



# Innovate. Disrupt. Grow.

**Annual Review 2017**

April 2018

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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.



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

*Details of artworks by Luciano Micallef have been reproduced in this report.*

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# Introduction by Tonio Zarb

## Transforming KPMG

The world is changing at an unprecedented pace, and the change is radical. This change is mostly driven by technological advances and it practically encompasses every area of human activity, including all areas of business and the professions. To add to this, there are various indications that the rate of change is even more rapid than expected just a few years ago.

Over the past year, we have been very active in transforming KPMG to meet the challenges and, more importantly, the opportunities of the digital age. Our aim is to combine KPMG's deep business expertise with leading edge technology. To achieve this we have to operate in new ways, become more agile; above all we have to drive innovation, enabling us to disrupt the status quo and grow, and, at the same time, supporting our clients in doing the same.

## Quality and trust

Quality is anchored in our values; foremost amongst these is that "above all we act with integrity". Adhering to the norms of our profession and doing the right thing is at the very core of our purpose, and this overwhelms extraneous influences. We strongly believe that by doing so we enhance public trust not only in KPMG but also in the profession as a whole. Trust is not a given - it must be earned. As the firm's senior partner in Malta, I have a responsibility to set the right tone from the top. For this reason, I take every available opportunity to speak with KPMG professionals across the firm to reinforce that our commitment to quality can never be compromised.

We set out a detailed account of our commitment to quality in our [Transparency Report](#).

## A magnet for talent

KPMG is one of Malta's leading employers, training and developing the next generation of business professionals and leaders. In all KPMG employed 774 people in Malta as at the end of 2017, not including 189 students engaged in our Graduate Recruitment Program. Last year we hired 271 people, creating more than a 100 new jobs.

Our recruits mostly comprise professionals with a diverse set of backgrounds including accountants and auditors, lawyers, tax specialists, risk professionals, corporate finance practitioners, as well as software engineers, computer scientists, and data and analytics experts in order to help meet clients' digital transformation challenges.

KPMG people are globally-minded. We continue to support our people in taking on secondment opportunities with other KPMG offices, enabling them to expand their skills and business knowledge while taking on new challenges.

## Growth

In 2017 both KPMG in Malta and KPMG Crimsonwing experienced strong growth in revenue which amounted to just over €50 million, an increase of 15% over 2016 levels (KPMG – €18.2 million; KPMG Crimsonwing - €34.3 million). We achieved this growth by focusing on our clients' changing needs, making KPMG more agile, improving the speed at which we develop new services and solutions for clients and shortening the time we take in deploying them.

2017 saw a number of new initiatives at KPMG. These included the acquisition at the beginning of the year, of a talent advisory practice thereby greatly strengthening our People & Change service offering. In the second quarter of the year, KPMG Software was set up offering our clients expertise within the software development field across the whole project life cycle. During the year we also transformed a building in Floriana into a training centre and we will shortly be launching KPMG Learning which will operate from there.

In May 2017 we also commenced the renovation and extension of our existing office building in Pieta. This project, which is still ongoing and is expected to be completed in the next few months, is essential for us to be able to accommodate further growth as well as to create a fully-equipped space appropriate for the demands of the digital world we now live in.

**Tonio Zarb**  
Senior Partner, KPMG in Malta

30 April 2018



"Over the past year, we have been very active in transforming KPMG to meet the challenges and, more importantly, the opportunities of the digital age."





"The digital global economy is very buoyant. New techniques in machine learning, robotics process automation, and the emergence of cognitive or artificial intelligence capabilities will challenge the current fulfilment of many business processes that rely on human input."

## KPMG Crimsonwing, a year in review

It has been three years since Crimsonwing became part of the KPMG family and in that time KPMG Crimsonwing has very much become a mainstream component of KPMG's business transformation propositions.

Using KPMG's industry, analytical and best practice know-how we are at the forefront of helping businesses address and exploit the tremendous opportunities of digital transformation - delivered as end-to-end business transformation.

Working closely with KPMG's management consulting capabilities we provide the means to create, deliver and manage Cloud based Microsoft solutions that drive operational efficiency and customer engagement.

Our clients are embarking on Cloud first strategies. The Cloud gives a business the tools to manage and analyse huge data volumes and to access intelligent processes. Capabilities beyond the investment of any one business now becomes more affordable and secure. KPMG and KPMG Crimsonwing are working with our clients on this journey, helping them in realising the opportunities they can then address.

The digital global economy is very buoyant. New techniques in machine learning, robotics process automation, and the emergence of cognitive or artificial intelligence capabilities will challenge the current fulfilment of many business processes that rely on human input. This will be disruptive but at the same time liberating in creating new areas we can turn our potential to.

In the past year KPMG and KPMG Crimsonwing have been working together on some exciting client programmes that take advantage of these market disruptors. KPMG helps to define the vision, new operating models and change management needed, and KPMG Crimsonwing provides the means where a client adopts a Microsoft centric implementation.

In Malta we've continued to invest in our capabilities and infrastructure. We've been creating new consultancy jobs and our solution centre now spans two offices. Our headcount here continues to grow – currently at almost 270, our highest ever. KPMG is a very connected world and as well as our own direct clients, we've been working in partnership with KPMG in Switzerland, Australia, Canada and Germany. We have a reputation for high quality work in Malta, and repeat business is the norm.

This year KPMG and KPMG Crimsonwing in Malta have continued to demonstrate and promote Malta as a centre for ICT innovation and growth. New clients, from across the globe, have experienced this 'Malta effect' for the first time, and have been encouraged to visit and see this value added approach in action. There is no doubt that KPMG and KPMG Crimsonwing in Malta are well positioned as leaders in disruptive technologies, innovation and helping our clients achieve their growth potential.

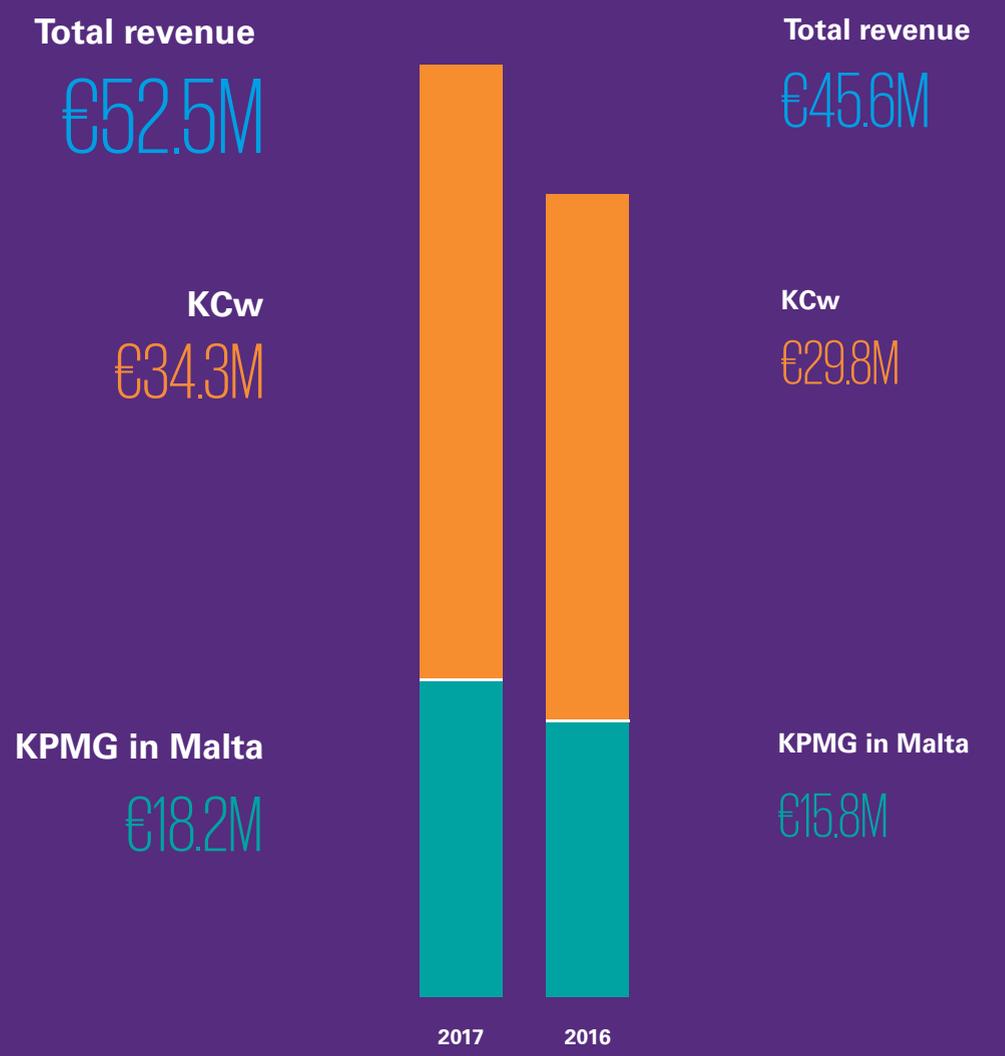
**David Walsh**  
CEO, KPMG Crimsonwing

31 March 2018



# Highlights 2017

## Revenue 2017

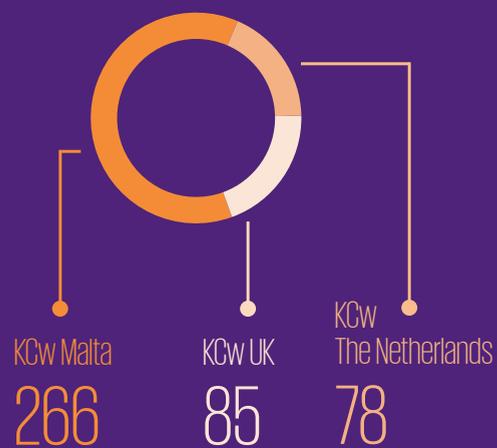
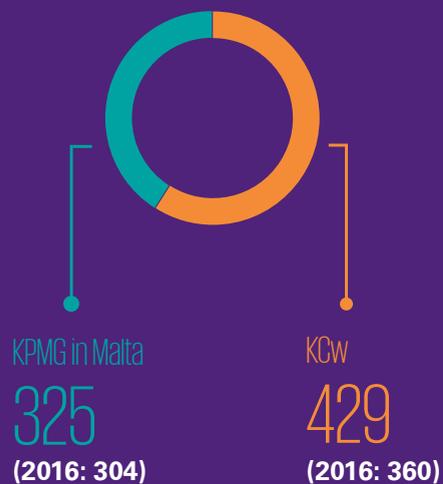


# People

## Total FTE\*

754

(2016: 664)



\*FTE refers to average full-time equivalents

## KPMG People as at December 2017



## Students participating in our graduate recruitment program as at 31<sup>st</sup> December 2017

160 | 29

KPMG in Malta

KCW



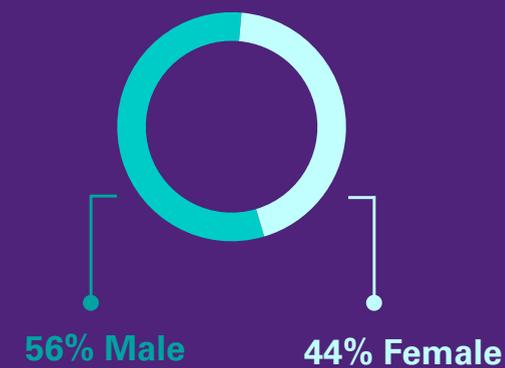
## Job applications received in total

c.5,000



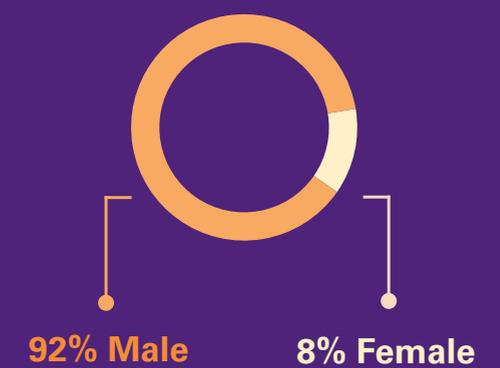
## Participation Rate in Management Roles

KPMG in Malta



(2016: 62% Male, 38% Female)

KCW



(2016: 88% Male, 12% Female)

## Nationalities



## Learning & Development



## People Survey



\* KPMG Global People Survey – October 2016  
Survey results do not include KPMG Crimsonwing staff complement

# New Senior Appointments

2017 saw the following senior appointments. KPMG in Malta appointed Thomas Galea and Adrian Mizzi as Directors, with effect from 1 October 2017 and 1 January 2018 respectively, whilst KPMG Crimsonwing appointed Nicolai Dalli as Director as of 3 October 2017, Jeroen van Zwiene and Jan Ben Mijs were also appointed as directors as of 1 January 2017 and 1 October 2017 respectively. On the 7<sup>th</sup> November 2017, Nigel Connolly was appointed Programme Director for the Programme, Project & Resourcing Team.



