



Momentum, Trust & Growth

Annual Review 2018



January 2019

www.kpmg.com.mt



At KPMG we build and sustain our reputation as the best firm to work with by ensuring that our people, our clients and our communities achieve their full potential.

KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. We operate in 154 countries and territories and have 200,000 people working in member firms around the world.

KPMG in Malta is a Maltese Civil Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

KPMG Crimsonwing is an international business & IT solutions provider that supports organisations in business transformations enabled by technology. Our work focuses on Enterprise Resource Planning (ERP), Customer Relationship Management (CRM), eCommerce and IT integration. We help automate and transform organisations with the established business technology solutions of Microsoft, Intershop and Magento.

With offices in the UK, Malta and the Netherlands, we employ over 500 people and cater for an ever-expanding international client base.

The current annual report has been prepared to coincide with the Firm's financial year ending September. Comparative figures, where applicable, have been adjusted to read for the period 1 October 2016 to 30 September 2017.

All artworks featured in this report are by local artist Marco Cremona.



Any mention of KCw within this report refers to KPMG Crimsonwing.

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Introduction by Tonio Zarb



A year of strong growth for KPMG in Malta

Over the last twelve months to 30 September 2018, KPMG in Malta experienced strong growth across all its service lines. We ended the year with revenue exceeding EUR 22 million, up by 29% over the previous twelve month period. This exceptional growth was triggered by our investment in our practice over the last few years. For instance, since 2016 we have added a People and Change practice, KPMG Software, the KPMG Learning Academy and a Strategy service line.

We have also invested about €5million in the refurbishment of our offices and in converting a property in Floriana, which for nearly two decades to 1998 housed our audit function, into a training facility of just under 600 square metres, housing the KPMG Learning Academy.

For KPMG Crimsonwing the last financial year was one of consolidation and revenue dropped by 16% as a number of very large engagements are being finalised. As a result, the combined revenue remained practically unchanged at €48.7 million.

Building trust and quality

Trust and quality remain at the forefront of our priorities and are core to everything we do. The first message all of our new recruits hear when they join KPMG is our commitment to living our values each and every day, and the role they individually play in earning and sustaining public trust. I deliver this message personally in the first session of our induction training. As an organization, we strive to underpin those values with training, systems and ongoing monitoring to ensure we deliver quality which meets our public interest responsibility.

In the last eighteen months, questions have been asked, mostly at EU level, on Malta's commitment in ensuring that only legitimate business is carried out in our jurisdiction. In this environment, we believe that our profession should be at the forefront of protecting the local business community through the adoption of the highest standards, processes and procedures in ensuring that we only do business with the right clients and we shall continue to act on this conviction. You can find more detail on our commitment to quality in our 2018 Transparency Report.

Extraordinary people

On page 13 of this review we set out the results of the responses to a selection of questions put to our people taken from our Annual People Survey (October 2018). The results reflect the environment we have created for talented people with a culture that emphasises the importance and value of personal growth, our commitment to quality and upholding our values as well as our emphasis on promoting inclusion and diversity.

Over the past year on a combined basis, we hired 225 people creating over 90 new jobs. By September 2018, we had 187 students enrolled in our Student Graduate Programme. We are committed to continue training future leaders not only for our own business, but also for the wider business community. In the past year our combined training and development expenditure amounted to €2.5 million representing over 5% of our combined revenue of €48.7 million.

50 years in Malta

2019 marks the fiftieth year from the foundation of our firm. Originally set up in 1969 by Joseph Tabone, Joseph Tabone & Co., as the firm was known then, has developed and grown into what it is today, a leading professional services firm offering a wide range of audit, tax and advisory services, proud of its reputation for delivering quality services and enjoying the trust of its clients and of the wider community. Over this year we will be holding several events to mark this important milestone.

We will also continue to focus on building further public trust, on attracting and developing the most talented people, and stepping up our investment in technology and technology enabled services to enable us to assist our clients as they face a period of intense competition and transformation.

Tonio Zarb
Senior Partner, KPMG in Malta

31 January 2019



KPMG Crimsonwing, a year in review



Digital, Cloud Computing, Artificial Intelligence, Machine Learning, Blockchain and Big Data... these are narratives that have been talked about for what seems like a long time now, and that need to be embraced if companies are to make use of the advantages these technology paradigms promise and remain competitive in their markets. However this requires companies to fundamentally change their relationship with technology and make technology and process change into a business-as-usual activity.

All of this exists against a back drop where most industries are now no longer immune to the spectre of Disrupters. These are the Netflixs, the Ubers, the Airbnbs and the JustEats; those companies that arrive into a market, supported by the latest technologies and capabilities, and fundamentally change long established business models. As this approach continues to win the attention of big business, entrepreneurs and PEs alike, then most industries will find they are now in the sights of the latest wave of challengers looking for that next disruption opportunity.

These disruptors not only leverage technology to deliver their new business models, but they also benefit from the new paradigm of technology delivery and consumption.

These businesses simply don't have to deal with the implications of legacy issues or constraints. They live in an almost constant green-field state, where new capabilities can be designed and provisioned with minimal effort and business interruption, and the pain of lengthy upgrades and replacement programmes and the resulting costs, delays and talent drain these can cause, are just alien concepts.

In order to stay ahead, companies need to acknowledge the threat of the Disrupters and at the same time put change at the heart of their strategy to ensure they don't fall victim to them; by both continuing to ensure their business leverages the best technology to deliver

for their customers as well as shifting to a more agile operating model, to keep as competitive as they can be, and enable their people to run the best processes.

Much more of the work that we, as KPMG and KPMG Crimsonwing, are undertaking for our clients now is for those clients who acknowledge the threat of the Disrupters and see the need to put technology and therefore ongoing change at the core of what they do, even in industries where the threats are not yet obvious.

I joined KPMG from IBM in June last year, as the new CEO of KPMG Crimsonwing with just the above in mind, both for our current and future clients, as well as for the KPMG Crimsonwing business itself, practicing what we preach by putting change at the heart of our own business to ensure both we and our clients are fit for the future.

It's been quite an 8 months, and we have achieved lots; bringing more focus to the Industries we serve, building solutions to enable client challenges to be addressed quickly and with more assurance of a successful outcome; bringing more thought leadership from a technology perspective and ensuring our people and therefore our talent, are focused and equipped to bringing maximum value to our clients. We are also ensuring we are leading by example in relation to diversity and gender equality.

2019 promises to be an ongoing year of change for everyone, us as KPMG and KPMG Crimsonwing, our Clients and the world at large. What fills me with excitement and anticipation is that now, more than ever, KPMG and KPMG Crimsonwing are uniquely positioned to help our clients make sense of the changing world and do something about it.

Iain Fox
CEO, KPMG Crimsonwing

31 January 2019



Highlights 2018

Revenue

for the period ended 30 September 2018

	2018	2017	
KPMG in Malta	€22.0m	€17.1m	+29%
KCw	€26.7m	€31.8m	-16%
Total revenue	€48.7m	€48.9m	

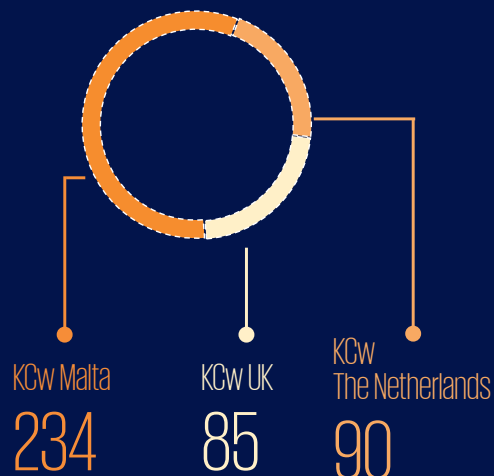
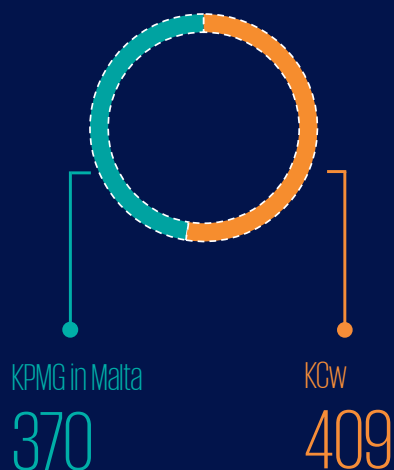
('m' denotes millions)



People

Total FTE*

779



*FTE refers to full-time equivalents

Students participating in our graduate recruitment program as at 30th September 2018

175
KPMG in Malta

12
KCw



Job applications received in total

c.8,600



KPMG people as at September 2018

(including students)

KPMG in Malta

269 Male
299 Female

568
Total

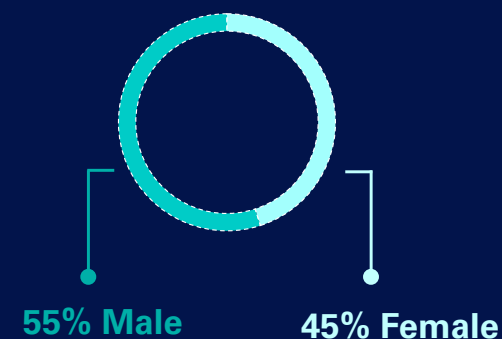
KCw

354 Male
106 Female

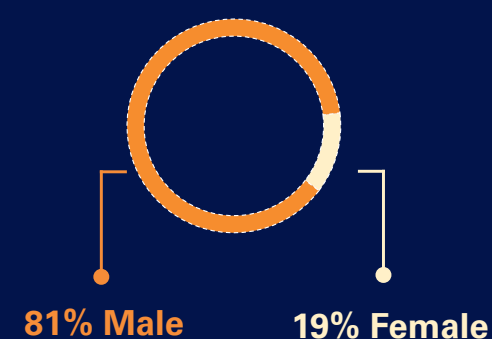
460
Total

Participation rate in management roles by gender

KPMG in Malta



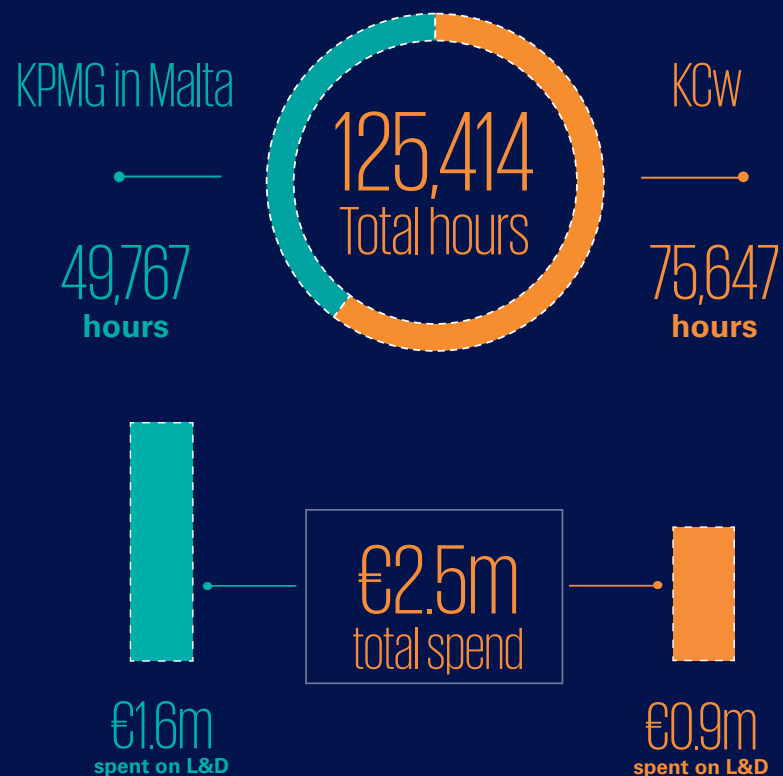
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Nationalities



Learning & Development



People survey

KPMG Global People Survey – October 2018

Survey results do not include KPMG Crimsonwing staff complement

People

91%

believe that their job provides them with a sense of personal accomplishment.

95%

are proud to work for KPMG.

90%

would recommend KPMG as a great place to work.

95%

state that KPMG supports inclusion and diversity in the workplace.

Client service

92%

understand what an outstanding client experience looks like.

86%

believe that KPMG does an excellent job in anticipating new products and services that clients will value.

