PARLAMENT TA' MALTA

IT-TLETTAX-IL LEĠIŻLATURA

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Raymond Scicluna
Skrivan tal-Kamra

Crowe

MALTA TOURISM AUTHORITY

Annual Report
and
Financial Statements
31 December 2018

INDEX

Audit/SG/sb

The Authority Board presents the annual report together with the audited financial statements of the Malta Tourism Authority for the year ended 31 December 2018.

Incorporation and Functions

The Malta Tourism Authority came into effect on 1 September 1999 to promote tourism to Malta and regulate tourism services and operations in Malta as outlined in the Malta Travel and Tourism Services Act (Chap. 409).

As set out in Article 5 of the Malta Travel and Tourism Services Act (Chap. 409), the Authority has the following functions:

(a) to promote and advance Malta as a tourism destination;
(b) to advice Government on tourism operations and to issue licences under this Act;
(c) to monitor, classify and control the licensing of and standards provided in or by the tourism operations;
(d) to contribute towards the improvements of the level of human resources in the tourism industry;
(e) to advise Government on the planning and development of the tourism industry as well as on the infrastructure supporting the tourism industry; and
(f) generally to assist and advise Government on any matter relating to or affecting tourism and to undertake and organise such activities and projects as it may consider appropriate in connection with the performance of its functions.

Performance Review

During the year under review, Malta Tourism Authority received income totaling €72,168,249 (2017: €62,723,865) from the Government, private sector and other sources.

On the other hand, total expenditure, net of the investment income and losses of foreign exchange differences, amounted to €73,200,686 (2017: €62,719,651).

The deficit for the year amounted to €1,032,437 (2017: surplus of €4,214). During the year under review, the effect of foreign exchange differences amounted to a loss of €194,103 (2017: gain of €76,271).

There are not many destinations which can pride themselves with nine successive years of tourism growth, the bulk of which were registered over the past two years. Sustained growth spanning almost a decade is indeed rare in the field of tourism, and when it does occur, it generally starts with a steep curve and eventually levels off. This is not what happened in the case of Malta's tourism performance, where the years 2017 and 2018 saw total annual visitor numbers increase by 634,000 equivalent to 45% of the 1.4 million incremental tourists attracted since 2009.

This is ample proof that Malta's tourism potential continues to be strong, as the international market responds positively to efforts by Government, MTA and industry stakeholder to reposition Malta as a year-round destination of choice featuring a wide range of events, attractions and reasons to visit for all age groups.

Performance Review (continued)

This type of performance is unprecedented in a number of ways. It has seen the gradual growth scenarios of previous years accelerate significantly during 2017 and 2018 whilst continuing to underpin Malta's over-performance of global, European and Mediterranean average growth rates yet again. Formerly a destination which, at best, hoped to start attracting business after its larger competitors filled up, Malta has now changed into one which is a primary destination of first choice growing at a higher rate than most of its competitors.

Maltese tourism is growing bigger and stronger in more ways than one. Apart from volume increases in the number of tourists, the number of overnight stays generated by tourists is also growing, reaching around 18.5 million nights last year. Hotel occupancies registered increases during all months of the year, whilst other non-collective types of tourist accommodation also attracted higher volumes of guests.

The seasonality aspect and the challenges associated with it are being successfully addressed, as evidenced by the fact that during the year under review, the low-season months of November to March grew by 17.4% while the peak months April to October increased by 14.2%. Reduced seasonality makes tourism operations more sustainable and more profitable. This in turn leads to strong reinvestment, in line with Government policy which seeks to upgrade Malta's overall tourism offer through the provision of modernised facilities, attractions and an infrastructure to match.

Moreover, when one looks at the average age of our visitors during the year 2018, the age bracket between 25 to 44 years has increased by 138,000 compared to the year 2017. This is a direct result of MTA's ongoing efforts aimed at making Malta more attractive to younger age groups by repositioning it as a more active, vibrant destination for all ages.

Tourism expenditure, which has a direct impact on the country's GDP and on the economy as a whole, is also on the rise, with expenditure by tourists totalling in excess of 2.1 billion euro last year. It is worth highlighting the fact that expenditure on accommodation booked directly by non-package holidaymakers grew by more than €38 million during 2018, mostly due to a combination of increased tourism overnights and healthier room rates. Tourism expenditure not only stimulates higher consumer expenditure to the benefit of other sectors of the economy, but also stimulates tourism industry investment for better quality and service.

Malta's tourism source markets continue to expand with growth being distributed amongst a range of markets: large and small, near and distant, established and new. The sustained success during the year 2018 is not due to growth in any one single market or region, but to a variety of positive results from a long list of markets. The Western European markets with strongest growth rates are Austria, Spain, France, Germany, the United Kingdom, and Ireland, while impressive growth was also forthcoming from the European markets to our east, mostly from Poland and Hungary. This growth from our continental neighbours was complemented by strong growth from markets further afield, such as Australia and the USA.