## **Thomas Galea**

Thomas joined KPMG in 2005 as an audit team member and successfully completed his ACCA qualification in December 2006. He is an accountant by profession, holds a Practising Certificate in Auditing. He is a Fellow of the Malta Institute of Accountants (MIA) and a member of the Malta Institute of Management. Over the past 12 years, Thomas has also worked within the audit function of the Irish and US KPMG offices, gaining experience in a number of industries, particularly Banking and Middle Markets.



## **Jan Ben Mijs**

Jan Ben is new to KPMG, but brings with him a wealth of experience in Microsoft Dynamics. Over the past 10 years Jan Ben lead a Dynamics practice in an international retail environment.



## **Adrian Mizzi**

Adrian is a seasoned professional who has worked extensively in the strategy formulation and management of information technology in various industries including telco, financial services, manufacturing and logistics. Adrian brings over 20 years' experience to the table. He has held various senior Information Technology functions covering the entire spectrum from strategy, process reengineering, data and analytics, risk management and change management in the IT field.



## **Jeroen van Zwiene**

Jeroen van Zwiene was appointed as a Director for Sales and Marketing for KPMG Crimsonwing. Jeroen has been with KPMG since 2012, when he joined as a Sales and Marketing manager.



## **Nicolai Dalli**

Nicolai's career with KPMG Crimsonwing dates back to 1998. Nicolai possesses a wealth of experience in eCommerce having run the company's eBusiness practice for over 10 years. More recently his portfolio was extended to full responsibility of the 'Customer Engagement' business unit which apart from eBusiness, now also includes the Dynamics CRM and Cloud Services teams.



## **Nigel Connolly**

Nigel possesses over 15 years Project and Programme Management experience. He has worked across several business sectors including FM, FMCG, Automotive, and Financial Services. Over the past 18 months he has been working with Microsoft Dynamics 365 for Finance and Operations.



# Changes to the KPMG Crimsonwing Joint Venture Board

KPMG Crimsonwing is jointly-owned by the KPMG UK, Netherlands and Malta firms. As a result of the KPMG acquisition, a Joint-Venture board was formed. The chairman of the board is Iain Moffatt who is the Head of National Market at KPMG UK. The other two members are Tonio Zarb, Senior Partner at KPMG in Malta and Patrick de Graaf, Partner at KPMG Netherlands. The board is responsible for setting the vision and strategy of KPMG Crimsonwing and for translating these into a concrete plan.

Patrick de Graaf and Iain Moffatt are new to the board having been appointed during 2017. They replaced Eric Shultz and Nigel Slater respectively.

Iain is responsible for the strategy, growth and development of KPMG's business in the National Market, across all our UK regional offices, and the National Market business in London. He is a member of the UK Executive Committee and in each of these roles Iain has actively championed KPMG's focus on the middle market - helping to drive the firm's ongoing investment in the development of solutions and services tailored specifically for this market.

Patrick is CFO of KPMG Netherlands and leads the Transaction Services practice within Deal Advisory. He has worked at KPMG Transaction Services since 1999 and focuses on private equity and multinationals.



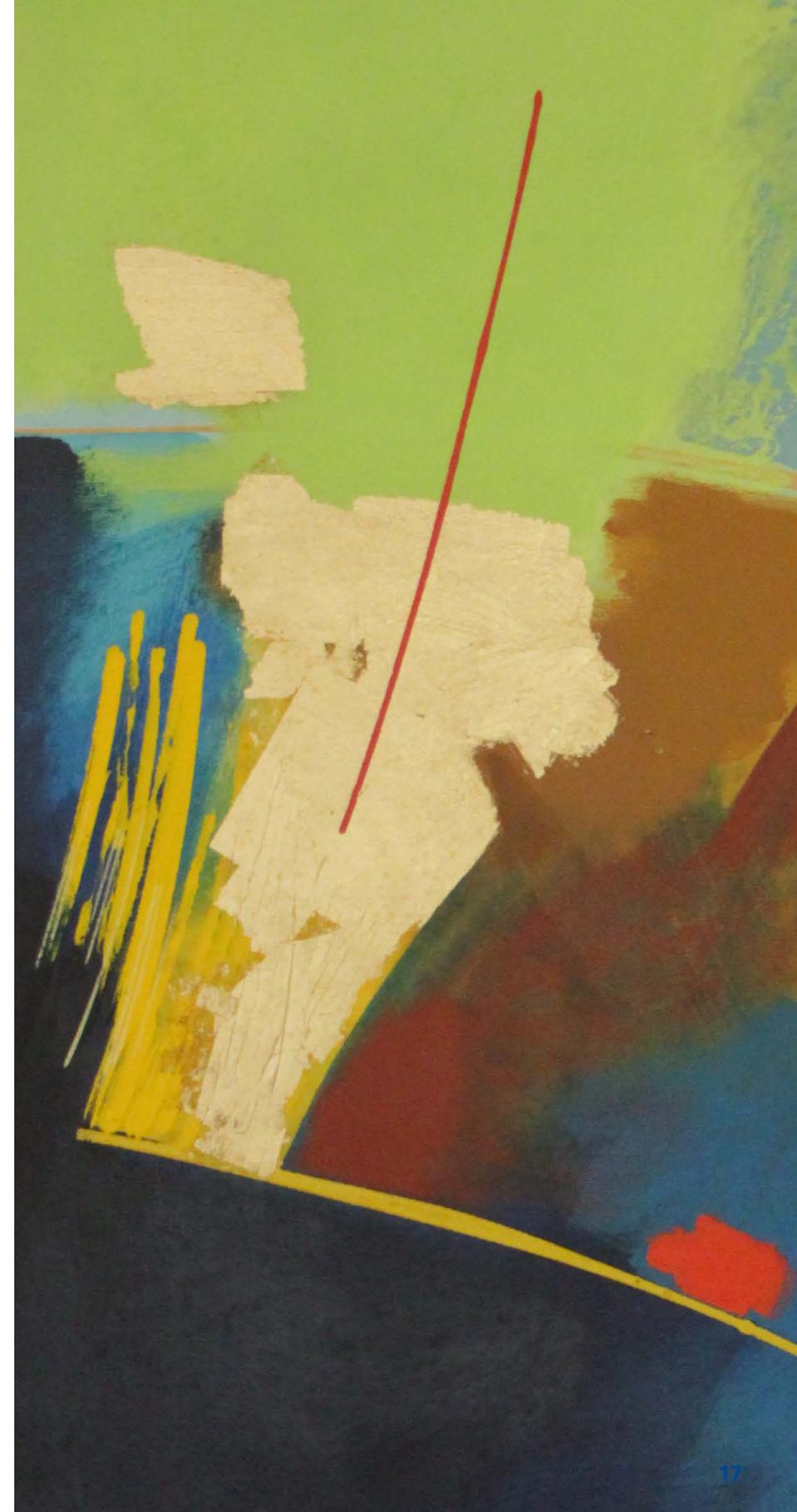
**Iain Moffatt,**  
Head of National Market, KPMG UK



**Patrick de Graaf,**  
CFO, KPMG Netherlands



**Tonio Zarb,**  
Senior Partner, KPMG in Malta



# Client Satisfaction Survey

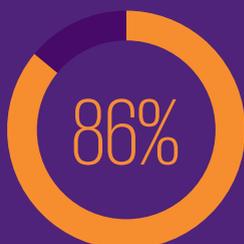
## KPMG in Malta



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 your engagement(s)

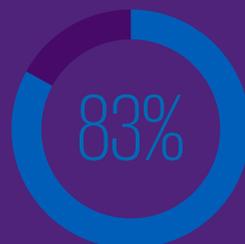


Satisfaction with the extent to which KPMG has met or exceeded your expectations



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

## KCW



Overall Customer Satisfaction rating



Would refer Crimsonwing to one of their contacts



Would work with us again given the opportunity

# Thought Leadership



Articles & publications

100+



External Events

20

# CSR 2017

 2,000 Hours Volunteered

 €46,772 Total Donations

February

March

April

September

October

November

December

'Prinjolata' Sale  
fund raiser for  
People Who Care Fund

Sponsored our  
employees who  
participated in the  
Vodafone Malta Marathon  
fund raiser

'Figolli' sale  
in aid of  
Puttinu Cares

Red Nose sale fund  
raiser in support of  
Dr Klown

Sponsored employees  
who participated in  
the  
Hospice Malta  
Midnight walk  
where proceeds go  
to support Hospice  
patients and their  
families

Freshers' Week  
fund raiser in aid of  
Caritas

Christmas decoration  
competition in aid of  
ALS Foundation Malta

Donation to the  
Malta Community Chest Fund  
as part of the Annual  
L-Istrina. Volunteers  
assisted in cash  
reconciliations and audit  
procedures as part of the  
annual support we provide

Annual KPMG Christmas  
Shoe box initiative  
to provide children in  
institutes with a little  
Christmas gift at this  
time of the year

Supported the  
Foodbank  
in Old Bakery Street,  
Valletta with weekly  
food supplies



# The KPMG People Who Care Fund

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A good 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.