91%

said that people in their group are encouraged to experiment and come up with innovative solutions.

Quality & Trust

93%

state that the people they work for demonstrate honest and ethical behaviour.

95%

said that KPMG's commitment to quality is apparent in what they do on a day-to-day basis.

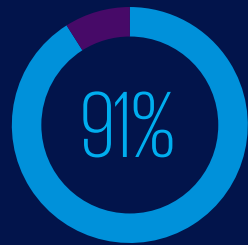
91%

stated that at KPMG we uphold our Values, even when under pressure.

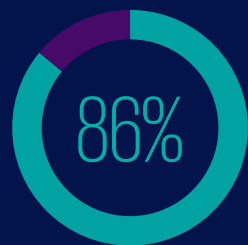
Client Satisfaction Survey

Thought leadership

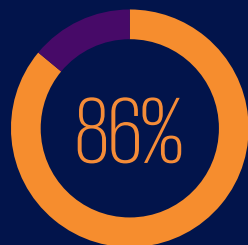
KPMG in Malta



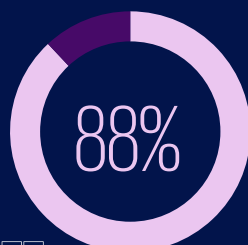
Satisfaction with the extent to which KPMG has demonstrated an understanding of our business needs and of the issues and challenges that face our business



Satisfaction with the quality and skills of the KPMG people assigned to our engagement(s)

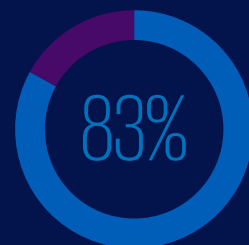


Satisfaction with the extent to which KPMG has met or exceeded our expectations

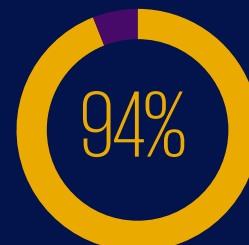


State that they are likely to continue to use KPMG for the services they currently receive

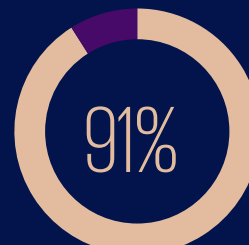
KCw



Overall Customer Satisfaction rating



Would refer KPMG Crimsonwing to one of our contacts



Would work with KPMG Crimsonwing again given the opportunity



Articles & publications

100+



External events

17



Client Satisfaction Survey carried out in February 2018

KPMG in Malta senior appointments

During 2018, KPMG in Malta appointed Marco Vassallo, Simon Xuereb and Jonathan Dingli as Partners and Adrienne McCarthy, Mark Curmi and Vanessa Borg as Directors.



Marco Vassallo

Marco joined KPMG in 1995 as a software programmer and has been a driver in the evolution of IT Administration, IT Operations Management, IT Security & IT Strategy. Marco has planned and deployed numerous IT projects locally and led a number of large-scale deployment projects across other KPMG jurisdictions. He spearheaded various IT due diligence projects and lead the IT stream during the acquisition of one of the top software development companies in Malta. Marco has now joined the advisory team, bringing to the table a new service offering, Custom Software Development that the firm can take to market.



Simon Xuereb

Simon, a lawyer specialised in International Taxation and Law has led the ongoing development and broadening of KPMG in Malta's Private Client and Global Mobility Services offering. Today he leads a multi-disciplinary team of professionals in this space. He is also actively involved in the development of this service offering at a global level for KPMG. He is a regular lecturer, examiner and supervisor on various tax related courses in Malta and abroad and has authored a number of papers in leading international publications.



Jonathan Dingli

Jonathan leads the Accounting Advisory Services (AAS) unit, a unit he helped set up. Jonathan assists local and international clients with respect to IFRS advice and IFRS adoption, including first time adoption of IFRS and transitioning to new standards. During a term of office with the MIA technical department, he wrote a number of technical pronouncements on the application of IFRS to specific local circumstances and was responsible for the drafting of GAPSE. He has been specialising in IFRS since 2008; he has lectured in various countries, including lectures on advanced financial reporting in the Master in Accountancy post-graduate degree at the University of Malta.



Adrienne McCarthy

Adrienne manages the firm's internal HR team, focusing on attracting talented people to the firm and implementing important employee engagement strategies, which have played a key role in achieving the firm's growth strategies. Since joining, Adrienne has led numerous projects in areas such as recruitment, engagement, management development and talent management. Adrienne is MSc qualified in Organisational Psychology with a BBS in Business Studies and has over 20 years global HR experience, having worked in 5 continents in a combination of HR consultancy and in-house HR roles.



Mark Curmi

Mark leads the Banking, Financial Institutions and VFA Advisory services arm of the Malta practice. Mark joined KPMG in 2014, to drive the Banking Service offering across Audit, Tax and Advisory within the firm. His role within the firm is one of an industry specialist, which has seen him at the forefront of some major engagements, including advice with disposals and acquisitions of Banks and Financial Institutions, licencing of new Credit and Financial Institutions, ongoing regulatory advice and assistance, and more recently, assignments related to the emerging fields of financial technology, Coin Offerings and Virtual Currencies. Mark represents the local practice at KPMG's ECB Office in Frankfurt and forms part of KPMG's Global DLT Working group.



Vanessa Borg

Vanessa has taken up the role of Director, Strategy Advisory having joined the organisation in September 2018. Vanessa has been engaged on a number of international projects, as a Strategy Advisor within the Hospitality, Manufacturing, Education, Tourism, Information Technology, Communications, Retail, I-Gaming, Financial Services and Public sectors. She has been active within the international management field for over 20 years. Vanessa has assisted companies to improve their operational business model in areas such as; planning, developing and implementing performance management systems that feed into succession planning and talent management, developing and assessing standard operating procedures, coaching, quality audits, setting up knowledge management platforms, amongst others.

KPMG Crimsonwing senior appointments

Over the year, KPMG Crimsonwing had four senior appointments. Iain Fox was appointed as Group CEO effective June 2018, Toby Ricks who was appointed as Senior Sales Manager effective September 2018, Atul Karn was promoted to Practice Director in January 2018 and Pascal Kreukniet was promoted to Practice Director in January 2018.



Iain Fox

Iain has been appointed CEO of KPMG Crimsonwing. He joined the company in June 2018, having previously worked for IBM where he established their Microsoft practice in the UK. Today, Iain's global leadership experience and deep knowledge of Microsoft Business solutions is focused on bringing together expert teams and industry best-practice to deliver sustainable business transformations and improved performance.



Katrina Magee

Katrina joins KPMG Crimsonwing as Group COO and CFO. Katrina is an experienced COO and Fellow of ICAEW, and joins us from her previous COO role within KPMG UK National Markets Deal Advisory. As well as extensive experience advising on numerous strategic landmark deals and developing the UK deals business, Katrina also brings a wealth of experience in managing all the operational and financial aspects of the complex Advisory business, which is a key success factor for KPMG Crimsonwing current business transformation (see article on page 52)



Paul Rogers

Paul Rogers joined KPMG Crimsonwing in 2018 as Director of their International Microsoft Business Applications business. Prior to joining Paul led PowerObjects in EMEA & APAC. He was responsible for building this business into one of the largest Microsoft practices in EMEA, and played a key role in making PowerObjects into the 2nd largest partner worldwide. Paul leads a team focused on providing world class architecting and implementation skills to deliver transformation enabled through Microsoft technologies including D365 Customer Experience, D365 Finance and Operations, Azure, SQL Server and SharePoint.



Rob Allan

Rob Allan joined KPMG Crimsonwing in 2018 as Director of Business Development for the UK business. Prior to joining Rob lead the IBM Microsoft Practice business development group in the UK across. Rob played a key role in developing Microsoft centric propositions for digital transformation within the IBM ecosystem and growing the business by a factor of ten across 4 years. Rob leads a team focussed on solution innovation and digital proposition development for Financial Services, Government, Consumer / Business to Business and Professional Services organisations. These solutions are grounded in the Microsoft Dynamics ecosystem and take advantage of KPMG management consulting capabilities to deliver exceptional results for clients.

KPMG Crimsonwing in Malta celebrates its 20th anniversary

KPMG Crimsonwing's origins date back to 1996 when it first started providing professional services to clients to design, deliver and support compelling solutions to help with their business opportunities and challenges.

In fact some of these very first customers are still with the business today, over 20 years later. In these early years the business was one of the first in the UK to recognise the benefits of having a near-shore development facility and the Malta Solution Centre was opened in 1998.

Based in the EU and just a few hours away from the UK, the Malta Solution Centre proved to be a successful antidote to traditional off-shore barriers such as travel time, culture and language differences. It also gave Crimsonwing access to a highly skilled and stable workforce with lower overheads than on mainland Europe. When it opened in April 1998, Crimsonwing, then called Magus, employed 9 people. By the end of that same year it employed 74, 15 of which are still with the company today!

In line with Microsoft's own focus on business solutions, the business started to provide their clients with advice and expertise to leverage Microsoft Dynamics platforms for their businesses. This was recognised in 2007 when Crimsonwing was awarded Microsoft Gold Partner status, and the focus on Microsoft business solutions continued with a number of acquisitions of competitor businesses in the UK and the Netherlands in order to further extend and deepen its Microsoft capabilities.

In 2015 the acquisition of the Crimsonwing business by KPMG made KPMG Crimsonwing a leading European player in the Microsoft Dynamics consulting and implementation services, a position recognised by Gartner, who places KPMG Crimsonwing at the top right of their Magic Quadrant for Microsoft Dynamics partners. This acquisition has also opened up new opportunities to assist existing KPMG clients to leverage the Microsoft technologies for their businesses and has also allowed KPMG Crimsonwing to work with other KPMG partners in Europe and globally to support existing and new clients.

Today KPMG Crimsonwing is undergoing its latest wave of transformation guided by a new CEO, Iain Fox, who joined the company in June 2018. His vision was clear from the very start: for the organisation 'to become the No 1 Microsoft Transformation Partner in the markets we choose to serve'. This strategic change programme spans across all the strategic pillars of the business, from business development, how we deliver successfully for our clients, how we run our professional services practice, how we operate the business and how we nurture and develop our people. The execution of this strategy and some of its most significant initiatives will ensure that KPMG Crimsonwing business will be ready to meet the demands of a rapidly changing technology and business landscape and ensure it's perfectly placed so we can assist our clients realise their own business ambitions in a fast moving world over the next decade.

The KPMG Learning Academy

The KPMG Learning Academy opened its doors in June 2018. A turn of the century family home in Floriana was attentively converted into a high quality training facility.

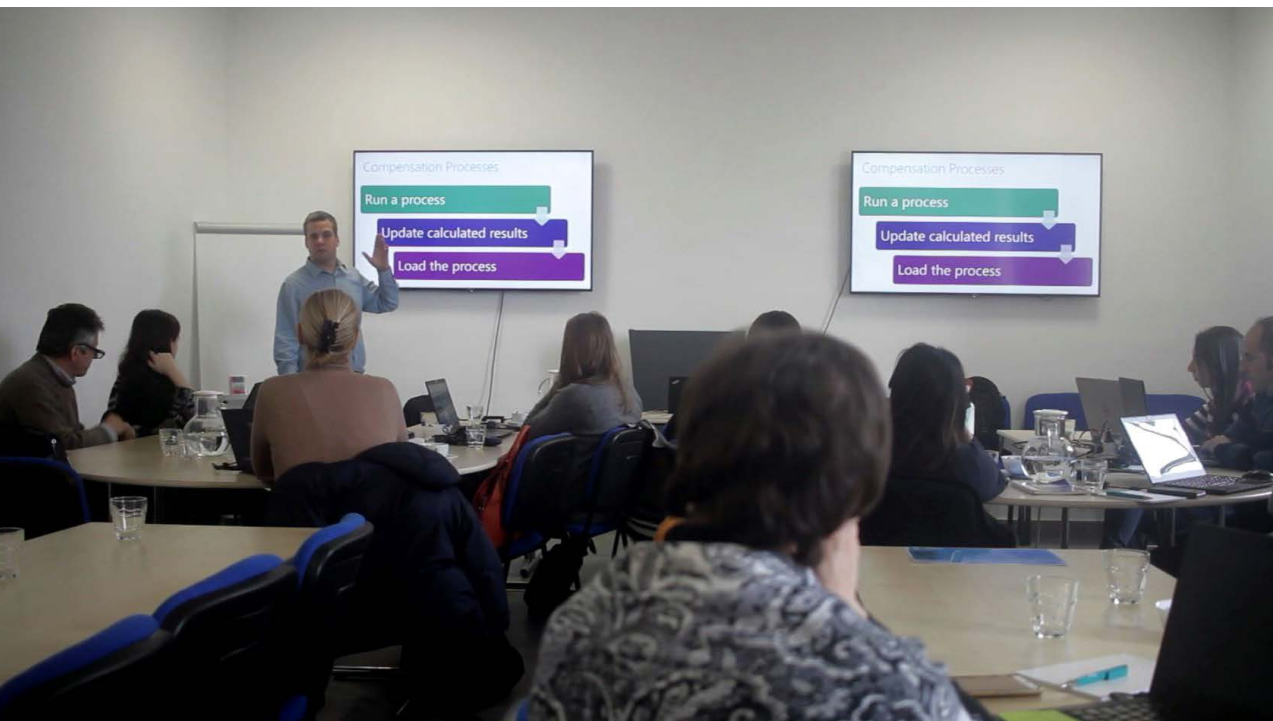
The building now boasts of eight training rooms and a number of spacious pre function breakout areas. Each room can be configured to provide a mix of different layouts to maximise the client's particular requirements. All rooms have air-conditioning, natural light, Wi-Fi and Fibre fast internet, large digital screens and laptops. Other facilities include a cafeteria and a library.