When evaluating the year 2018, two important considerations need to be considered. The first refers to the fact that the record growth registered during the year under review took place in spite of the one-off gains registered during the first half of the previous year attributable to Malta's rotational Presidency of the European Council. The year 2018 was also positively impacted by the hosting of the prestigious European Capital of Culture by Valletta which served not only to strengthen Malta's credentials as a cultural destination but also attracted increased volumes of tourists during Valletta's twelve month tenure. It is estimated that tourists visiting Malta motivated by Valletta 2018 accounted for 13.4% or 348,000 of total inbound tourists in 2018, generating around €376 million worth of expenditure. This event also generated a substantial volume of international media coverage which will doubtless continue to derive benefits for the destination in the years to come.

Performance Review (continued)

Besides culture as a motivator to visit Malta, MTA survey data lists other popular leisure segments including sun, visiting friends and relatives, commemorating special occasions such as an anniversary or wedding, wellness, scuba diving and learning English.

Malta's success in sustaining such a positive tourism performance was strongly attributable to the strong expansion in its air connectivity. During the year 2018, Malta continued to improve its international flight connections with the introduction of no less than 22 additional routes from 13 countries operated by 6 different airlines, including our national airline Air Malta.

Meanwhile, indications for the year 2019 are positive and point to continued success on the basis of an ambitious marketing plan spanning five continents, a stronger online presence, improved product facilities and coastal amenities in tourism zones, a rich and enhanced calendar of events, and increased airline seat capacity with a more proactive national airline and other airline partners.

Malta's current and future success as a destination is also built on the premise of sustainability. Collective efforts should continue to focus on maximising seasonal spread, increasing market diversification, attracting visitors who match the destination's offer, and achieving higher rates of economic and social returns. This will ensure that tourism remains a foremost pillar of the Maltese economy and is ultimately, the key to sustaining success.

General Fund

The deficit for the year amounting €1,032,437 was transferred to reserves. The accumulated shortfall at year end increased to €7,937,134 (2017: €6,904,697).

Financial Risk Management

Credit risk

Financial assets which potentially subject the Authority to concentrations of credit risk consist principally of trade receivables, amounts due from related parties and cash at bank. The carrying amounts of trade and other receivables and balances due from related parties are stated net of necessary provisions which have been prudently made against bad and doubtful debts in respect of which management believes that recoverability is doubtful. Credit risk with respect to receivables is limited due to credit control procedures and the large number of operators comprising the Authority's debtor base.

Cash at bank is placed with reliable financial institutions.

Financial Risk Management (continued)

Liquidity risk

Liquidity risk arises in the general funding of the Authority's activities and in the management of positions. It includes the risk that obligations cannot be met as and when they fall due. The Authority monitors and manages its risk of a shortage of funds by appropriate monitoring of its cash and bank balances.

Foreign exchange risk

Foreign currency transactions arise when the Authority purchases services whose price is denominated in a foreign currency, or acquires or disposes of assets, or incurs or settles liabilities, denominated in a foreign currency. Foreign currency transactions comprise mainly transactions in USD, GBP and Swiss Franc.

The risk arising from foreign currency transactions is managed by regular monitoring of the relevant exchange rates, management's reaction to material movements thereto and, where deemed necessary, the use of forward foreign exchange contracts.

Post Balance Sheet Events

There were no particular important events affecting the Authority which occurred since the end of the accounting period.

Future Developments

The board members intend to continue to operate in line with their current plan of operations.

Going Concern

After making enquiries, the board members have a reasonable expectation that the Authority has adequate resources to continue in operating existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing financial statements.

Authority Board

The members of the Malta Tourism Authority who served during the year ended 31 December 2018, and up to the date of this report were:

Dr. Gavin Gulia - Chairman
Mr. Mario Attard
Dr. Francis Agius
Mr. Alan Borg
Mr. Joseph Muscat
Mr. George Micallef
Mr. Kevin DeCesare
Profs. George Cassar
Mr. John Sciberras
Mr. Michael Kamsky
Ms. Angela Fenech – appointed in February 2018

In accordance with the provisions of the Malta Travel and Tourism Services Act (Chap. 409), the Authority Board members are appointed annually at the beginning of the financial year and shall hold office for a period not exceeding three years.

Auditors

The auditors, Horwath Malta, have expressed their willingness to remain in office and a resolution proposing their appointment will put before the members at the annual general meeting.