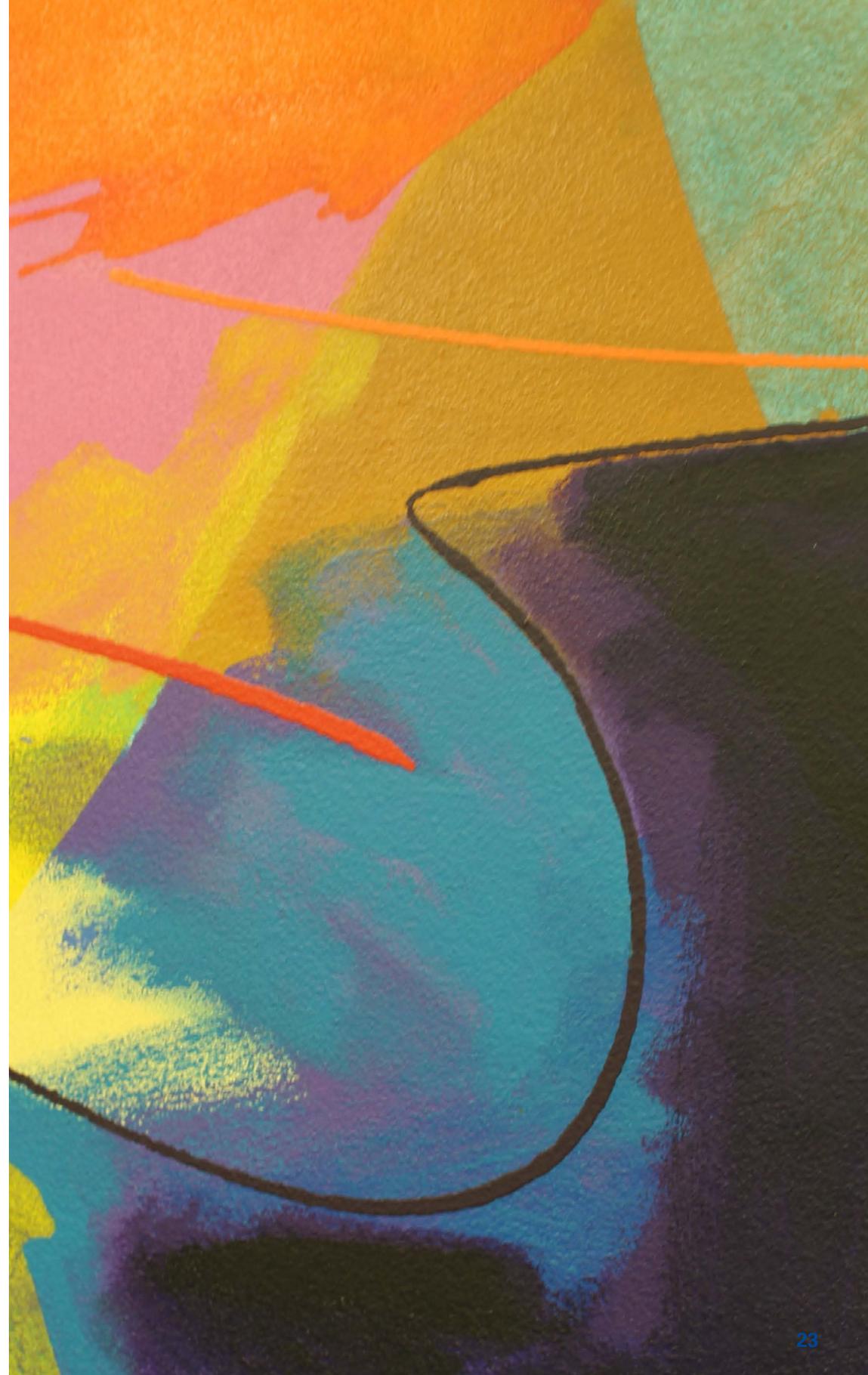
Amongst the most significant donations in 2017 were:

- A donation to the Inspire Foundation to fully sponsor a project under their Adult Programme. This programme provides independent living skills and employability training to adults with disabilities (over 16s).
- We sponsored the volunteering efforts of two staff members, Eric Bartolo and Liam Tabone who travelled to Kenya to support the Right2Smile initiative, which invests in education in developing countries. The money they collected went to teachers' salaries, training and school resources.
- A donation also went to a young couple with three children facing troubled times. The father, battling cancer, needed specialised treatment abroad and was no longer able to work.
- Another donation went to the family of a little boy suffering from a rare condition known as Prune Belly syndrome, who had to undergo surgery and a lengthy recovery at Great Ormand Street Hospital.
- A donation of €2000 helped fund a communication device (eye-gazer) for a non-verbal, severely disabled child. This device should open a new world for her, where she is able to communicate with family and friends.
- We provided financial assistance through a donation to the Villa Frere Gardens which were dealing with an emergency as two retaining walls presently holding back a terraced garden and the side of the former gardeners' quarters are on the point of collapse. The mission of their NGO is to safeguard what remains of Villa Frere, one of Malta's most important historic gardens which has been abandoned for over 70 years.

Our social committees also expressed solidarity with a number of worthy causes outside of our shores.

As the conflict in Syria marks its sixth year, the suffering of people there continues. An estimated 13.5 million Syrians, half of whom are children, are in need of humanitarian assistance. A donation was made to the Jesuit Refugee Service (JRS) a voluntary organisation that has been in Syria before the crisis began and has managed to stay and provide help over these past six years, thanks to donations given. In Aleppo, JRS teams provide food baskets and clothes. In Damascus and Homs, JRS operates schools in parallel with psychosocial care for children and adults. They provide assistance not only within Syria, but also in neighbouring countries where Syrians have fled.

The aftermath of Hurricane Irma had a major effect on a number of communities, one of the areas being hit by the hurricane being the British Virgin Islands. Our social committee expressed their solidarity with our colleagues at KPMG British Virgin Islands and extended support through a donation to help their employees who have suffered loss and damage to varying degrees.



# Social events



Firm-Wide Event - June 2017



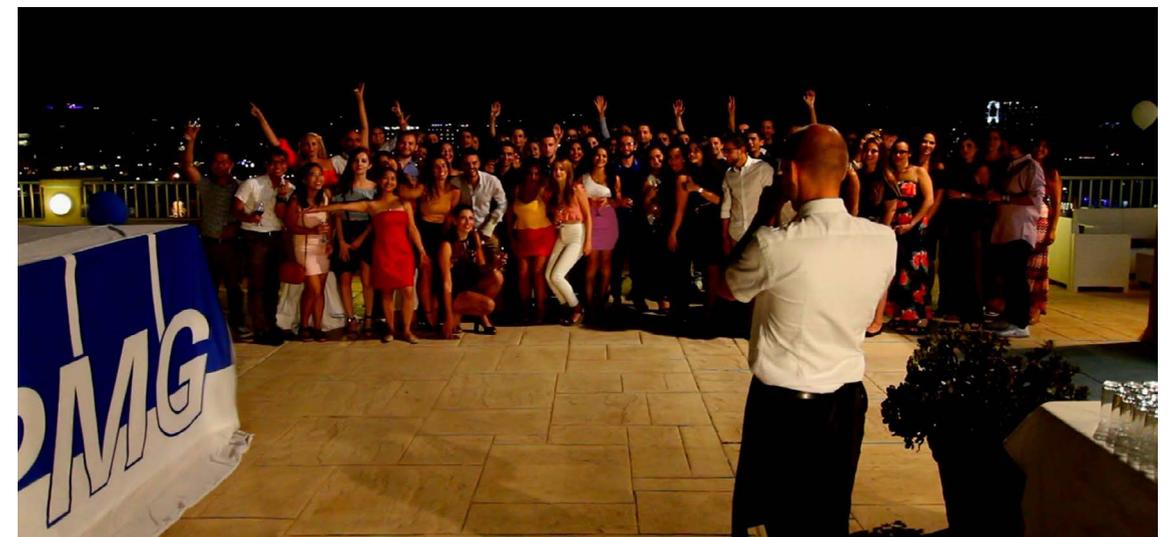
Pub Quiz - May 2017



Beach Volley - July 2017



Banca Cup - May 2017



Chill-Out Event - August 2017

Insights &  
excerpts from  
KPMG thought  
leadership events



# KPMG's Biennial Financial Services Conference

**Mark Curmi**, Associate Director, Banking Advisory Services, KPMG in Malta

**KPMG's 2017 Biennial Financial Conference, which took place on the 9<sup>th</sup> November 2017 and titled "Technology 2020: The future of financial services" was another resounding success. Its *Tech and Reg* concoction provided for a flavourful run-up to the changes we are witnessing locally and globally in the financial technology arena. The Conference brought together global, high calibre and well established specialists in the Fintech space which is acknowledged to be one of the biggest disruptors of our time. In fact, the Conference delved into subject matters that lie at the very heart of Fintech - digitisation, fintegration, robotics and artificial intelligence, blockchain, cryptocurrencies, Cloud computing and big data – subject matters that will continue to impact, to some extent or other, financial services players and the wider stakeholder groups.**

Despite the fact that we, as KPMG, are not the only international player to turn our attention to and focus on Fintech, our skills, knowledge and expertise certainly ensure that we push the envelope and remain at the forefront in providing the most meaningful and beneficial insights and food for thought. This is imprinted in our DNA, and it is an element we remain keen to bring to our clients. To address and cover a wide-ranging subject area such as Fintech, and yield the highest value add for its participants, the Conference provided a conglomeration of Global KPMG experts, from Israel, the UK, Isle of Man, Germany, Channel Islands, the USA and Malta, as well as key industry players from top technology and legal outfits.

The conference served the dual purpose of providing a platform for key experts, through presentations and panel discussions, to put forth their thought-provoking and insightful thoughts, ideas and opinions, and for the participants to actively interact and engage in the discussions. Simply put, our aim was to radicalise the approach to discussing Fintech through driving captivating and intriguing messages delivered by top-notch presenters with hands-on experience. Where else would you hear that Artificial Intelligence is now our friend – no this was not a *sci-fi* flick. The purpose of the Conference was also to bring participants up to speed with the recent developments in technology, as only from such a vantage point can one truly foresee what lies ahead, and thus act in a timely manner to

mitigate any risks and tap opportunities that yield tangible results. As Juanita Brockdorff, Tax Partner at KPMG put it, *Fintechgrate – if you cannot beat them, join them!*

Looking back at the proceedings, it is evident that Fintech is very much on everyone's radar, generating curiosity, driving interest and perhaps, in some cases, eliciting reservations in certain areas. The speed with which Fintech has, and will invariably continue, in the short and medium term, to revolutionise the digital future of financial services, has prompted a wave of discourse across the globe. As a result, the participants were highly tuned in during the proceedings and avidly followed inspirational keynote speakers, impressive client stories and tangible examples demonstrating the manners in which they could, and should, bring their respective financial services business into the digital future.

The crux of the proceedings revolved around the cognisance that every conference on the block – with the block defined not merely as our islands, but the global village – is focusing on Fintech. This is predominantly because with Fintech, financial services are not only becoming more client-centric than ever before, auguring better value for money in financial services, but also because Fintech will usher in a new era, leading to lower transaction costs and an unprecedented speed of innovation.



The Conference highlighted the need to approach Fintech with an open mind; that managing Big Data, harnessing AI, and embracing the decentralised real-time approach brought about by Blockchain technologies is the way to go for the financial services industry, not merely to survive, but to thrive in the short and long term – two points in time on a continuum which appear to converge more than ever by virtue of technology.

In taking on the perceived IT threat, banks and financial institutions, insurance underwriters and intermediaries, as well as the investment services industry, should seek to meet the challenge with a view to transforming it into an opportunity. Concurrently, they ought to anticipate the regulators' potential concern with the IT revolution and engage with them in order to ensure that supervisory approaches enhance the competitiveness of Maltese-based financial intermediation, another

argument in favour of technology-neutral regulation. To that end, Parliamentary Secretary for Financial Services, Digital Economy and Innovation, Silvio Schembri said that it is now the time for Malta to serve as a Fintech hub.

As financial services providers are faced with digitisation, robotics and Artificial Intelligence, Blockchain, cryptocurrencies, cloud-computing and Big Data - in essence, with Fintech overhauling their systems and hence their businesses - financial services providers need to carve out their respective strategies to ensure they are not caught unaware of increased levels of competition from previously inexistent threats, but thrive. They also need to fully understand in which manner regulation and tax will come into play, what clients are expecting, what challenges lie ahead and how to address them now and not later.

*"As a financial centre and a centre for international business, I don't think we can ignore the Fintech phenomenon. Supporting innovation and supporting new ventures should be part of our strategy." - Tonio Zarb (Senior Partner)*

# KPMG in Malta Gaming eSummit 2017

**Russell Mifsud**, Associate Director, Gaming Services, KPMG in Malta

**The KPMG eSummit has helped to put the Maltese islands at the forefront of discussions about the future of iGaming. The second edition of this landmark event, which brought together some of the leading figures in the Remote Gaming sector, was held on the 24<sup>th</sup> November 2017 as part of SiGMA. In keeping with KPMG Malta's ambition to be the natural choice for operators in this area, we strive to share our insight on the big themes facing this industry.**

It's been an exciting year, with disruption and innovation occupying a central role on the world stage, and this has been reflected in the global regulatory environment. The primary section of the eSummit dealt with the latest developments in this area, with the main room playing host to fascinating discussions led by specialists from around Europe and beyond. Among the various presentations and panels were 'Growth Continues in Spite of Headwinds' by Warwick Bartlett; 'Battle of the Continents' featuring John Kamarra; and the 'IMGL European Regulatory Update' chaired by Joerg Hoffmann.