As a licensed higher education institution KPMG Learning Academy brings together our breadth and depth of subject matter expertise with our learning design and technology skills and capabilities. KPMG Learning delivers a comprehensive range of off-the-shelf digital, blended, and classroom training courses on a wide range of subjects. KPMG Learning seeks to bring only highly experienced trainers to lead our courses and workshops.

Training programmes include a number of accredited courses delivered by our own local expert trainers, covering topics such as Financial Modelling, Business Valuations, Shipping, Aviation and Corporate Finance amongst others.

Through our partnership with Kaplan, we provide Virtual Live Online ACCA lectures which are structured in the same way as classroom lectures, but are live interactive classes on set dates and at a set time with the possibility of re-viewing lectures at a later stage for revision purposes.

Besides Business and Management courses, KPMG Learning Academy also offers a number of Microsoft and ITIL Service Management courses. Similar to other courses in our training portfolio, these can be delivered either onsite or as publicly scheduled courses.



CSR 2018

 2,406 Hours volunteered

 €48.2K Total donations

€37.8K Sponsorships to non-profit organisations



President fun run for Malta Community Chestfund



Shoebbox Christmas gift initiative for children in local institutions



Pink October



Gaming initiative for ALS Malta



Pink October for the Breast Cancer Foundation



Tree planting



Marsa clean-up



Talent show for Istrina



Prinjolata fund raising sale

Our commitment to our people, the environment and to society

A number of our employees at both KPMG in Malta as well as KPMG Crimsonwing here in Malta, donate a small sum of their salaries each month to a fund called the People Who Care Fund administered by their respective social committees. Dress down Fridays and other staff fund raising activities are also organised to raise funds. The proceeds of this Fund are donated to a number of charities, voluntary organisations and people in need.

Donations in 2018 were made to a number of causes including the ALS Malta Foundation, MSPCA Re-Homing Centre, Action for Breast Cancer Foundation, SOAR and L-Istrina. We also supported a number of projects outside of our shores including a Water Purifying Project in Ethiopia, the School of St Jude in Tanzania, the Salesian community in India and the Lyreio Children's Foundation in Greece to help rebuild an orphanage that was completely destroyed in the forest fires that ravaged the country.

The committees are also responsible to identify a number of individuals in need of help. In 2018 donations were made to help finance the surgery undertaken in the US by a nephew of one of our colleagues. The operation was a success and it should allow this little boy to walk unaided. Another donation also bought a gait trainer (walker) for a Syrian refugee child in Malta. This device gives him some mobility.

In addition to the monetary donations, our various committees organised a number of initiatives for our people including hearing tests, otherwise known as audiograms; and a talk that was delivered to our colleagues by the Action for Breast Cancer Foundation together with a representative from the National Screening Centre, to shed light on how breast cancer develops, the risk factors and simple ways to reduce your risk and lead a healthier life.

Our green committee organised a number of initiatives including a clean-up day, planting of indigenous trees, battery collection and disposal as well as collection of PET plastic bottle caps to ensure that they end up in the correct recycling stream and not in the environment.



Social events



KPMG football tournament



KPMG walks



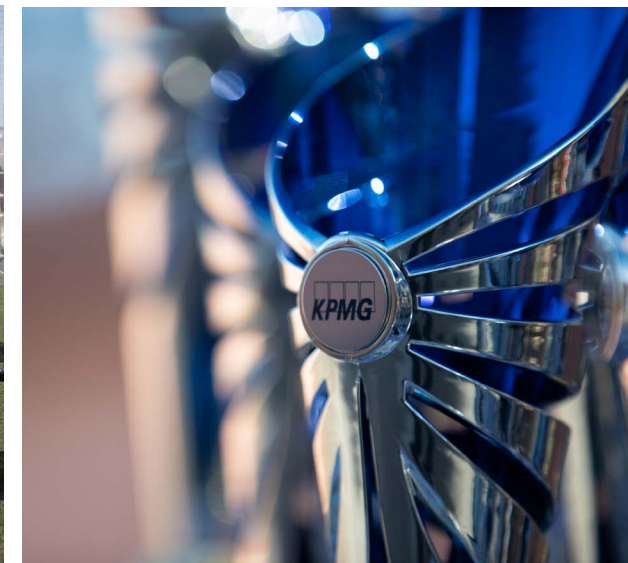
Chill-out event



Firmwide event to inaugurate the newly refurbished offices



KPMG sports day



Insights &
excerpts from
KPMG thought
leadership events



KPMG eSummit challenges iGaming leaders to face up to the future

One of the more thought-provoking events of Malta's Gaming Week, the KPMG Malta Gaming eSummit took place in front of a full capacity audience at the Hilton Hotel, Portomaso Yacht Marina, on Tuesday 27th November 2018.

Drawing delegates from all over Europe and as far away as the US, the eSummit featured 48 speakers in total, covering a wide range of topics from social responsibility and artificial intelligence, to market insights and employee engagement.

Attendees also heard about developments in Germany, Netherlands and Spain – key markets for Malta-based iGaming operators – and enjoyed a fascinating look into the future with advisor Reinhold Karner and his “seven game-changing disruptive forces” that are forecast to impact all businesses in the next decade. Jeremy Harding Roberts focused on how current sector approaches taken to tackle crime in gambling and problem gambling are somewhat flawed, together with a way the sector can properly address these issues. Richard Schuetz and Tom DiEnno provided insight on the U.S. markets, specifically surrounding the repeal of PASPA and online expansion where they discussed the vast opportunity and further globalization of the gaming markets, and provided insights on the various aspects on regulation and market entry points to consider.

Aside from the main conference agenda, there were also a number of breakout sessions focusing on key regulatory issues with the eSummit's five legal partners – Wiggin, Asseni, Hambach & Hambach, Tonucci and Klaff, Katz and Franssen.

The Hon. Silvio Schembri, Junior Minister of the Government of Malta, and Heathcliff Farrugia, CEO of the Malta Gaming Authority, both gave welcoming addresses.

Speaking after the event, KPMG Malta Associate Director, Russell Mifsud said it had been an excellent day, full of challenges and shared experiences that would help business operators plan for success.

“The gaming sphere is becoming increasingly more complex and the need to anticipate the emerging trends and obligations of the industry have grown tremendously over recent years. Events such as the eSummit keep us all on our toes as one's brand and reputation is often what separates the winners from the losers,” he said. This year the eSummit, the third to be held in Malta and the 20th to be held in the KPMG series across Malta, Gibraltar and the Isle of Man, was held as a standalone event, ahead of SIGMA.

“With such a fantastic line-up of keynote speakers and such in-depth knowledge to hand, the eSummit demanded its own day and we were delighted to make it a highlight of Malta Gaming Week, helping to reinforce that Malta is indeed the iGaming capital of the world,” said Mr Mifsud.

“I would like to thank all our speakers and eSummit partners for their involvement and also our four main sponsors – Continent 8 Technologies, Microgaming, GiG and Gaming Malta– for their support at the eSummit. Finally a big thank you goes out to Microgaming, GiG, L&L Europe & SIGMA for assisting us to raise €9000 for ALS Malta, a charity improving the lives of those with motor neurone disease and other neurological conditions.”

The next KPMG eSummit takes place in Gibraltar on 9th May 2019.



KPMG's
point of view



A point of view on Our corporate finance outlook for Maltese businesses for 2019

David Pace, Partner, Head of Advisory, KPMG in Malta

The pace of Malta's economic growth over the recent past has fuelled an expansive mind-set settling in many companies. Additionally local businesses, as well as banks and the retail capital market, have witnessed accumulating liquid reserves.

Within this setting we expect a continued trend of businesses turning to the capital market to fund expansion projects as well as corporate deal making, as businesses seek to sustain growth and performance via acquisitions. Some argue that the counterbalance to this is the existence of pockets where business sentiment is questioning the sustainability of this economic pace. Interestingly this very same outlook is known to be a catalyst for deal making and capital markets activity via divestment opportunities and refinancing strategies as such proponents seek to shore up their position.

Looking at Malta through the cross border lens provides a glimpse as to how these Islands have managed to engineer the ability to maintain strategic relevance as the setting around them evolved. Indeed Maltese operations forming part of large international groups have continued to fight hard against a trend which focuses on scalability thus prioritising investments in larger markets. The result, at the extremes, is either operations that graduate to a benchmark level for other parts of the organisation, resulting in new found growth opportunities. Alternatively, on the opposite side of the scale, this produces about-to-be-orphaned good businesses. Finally local businesses strengthened by the recent good run and conscious of the size of the local market are likely to be more amenable to consider international growth opportunities.

We also feel that disruptive technological developments, resource shortages (which by all means is not just a local phenomenon yet means that costs keep on increasing), and increasing regulatory demands have dialled up the focus on efficiencies and value add. These are likely to be key drivers for additional M&A activity in say the gaming and financial services sectors.

Conscious of the above, we strongly encourage local businesses to lift their focus above the day-to-day operational matters. The latter appear to have claimed too much senior management time of late, possibly as many businesses were not ready for such growth. The increased pace of activity and the many moving parts (which are now spinning at a greater speed) means that today, more than ever before, one should dedicate focus on the more strategic levers to ensure the business' readiness to cope with either continued growth or the ability to weather rougher seas.... however you believe one should look at it.



A point of view on Accounting for intangibles

Jonathan Dingli, Partner, Accounting Advisory Services, KPMG in Malta

Tangible assets such as immovable property, plant and machinery were the most significant assets on an entity's balance sheet at the beginning of the last century, at a time when Henry Ford installed the first moving assembly line for the mass production of his Model T. Tangible assets' relative significance decreased by the end of the century as other types of assets competed for the first place on the balance sheet: intangible assets.

In the midst of what is being referred to as the 4th industrial revolution, the digital revolution, the importance of intangible assets is set to increase significantly both as a business' revenue driver, as well as a contributor to an entity's valuation. One can find ample stories of technology-based companies being sold or priced for an IPO at a value which is a noticeable multiple of their net asset value. One of the reasons for this discrepancy is due to either the non-recognition of the entity's intangible assets, or the measurement of those assets below their fair value. Albeit this is in line with the accounting standard that applies to intangible assets that is IAS 38 Intangible Assets.

The IASB's main efforts over the last 10 years were directed towards improving the accounting for, and publishing new standards that deal with the following amongst others:

- (a) Consolidations with IFRS 10, establishing a new definition of control aimed at curtailing off-balance sheet activity;
- (b) Financial instruments with IFRS 9, establishing a new asset classification and measurement framework and a new provisioning model in response to the 'too little too late' criticism commonly uttered during and post the financial crisis; and
- (c) Leases with IFRS 16 bringing all leases on a lessee's balance sheet.

The far reaching implications of 'holes' in the previous standards, and therefore the priority given to the issuance of the above new standards, is today acknowledged by all.

