions of the normative documents and the Act.
5. Based on the selected sample, we have checked the bank statements that are the basis for the accounting recording and the calculation of rights to distribution in order to establish whether the amounts used in the accounting were actually collected by the Society.
6. We have compared the amounts of collection by selected bank statements with the amounts used in the General statement of account regarding distribution and those in the Society's accounting records in order to check any mismatches between them.
7. Since the Society's information system, based on the entered data (the point value and the number of points), automatically calculates the remuneration to be paid to authors (distribution to authors), based on the selected sample, we have tested whether the above calculation (distribution) is carried out in a proper manner.

Our findings are, as follows:

- a) With regard to item 1, by the carried out procedures, we did not identify materially significant deviations of the Society's normative documentation from the requirements of the Act.
- b) With regard to item 2, by the carried out procedures, we did not identify materially significant deviations or deficiencies.
- c) With regard to item 3, by the carried out procedures, we did not identify materially significant deviations or deficiencies.
- d) With regard to item 4, by the carried out procedures, we did not identify materially significant deviations or deficiencies.
- e) With regard to item 5, by the carried out procedures, we did not identify materially significant deviations or deficiencies.
- f) With regard to item 6, by the carried out procedures, we did not identify materially significant deviations or deficiencies.
- g) With regard to item 7, by the carried out procedures, we did not identify materially significant deviations or deficiencies.

Based on the carried out procedures on the selected samples and identified findings, we have assessed that the General statement of account regarding distribution is prepared in compliance with the Copyright and Related Rights Act and other normative documents referred to in item 1.



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Defined framework

Since the above procedures are neither an audit or a review in accordance with International Standards on Auditing and International Standards on Review Engagements, we do not express our belief with regard to the applied procedures.

If we had applied additional procedures or audited the financial statements or reviewed the financial statements in accordance with International Standards on Auditing and International Standards on Review Engagements, or some other applicable national standards or practices, we might have observed other issues, about which we would inform you.

The Report is intended exclusively for the purpose specified in the first paragraph of the Report and for your information. The Report only refers to the above items, and not to any financial statements of the Society as a whole.

Marina Tonžetić

Member of the Management Board and Certified Auditor

Deloitte d.o.o.

24 May 2017
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