For the first time, the eSummit also featured a number of breakout sessions. Slightly removed from the central event, these sessions tackled specific topics in detail by providing the right environment for participants to interact with speakers in a more conversational, collaborative setting. Featuring issues such as Getting Data Privacy Right; The Power of the Cloud, the Fourth AML Directive and Gender Diversity, the breakout sessions proved to be a popular addition to the programme.

The Remote Gaming sector continues to grow in importance, and now undeniably occupies a key role in the Maltese economy. By most accounts, gaming employs over 9,000 people in our country, and the authorities as well as private operators paint an encouraging picture of high growth and good prospects for the future. Malta's strong tradition of

supporting innovation, especially in emerging digital sectors, continues to attract more investment. Such rapid growth is leading to challenges with respect to resources, as demand for talent reaches previously unforeseen levels. Providing a dedicated forum, such as ours, for key stakeholders to meet and discuss such pertinent issues is one of the best ways to keep regulators informed of the challenges we face and the right solutions to address them.

One of the most exciting current developments is the advent of distributed ledger technology, which has become immortalised in the public consciousness as blockchain. This technology has the potential to revolutionise the gaming industry, and it's worth noting that Malta is taking the lead in harnessing and deploying this potential. By staying ahead of the curve, we not only protect our current levels of growth but also open new avenues of opportunity.

Our unrivalled access to expert speakers, together with active involvement from the audience, provided the right ingredients for another successful event. However, the impact of our eSummit is not limited to the day itself, or to the 400 delegates who attended. The KPMG eSummit Report, a detailed account of the event's proceedings, has established a reputation for quality which now reaches beyond our shores. The Report, distributed extensively both physically and digitally, serves to provide thought leadership, and reaffirms our promise to offer specialist advice and insight.





# Features

# The Economy

**Steve Stivala**, Senior Manager, Advisory Services, KPMG in Malta  
**Malcolm Bamber**, Advisor, Advisory Services, KPMG in Malta

**Regardless of how fast or slow a single day may seem, the passage of time is constant. While the world may appear to stand still in the face of a pivotal event, time waits for no one. 2018 marks ten years since the greatest financial crisis in living memory. Early indications suggest that 2018 may see some of the World's developed economies start leading the way back to pre-crisis levels of growth.**

The International Monetary Fund (IMF) World Economic Outlook October 2017, and the subsequent January 2018 revision, highlights that global economic performance during 2017 was better than expected, and that expectations for the near future are optimistic. Data shows that the global average real Gross Domestic Product (GDP) growth rate for 2017 stood at 3.7%, just 0.3% below the average growth rate between 1999 and 2008. Advanced Economies are leading the way to this target, having seen average growth almost reach pre-crisis levels. Emerging Economies still appear to be lagging behind, but projections show performance is expected to continue improving in the coming years. Strong economic fundamentals have driven positive results in both the United States as well as the Euro Area, with the recent amendments to US tax regulations expected to incentivise further growth. As such, both regions are predicted to exceed pre-crisis growth levels during 2018.

The European Commission's Economic Forecast for Winter 2018, asserts that economic growth is expected to strengthen, riding a wave of consumer spending and investment, respectively brought about by increased job creation, and favourable financing conditions. The report also highlights disparities in labour market conditions across the Union, with Member States experiencing higher levels of slack expected to lead to lower wage

pressures and inflation. The Maltese economy is expected to continue growing, albeit at a diminishing rate. The very high growth levels seen over the past few years are expected to begin tapering off, while still remaining substantially above the Euro Area average. The booming construction industry is expected to remain buoyant in tandem with a busy pipeline of new investment projects within the local economy in the coming years, while low unemployment and growing disposable income should lead the way for increased consumer demand, acting as the main engine for future growth. Economic growth in Malta's main export markets should lead to increased demand for exports; however this is expected to be offset by growing domestic demand for imported goods and services as a result of increased consumer spending.

Looking forward, Malta will continue to face a number of challenges. Business leaders often identify a shortage of labour as a major concern, with the booming economy predicted to require tens of thousands of additional workers in the short term. This will in turn continue to place additional pressures on the local property market and infrastructure. A growing population will continue to add pressure onto the road network and utilities infrastructure, and will force the nation to come face-to-face with issues such as land, water, and waste management.



# Shaping the future of audit through technology

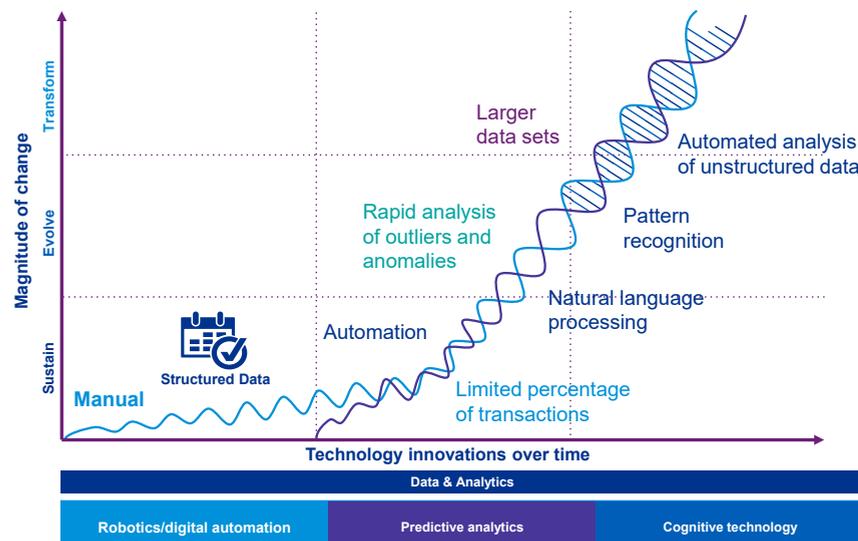
**Hilary Galea-Lauri**, Partner, Audit Services, KPMG in Malta  
**Christopher Azzopardi**, Head of IRM, Audit Services, KPMG in Malta

**Audit is evolving as regulatory and compliance demands continue to increase, and in some ways, change. The reliance on personal audit judgement for identifying risk, often based on experience, or gut, are a thing of the past. Data processing has grown from supporting systems for inventory or accounting purposes, to truly knowledge farms or Big Data that, when analysed using the right expertise and tools, can also merge judgement with science.**

The adoption of traditional approaches towards testing through sampling techniques is outdated, if not inappropriate, in addressing the assurance demands in high volume transaction operational environments. Auditors need to be selecting samples intelligently and not merely based on randomness and statistics that conclude on aggregate populations. An Internet Gaming entity may easily record millions of customer transactions on a daily or hourly basis. A few transactions, even if considered insignificant with respect to the account being tested, may prove to pose a substantial risk for the operation of the entity, which auditors need to assess in forming a view on the truth and fairness of the financial statements - consider issues of fraud or money laundering.

KPMG is redefining its audit approach through the adoption of data analytics techniques and a proprietary platform called KPMG Clara, with a clear vision to be on the forefront of adopting avant-garde technology in auditing. These changes have two principal objectives – to provide a focused and insightful audit, as well as, to add value to clients’ audit committees and management as they leverage this investment and a different perspective of their data.

Reliance on automated controls and system-generated rather than the manual and paper based counterparts, has been seen favourably for a number of years now due to the inherent consistency and assurance presented by automated logic. But in 2018, even this is archaic. Data analytics has come a long way over



“Artificial Intelligence (AI) is surely set to shape the profession into something more dynamic.”

the years. Technology advancements as well as KPMG Clara enable us to be more informed in our audit risk assessment, and in our testing to focus on outliers and anomalies, rather than simply aggregates and homogeneous populations.

In 2015, the International Auditing and Assurance Standards Board (IAASB) set up the Data Analytics Working Group (DAWG) with objectives to explore emerging developments in effective and appropriate use of the technology, and in responding to these developments. In September 2016, the DAWG issued a request for comments for a paper focusing on the use of data analytics and its use in audit and as audit evidence. In KPMG’s reply, it is acknowledged that the data analytics tools analyse a broader population of items and in a more granular way, thereby producing significantly more outliers and exceptions than traditional audit techniques.

In 2016, KPMG has partnered with IBM in adopting cognitive techniques towards attaining audit assurance. It is now possible for systems to interpret massive amounts of unstructured information such as contractual agreements, to direct the auditor to focus his / her efforts. While the auditor’s judgement can hardly be replaced, the visibility over large volumes of data, as well as the focus enabled by predictive and cognitive analytics and Artificial Intelligence (AI) is surely set to shape the profession into something more dynamic.

Voice recognition enabled devices that act upon natural language instructions were only limited to Sci-Fi movies in the real world a few years back. Today the Internet of Things (IOT) devices are redefining our homes – from washing machines and fridges that add detergents and food supplies to your shopping list, to fish aquaria that monitor conditions and send mobile alerts when your fish are in distress, and door cameras that interact with visitors to simulate presence at home. AI often took the form of neural networks that answer basic decision tree questions such as in identifying an illness based on symptoms, or mimic behaviour to simulate human interaction. Today technology is seen as truly enabling the audit process by providing an intelligent focus and, in the near future it is expected to support the audit process through audit evidence, enabling the auditor to focus more on judgement areas.

Clearly, KPMG is a forerunner in the use of data analytics methodologies and AI in approaching audits and gathering audit evidence. The possibilities are endless, and the value to our clients, immense!



# Working shoulder-to-shoulder with family businesses to help them evolve and grow

**Anthony Pace**, Partner, Tax Services, KPMG in Malta

**Caroline Zammit Apap**, Senior Manager, Tax Services, KPMG in Malta

*"I started from scratch ... today I am proud of what I have achieved ... I am fifty-five years old but I feel I still have a lot to contribute to the business ... I would like my son and daughter to be involved in the management of the business but I am hesitant about handing over the ownership just yet..."*, this summarises one of the early conversations we had with one of our family business clients with whom we have built a working relationship for the past six years.

We have listened to his concerns, needs and expectations, met his wife, children and close business advisors and now we are at a stage where the succession plan implementation process is in its final stages. Roll forward to today and our client, who now enjoys a certain peace of mind that governance, management, ownership succession and the tax implications linked thereto have been catered for, has embarked on a new exciting project, diversifying his portfolio while we, as his advisors, are proud to be on board, once again. This is just one example of the many exciting journeys that we are embarking upon with our family business clients.

The growth and sustainability of a family business lies in the fine balance between the needs of the business and the expectations of family members. With this in mind, as independent advisors we truly believe in investing time and energy throughout our journey, working shoulder-to-shoulder with family businesses, meeting the family members and listening to their needs, fears, and expectations both collectively and individually.

Our enthusiasm for the work we do, lies with the fact that working with family businesses is a learning journey. We speak and meet up with our family

business clients practically on a weekly or bi-weekly basis. Building such long term and solid relationships with our clients allows us to understand the nuts and bolts of the business and not least, the family dynamics placing us in the best position to be able to help the family understand their options for the future, provide tailor made solutions that are just right for that family business, and support them in making decisions that combine their aspirations, traditions and values.

We are actively involved in raising awareness of the importance of being proactive with regards to succession planning. In meeting family business owners we become conscious that it is easy to get caught up in the day-to-day running of the business, so much so that owners often fail to adequately plan and prepare for the succession process.