We suggest that attention must now turn to addressing the 'holes' that are present in accounting for intangible assets. The extent, nature and weight of such assets in today's businesses have evolved considerably since IAS 38 was issued in 1998. Yet today we still follow those 20 year old requirements which limit both the recognition of certain internally generated intangible assets, as well as the measurement of most intangible assets to their cost. Revaluation of intangible assets is only allowed for assets which have an active market. Since by their nature intangible assets are very often heterogeneous, very few intangibles make it through the active market hurdle.

One of the methods allowed under IFRS 13 Fair Value Measurement is the income approach, a method of measuring an asset's fair value on the basis of its expected future cash flows. Indeed, future cash flows receive substantial attention even in the IASB's Conceptual Framework for Financial Reporting which ingrains future cash flows at the heart of the objective of financial reporting. The rationale for prohibiting a future cash flows approach to valuing intangibles by limiting fair value only to a market approach is therefore murky.

These circumstances present a compelling case for intangible assets to find their place on the IASB work plan at the earliest. The digital revolution will change the landscape for most businesses. They will need timely and relevant accounting requirements for their most valued assets, their intangible assets.

A point of view on Data & Analytics and IT 2.0 - Information = Meaningful Data

Adrian Mizzi, Director, IT Advisory Services, KPMG in Malta

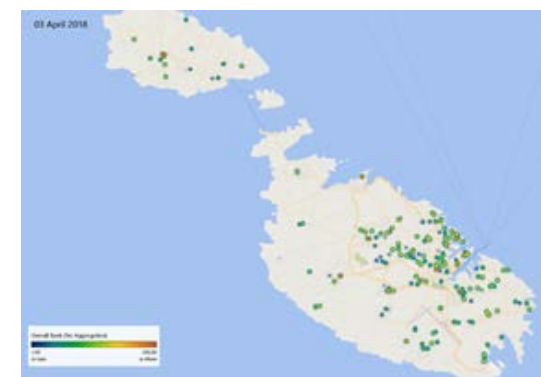
When I studied Information Technology (IT) decades ago I was taught that information means "meaningful data". A data point (strictly speaking datum; pl. data) is merely an information store. In the most simple form, a bit – a one or a zero. 8 bits form 1 byte, a term which we are all familiar with. It may be surprising to some that in its raw form, data is meaningless; at least to humans. When it is meaningful we call data, "information".

It came as a surprise to me when a few years back the phrase "Data & Analytics" became mainstream. To me this was a step back, at least, semantically. Why are we speaking about data today when we had been speaking of information - in popular phrases such as IT, and sometimes Information Communications & Technology (ICT) – for at least the last 30 years? IT was supposed to serve at least two major purposes: (1) driving organisational efficiencies and fulfilling operational needs (2) giving meaning to data. Giving-meaning-to-data ended up on the back burners of most IT organisations. Organisations struggled to give meaning to data, and in some cases forgot all about it. From an information viewpoint, this was the failure of IT. Perhaps the focus and success of IT was elsewhere and we are seeing major movements of this also in Malta.

CIOs are busy working on or are about to embark on transformational IT projects. Largely Enterprise Resource Planning (ERP)/Customer Relationship Management (CRM) implementations often using cloud computing, thus relieving organisations from expensive hardware that needs to be maintained. Perhaps this will free IT personnel that can be deployed on the original mission: GIVE MEANING TO DATA.

This year KPMG in Malta helped a large organisation that operates a nationwide scheme across more than 200 outlets, sift through 5 years of data that had never been analysed. Thankfully the data was in good condition and using advanced analytical tools, KPMG produced a video portraying what happened over the years on a day-by-day basis. The CEO and the executive team responsible for the system could not

believe that all this information was available but hidden from them. Using this video and further analytics they could determine the best outlets, identify patterns of what was going wrong and also identify areas of improvement of this scheme.



Organisations need to quickly embark on IT 2.0. We need to remember that IT is not there only to reduce costs and increase revenue. But IT should be used to give meaning to data. Investment in modern, cloud based systems is often being packaged with advanced algorithms with embedded artificial intelligence. However, in the short term, we are seeing more organisations investing in projects to do what they should have done years ago: give meaning to data. It is never too late to start.



A point of view on Digital currencies – the future of money?

Mark Curmi, Director, Risk Consulting Advisory Services, KPMG in Malta

Digital [Crypto] currencies – or as they have come to be referred to locally - Virtual Financial Assets, and pro-crypto communities have garnered significant attention globally from media, financial analysts, governments, regulatory institutions and investors over the last eighteen months. Malta has been no exception.

From a fully-fledged regulatory regime, to the massive PR and promo which shook the foundations of crypto enthusiasts and sceptics, to the recent announcement of the Mediterranean 7, Malta seems to be gaining traction, and a reputation as one of the heavyweights in the digital assets game.

This article is not about what the regime dictates, or who forms M7 (dubbed the superhero league of the southern Mediterranean for cryptos). There is a barrage of articles and imitative pieces, easily accessible with a simple “crypto” search in one’s web browser.

This article is an opinion piece, on whether digital currencies are really the future of traditional money as we know it today. The basis of money – as we know it today – was initially barter, followed by bronze, silver and gold as a measure of value. Today our cash is built on trust in an ecosystem underpinned by central decision maker/s. Today I trust that if I effect a FIAT payment – digitally through my smartphone or through an app on my smartwatch - a seamless process happens in the background, and through a series of smart confirmations between trusted central parties, the object I ordered is delivered safely to my doorstep. Now, imagine a community that replaces the trusted

central parties with a decentralised structure, and instead provides inherent trust that the exchange of a non-FIAT currency – may equate to a value in the form of a product. Now let’s imagine that community also validates the provision of services. The community is essentially the trusted party, with trust built on a consensus mechanism driven by a large number of interested community participants. The end result is a self-sustaining trade agreement – of goods and services.

Our life today is quasi-digitised. We store data on the cloud, our shopping travels the web and magically appears on our doorstep, dues are paid through a little black box with 10 digits providing for digital authentication and protection, and yes, there now is a little innovation called artificial intelligence which [positively] threatens how we will integrate machines into making our lives easier through digital interaction. Digital currencies are an added cog in the wheel of the future. Why then is it so hard to imagine a future, not so far away, where the digital currency becomes the money of the future? Designer brands are already discarding [eco] leather wallet designs to make way for the new digital cold storage designer wallets of 2019!

A point of view on Brake or break? Can Malta sustain its growth rate?

Steve Stivala, Senior Manager, Economics Advisory Services, KPMG in Malta

Managing a nation-wide economy is pretty much the same as driving a car – apply gas to move forward, press the brake pedal when going too fast, and generally try to avoid hitting a brick wall, especially when moving ahead at break-neck speeds.

This analogy, a staple in any economics textbook, can be extended further. Driving has nowadays become something which can be relegated to the recesses of our sub-conscious – auto emergency braking, automatic gear shifting, and soon, autonomous driving, means that we can sit back and indulge in an unperturbed listen to Ed Sheeran's latest hit single on a loop.

'Driving' the economy, on the other hand, does not afford us such luxury. Imagine driving a second-hand lemon in torrential rain. But much worse. The windshield is totally blacked out with mud, so you cannot really see what is coming; reverse does not work, you can only move forward; and both the brakes and the gas operate with a random and unspecified amount of lag.

It is therefore apparent from this analogy that knowing when to brake and when to apply gas (not to mention the extent of pressure being applied) is a delicate, balancing act requiring foresight, strategic thinking, and deliberate conviction. Apply the brakes too late in a boom, and you risk overheating (read 'inflation'). Apply too soon, and you stifle growth.

It does not take an economist to realise that Malta is living a boom – a real growth rate of almost 6% in the second quarter of 2018 makes us the fastest growing economy in the EU with a rate which approximates three times the EU average. This relentless growth will slow down eventually. In fact, it has already cooled off somewhat from a blistering, almost double digit real growth rate of 9.5% in 2015. This is only natural – economies go through what is known as a self-explanatory 'economic cycle' of booms and troughs lasting roughly six years. What Government and Central Banks can do, as the metaphorical drivers, is to try and strategically steer with fiscal and monetary policy when the ride gets a little bit rough.

So what should Governments do? We are not of the opinion that Malta should start applying the brakes any time soon in the form of contractionary fiscal policy. This could dampen our solid momentum and risk an engine stall. However, laying off the gas pedal could be beneficial from a long-term and sustainable point of view. In pragmatic terms, this could mean, for instance, reigning in government expenditure, continue on the path of fiscal consolidation to achieve higher levels of surplus, focus handouts on those who are really in need rather than on the general public, and make plans around key government assets to be ready for a rainy day when a fiscal injection would be much needed.



A point of view on Emerging technologies

Marco Vassallo, Partner, Emerging Technologies, KPMG in Malta

Technology is becoming more and more prevalent across industries. “Disruptive Tech” has become a buzzword that many are becoming familiar with as they go about trying to understand what a specific technology is, how it may impact their business, and see how it can be exploited for growth or at the very least, help them remain relevant.

Disruptive technologies often elicit polarizing opinions when they start making headway towards mainstream adoption, with current trending examples including Artificial Intelligence (AI) and Distributed Ledger Technologies (DLT). Even though they have not been around for the same amount of time, 2018 put the spotlight firmly on them thanks to the way governments, organisations and even people started to discuss them. Some opinions are positive to the extent that they are quasi-utopian, while others are negative and often rooted in misconceptions about the technology. Ultimately however, this is all a natural part of technologies that have such a disruptive potential and it is up to those who understand them to educate others and help separate the myth from fact.

After all, the internet was itself engrossed in similar debates in the early 90s, but over the past 25 years we started relying on it because of the numerous benefits that increasingly came about.

Not all technologies are equally disruptive in the same wide scale as AI and DLTs. This can make adoption somewhat easier as there are far lower risks with the potential of high reward nevertheless. The Internet-of-Things is one such case, boosted by the fact that associated advantages are easier to comprehend thanks to the prevalence of the internet and digital devices, with cost and investment commitment required often being cited as the key inhibiting factor. Robotic Process Automation (RPA) is another emerging technology that is rather simple in concept, as it is intended to fully automate repetitive and well documented tasks which every organisation invariably has. What truly sets RPAs apart in making it ideal for adoption however, is that the return on investment can be seen in a short space of time, and with the shortage in workforce being something a lot of businesses are facing locally, exploiting this technology becomes a no-brainer!

While everything points towards DLTs and AI still being the main talking points throughout 2019, it is important to look at technologies as nothing more than tools to provide efficient solutions to very existing and real problems.

A point of view on Insurance accountants: do you speak 'actuarial'?

Giselle Borg, Director, Risk Consulting Advisory Services, KPMG in Malta

Whilst up to a few years ago, the accountancy profession was the one mainly associated with finances and numbers, the actuarial profession is proving to be an attractive route to many young ones looking to pursue a career in such an environment.

In the wake of the publication of International Financial Reporting Standards (IFRS) 17 'Insurance Contracts', the alliance between actuarial and finance is at an entirely different level. One could safely say that you need an accountant and an actuary in the same room to understand IFRS 17! Whilst Solvency II already introduced such a dynamic, the insurance accounting standard leaves little room for divorcing the understanding and implementation of the relevant changes within an insurance organisation. This undoubtedly entails an even closer collaboration between the two professionals, both in terms of intellectual harmony as well as personalities. It is already becoming more evident within insurance organisations that finance and actuarial are very closely interconnected, not just at a high level or at the end of month for reporting purposes, but fundamental to the effective management of the insurance entity as a whole.

In today's complex and dynamic insurance world, accountants are proving to be more effective, all rounded and versatile when they really understand the underlying actuarial concepts and methodologies within their organisation and how these impact the state of play of financial reporting. In turn, actuaries

too benefit from understanding the wider accountant's perspective and how this could possibly impact their analysis and results taken as a whole. Leveraging on the insight and understanding of the two professional teams joined-up and of one mind, is a simple and yet powerful tool to insurance organisations. Certainly, this also holds true for audit and other professional firms servicing insurance organisations, whereby accountants and auditors are closely interacting with actuaries in providing holistic and value-adding insights to their insurance clients.

Interestingly, many experienced accountants working in the insurance sphere and eager to enhance their actuarial knowledge seem to be showing interest in the actuarial qualification; surely an exciting professional blend for those insurance accountants seeking to enrich their educational profiles. There are in fact various levels of qualification that accountants working in insurance can explore in this respect, which would excellently equip them for effective financial reporting reviews as well as to support Board, Audit and other committee members in providing the required insights and meaningful answers to the relevant members, influencers and decision-makers.



A point of view on Risk priority areas for 2019: will you be giving culture its due importance?

Alex Azzopardi, Director, Risk Consulting Advisory Services, KPMG in Malta

KPMG provides an annual publication setting out the risk priorities for organisations for the upcoming year. Through this look ahead we aim to anticipate areas of growing concern, providing the right support to Boards and Senior Management across the globe and across various industries.

The list of 2019 priority areas includes a number of information technology-related areas: intelligent automation, data, and cybersecurity. Technology has been a key differentiator for those societies and organisations that managed to harness it more effectively than others.

Beyond the technological angle, which has seen a recent thrust to its importance (and for good reason) on the C-agenda, is another key risk theme - that of 'culture'. Culture is perhaps best defined as the 'way things are done' in an organisation. It is the realm of the intangible – the 'soft' controls as opposed to the 'hard' controls we are more accustomed to put in place, monitor and audit. However, a critical lesson in risk management is that controls are deeply impacted by the people who run them. It is not so surprising then, that despite significant spending on compliance and other 'hard' controls, organisations still have compliance failures. More often than not, the fault lies in not promoting the right culture.

Culture and culture risk has thus been quickly thrust to the fore. In a 2017 survey of US CEO's, KPMG found that 81% believe that more importance is being placed on trust, values and culture to sustain long term growth. Similarly 69% believe that a culture of short-termism has had a negative impact on business growth prospects.

How do we ensure that the organisation has the right culture? There are a number of steps that need to be made in achieving this. The organisation needs to go through a journey, starting with identifying the culture which supports its strategy and communicating these messages to the rest of the organisation.

Management, at various levels, will be key to ensure consistent communication of the desired behaviours. The organisation must also address the gaps between the current and the desired culture and ensure that measurable progress is being made in achieving the latter. We must also keep in mind that culture evolves over time due to a number of factors (both internal and external) and as such, the desired behaviours need to be re-assessed on a regular basis.

Management is key in achieving the 'desired state'. But so is the Internal Auditor. In driving a function designed to provide value, internal auditors would be clearly failing if they ignore culture. However, internal auditors have an even wider role than considering soft controls in their internal audits. They should be the ones to sensitise management to the real risk of ignoring culture. This includes assisting Boards to understand their role as directors in shaping the right culture for the organisation.

Ignoring culture is a risk we should certainly not be taking.

A point of view on Is it a boom or a bubble?

Steve Stivala, Senior Manager, Economics Advisory Services, KPMG in Malta

Let's put the property market bubble assertions to rest once and for all. The long and short of it is this: we can never say with 100% certainty that a property market bubble is either existing among us or "in the making". And although market and economic indicators are displaying some of the symptoms and risk factors typically associated with the creation of bubbles, that does not mean we are necessarily living in one. Now that we've got that out of the way, let me explain.

Unlike natural scientists, who can generally test their hypotheses in a controlled laboratory environment, social scientists (or, more narrowly in this case, economists) rarely have that luxury, and need to contend with inference, thus forming judgements on the basis of observable economic and social historic trends. That means that economists are akin to medical General Practitioners, rather than medical specialists – they often need to diagnose a problem through the use of observable symptoms without using any specialised equipment to determine whether a problem exists with any degree of reasonable certainty.

A change in body temperature, just like changes in property prices, is not an illness in itself, but a symptom of some underlying cause. The cause can be genuine and non-life-threatening (a bodily reaction to exercise or to an innocuous infection for instance), or a manifestation of something more upsetting (blood clots, autoimmune diseases or cancer, apparently, according to webmd.com). Shifting the analogy to the property market, rising prices in themselves are not alarming, insofar as such dynamics are reflective of the real economic fundamentals. But when prices are being inflated artificially through the cancer of greed and impatience (speculative demand), then things can get ugly. And when they do get ugly, it is a spiral to the bottom which hurts everyone in its wake due to economic interlinkages.

The present situation in Malta is characterised by an ambivalence of sorts. There seems to be a dichotomy between what economists, as general practitioners, are telling us about property bubbles, and the general feeling on the ground (or the comments section on

any typical Maltese news portal). The latter seems to collectively think that we are indeed living in a bubble (which could be both a dangerous and irresponsible claim to fuel around due to self-fulfilling prophecies), whilst the experts are telling us that, most probably, the situation is fine but one should continue to monitor the situation and exercise prudence rather than exuberance. KPMG recently carried out some tests on the bubble situation in Malta. Here's what we know so far:

- Property prices have continued to increase, registering growth in the region of 20-25% between 2016 and 2017. Clearly, this cannot continue at this pace. Sentiment on the ground for 2018 indicates that such growth has continued, but at a slower pace, which is positive news.
- Statistical tests (which can act as bubble symptom indicators) such as the real house price gap, property price to income gap, housing affordability index, dwelling investment to GDP gap, and loan to income ratio, all seem to indicate a relative deterioration in 2017 when compared to 2016.
- Risk factors (which fuel property bubbles and accentuate crashes) such as speculative demand, and operator blind spots (developers acting irresponsibly without financial headroom) have also registered an uptick, although sentiment on the ground seems to indicate that, despite the increase, this is still not at alarming levels.

- In terms of general economic performance, Malta is enjoying considerable economic growth with low levels of inflation, low unemployment rates, increasing population, and declining national debt. This reinforces the hypothesis that property price rises are being driven, in part, by increased and sustainable economic activity.
- Lastly, and most importantly, banks are still considered to be cautious and prudent when extending credit on either end (whether to developers or to end consumers), which bodes well for an economy undergoing rapid economic growth under the influence of a 'feel good' factor.

In the end, there are only two scenarios which can be an economic reality – either we are really in a property bubble, or we are not - there is no 'in-between'. Based on the evidence presented above, one can make up his or her own mind about where the market lies across the spectrum of probabilities. However, if there is one sure-fire 'take-away' which should not be left to probability, it is this: given the factors captured above, as well as the level of interdependence and size of this sector, it is always wise for all stakeholders involved (Government, banks, developers, contractors, buyers) to favour prudence over exuberance for the sake of the common good.



A point of view on Safeguarding the future value of your business

Malcolm Pace Debono, Director, People & Change Advisory Services, KPMG in Malta

The Maltese economy continues its evolution into an information and service nexus where creating value is based on people, their intellect and knowledge, and their willingness to invest this within their organisation. In this environment, people, leverage their capability augmented by physical assets or technology, to create true value within an organisation. As a result, a large chunk of an organisation's assets are related to intangible capital tied up in knowledge and human talent. What would happen to a business if all its people left tomorrow?

Organisations must stop considering their employees as a “cost” and instead view them as an “asset”. This implies making a paradigm shift from a more traditional and administrative human resource function towards strategic talent management that ensures the management of people (talent) specifically suited to today's dynamic competitive environment.

Given the impact of people on an organisation's overall business performance, it is also critical for organisations to understand the value of people over extended periods of time in order to make intelligent decisions about how to invest in their employees in order to increase this value and extend an employee's life-time within an organisation. This is known as employee life-time value (ELTV), and can be enhanced through strategic talent management.

This concept also provides the perfect opportunity for HR professionals to have a stronger role in their organisation's success. HR professionals should work more closely with finance managers to measure employee value. They should become more data driven and proactive, and capable of having a say in the strategy development of the organisation.

Clearly, organisations need to mainstream talent as a strategic priority. Today, an organisation cannot expect to survive and thrive unless it creates and sustains an environment where it has a strong talent pool that it is willing to invest in, create value for, and commit to the organisation. To do this, the organisation must also create value for the employee. Hence the focus on strategic talent management in order to ensure that the organisation is capable of building a sustainable future through, but also for, its people. Safeguarding the future value of one's business is all about safeguarding the future of one's workforce, whilst leveraging and developing the capability of said workforce.

A point of view on Tax: never a dull moment

John Ellul Sullivan, Partner, Tax Services, KPMG in Malta

The years ahead are exciting for international tax practitioners around the globe, even if quite daunting and burdensome for tax officials. The start of the new year brought about the domestic implementation of the Anti-Tax Avoidance Directive (“ATAD”) with the entry into effect of the new interest limitation rule, controlled foreign company rules, and a new general anti-abuse rule within our Income Tax Acts.

These three rules, accompanied with rules addressing hybrid mismatches and exit taxation, together represent the EU agenda on taxation, and will bring about an overhaul in the tax systems of most member states.

Indeed, the implementation of ATAD I and ATAD II are solely part of the first leg of the EU's three legged initiative following the BEPS project. The initiative in fact includes proposals with respect to the Common Corporate Tax Base (“CCTB”) and the Common Consolidated Corporate Tax Base (“CCCTB”), which although split into two steps with the aim of sugar-coating formulary apportionment, do not seem to be high on the agenda of most member states. The Commission however, is aware of this reluctance which has been dragging on since 2011 and has recently set itself an even grander task that could change EU direct tax as we've always known it, through its proposal for a transition from the unanimous consent currently required in direct tax matters. While the success of

the proposal is debatable, as such a change to the Treaty on the Functioning of the European Union will itself require unanimity, it elucidates the Commission's priorities (particularly the CCCTB and a new permanent system for the taxation of the digital economy). In the international arena in fact, many states (both within the EU and third countries) are adopting their unilateral solutions to the obstacles and unique complications presented by the digital economy and the OECD is expected to provide an update to its Interim Report in the course of this year, with the intention to publish a Final Report in 2020.

Finally, a further important development for tax advisors is the Directive on mandatory disclosure of information that burdens tax advisors with new obligations on each cross border transaction they are involved in, in order to analyse whether any of the hallmarks within the Directive are triggered.



A point of view on Achieving unparalleled growth

Vanessa Borg, Director, Strategy Advisory Services, KPMG in Malta

In today's environment, organisations must rethink and reshape their strategic ambitions by deploying strategy certified components which act as the underlying market differentiators and underscore true sustainable impact for the business.

Top strategy differentiators, include:

1 Being critical. Charting the course of achieving the organisation's strategic plan and crafting truly innovative swift responses to disruption, allows organisations to crack the code of change incubation. Notably, 29% of organisations react so slowly that they can't seize fleeting opportunities or mitigate emerging threats.

2 Being knowledgeable. Extrapolating the right information from sound data and analytics platforms, is crucial. The 'need for speed' can short-change the depth of analytical rigor that typically precedes major strategic decisions. 85% of CEOs said the organisation's ability to gather and analyse data is the surest road to profitable growth.

3 Being ambitious and results oriented. Organisations cannot afford to make 'safe bets' as these will likely leave opportunities and value on the table. Close monitoring and calibration of targets helps improve execution effectiveness. Only 10% of organisations achieve at least two-thirds of their strategy objectives, with 36% achieving between 50%-67% and 54% achieving less than 50%.

4 Being emerging technology savvy. The increasing pace of technological change is often regarded as the most enabling yet most disruptive driver. Acting hastily to technological advances may be just as risky as doing nothing, but choosing smartly will significantly support

growth initiatives in motion. Research confirms the important role of technology in delivering a powerful impact, with some executives estimating a higher impact from improved technology than the impact of other levers, such as outsourcing, shared services, and business process reengineering.

5 Being talent proof. Companies cannot afford to play at the edge of change, but must fully equip themselves with the capabilities to execute current and future growth ambitions. A startling 71% said their leaders are not ready to lead their organisations into the future. Only 25% of organisations said they had a ready and willing successor identified for one out of ten critical leader positions.

6 Be communicative. Future value comes from owning the internal and external customer interface. Organisations should assess their roles in the value chain of the customers' and employees' lives and keep the communication flow active and relevant. 75% of successful companies have a formal and pre-established system to inform on and manage their strategy.

Companies measuring strategy metrics linked to these differentiators, respond in a measured manner to disruptors and swiftly realign with the trajectory requirements of new growth platforms.

A point of view on KPMG Crimsonwing is becoming fit for the future

Ben Heavey, Fit for the Future Programme Manager, KPMG Crimsonwing UK
Bianca Cimpanu, Graduate Trainee, KPMG Crimsonwing UK

At a time when the industry we operate in is seeing significant turbulence and intense competition, it is critical that we put change at the heart of our own business in order to ensure that not only our clients but also we, KPMG Crimsonwing, are fit for the future.