Our recommendation is very clear – begin the discussion early. As most of our clients learn to appreciate, a properly considered succession plan is certainly no overnight achievement. In the last couple of years, we have seen family business founder members, who even though at first may feel reluctant to step back from management, realising that encouraging younger generation involvement in determining business direction can only benefit the family-business dynamic,

*"A properly considered succession plan is certainly no overnight achievement."*

and as such they are working with us towards having a succession plan in place anywhere between 5 to 10 years ahead of schedule. Additional time allows for better adaptation and flexibility as the business grows and shifts.

We often hear that communication is key to success. There is no better example to prove this point than our family business clients who have gained huge benefits from this process. Bringing together the family members, listening to their needs and concerns both with regards to family and business issues, on an individual basis and facilitating the discussion around these issues amongst the family members, strengthens the family's emotional cohesion or as we like to call it, the 'family glue'.

Family businesses seek growth. With growth, governance issues become crucial. Building on what we would have learned from our discussions with all the family members, we assist with the formulation of the family charter or constitution, a set of guidelines that will help the smooth transition of the family business to the next generation. The family charter ensures clarity and transparency, and families know what to do when disagreements arise because they would have agreed to specific procedures that kick-in in such

instances. A family charter also regulates other areas of management structures within the company, like management succession, profit distribution and the process of selling shares. A family charter is a working document that is adapted as the business grows.

Another important consideration that needs to be taken into account are tax implications. No family business owner would like to think that upon his/her retirement or death, a good part of the wealth generated will be paid in taxes. Seeking expert tax advice in conjunction with advice on governance issues is key as some avenues are only available if one prepares and plans ahead.

Passion, it's what drives family businesses. It's also what inspires our Family Business Team to help drive the success of these family businesses for years to come.

# Employee engagement is central to talent retention.

**Malcolm Pace Debono**, Director, People & Change Advisory Services, KPMG in Malta  
**Petra Sant**, Manager, People & Change Advisory Services, KPMG in Malta

**An organisation's talent is its greatest asset. It is through its people, that an organisation will be able to achieve its business objectives and reach and maintain its competitive advantage. The past few years have seen business leaders and organisations giving talent more strategic attention.**

Organisations are investing more and more in acquiring and developing their talent. However, are they doing enough to enhance talent retention? Recent talent turnover figures from various organisations across industries suggest that no, organisations are not doing enough.

Strategically managing talent involves anticipating the need and type of talent (human capital) required by an organisation, and then setting a plan to meet that need. An organisation must always be in a position to successfully attract, recruit, develop, and retain talent.

Put simply, organisations must bring people to the door, provide them with the tools and skills necessary to help them develop themselves and the organisation, and most importantly keep them happy and activated in order to not only stop them from leaving, but also to perform better.

Research and practice both show that one of the key factors linked to effectively retaining talent is the emotional bond an employee develops with their employer, i.e. how engaged an employee is with their organisation.

## Highly engaged employees are:

**5x** more committed to helping their company succeed.

**3x** more likely to recommend improvements.

**4x** more likely to recommend their organisation as an employer.

## Disengaged employees are:

**4x** more likely to leave their jobs.

**3x** more likely to be led by disengaged managers.

87% of CEOs recognise that disengagement is the largest threat to their business.

## "Things that get measured get managed."

Employee Engagement involves unlocking employee full potential to drive high performance; capturing employee discretionary effort, the above and beyond effort people could give if they wanted to.

When organisations talk about managing and retaining talent, they should be thinking about what they can do to ensure that an employee feels emotionally linked to their organisation and its goals, to their work and to their leaders, and are therefore highly engaged.

That being said, this emotional bond and high level of engagement is not something that develops overnight. It is a journey that an employee and organisation must embark upon together. The first step in this journey is for an organisation to take stock of their current employee engagement levels. Before moving forward, it is essential that the organisation knows where it stands. It must listen to employees and obtain an understanding of what is driving engagement/disengagement levels in their organisation. By looking at the drivers related to engagement, organisations will get a clearer picture of, and define, what is truly working and what can be improved. This, in turn, will support an organisation in developing an employee engagement strategy that truly nurtures the development of an emotional bond between employee and employer.

### Things that get measured get managed.

The most commonly used means to measure employee engagement is through an online diagnostic tool. However, if organisations want to truly increase retention through engagement, then choosing which

survey to conduct is critical. It is essential that the survey chosen actually does assess what is driving engagement holistically. The KPMG Employee Engagement Plus Index does exactly this. It is a tool that supports organisations in taking stock, and measuring their current engagement levels through an online questionnaire answered by employees.

The unique edge of this tool is that it embraces the fact that engagement is a multifaceted concept and thus, does not measure engagement as a standalone construct, but holistically, also incorporating other scientifically proven drivers of engagement, such as leadership, communication and work commitment. Furthermore, the tool also allows for the evaluation of an organisation's HR management practices that act as a vehicle to achieve employee engagement. Together, all of this uniquely derived data, will provide business leaders and decision makers with invaluable information related to their organisation's strengths, areas for improvement, areas of critical concern, and therefore, ultimately, support the organisation in reaching its final destination, that of a highly engaged workforce.

The KPMG Employee Engagement Plus Index<sup>1</sup> provides for the ideal foundations upon which to build and implement specific and targeted actions that truly work towards increasing employee engagement in organisations. By understanding what is driving or inhibiting engagement, an organisation will be able to treat the root cause of any employee engagement issues, and thus be in a better position to develop a strong emotional bond with employees, subsequently creating an environment that ensures they retain talent that is willing to invest their time and effort in growing and developing the business.

<sup>1</sup> – You may find more information about the KPMG Employee Engagement Plus Index at [www.kpmg.com/mt/eeipi-malta](http://www.kpmg.com/mt/eeipi-malta)



# Navigating between tradition and innovation

**Stephan Piazza**, Manager, Shipping & Yachting Services, KPMG in Malta

**When changes anticipate regulation, the life of professionals, these being lawyers, financial or information technology advisors, is bound to be characterised by the need to face and provide answers to a number of challenges faced by clients in their work or business.**

The expectations of clients have changed considerably over the years, particularly with regards to the time-frame within which solutions are expected to be delivered, often in the form of near-immediate, innovative answers required to the queries posed. Yet, the maritime sector is often described with reference to its natural connection with tradition and the assurance provided by past experience. These characteristics often affect the sector's resilience to change as well as the manner and rapidity with which such change is received, if at all, among industry leaders. An explanation for this may be found through a socio-cultural reading of the context. Compared to other sectors, such as the manufacturing or tourist industries, decisions within the shipping industry are often taken by a restricted human capital resource insulated within a particular jurisdiction with a clear ideological and cultural footprint.

Another fundamental difference between the maritime and other specific sectors, such as those of financial or IT services, arises from the indirect, if not remote, manner in which the shipping industry is perceived when affecting the daily life of the final consumer even when shipping issues manage to attract the concern of the media and/or that of the Lawmaker. To quote

a few recent examples, cryptocurrencies, blockchain technologies and cyber-security issues have notably achieved much attention even over a relatively short period of time. Markets have consequently been forced to evolve and adapt in order to integrate such innovative mechanisms, often in a total unregulated and uncertain scenario. Truly enough, there have also been attempts by certain lawmakers around the world to regulate these new devices even though when this was done the result has produced a clear lack of uniformity. Contrary to such an approach, the maritime cluster is known to welcome changes in a gentler fashion, through conventions which often take several years to come into force, with the risk that even when this happens, the resulting set of rules could even turn out to be technologically outdated (such as in the case of the Ballast Water Convention).

Having said so, it is evident that technological innovations and/or disruptions have revealed the inherent risk of mere reactionary approaches even in the maritime sphere. To quote one example, last year's cyberattack to a worldwide major transport and logistics operator led to a standstill of its fleet operation, shutting down IT systems across multiple sites, leaving dozens of ships stranded all over the world and costing the

*"Challenges are here to stay. What must change is the approach towards them and the manner how the Shipping Industry overcomes them."*

company as much as \$300 million in loss of revenues. It is impellent even for maritime professionals to be willing to embrace innovation or to do so more rapidly. The idea of having unmanned ships sailing around our shores has now become a reality with tests being carried out in the UK and Norway. The use of drones by maritime authorities to monitor greenhouse emissions by ships, or to facilitate the protection of our coasts and seas from spillage or release of noxious substances is yet another recent innovation in the industry. Innovation can be also found in alternative ways of funding shipping activities. Recent years have seen ship-owners shifting from exclusively bank-sourced financing to alternative instruments such IPOs and securitisation vehicles.

#### **Can challenges be predicted?**

Probably not. But we can definitely prevent tsunami waves from suddenly hitting our shores. The polar star can be found in research and education, in diversification of investment and technological approaches and the will to embrace innovation in the new generations of ship owners and third party ship managers.

It is necessary for stakeholders in the industry to appreciate that, being involved in a shipping company does not necessarily mean investing all energies in purely maritime-related assets or in a human capital made only of ship-related persons. Future generations should not be scared to depart from traditional family management models or to recruit the right advisors, particularly in key areas such as Financial Control and Information Technology.

Challenges are here to stay. What must change is the approach towards them and the manner in which the Shipping Industry overcomes them or, at least attempts to do so. Space must be allowed for both reactive and revolutionary minds to work in symbiosis without hindering each other and with the ultimate scope of tackling existing and/or prospective challenges in a more decisive manner, rooted in a learned approach but also free from unnecessary constraints.

# Distributed Ledger Technologies: beyond cryptocurrencies

**Mark Curmi**, Associate Director, Banking Advisory Services, KPMG in Malta  
**Matthew Scerri**, Manager, KPMG Software, KPMG in Malta  
**Trudy Muscat**, Manager, International Tax Advisory Services, KPMG in Malta

**Distributed Ledger Technologies (DLTs) are, at a high level, a digitised form of a traditional ledger. For a ledger to serve its purpose existing records should not be erased or modified, and it needs to be accurate as doing otherwise would be fraudulent.**

Traditional ledgers rely heavily on trusting that the book-keeper, institutions and intermediaries monitoring the relevant activities are being honest and truthful. Yet there have been instances where the trust put in these institutions was abused with ramifications felt globally, such as with the 2007 financial crisis.

The most well-known form of DLT is the Blockchain. Other notable examples include the Tangle and Block-Lattice.

DLTs gained significant prominence throughout 2017, heavily driven by the surging popularity of cryptocurrencies like Bitcoin and their increase in market value throughout the year. 2017 also saw a substantial upsurge in Initial Coin Offerings (ICOs) for organisations to obtain financing much like a traditional IPO, but as ICOs are largely unregulated the whole process becomes quicker and easier. On the flip side, this (currently) unregulated ICO market is also prime prey ground for scams which is why a large number of countries are scrambling to "regulate" them in one shape or another, with Malta taking a prominent and leading role. In fact, towards the end of 2017 the Malta Financial Service Authority (MFSA) issued a consultation document to the public specifically on ICO's, Virtual Currencies (VCs) and related service providers. The purpose of the Consultation document was to present to stakeholders a proposed policy which will be adopted by the Regulator for the creation of a regulatory framework related to ICOs and the provision of certain services (namely intermediaries that act as brokers, exchanges, wallet providers, asset managers, investment advisors and market makers) in relation to VCs that currently fall outside of existing financial regulation.

But where do DLTs fit in all of this? When a DLT is public, anyone with a computer and an internet connection can become an entity (node) that obtains and continuously verifies the ledger, which is why terms like distributed and decentralised are often associated with DLTs. The network is constantly keeping everyone in check and tried-and-tested cryptography provides security. Since users do not have to trust anyone else to ensure validity and accuracy, DLTs are often called trustless technologies.