Like any organisation, there are many areas of our own business where we can improve, work smarter, deliver more efficiently. 2018 was a year of significant changes, introspection and self-assessment for us as a business. The arrival of our new Group CEO, Iain Fox, in June 2018 was one of the main drivers of change with the executive teams from all parts of the Group, developing a new growth-focused strategy, along with a clear and detailed execution plan. This new strategy will make us more focused on the Industries that we serve; help us build solutions that enable a quick resolution to key client challenges; allow us to start developing more thought leadership from a technology perspective; and last but not least, ensure that our people are focused, motivated, set up for success to deliver their maximum value to our clients.

So what did we do in the summer of 2018? We looked at our business, at the way we operate, the way we go to market, the way we engage with our key partner, Microsoft, as well as the way we measure our financial performance. We also looked at the way we recruit, on-board, assess and train people; the way we run projects and work across our different geographies; and critically at how we engage with the KPMG firms in the countries we operate and across Europe. This was developed into a three-year strategy that sets out to make our business stronger and more robust, align us better with the KPMG, and fundamentally better position us to solve our clients' challenges. This strategy will be delivered through the Fit for the Future

transformation programme, which will allow us to get from where we are now to where we want to be – namely, the No1 Microsoft Implementation partner in the markets we choose to serve.

It is therefore a challenging time for our organisation, as Fit for the Future has far reaching implications for our own business as well as our partners and our customers. It will challenge all aspects of what we do and the way we do things, but it will help us become better every day. This programme is also making us work closer together, both within our own local business in Malta and with our other business units in the Netherlands and the UK, as well as with the KPMG firms we work with.

In Malta, one of the main focuses for KPMG Crimsonwing has been to split our Consulting Services and Managed Services capabilities. Consulting Services will focus on client project delivery, as well as on providing project and product delivery services to other KPMG business, and this split will allow that part of the business to continue to improve through adopting of the latest DevOps approaches, and utilising the latest methods and tooling. Managed Services will focus on supporting clients' live applications and it will allow us to focus fully on those service levels. It will also help us develop the next generation managed services in line with Microsoft's new "One Version" evergreen update approach to its core business applications.

With this said, we recognise that change doesn't happen in isolation, therefore we are challenging each other to share more, work more collaboratively and also get smarter at playing to our individual strengths. Change is always a challenging journey, especially when done on such a scale, and it certainly puts a lot of pressure on everyone, with a business to run and a commitment to deliver exceptional client work. The good news is that our business has risen to the challenge and we are already seeing significant benefits

from the change; from more focused client deliveries, a focus on our market propositions with traction in the market, especially with the support of the Powered Enterprise offerings; and significant operational improvements that are freeing up brain power to focus on client delivery and continue improving our business.

The future is exciting and very promising, and this journey, which has already made us better and stronger, will continue to ensure that we are fit for the future.



A point of view on One Version, 'Every customer on the latest version, always'

Malcolm Piccione, Project Manager, KPMG Crimsonwing Malta
Jan Ben Mijs, Director, KPMG Crimsonwing in the Netherlands

Amidst constantly evolving business requirements, IT is tasked with reducing cost and the time required to deliver change to the end-users, and as IT landscapes become increasingly complex and harder to manage, big bang migrations and ad-hoc hardware refreshes are no longer a feasible option. Evergreen IT strategies and implementation is the solution to this problem and will become the norm.

Microsoft defines Evergreen IT as "... running services comprised of components that are always up to date. Evergreen IT encompasses not only the services at the user level but all of the underlying infrastructures, whether on-site or outsourced. Many organizations believe that Evergreen IT holds promise for reducing the resources and energy they need to expend on providing the up-to-date and flexible services that their users are demanding."

So what does this mean for our clients?

IT departments must undoubtedly begin paving the way to achieve Evergreen IT in order to stay competitive, prevent data breaches and remain flexible to react to changes in their business requirements. They will need to adjust their IT strategies and infrastructure to achieve the transformation.

In July 2018 Microsoft announced important changes to its Dynamics 365 update policies and the way Microsoft delivers updates for Microsoft Dynamics 365 for Finance and Operations. This change will help clients stay current in a consistent, predictable, and seamless manner and is referred to as 'One Version'.

What is One Version all about?

One Version is Microsoft's way of ensuring all customers are on the latest versions of their cloud based Dynamics 365 solutions and so able to take advantage of continuous improvements from this "evergreen" approach. Microsoft has committed itself to getting the full Dynamics 365 product range,

including Dynamics 365 Customer Engagement and Dynamics 365 Finance and Operations, on the same update cadence and to get all customers using the same version of the platform. Whereas in the past customers have been able to remain up to one version behind the latest cloud edition, customers will now be required to be on the latest available version, always. As a result of their evergreen strategy, Microsoft has changed the way customisations to the base product can be implemented. Dynamics 365 customisations now require the use of predefined 'extension points', as opposed to previous 'over-layering' of code. This provides a more robust and sustainable model for custom developments to support evergreening. Microsoft are also offering some low/no code approaches for extending the capability of its Dynamics 365 solutions.

Impacts and Benefits

One of the main benefits is that by being on an evergreen solution our clients will no longer have to plan for such expensive and impactful upgrades. This also means clients will be always on the latest version and thus always current. This will improve the supportability and serviceability of the solution. Another key benefit is that clients will be able to start using newly released features instantly; instead of starting to use these once an upgrade to a newer version of the platform is done, after the expensive upgrade. The time-to-market is dramatically decreased with an evergreen solution.

Dynamics 365 customers will however need to prepare themselves for this new paradigm, which, for many, is a significant change from their current 'business-as-usual' support models for their business critical core systems, especially given the complex IT landscapes that exist in most businesses now.

The evergreen model requires an ability to automate testing in order to minimize the impact and optimize the continuous release process; this also requires a new business rhythm to review the new features and functionality being offered, as this allows them to continually improve business capabilities, improve processes and efficiencies and keep up and ahead of the competition.

Update Cadence

Microsoft's commitment to twice annual Dynamics 365 updates reflects its recent practice of spring and autumn releases. What has changed with the updated policy is the ability for clients to skip a cloud release. Two major releases will be delivered per year – April and October – offering new capabilities and functionality. New features with major, disruptive changes to the user experience are 'off' by default, meaning that such changes will not impact the operation immediately. Administrators will be able to first test such features before enabling these for their organisation.

In addition to the two major updates, Microsoft will continue to deploy monthly ('continuous') updates throughout the year. These updates contain performance and reliability improvements. Safe deployment practices and closely monitoring updates for any issues is part of Microsoft's way of safeguarding smooth operation.

The new update cadence is expected to lower upgrade costs, provide all users access to the latest capabilities, performance improvements and offer a better support experience.

'Is this safe? Is this Secure?'

Before a release, Microsoft performs vigorous testing. A new release is first tested and validated by the feature team, then by the entire Product teams. During this time, extensive testing is done on various test topologies. A compatibility checker also runs tests to ensure backward compatibility. In addition, several customer databases and code are benchmark-tested with automation to ensure that there are no breaks. Additionally Microsoft released a tool called Regression Suite Automation Tool (RSAT) to allow partners and customers to prepare their own automation test scripts to allow an efficient testing approach, key to handling monthly updates.

What does it mean for Dynamics 365 Customers and our Clients?

According to Microsoft, by December 2018, **over 94 percent** of Dynamics 365 Customer Engagement instances and **over 85 percent** of Finance and Operations instances are running on the latest version. KPMG Crimsonwing is working closely with both existing and new clients advising and preparing them for this new Dynamics 365 One Version, offering services to review and plan for supporting critical business systems under this new evergreen paradigm, including the setup of automated testing capabilities and revised enterprise release management approaches.

KPMG Crimsonwing is also providing fully managed evergreen services for Dynamics 365. This includes providing access to release advice and early access, to allow clients to select and plan for the new features, provide technical upgrade services and feature implementation, allowing clients to take advantage of the new evergreen model with minimal impact to their current IT operations.

We are also working with clients on the older versions of Dynamics 365 to enable them to upgrade to the latest cloud-based versions to allow them to take advantage of this fundamental shift in enterprise system delivery.



People & Talent

Building a world class people experience:

Adrienne McCarthy, Director, People, Performance & Culture, KPMG in Malta

Our Purpose and our Vision:

At the heart of our KPMG Story is Our Purpose to 'Inspire Confidence and Empower Change' and through this is a vision to become the Clear Choice on the market. We aim to achieve this every day - in our Workplace; with our Clients; and in our Communities.

One of the pivotal ingredients in achieving this, has been our commitment to provide a world-class People Experience. Despite the big challenge we face with local labour shortages, our investment in our people is indeed enabling us to attract, engage and retain talented extraordinary people. In turn, having People who are truly engaged in the work that we do transfers directly to the Client Experience. Our people are innovative, highly engaged and enriched with the genuine desire to build lifelong relationships with our Clients.

Delivering a world-class People Experience here at KPMG is no longer solely the remit of HR, but has become a leadership imperative for our firm.

The case for change

Competition in the market for the best people is higher than ever. Labour shortages are particularly acute in the financial services sector in Malta. This is placing upward pressure on wages and increasing operational costs. Other general economic considerations such as the increasing rental and property prices are making it increasingly difficult to attract and retain people.

Our ability to continue finding and retaining skilled people is a key determinant in us achieving our future growth agenda.

Given these challenges, our top business priority in growing our firm has been to make a real and sustainable difference in our marketplace through our People and their 'experience' at work with us.

It has always been a struggle to prove the real business impact of putting employees and their engagement at the centre of business decisions. Interestingly in March 2017, a Harvard Business Review article written by Jacob Morgan (a writer who focuses on the future of work) analysed 250 global and diverse organisations and found that those companies who are really focused on their People led not only to: happier employees but also large talent pipelines and greater profitability and

productivity. He found that when compared with other companies, the organisations that focused on their employee engagement had more than four times the average profit and more than twice the average revenue.

Delivering a World-Class People Experience

Over the past 2 years we have focussed our attention on trying to determine what it would take to make a sustained and real difference to our people. To deliver on a world-class People Experience agenda we first needed to understand:

- a. What our clients expected from KPMG;**
- b. What the people who could exceed that expectation expect from KPMG; and**
- c. What we as leaders needed to do to help support this world-class people experience.**

We set about mapping people's journey with the firm, right from submitting a job application with KPMG right through to growing, developing and succeeding with the firm.

We looked at our people journey with the firm completely through their eyes. Our goal was to map out that journey to understand where the key milestone experiences were and then focus on the parts of that journey where we fell short of our people's expectations. What we found was:

1. We discovered that there were a number of key 'Make or Break' moments along a person's journey with the firm. If we did not create the time and handle the 'Break' moments appropriately, we ran the risk of significantly demotivating people, which in certain cases led to our people breaking their positive connection with the firm and even resulted in us losing good people.
2. There were a number of key 'Make' moments where we invested time in listening, nurturing and building on these moments, which in turn marked major 'Make' milestones in people's careers.

Having gone through this exercise, we compared where we were against what our people believed and what research suggested a world-class People Experience should look like. Throughout the firm, at all levels, we have worked together to build an environment and an experience for our people that has enabled us to be the best possible version of ourselves.

Some of the key changes we have made included:

Investment in our people: We have made a significant investment in developing and growing our people to their full potential. While technical training always remains paramount to the quality of service we deliver, we have also placed significant importance on developing softer skills; such as people management & leadership development.

Our physical environment: we have made a significant investment in our office building. We now have a more collaborative, innovative working space for our people. The new design has a strong emphasis on our people's well-being with increased natural light; more physical space; more greenery; a new canteen that serves both hot and healthy food options; and a collaboration lounge where people can grab a coffee and meet and work in a more informal setting with beautiful views of the marina, Manoel Island and our capital city Valletta.

This has resulted in an increase in our employee engagement index of 30% since 2016 with 85% of our people now reporting that they are highly satisfied "with the overall physical environment in which they work" (Global People Survey, Oct 2018).

Extension of training beyond professional skills: Our focus around employee development has extended far beyond technical and professional skills and also encompasses personal growth. One of the key initiatives we have undertaken in this regard has been to invest in hiring a fulltime executive coach and qualified psychologist, who has been working closely with our leadership team, management and our people to support them in their professional and personal development.