Blockchain was first invented for Bitcoin so that instead of currencies being backed by governments and central banks, which is what people put trust in for traditional FIAT currencies to function, they become completely independent with no one able to simply create more "tokens" or tamper with previous historic transactions (immutability).

Along came Ethereum, often referred to as Blockchain 2.0, which provides a platform that allows anyone to run their customised "ledgers" on an existing blockchain network. Programmers can code rules that govern their transactions and deploy them on the platform leveraging the trust provided by the underlying Ethereum network. This code is called a Smart Contract, and this is where the potential of DLTs lies.

This means that we can now have Decentralised Applications (DApps). Consider an online market: in a traditional system the intermediaries (such as eBay or Amazon) bring sellers, buyers and other intermediaries (such as PayPal) together and provide confidence due to their reputation to all parties in return for charging fees. In a DApp this process can take place entirely on the DLT with trust transferred onto the network. By eliminating the middleman not only do the fees go down but so does the risk that a middleman gets compromised.

So, are DLTs just about trade and finance? Not by a long shot. Public voting, goods tracking, certifications, compliance mechanisms and digital identity are just some of the applications slowly being disrupted by DLTs. While the technology is still very much in its infancy, it has already been used in Sierra Leone's 2018 presidential elections to provide a "fully transparent and end-to-end verifiable" voting process; companies like IBM are offering businesses the ability to track their supply chain logistics on blockchain ensuring "traceability and transparency"; educational institutions have started issuing certificates in digital format on blockchain, with Malta also announcing that it is undergoing an initiative to follow suit; and the city of Zug in Switzerland has already started to register government-verified citizen IDs on the Ethereum platform. Once the merits of this technology are understood, it is only natural that it will become more prevalent.

In some ways, the state of DLTs today can be compared to the internet in the early-to-mid 90s. Cryptocurrencies have proven how relevant and resilient DLTs are, while also exposing weaknesses such as scalability, something various projects are currently tackling with priority. But one thing is clear: DLTs are here to stay, and just like the internet we will soon be relying on it in its various forms for many things we do.

This is evidenced by the recognition of its importance by governments who are seeking to resolve DLT regulatory and taxation complexities at the earliest, particularly, in the latter case, where DLTs give rise to the generation of income or value, such as upon the issue, creation, exchange or investment of tokens, coins and virtual currencies in general. Malta is at the forefront of developing a framework to clarify the regulation of such business within its jurisdiction. The Government has pronounced itself open to business and is in the process of issuing guidance to enable clarity on the tax treatment of the transactions at play, pending, of course, any harmonised EU action. It has also launched a consultation document presenting a conceptual framework through which DLTs can be subjected to certification in Malta, predominantly driven through the establishment of the Malta Digital Innovation Authority and the introduction of a supporting regime for registration of Technology Services Providers and the certification of Technology Arrangements.

# Extending the ERP capability in the Cloud

**Atul Karn**, Practice Director, KPMG Crimsonwing

**For the past few years, we have witnessed the advent of a new age of information technology – the one which is backed by relatively inexpensive, flexible and on-demand compute resources in the Cloud. Adoption of Cloud has led to a surge in imaginative, often disruptive, solutions that have significantly improved customer service and also at the same time lowered operating costs.**

However, despite the value proposition that Cloud offers, it can be arguably said that the biggest driver for Cloud adoption has been cost. This is especially evident in the domain of Enterprise Resource Planning (ERP). There is however more to Cloud than just the cost savings. ERP applications have come a long way – from being custom built organisation specific applications in the 70s and 80s, to becoming packaged and more standardised in the 90s. ERP vendors made significant investments in developing frameworks for customising these applications. Larger ERP applications had their own programming language, compilers and so on. That model has now changed.

ERP vendors are migrating their offerings to the Cloud, and the applications are being transformed into Managed Services or Software-as-a-Service offerings. This results in the need to standardise the processes, and essentially ‘seal’ the application. Customising ERP and CRM applications is not the recommended model anymore. Vendors like Microsoft are heavily investing in Cloud technologies to create an ecosystem of tools and services that allows partners and customers to create low-cost but high-performing solutions that extend the core ERP capabilities.

Microsoft, for instance, has released various tools for creating connectors to integrate its ERP and CRM products with services in the Azure cloud and from other vendors. Tools such as Microsoft Flow, LogicApps, PowerApps and Common Data Service enable users to create mobile friendly custom workflows and user experiences that can combine data from heterogeneous sources to aid decision-making and enhance productivity.

Microsoft Bot Framework provides a comprehensive package for developing intelligent and scalable bots. Developers can use standard templates for creating basic bots, or they can take it further by combining it with Microsoft Cognitive Services to develop interfaces for language and image processing.

Microsoft have recently launched features based on Cognitive Services. One of such features is Relationship Insights which analyses customer-interaction data from Dynamics 365 CRM and Microsoft Exchange databases, and provides key insights into business relationships and makes suggestions for next actions. Microsoft have also launched similar feature sets for improving customer engagement by suggesting similar cases and similar knowledge articles to the customer services representatives.

Data Sciences is another area that has seen considerable innovation in the recent years. In the past, Data Sciences has generally been a separate workstream in any ERP implementation project. Any decent sized Data Sciences undertaking requires substantial storage and compute power. Often the costs associated with such infrastructure discouraged small and medium enterprises to pursue the initiative. However, we are seeing the gap between transactions and analytics being reduced exponentially. Microsoft have embedded the analytics workspaces and PowerBI visualisations in the core ERP, thus making operations and analytics a single solution. This can still be further integrated with other Azure services to create intelligent solutions for critical business functions such as warehousing tasks, master planning, automated planned purchase orders and so on.

“Robotic Process Automation (RPA) has been deemed as the “shiny new silver bullet” that will be the top focus of investment for operation cost saving goals.”

Another good example of what benefits the Cloud brings to us, is Internet of Things (IoT). Microsoft provides a comprehensive framework for building IoT solutions. The core offering – Azure IoT Suite – can be combined with other services such as Azure IoT Edge, Windows 10 IoT and Microsoft Connected Vehicle Platform, to create solutions for factories, field service, transportation, predictive maintenance and remote monitoring. IoT produces a significant amount of data, which can be an overload for a transactional ERP system. However, the large volume of data can be combined with Data Sciences to analyse and offer only the key inputs to the ERP for decisions around maintenance schedules, production downtime planning, product replenishments and so on.

And finally, no talk about ERP is complete without talking about the core corporate functions of Finance, Procurement and HR. There are many offerings in the market by big and small vendors to improve productivity in these areas. However, the solutions around automation in the corporate services are still very limited. Microsoft Azure Automation services provides the framework to build such automations. Robotic Process Automation (RPA) is a hot topic these days! In a recent study conducted by HfS in conjunction with KPMG, titled “State of Operations and Outsourcing Study 2018”, RPA has been deemed as the “shiny new silver bullet” that will be the top focus of investment for operation cost saving goals. 53% of the Global 2000 are planning significant RPA investments in 2018. This is followed by Cloud, IoT and Analytics. There is great opportunity for software vendors and consultancy firms such as KPMG to create new offerings around RPA. It is aimed at automating high volume, low complexity manual tasks that will not only reduce cost

but also reduce errors. Looking at the Finance function alone, a number of activities from journal entries to cash disbursement and revenue management can be automated to a large extent to improve efficiencies.

KPMG has not only been a part of these studies, but has also been a pioneer in adopting new technologies and going to market with a value proposition based on them. In 2015, KPMG Crimsonwing was the first Microsoft Dynamics partner in the UK to successfully implement the cloud-based Dynamics 365 ERP for TGI Fridays, a well-known international restaurant chain. KPMG Crimsonwing is now in the process of setting up a new business unit for developing Solutions – pre-packaged assets and accelerators for specific functions and industry sectors. We already have an existing solution for Membership organisations, and we are exploring other opportunities, including developing upon our work in Policing. The aim is to grow a business where we work on ideas that leverage Cloud services to develop high-quality products that will extend the core ERP functionalities – as industry specific verticals and also as horizontal solutions for solving specific business problems.

# Disruptive leadership in the digital age

**Pascal Kreukniet**, Practice Director, KPMG Crimsonwing

**Last year Matthew Shearsby spoke about Cloud and Cloud transformations. Cloud to me is already old news now - everybody is using the Cloud, whether they know it or not. Check your phone, Facebook app, LinkedIn app - they are Software as a service in the Cloud. Dropbox and OneDrive are also services offered in the Cloud but these are known as Platform as a Service in the Cloud. So yes, the Cloud is here and it is here to stay.**

What I want to talk about in this feature is disruption in the digital age and how this is affecting the landscape. In the old days, when implementing ERP systems, we used to work for the CFO and it was a CFO driven project. Nowadays it's often the CIO driving these digital transformations. I have been preaching this for a few years now, but the role of the CIO is changing from technical know-it-all to a bridge between the business and IT spheres of the organisation. The CIO is the one who preaches change, leading companies with his or her disruptive leadership skills that has the power to cause a revolution in the business.

Disruption is changing the way people think. The way they think about their job, their tasks and their responsibilities. Disruption can change entire markets. Airbnb doesn't own hotels, yet it is worth more than the Hyatt and Hilton put together. Uber doesn't own cars, yet there is no taxi services provider worth more than them. Deliveroo, doesn't own restaurants. All these companies started off with nothing but a disruptive idea and these players have really disrupted their markets. When you see the above examples, these are all companies based on technology, new technologies, and companies who are the first to take advantage of the afore-mentioned technologies to their fullest extent.

The mantra today should be 'stay up to date with the latest technologies and embrace them'. A few years ago we made our business decisions to invest based on the figures our Finance system produced – such figures are out of date as soon as they are produced. Nowadays, we make investment decisions based on slicing and dicing live data via powerful BI tools. In the near future, with machine learning and robotics we can make better informed decisions about investments before we even know we want to invest. Our data can tell us what to invest, where and when.

The tools to do so are already here, but consumers are not yet ready for all this change. All companies need to go on a journey to change customer experience and within the coming 10 years we will see a lot of big name companies not making the cut, because they do not embark on this digital journey or they will start the journey too late.

We are at the start of a big change in everything we do. The way we work, the way we consume, the way we buy. Some examples:

- Take the car industry, this is changing into a service oriented industry – a subscription to a car.
- Take clothing, clothing sizes will disappear and everything will be customised via 3D printing.
- Take the customer experience – when you walk into a store, everyone will know who you are, your taste and what you have spent at that store in the past, enabling customised recommendations being made.
- Take offices – Do we really need to be in an office to do our work?

It's not easy to be disruptive. Leaders have always been there to help out companies and make them work together to achieve certain set goals.

Of course not every disruption works out and it takes courage to be disruptive. Trial and error is very much in the heart of disruptive leadership. Not all disruptions will be successful. But to make this a success one has to keep trying and not lose sight of his/her goals and success indicators. People within the organisation need to be ready to be disrupted. People don't like change in general and disruption will keep people on their toes.

**"The mantra today should be 'stay up to date with the latest technologies and embrace them.'"**

Sometimes the employees can't keep up with the amount of change; and regular processes are changed too much and people don't know what to do anymore. I also think this is where the different generations clash. The latest generation is all for change and disruption, whilst the older generation is more for order and clarity.

Some people say disruption is a buzz word; I don't believe that. I think it is very much something that has always been there. However, people are more and more inclined to be disruptive. The world is changing at an enormous pace and this is why being disruptive will help. What will be the next big technology helping disruption? I would say Quantum computing, that will be the next one after the internet, GPS, block chain, etc. But also IoT, machine learning and robotics.