Work life balance: Improving the work life balance of our people has required a significant increase in our overall headcount and a paramount shift in our culture and the way we work. Reflecting on the investment we have made in this area over the last 2 years, I am pleased to report that our employee engagement score regarding work life balance has increased significantly, by 23% since 2016.

Two years on from the beginning of this journey and having recently received the feedback from our Employee Engagement results (Global People Survey, Oct 2018), I am pleased to say that our overall engagement score is at an all-time high of 90%. We want our people to be with us for a career. In simple terms, it is a marathon and not a sprint. We want our people to be challenged but at the same time to operate at a pace where they are going to stay with us for the long term and learn important skills and develop to their full potential along the way.

We believe that as a firm we genuinely care about our people. We have enjoyed working closely with our people to create a world-class experience and an environment which our people are proud to be part of. Our people are given the support, encouragement and opportunities to grow and succeed not only in their careers but also in their personal lives. By looking at our people as human beings and not simply as employees, we seek to engage and develop our people as 'whole human beings' including their dreams and their aspirations. This endeavour is embraced in how we engage with our clients, our people and our communities and not only makes good business sense but is far more fun and better for society as a whole.

4x

The key to unlock additional productivity is: Employee Engagement

Companies that invest in employee experience are four times more profitable than those that do not.

A few words with...

Doreen Fenech

After 24 years in the industry, what spurs your passion for what you do?

DF: Working in the tax department means that you get to work in a highly dynamic environment; an environment characterised by constant change in legislation. This undoubtedly makes my experience at work all the more intriguing and motivates me to always keep abreast with the latest changes.

I am also lucky enough to work in a department which is very broad-ranging. In fact, at the moment, I'm the leader of corporate compliance but also heavily involved in domestic restructuring and family businesses, as well as incentive legislation. Apart from this, I also have a background in audit, having actually started off my career in this very department, before moving to tax for good. So, it has definitely been a journey of great variety.

Working alongside a team of young professionals is another highly motivating factor for me. Their youthful attitudes create a very energising vibe at the office that pushes you to work harder.

I am also passionate about my job because it enables me to meet and interact with new people almost every day, through the client meetings I have. The fact that in the end, we also manage to deliver solutions to our clients that allow them to thrive and succeed, undoubtedly provides me with unparalleled fulfilment.

Why did you choose KPMG?

DF: I joined the firm right after completing my University degree, and since then, I never looked back. I remember I was immediately drawn by the positive culture of the firm, which in my opinion is the backbone of a happy workplace. I'm also grateful for the exceptional support I've received throughout the years, especially during my early days of motherhood when working on reduced hours was essential.

How do you describe a typical day in your shoes?

DF: A typical day in my shoes is quite hectic, usually characterised with back-to-back meetings, both with clients and internally. However, the trick is to find balance between the two. In fact, I make it a point to make myself available to my staff as much as possible, as I wouldn't want them to put any work, which requires review from my end, on hold.

Balancing work and motherhood, how did that impact your career? And what advice would you give others looking to continue to grow their career whilst raising a family?

DF: I enjoy working, and if I don't work, I cannot be fully happy. But there was a time where I had to divert my attention to raise my children and I had to accept the fact that for a while, my career had to slow down. So, my advice is to be realistic and accept that although it might take longer, you will get there eventually. It is also crucial to be highly organised when it comes to planning one's day. Help from relatives and friends is of course also key.

If you had a chance to start over, would your career take a different path?

DF: Looking back at my career in the accountancy world and the experiences I've had, I think I would've still chosen the same path. I am also very much into cooking but I never envisioned it as a full-time occupation for me.

Trust is the word on everyone's tongues at the moment. In your experience how has this impacted the industry and how has it changed the way the industry works?

DF: The way I see it, to gain trust from others they need to, first and foremost, perceive you as doing the right thing. Whilst around 20 years ago, the demand for professionals to do the right thing merely came from clients or regulators, nowadays, even the man in the street is demanding it from professional firms like KPMG. And I believe that in the coming years, this demand will continue to increase, and could ultimately make or break a business.



What personal goals have you set for yourself for the next year?

DF: My two children have both reached critical stages in their respective educational journeys; with my son soon sitting for his O'level examinations and my daughter soon finishing her primary school years. Thus, further strengthening my support towards them is a fundamental goal I have set for myself for the coming years. Lately, I've also been appointed the role of overseeing the Human Resources team at KPMG. This, apart from allowing me to see things from a novel angle, has presented me with a new and exciting challenge. Thus, this is something else which I'm determined to make work this year.

Outside of work, what would your greatest passion be?

DF: Cooking has to be one of my greatest passions. I am always up for trying out new recipes, even if just simple ones. I actually share this passion with my family, for instance during Christmas time we prepared various dishes, and we got quite creative as well! Then, you could also say I have green fingers, as I enjoy growing plants at home too.

Favourite place you have visited?

DF: It has to be Slovenia. I was truly fascinated with its natural beauty. I dare say it's one of the most beautiful places in Europe. Then, if I had to choose my favourite city, it would be London. In the future, I also really wish to visit Japan, it's my dream destination.

A few words with...

Iain Fox

How would you describe your first few months at the helm of KPMG Crimsonwing?

IF: Incredibly fast paced with so much to learn about KPMG and the teams inside the KPMG Crimsonwing business. It has also been incredibly uplifting and inspiring to be part of a business with so much talent and potential.

What spurred your move to KPMG Crimsonwing?

IF: I wanted to join a firm that was committed not only to bringing true digital transformation to clients but also to doing it using the most progressive tech firm in the world, namely, Microsoft. I also wanted to be part of an organization that could provide genuine end-to-end solutions for our clients.

What would you describe as the highlight or defining moment of your career to date?

IF: Being given the opportunity within 6 months of joining IBM to take a risk and start a new practice focused on Microsoft Business solutions. I was told it would make or break my brand new career in consulting, after having made the switch from Industry. It definitively was one gamble that paid off.

What is it that you enjoy most about what you do?

IF: There are two things I love the most. Firstly, giving people the chance to develop to their full potential. Secondly, being able to work with clients from the initial steps of understanding their business challenges and getting to know them, right through to programme delivery and into the continuous improvement cycle.

If you had a chance to start over, would your career take a different path?

IF: At this moment I would not change anything, I've had an amazing career to this point. That said, I almost became an electrician after leaving school, and I think I would have quite enjoyed that.

Trust is the word on everyone's tongues at the moment. In your experience how has this impacted the industry and how has it changed the way the IT industry works or the demands made of it?

IF: Because of the actions of a few wayward organisations in our sector (we all know who they are), I think trust levels are not what they need to be. Digital transformation projects are complex things, often carrying lots of unknowns from the outset, and always difficult to conform to the original plans. I think this can cause a breakdown of trust with clients unless handled in anything other than a completely transparent way, and very importantly, you have to be prepared to be in the relationship for the long term. Clients are often immature in their approach to digital transformation, and there are companies in our sector still happy to take advantage of these clients. Hopefully the shift to the Cloud and the need for a continuous transformation approach will force many of the less trustworthy companies in our sector out of the market, as clients search for companies like KPMG, who exist within a regulated framework and therefore put honesty and integrity at the heart of their values.

What personal goals have you set for yourself for the next year?

IF: It's a cliché to say, but to strive to be better today than I was yesterday and never settle for second best; and always do the right thing for our people, our clients and our company.

Outside of work, what would you greatest passion be?

IF: Family first, without a doubt and linked closely to that is Football. Specifically, Leven DFC (the team my daughter plays for) and Middlesbrough FC, #UTB. Football is an event that myself, my wife and both my girls both indulge in every weekend. I also love to read, and dream about cars I am never likely to own.

Favourite place you have visited?

IF: I love Edinburgh. I go twice a year with my wife. It gives us time to reconnect after the stresses of work and family life and Edinburgh is the perfect city to do just that. It has great places to visit, great hotels, amazing restaurants and a lovely ambience that feels like home every time I am there.



My KPMG Story



A story of support and growth

Danica Galea
Senior Manager
Audit, KPMG in Malta

My story with KPMG is one of support and growth. I joined the Firm straight out of university in 2007. I wanted to join a firm that had a strong brand and a global reach. KPMG in Malta ticked both of those boxes. I was able to work with clients in various locations during the first few years I was employed with Firm. I was seconded to KPMG Dublin (Ireland), and later moved across the ocean all the way to the United States of America, working in two different States (Florida and California). These international assignments were essential in my professional development and also made me more independent and definitely a more confident person. Today I am a Senior Manager within the International Business Audit Cluster and along with the rest of the Cluster's management group, I head a strong team of 30 people.

Over the 10 years I have been working with the firm, I have been guided and mentored by the more senior people and now I find myself helping others to develop. Being on the receiving end of constructive feedback brought about a lot of challenges along the way and has allowed me to continue to work at reaching my full potential. Now being on the other side, I am enthusiastic to do the same for others.

The environment at KPMG is a genuinely supportive one, with lots of opportunities for professional development. I am today a mother of two kids aged 3 and 5. Leaders at KPMG are very understanding and offer flexibility, so I can fit in my work schedule and time with my family.

Despite the constraints on my time, I am very proud to be part of the KPMG Social and CSR Committee which is a very rewarding experience.



A story of teamwork, personal growth and empowerment

Ruben Mamo
Associate Director
KPMG Software, KPMG in Malta

My story at KPMG has been a story of teamwork, personal growth and empowerment by the firm's leadership. It started in 2013 when I joined the firm with the aim of building an internal software development team. I had been working in the software development industry for a number of years leading teams of various sizes on a variety of projects. Most of the projects I was working on had tight budgets, and after a number of years, I felt the need for a change. I wanted to switch to an internal development role focused on building quality software for larger projects. KPMG fit the bill. The plan was to develop a team of 5 developers in 5 years as part of the infrastructure function.

By 2016 the team had already grown to 4 developers as the firm recognised the immense value that our team was delivering. Together with the IT director and the more experienced members of the team, we started exploring the possibility of becoming a client facing function within KPMG. I wasn't sure what would come out of this, since this service is not something KPMG has traditionally offered.

We started working on a business case to present to the Board of the Firm. This was a challenging time for us, as none of us had done this before. The core team really came together and we came up with a plan that would see us keep our internal software development role whilst also starting a new client facing function. We presented this to the leadership of the firm and we got the go ahead!

We started operations of the client facing function in 2017. The team has taken on new challenges in the emerging technologies space, working on projects involving Artificial Intelligence, Blockchain, Internet of Things and Robotic Process Automation. All this is tandem with the internal development team function and traditional software development projects. The team is now made up of 22 full-time employees and 9 interns. This is way beyond our original plans when I set out on this journey.

I felt trusted and empowered since my first day with the firm. My journey so far has exceeded all expectations I had during the recruitment process. I feel proud and honoured to be part of a firm that empowers employees to transform the firm.

My KPMG Story



A story of teamwork

Osarugue Obayuwana
Assistant Manager
Tax Services, KPMG in Malta

African Proverb: It is easy to break a single broomstick but not a bunch. I recently had an experience at KPMG Malta that strongly illustrates this African proverb.

Picture a massive technology conference in Malta. A tech conference organised by and for tech wizards, having in attendance the biggest players in cutting edge technology. Now imagine 20 sharply dressed professionals from KPMG walking into this conference with oversized confidence, brandishing KPMG badges and looking like they had the answers to all things tech. Only one problem: these were mostly tech illiterates. Yet with only 3 tech experts in their midst that day, the KPMG team assembled the perfect “Voltron” to conquer the tech conference. They held meetings with the biggest and the brightest, they asked the right questions, they proffered holistic solutions instantly and secured KPMG’s seat at the table of champions.

Their secret weapon: teamwork. I was part of this team.

Our team was comprised of tax and legal experts, audit professionals, accountants, industry experts and of course, tech gurus. We understood that our success lay not in our individual abilities or lack thereof, but in our ability to pool our strengths together, acting as a fist and not a finger. With this approach, when presented with a tech question, not only were we able to address the issues from an IT perspective, we went in full throttle to identify the tax, legal, audit and other unanticipated aspects, providing solutions that always exceeded expectations. It was thrilling.

As we spoke with one voice, I learnt the value of a united front. I saw that I didn’t have to know it all. As we drew strength from our collective expertise, my confidence soared and I understood that not I but WE have what it takes. Ours was a team to beat. It still is!

By myself, I was simply “the tax girl”, a single broomstick. With the KPMG team with me, I am a bunch - a bunch of possibilities. Unbreakable.



A story of fun and friendships

Amanda Zammit
Analyst Programmer
KPMG Crimsonwing

My story with KPMG Crimsonwing is one of fun and friendships. Working at the same work place for more than 5 years may seem boring to some people, but for me it has been a totally different experience.

When I first joined the company, of course I didn’t know anyone. On my second week at work, my project manager informed me that I had to go abroad to meet the clients and other project architects on-site to gather some more details on the system I was working on. A couple of members from our team would also be travelling with me.

That was the perfect opportunity for me to get to know some of the people who worked in my team. In that week abroad we had a wonderful experience. Apart from understanding the system more thoroughly, and being given the opportunity to put faces to the names behind the countless emails we receive from the on site developers, I got to personally know my colleagues whom I still see every day, who after 5 years I can easily call friends!

The opportunity to work in such an environment as that which we enjoy here at KPMG Crimsonwing, is in so many ways, more motivating and undoubtedly enables us to be more productive. Amazingly enough, 5 years later, I still look forward to each new day at work, knowing that there is never a boring day.

My KPMG Story



A story of opportunities

Joseph Refalo
Business Analyst
KPMG Crimsonwing

My story with KPMG Crimsonwing began about 5 years ago. I never thought that I would find an organisation that valued the importance of personal talent and opportunities and allowed the space for us to continue to nurture this talent and follow our dreams.

From the first time I expressed my wish to be able to find a balance between work and my commitments to music and television, I received the support I needed. The flexibility I have been given has allowed me to continue to pursue this.

2 years ago I decided to start studying again and enrolled for an MBA course on a part-time basis. I did not want this to affect my work in any way and discussed this in great detail with my managers before enrolling. Their response, yet again, was one of support. They believed in me and trusted that I would be able to find the balance between work and all the rest that I do!

Here at KPMG Crimsonwing we are also able to work from home and this flexibility has allowed me to manage my time and work better.

Everyone works better and is more motivated when they feel appreciated and understood. Nothing can replace the importance of a good work environment and culture. A good attitude and positive disposition always leads to better results!



A story of challenges and growth

George Grech
Senior Manager
KPMG Crimsonwing

My story at KPMG Crimsonwing began 20 years ago. At the time there were very few local IT companies that offered a portfolio of overseas clients, and the company wanted to establish itself as the number one IT employer in Malta.

Weeks after joining the company, I was already working on large scale projects, designing and delivering business critical solutions and regularly travelling to client's sites in the UK. A few years later I was offered two secondments in the UK, which have significantly contributed to my personal development.

Over the years I have worked on a number of internal and external engagements but the most challenging and rewarding one was the setting up of the support department. It was not long before the services provided were in high demand. The implementation of processes, standards and talent had to exceed client expectations. The support services have become critical for both clients and KPMG Crimsonwing as it offers unparalleled services for post project implementation.

The acquisition of the company by KPMG opened up new business and personal opportunities. In the last 3 years I've been managing the Microsoft Dynamics 365 CRM practice, made up of 15 consultants and developers. As the professional services headcount grew, the need for a resource management function was inevitable. My role was to implement new processes to optimize the scheduling of resources on projects, based on skills and availability. The end results; optimized resource utilisation, identify training needs and plan for sustainable recruitment.

I feel that KPMG Crimsonwing continues to invest in its people and in return, highly skilled and motivated talent are contributing to the business growth.



Client successes

Elmo Insurance Ltd

A case study of a three year talent business partnership

Elmo Insurance Ltd. is one of Malta's leading general insurers with a significant share of the domestic general insurance market. In order to ensure that the organisation continued to provide an exceptional service to its customers, and maintain its competitive advantage, Elmo established the need to put Talent Management and Culture at the forefront of its business strategy.

To enable this, Elmo requested the support of KPMG's People & Change Advisory team in developing their strategic talent management foundations and HR function, through a Talent Business Partnership between Elmo and KPMG People & Change. Our advisors worked towards driving a change in mind-set and culture through implementing a series of strategic Talent Management Initiatives that followed the People and Change "Measure-Define-Action" philosophy.

Measure

Through an HR audit, employee engagement and opinion survey, and a series of exploratory and validation meetings and focus groups with senior management and employees, our advisors collected data, assessed and took stock of the current culture, engagement and talent challenges at Elmo. Diagnosis through data and analytics, and data validation through interaction with management and its workforce, is instrumental in establishing organisational baselines, a starting point, in understanding and improving organisational development through the development of its talent.

Define

The data collected through the "measure" initiatives was used in the development of HR Policies and Procedures. These now serve as a Human Resource guide for employees and senior management, and ensure consistency on HR matters across all departments and functions. The most critical part of the "define" initiatives involved the creation of a new Vision, Mission and set of Core Values for the organisation that reflect organisational excellence and success, and serve as foundations for strategic talent management initiatives. These values were then translated into core competencies that influence and guide all talent development interventions implemented within the Organisation, and that a clear and unique road map highlighting performance norms and expectations was created for the Organisation.

Action

All talent management initiatives were aimed at ensuring that Elmo has the right people, with the right skills, in the right place, at the right time. Initiatives implemented included; redesigning the organisational structure to allow for horizontal and vertical career progression, the development of salary bands for each job level, employee engagement initiatives, leadership training and development, identification and development of high potentials, and the development and implementation of a performance management system.

The benefits of investing in Strategic Talent Management

Through this investment Elmo Insurance is ensuring that:

- it is developing its Return on Human Capital Investment through implementing talent management initiatives that are truly aligned with the Organisation's business objectives, values, and realities
- employees are empowered and impassioned. Elmo understands that employees cannot simply be viewed as a number, employees must be valued and invested in
- loyalty from employees is encouraged through the implementation of solid career plans and a performance management system
- the organisational skills gap is closed by identifying gaps and taking clear action
- there is an increased possibility of retaining top talent. Elmo's focus has been on employee retention and implementing strategies to develop and engage staff
- fewer hiring mistakes are made through understanding the values of the organisation and what top performance means to the Organisation
- it understands its staff better. Elmo ensures it strives to understand the needs, career aspirations and strengths and weaknesses of its employees. Through this, employees feel valued and therefore more motivated
- it ensures that employee confidence in the organisation keeps increasing. If employees are positive about talent management practices of the organisation, they are more likely to believe the vision of the organisation. The result is a workforce that is engaged, committed and determined to do what is best for their company.

Bank of Valletta p.l.c.

Adoption of IFRS 9 financial instruments

During the year ended 31 December 2018, the Bank successfully implemented IFRS 9 Financial Instruments. The newly effective standard IFRS 9 has been a huge challenge for most banks around the globe that use International Financial Reporting Standards as their accounting framework. For Bank of Valletta p.l.c. ("the Bank"), the project was particularly challenging as this came at a time when the Bank had already committed a significant number of its resources towards developing a new core banking system, amongst other projects.

The Bank formed an IFRS 9 specialist group comprising of accounting professionals, credit, risk, IT specialists and economists. Given the complexity of such standard, the Bank decided to engage external advisors to assist with, amongst others, (i) the assessment of the impact upon adoption, (ii) drafting of new policies and financial statement notes, (iii) development of the IFRS 9 ECL model, (iv) model validation, and (v) post-implementation support. In our role as external auditors, KPMG was required to involve significant additional resources in performing procedures on the IFRS 9 transition.

Throughout the course of the IFRS 9 statutory audit, Bank of Valletta p.l.c. benefitted from:

Access to specialist resources

The engagement team roped in economists from the Malta and UK practices, as well as a partner and manager from the accounting advisory department. This allowed the audit team to hone in on topical areas requiring discussions at a highly technical level. The audit team provided value-add throughout the process.

Practical first hand insight by recognised individuals

Our UK Partner on this engagement is personally recognised for his work on an IFRS 9 guidance paper for banking audit committees at the British Accountancy Awards. He brought to the table unique insight about approaches and standard practices being applied at prime European Banks in resolving issues, which allowed for tangible and candid discussions with the Bank and its external advisors.

In the process, KPMG contributed significantly towards the refinement of the Bank's approach in implementing this highly complex standard by being sensitive to the needs of the client and their advisors and providing our best resources at the right time. This obviously could not have been possible without the continued support and cooperation of the Bank.

Elvia George, CFO of the BOV Group stated that the involvement of KPMG during the IFRS 9 implementation project was a learning experience for both parties and provided added value to the Bank. The presentation of key insights and regular updates to the board and the audit committee, ensured buy-in at the highest level of the organisation. This helped, in no small way, towards the success of the project. The bank treated this assignment as a separate engagement, which meant that specialised resources, including the profound knowledge and experience of the UK partner, were available to the bank to discuss technical matters and provide guidance.

In May 2014, the stage was set for what turned out to be a very innovative project for KPMG Crimsonwing in the Netherlands.

Midocean has been one of the leading wholesalers in the European premium promotional products, textile and business gift market for more than 50 years. More than 10,000 distributors worldwide trust Midocean to ship their customers' favourite gifts and promotional items, including their personalized message, within 48 hours, in time for their event or campaign.

The project's aim was to replace an aging platform that had served the company well for 7 years, but needed ground-breaking ideas to take the company's operations into a new era, ushering in its business plan to put Internet sales on the forefront, ahead of the conventional email, fax and telephone orders.

The platform of choice was Intershop Commerce Suite (ICS), the product offering Intershop has been marketing since the mid 1990's. ICS provides omni-channel ecommerce solutions to large-sized companies worldwide. It includes selling to B2C, B2B, using partners for selling and the integration with suppliers. KPMG Crimsonwing has a long lasting relationship with Intershop, having a solid track record of delivering solutions on the platform for over 16 years.

A major complexity that Midocean had to deal with was making the artwork right for production, which took considerable amounts of time and effort. If a customer wanted, for instance, a personalised pencil – it was not just a case of printing a customer's logo on the pencil. Company colours need to be exact, the placement, size and angle of the image had to meet the clients very particular demands. The artwork provided by customers tended to not always be suitable for production, so getting that correct took some time. Midocean's own

artwork team had to iteratively improve the design for the customer until it was to their satisfaction – thus leading to laborious updates that were cost and time ineffective.

The new ecommerce site was scoped to do away with all that and allow the customer to self-serve. Customers would be able to search products, personalise the selected products themselves, have a preview sent to themselves with the relevant artwork and finally place an order. All this, with their own specific volume, promotional prices specific to the client and to the location of their choice.

The project was challenging as it was ground breaking. Since no benchmark existed in the industry, Midocean had the opportunity to come up with something completely innovative and new. At the same time, it had to provide an element of familiarity and ease of use, to permit clients' users to manage their own quotations, artwork and procurement without the high level of customer service intervention that was typical in the previous system.

The Intershop solution was extended by KPMG Crimsonwing to cater for various business needs that Midocean needed, and a completely custom built product was created for image manipulation. Extensive integrations to other platforms were carried out to ensure that all of the data that was needed in the platform was in place in a timely manner, and that appropriate fall-backs and redundancies were catered for.

Through the website, Midocean's customers can create quotations for their own end-customers – a valuable tool for customers to be able to leverage the power of the platform and all of the product range that Midocean have at their disposal. To create this quotation or order,

powerful, intuitive search tools were customized and implemented in order to identify an appropriate product of the correct price, volume, colour and other pertinent parameters. Once the base product is selected, colours are extracted from logos that are uploaded securely by the customers onto the platform, and a multitude of print methods can be availed of and applied to different parts of the product. This flexibility also permits the customer to see what the end product will look like with the different print effects that are also possible to assign to different products, prior to committing to an order. For instance, embroidering can be assigned to textile products and specific print techniques can be used for differently shaped products.

A phased rollout took place to reduce risk – this permitted Midocean to familiarise themselves with their new product, while at the same time allowed them to take on customer feedback for improvements and tweaks. The project is still underway in an enhancement state, and a healthy pipeline of work is being rolled out, with more on the way. This demonstrates the synergy and deep knowledge that KPMG Crimsonwing have obtained over the years in both Midocean's platform, as well as an intimate knowledge of the business, allowing KPMG Crimsonwing the possibility to provide input and assistance to the best of the customer's satisfaction.

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