At KPMG, we are the front runners of new technology adoption for our clients. When Microsoft announced their Cloud version of AX, we jumped on the bandwagon and before it was even called Dynamics 365 for Operations we already had a client live with it and not just a client, but a household name. After that we got Microsoft Flow and we loved it, then Microsoft gave us Logic Apps and we embraced them. The next thing was the early adopter program for Talent and we jumped on the train as well. Embedded PowerBI on Azure Data Warehouse, we have done it. We have delivered Power BI reports that can work to predict a short term and long term forecast based on Machine Learning.

We have a proven track record in delivering Cloud transformations utilising the latest tools and making our clients future proof. We also believe in long term client relationships, so we will always keep an eye open to see how we can help our customers to be disruptive.





# People & Talent

# Inclusion and diversity

**Adrienne McCarthy**, Head of Human Resources, KPMG in Malta

**Diversity and inclusion is a business and people issue, connected to the sustainability and profitability of our firm, the quality of our relationships with clients and the solutions we provide. It influences our relationships with our people, our clients and our community. Our marketplace and our people are demanding change and we are determined to exceed their expectations in our mission to becoming the Clear Choice on the market.**

**Not only do our clients and our people expect a diverse and inclusive workplace but we also wish to reflect the communities where we live and work and attract and retain talented people from all backgrounds and walks of life.**

## Why diversity matters to KPMG in Malta

Firstly, I believe that inclusion and diversity is personal and you need to find your own story. At KPMG we encourage our people to continually share their stories, even at the beginning of their journey with the firm, in our induction we hold a workshop to share and listen to what inspires our new joiners. This also happens in our daily conversations with our people, in our learning programmes, management development and within networks throughout the firm people are always encouraged to share their stories, background, and their experiences in life.

When I consider inclusion and diversity and think of my own story, having had the opportunity to work and live in 5 different continents and interact and work with many wonderful and different people, I began to think about the notion of inclusion and diversity at a very early stage in my career and it has been a primary motivating factor for the work I do throughout my professional and personal life. Throughout my travels, I have had the opportunity to experience first-hand the emotional impact and behaviours that stem from feeling included, (and sometimes excluded) and the importance of feeling included and connected to the people you work with and the purpose of the firm.

I think back to the beginning of my career at KPMG over 3 years ago, where we had 18 nationalities and 8% of expats and seeing the rapid growth in these figures where today we now have 28 nationalities and 20% of our workforce are expats. One of the things I am proud of, since joining the HR team in KPMG in Malta, is the way in which we have embraced the transformational change required to adjust and maximise the benefits of having a widely diverse workforce. Initially diversity was seen as a challenge for the firm, with having to manage the varying expectations of very diverse groups of people, such as the increased number of talented foreign people who had joined us, the increased number of millennials in our workplace, and the increased number of female participation. Having learned to embrace these changing dynamics, which has now become a reality for most firms operating in the Maltese market, these diverse dynamics have become some of our key positive differentiators in helping us to deliver innovative, robust decision making to our clients and communities. Some of the key differentiators are embedded in the in-depth globally influenced insights we are able to provide to our clients and communities, and the constructive challenge and broad perspectives that we bring to their work.

"KPMG is a place where our people feel empowered and supported to do extraordinary work no matter what background, gender, generation or nationality."

Secondly, I believe inclusion and diversity is about culture not about a series of HR initiatives. It's about how we do things round here. It's about respect with an eye on deliberately changing the way things are clearly linked to the business objectives of our firm. It has required personal leadership across the firm. Our leaders have stepped forward with courage, and have committed to change, and have had to make brave decisions along the way to embrace inclusion and diversity in our workplace.

Role modelling inclusion is something Pierre Zammit, Operations Director at KPMG Crimsonwing thinks about on a daily basis as he promotes flexible working options within his teams. "Being part of the IT industry, the rapid rate at which technology advances has required us to seek out skilled employees from beyond the local labour market. At KCw, we have experienced diversification in our workplace environment first-hand over the years. Motivated by the necessity to remain efficient and competitive in the market despite a skills shortage here in Malta, we were driven to broaden our own horizons. From being essential to our business growth all those years ago, nowadays the presence of over 31 nationalities working together in the office – making up 30% of our work force – provides a richness in perspectives that continues to facilitate our development."

KPMG is a place where our people feel empowered and supported to do extraordinary work no matter what background, gender, generation or nationality. Our strategy is to maximise our diversity of thought through valuing difference, such as gender, ethnicity, disability, sexual orientation and different age groups. These differences are the basis of our strategy. An inclusive culture is one where our behaviours show that we just don't respect difference, we go out of our way to seek out and value different perspectives.



# A few words with...

## Anthony Pace

You started your career in Audit and then moved to Tax, what is it that spurred the move?

**AP:** I joined the firm fresh out of University. As most people do, particularly at the time, I initially joined the Audit department. After four years in Audit I decided I needed a new challenge and began to look at other job opportunities. The day before I was set to leave, I was offered a chance opportunity to work within the Tax department focusing on VAT which was about to be introduced. It was an interesting prospect so I took on the new challenge and the rest is history. I never planned to make a career in tax; it was pure chance.

There have been many exciting developments in the industry over the years, what would be your highlight?

**AP:** Well definitely VAT. Were it not for the introduction of VAT in 2005 I would probably not be in Tax! I still head the VAT function within the firm. The Family Business sector is also something I have gained a huge passion for. Typically queries stem from a tax angle but when we delve deeper there are so many interesting angles such as succession planning and handing over to the next generation. I'd say the Family Business area has given me the most renewed energy daily over the last eight years or so, I love meeting with people and building a rapport. They look to me to help reconcile issues and obviously propose solutions from the most tax appropriate manner. Today I spend most of my time on Family Businesses.

Why did you choose KPMG?

**AP:** The firm, then Joseph Tabone & Co. was one of the largest audit firms but also, two or three of my closest friends at University had just joined the firm.

What do you find the most exciting and the most challenging aspect of what you do?

**AP:** The people aspect, both internal and external. I enjoy teaching and am a lecturer at University and I enjoy passing on what I have learned to my team. I've also learned most of what I know through experience with clients, invaluable lessons beyond textbooks and mere facts and figures.

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

**AP:** As an accountant probably not. Other areas that I may have considered would be Architecture or Catering. I love cooking and am the self-appointed chef at weekends at home. But from a professional aspect, no I don't think so. I don't regret my time in Audit, I learned a lot during my first four years following graduation. Personally I found tax much more engaging, challenging and there is always something new going on in the industry.

Along the way we all encounter challenges and set-backs. What do you think is important to allow someone to move forward?

**AP:** I consider myself to be a very lucky person, both personally and professionally. I have a positive disposition so I would not say there have been many set-backs, challenges yes but not setbacks. In order to keep moving forward you have to keep abreast of developments, changes in the law and regulations. Essentially I believe a positive attitude in life, across spectrums, both at a personal and professional level is key to moving forward and growing.



Innovate. Disrupt. Grow. How can an individual apply that theory to their day to day job?

**AP:** I am constantly faced with different problems, issues, questions, mainly tax driven. I need to constantly come up with new fresh solutions. What was applicable yesterday no longer holds ground today. Before we used to talk about tax efficiency versus tax evasion. Today we talk about tax morality.

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

**AP:** Finishing off our premises and moving to the new offices is certainly high on my list. I am looking forward to settling down. Personally I always aim to continue growing and doing what I have been doing to the best of my ability. Staff and business development always factor in.

Outside of work, what would your greatest passion be?

**AP:** Gardening and cooking. Cooking is a great stress reliever. I tend to spend the first one or two hours on Saturday mornings tending to my garden. Once a year I also factor in a good two week family break away from home, typically in the mountains. I always make it a point to take this time out for some quality family time. I also make it a point to eat dinner together every evening and weekends are strictly family time. Maintaining close contact with my wife and children is of paramount importance to me as they are ultimately the most important people in my life.

Favourite piece of music?

**AP:** I like all types of music. I consider Adele to be my favourite contemporary artist. I am also a fan of classical music, probably thanks to my son who loves the piano and plays daily so there is always some classical music in the background at home. This has probably helped nurture my appreciation for this type of music.

# A few words with...

## Stephen Abela

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Your career with Crimsonwing dates back a number of years, how has the company changed since then?

**SA:** Twenty years ago we were a startup company serving just one client in the UK. Over the years we expanded into Holland and Malta, offering software services in the ERP and E-business domains, as well as taking on custom development work. Nowadays we are part of a global firm serving clients as far as Canada, US and Australia. 30% of our workforce, which is now close to 300 in Malta, is foreign, with specialised professionals coming from all corners of the world. We have grown substantially but equally make big efforts to make everyone feel part of one team.

There have been many exciting developments in the IT industry over the years, what would be your highlight?

**SA:** When I finished my first degree Internet had just started. Today we are living another big shift as business software is moving to the Cloud and presented as a service. Essentially businesses are now hiring software directly from vendors over the Internet. This has big implications, especially on data, but it is the new reality.

You head the Dynamics business stream at KPMG Crimsonwing Malta, what has enabled the company to garner the reputation and success it has in this sector today?

**SA:** We kept embracing the latest developments from Microsoft promptly and investing in training and resources. KPMG has a global strategic alliance with Microsoft so we are always on the forefront working, on the very latest software releases.

What do you find the most exciting and the most challenging aspect of what you do?

**SA:** I feel fortunate to work with a great leadership team and surrounded by many talented and diverse resources. We are taking on big, challenging projects spanning a number of years, but as we succeed our confidence levels keep increasing.

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

**SA:** Maybe but most probably I would have still moved to a leadership position.

Innovate. Disrupt. Grow. How can an individual apply that theory to their day to day job?

**SA:** Firstly we all need to embrace change and continuously develop our abilities to adapt. We would then be able to see opportunities in all challenges that are presented and take advantage of them. Every resource in our company seeks growth and advancement by staying abreast with the latest technologies and creating solutions and products for our clients.

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

**SA:** At work I am aiming to develop our relationship with the KPMG network further. On a personal front I was busy finishing a new home for my family. This year we are taking a break but the year after we will continue on the big project.

Outside of work, what would your greatest passion be?

**SA:** Family first. Then I follow football and play 5-a-side.

Favourite book and piece of music?

**SA:** Bianconeri Juventus Story Book / UEFA Champions League Theme Song!



# Talent spotlight

## Why did you choose KPMG in Malta?



Faye Gauci Grech

**Tax Advisor, Tax Services**

The thing that made KPMG stand out from other firms was KPMG being a big family of professionals working together towards one goal, that of driving the business forward whilst at the same time developing each and every individual to enable them to achieve their full potential.

Since joining the firm, I have received support in every step along the way especially in my University days which was very important to me. From the outset I have been given first hand client responsibility, I have had the opportunity to work with clients in different industries, and on ground breaking projects that you literally hear about on the news.



Georges Xuereb

**Assistant Manager, Accounting Advisory Services**

I chose KPMG because it is a well-known audit firm. I knew it would be a challenging and interesting experience, and that I would learn a lot. Since joining I would say I've learnt something new practically everyday! I have met a lot of interesting people, I have made a lot of connections and formed relationships both inside and outside of the firm. In one word, I would say it's an 'experience'.



Matthew Abela

**Audit Senior, Audit Services**

For myself, KPMG was the obvious choice. To me KPMG has always stood for excellence, and my experience here over the last two years has validated my belief. In my opinion, the firm excels from a people's aspect. The clients are the top notch in the industry which allows us as KPMG employees to work with some of the key players in each and every industry, both locally and internationally.



Ayomi Kuruppu

**Associate Director, Audit Services**

I joined KPMG because I wanted to experience a difference. I wanted to be associated with a firm surrounded by people who are known by name for their excellence and quality. I wanted to take pride in being part of this and grow my career with the firm.

# Talent spotlight

## Why did you choose KPMG Crimsonwing?



Alexia Anastasi

**Senior Business Analyst, Enterprise Apps.**

I joined KPMG Crimsonwing as a business analyst after completing my undergraduate degree. What drew me to KPMG Crimsonwing was the opportunity to work on a diverse range of projects, enabling me to enhance both my technical and analytical skills by being exposed to different business processes and challenges. Working at KPMG Crimsonwing also brought about the opportunity to travel and gain international exposure which I consider a key factor.



Karlston Demanuele

**Senior Technical Architect, Customer Engagement**

I chose KPMG Crimsonwing, 7 years ago. The culture, travel opportunities as well as the number of technologies and quick turn-around products that are handled by the Customer Engagement department were amongst the main reasons I opted to work in this department.



Marco Mizzi

**Senior Analyst Programmer, Custom Apps.**

After nine years working as a software developer in the finance industry, I decided I wanted a new challenge, one that would help expose me to newer and wider opportunities. KPMG Crimsonwing was the natural choice for me. The good reputation the company has, was confirmed to me by friends and acquaintances who work or have worked here. During my time here, I've been involved in a number of projects, acquiring skills and knowledge in a vast range of new technologies.

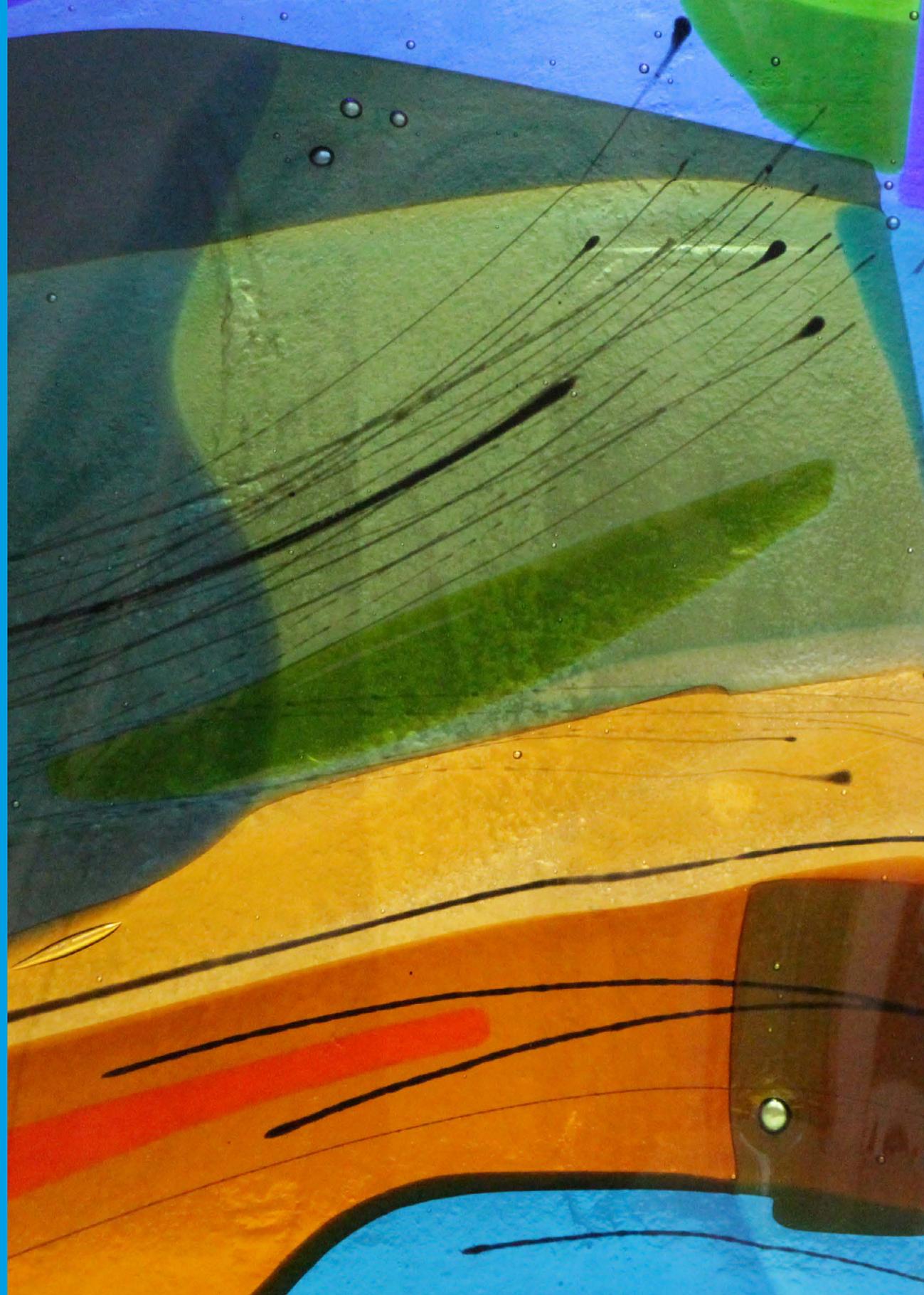


Berdine Pace

**Consultant, Enterprise Apps.**

I joined the company four years ago. KPMG Crimsonwing proved the right place to be. My personal goal was to grow, take new responsibilities and learn as much as possible. I became a certified Microsoft Dynamics Analyst. After some months I was assigned to a new project which proved to be challenging and full of learning prospects. Just what I was looking for. Management listened to what I wanted and saw the progress I was making. Currently I'm a lead consultant on one of the teams and feel very satisfied with the work ethic shown towards me by the company.

# Client Successes



# Gasamamo Insurance Ltd.

outsourcing expertise to optimise efficiency and effectiveness

Gasamamo Insurance Ltd, is one of Malta's leading general insurers with a significant share of the domestic general insurance market, as well as operating under EU Passporting rules in other EU jurisdictions. Being an insurer makes the company a PIE (public interest enterprise) thus demanding tighter governance. In line with this obligation and the desire of the Board and management to meet the highest standards in governance and compliance in general, it was decided that the ideal route to Internal Audit would be to bring in expertise and ensure clear separation between the IA function and the Executive functions. Following an assessment process, the company engaged the services of KPMG to fulfil this important role.

A clear framework and direct line of communication with the Audit Committee provides both the direction and the space within which this critical function is fulfilled. The KPMG team immediately set about getting an overall view of the business and identifying areas for specific attention. A plan of the audit cycles was put in place and implemented.

It is clear that KPMG have built a niche in the level of understanding and fluency with respect to the concepts surrounding insurance, Solvency II and Risk. Detailed analysis of chosen operational areas are scrutinised, evaluated and reported upon by the KPMG team in their role as Internal Auditors. The methodology is both structured and consistent, with reports clearly identifying the observations, categorising them and providing space for management comment. This allows the Audit Committee and subsequently the Board to fully understand the inner workings of the company and ensure that things are being done as intended and to the highest possible standards as outlined in the numerous Company policies.

The company recognises significant value added, through the appointment of KPMG, who clearly draw on a pool of international expertise, having access to outstanding resources on different areas (such as Solvency II, IT and risk management in the insurance sector), as well as the local professional team on the ground. It is for this reason that Gasamamo has retained this strong professional relationship with KPMG which now dates back to 2014.

"It is clear that KPMG have built a niche in the level of understanding and fluency with respect to the concepts surrounding insurance, Solvency II and Risk."

# Hal Mann Vella Group p.l.c.

facilitates its consolidation process

The Hal Mann Vella Group p.l.c. mainly operate in the manufacture of terrazzo, stone, marble and granite. The Group started out as a small tile manufacturing company 60 years ago and has today grown into the leading supplier of bespoke surfaces in Malta. The Group is synonymous with big, successful projects in Malta including Renzo Piano's Valletta City Gate, the House of Four Winds, Smart City, Skyparks, Tigne Point and a number of hotels. The Group also leases two hotels in the North of Malta, and is involved in the rental of property as well as property development and resale.

In May 2017, the Group implemented KPMG's Consolidation Tool to facilitate the consolidation of the Group's subsidiaries. The Group's objectives for implementing this tool were two-fold. Firstly, the Directors wanted to ensure that the Group meets its statutory reporting obligations that is to prepare consolidated financial statements in full compliance with the presentation and disclosure requirements of International Financial Reporting Standards, in the shortest possible timeframes. Secondly, the Directors wanted to leverage the depth of data captured by the Consolidation Tool to provide them with consolidated information of the Group's financial position and performance for internal management reporting purposes at bi-monthly intervals.

This engagement required close collaboration between KPMG and Hal Mann Vella to help KPMG better understand the Group's operations and the intricacies of the different internal financial systems used by the subsidiaries. In the first step of the project KPMG obtained a deep understanding of current management needs and gaps and proposed possible solutions to meet those needs and bridge existing gaps. Thirdly, key decisions were taken by management with respect to the expectations of the outcome of this Tool. A six week project was kicked off to implement it, during which time there were on-going discussions as the Tool was being customised to increase its value-adding utility.

The Group benefited from more frequent internal consolidations as these could now be done internally when and as needed by Group management, and thus also resulted in having recent quantitative group-wide financial information in the hands of management during the year, and not just at the end of the financial reporting period. The Company can now use this data to take important operational decisions.

"KPMG supplied our Group with the consolidation tool necessary for us to effectively prepare and release our periodical consolidated financial statements on time and in terms of up to date Accounting standards. The delivery of this tool was expertly carried out in a short period of time by a team of dedicated professionals."

# Multigas

## roll out a Business Intelligence solution

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Multigas operates mainly in the industrial, food service and healthcare sectors by delivering atmospheric gases, special technical gases and gas related equipment and services. The company was formed in 1986 to take on the gas related business from L.Farrugia and Sons, which had originally entered the sector as early as 1926.

Multigas management felt the need to engage on a Business Intelligence project to address a number of reporting challenges the organisation was facing, including a limited ability to take timely decisions because over time it had accumulated a number of data islands demanding manual and lengthy data refreshes. It was also difficult to handle large volumes of data reports which limited the analytical analysis that could be performed.

The implemented Business Intelligence (BI) solution, based on Microsoft SQL Server and PowerBI, is a custom-built solution that transforms data into actionable intelligence upon which the organisation's strategic and tactical business decisions can be taken. The BI solution offers various benefits such as cross-functional reporting, accessibility from any device, data security, ease of use, and blazing fast data retrieval and analysis capabilities.

Thanks to the implemented BI solution, gone are the days where reports took ages to be compiled. Over 10 years of business data can now be analysed in minutes. And with the aid of PowerBI as an interactive data visualisation tool, such intelligence can immediately be shared with anyone, anywhere. Additionally, end-users can also run analyses and create reports and dashboards themselves, without having to rely on the IT team, hence, embracing a self-service approach to report creation. It is now hard to recall why users had to wait so long to get hold of a new report and this new reality is promoting a proactive approach towards work, within the organisation.

Although the BI solution reads data from various sources, the complexity of the underlying data model is completely transparent to the end users. In addition, irrespective of which measures are required and which attributes are used to slice and dice the data, the results obtained will always be correct. The BI solution offers a simple approach for decision makers to examine data, understand trends and derive valuable insights that was previously not possible.

Furthermore, the automation and standardisation implemented throughout the solution means that data governance is now built-in, thus offering a 'single version of the truth'. Data security management is simplified with the aid of roles that define who has access to what. Subsequently and irrespective of who designed the report or dashboard, end users will only see data which they have permission to access.

The solution allows end users to use both on premise and Cloud data analysis tools, thus providing flexibility. In addition, end users can make use of Microsoft Excel, a tool which they are already acquainted with, allowing them to focus on the analysis rather than on how to use the tool.

The solution provides Business intelligence like never before, allowing end-users to go from data to insights in minutes, using any data, any way and anywhere. It focuses on the Financial and Sales aspects of the business, with enhancements in progress to extend to other areas of the business.

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