Approved by the Authority Board and signed on its behalf on 9 May 2019 by:

Dr. Gavin Gulia
Chairman

Mr. Mario Attard
Board Member

Malta Tourism Authority
Building SCM01, Level 3
SmartCity Malta
Ricasoli, SCM 1001
Kalkara
Malta

The Malta Travel and Tourism Services Act (Chap. 409) requires the board members to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Authority and of the income and expenditure of the Authority for that period. In preparing the financial statements, the Authority board members are required to: -

- adopt the going concern basis unless it is inappropriate to presume that the Authority will continue in the business;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

The Authority is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Authority and to enable the board members to ensure that the financial statements have been properly prepared in accordance with The Malta Travel and Tourism Services Act (Chap. 409). This responsibility includes designing, implementing and maintaining such internal control as the Authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Authority is also responsible for safeguarding the assets of the Authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

	Notes	2018 €	2017 €
Revenue	3	**69,941,107**	61,125,096
Other operating income	4	**2,227,142**	1,598,769
Total income		**72,168,249**	62,723,865
Advertising, promotional and marketing expenses		**(62,076,640)**	(51,667,741)
Product planning and development expenses		**(2,200,514)**	(2,843,684)
Staff costs	5	**(6,422,350)**	(6,057,655)
Other operating expenses		**(2,113,528)**	(2,046,254)
Depreciation and amortisation		**(199,080)**	(213,521)
Operating shortfall for the year	6	**(843,863)**	(104,990)
Reimbursement of funds to travellers	7	-	27,218
Realised foreign exchange differences		**(48,850)**	145,496
Unrealised foreign exchange differences		**(145,253)**	(69,225)
Investment income	8	**5,529**	5,715
(DEFICIT)/ SURPLUS FOR THE YEAR		**(1,032,437)**	4,214

Balance Sheet
As at 31 December 2018

	Notes	2018 €	2017 €
ASSETS			
Non-current assets			
Intangible assets	9	-	-
Property, plant and equipment	10	**779,714**	858,441
		779,714	858,441
Current assets			
Trade and other receivables	11	**10,731,950**	5,587,014
Cash and bank balances	12	**5,011,215**	6,018,504
		15,743,165	11,605,518
Total Assets		**16,522,879**	12,463,959
EQUITY AND LIABILITIES			
Capital and reserves			
Capital fund	13	**900,773**	900,773
General fund	14	**(7,937,134)**	(6,904,697)
		(7,036,361)	(6,003,924)
Current liabilities			
Trade and other payables	15	**23,559,240**	18,467,883
Total Equity and Liabilities		**16,522,879**	12,463,959

The financial statements on pages 7 to 22 have been authorised for issue by the Authority Board Members on 9 May 2019 and were signed on its behalf by:

Dr. Gavin Gulia
Chairman

Mr. Mario Attard
Board Member

	Capital Fund €	General Fund €	Total Equity €
At 1 January 2017	900,773	(6,908,911)	(6,008,138)
Surplus for the year	-	4,214	4,214
At 31 December 2017	**900,773**	**(6,904,697)**	**(6,003,924)**
At 1 January 2018	900,773	(6,904,697)	(6,003,924)
Deficit for the year	-	(1,032,437)	(1,032,437)
At 31 December 2018	**900,773**	**(7,937,134)**	**(7,036,361)**

	Notes	2018 €	2017 €
Cash flows from operating activities			
(Deficit)/surplus for the year		**(1,032,437)**	4,214
Adjustment for:			
Depreciation		**199,080**	205,608
Amortisation of intangible assets		**-**	7,913
Unrealised exchange differences		**145,253**	69,225
Provision for bad and doubtful debts		**31,894**	(11,608)
Gain on disposal of property, plant and equipment		**-**	(7,913)
Change in fair value of held for trading investment		**-**	(186)
Interest income		**(5,529)**	(5,529)
		(661,739)	261,724
Change in trade and other receivables		**(3,671,200)**	(305,507)
Change in trade and other payables		**4,940,474**	2,172,207
Net cash generated from operating activities		**607,535**	2,128,424
Cash flows from investing activities			
Interest received		**5,529**	5,529
Acquisition of property, plant and equipment		**(120,353)**	(814,499)
Proceeds from sale of property, plant and equipment		**-**	13,754
Proceeds from disposal of investment		**-**	70,185
Net cash used in investing activities		**(114,824)**	(725,031)
Cash flows from financing activities			
Advances to related parties		**(1,500,000)**	(1,500,000)
Net cash used in financing activities		**(1,500,000)**	(1,500,000)
Net decrease in cash and cash equivalents		**(1,007,289)**	(96,607)
Cash and cash equivalents at beginning of year		**6,018,504**	6,115,111
Cash and cash equivalents at end of year	12	**5,011,215**	6,018,504

1. Basis of Preparation

Basis of measurement and statement of compliance

The financial statements of Malta Tourism Authority ("the Authority") have been prepared in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations ("GAPSME"). The financial statements have been prepared on the historical cost basis.

Functional and presentation currency

The financial statements are presented in Euro, which is the Authority's functional currency.

2. Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Intangible assets

Acquired intangible assets – computer software and website

An acquired intangible asset is recognised only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Authority and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost, comprising its purchase price and any directly attributable cost of preparing the asset for its intended use.

Intangible assets are subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated to write down the carrying amount of the intangible asset using the straight-line method over its expected useful life. Amortisation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) or the date that the asset is derecognised.

The amortisation of intangible assets is based on a useful life of 3 years and is charged to profit or loss.

Amortisation method, useful life and residual value

The amortisation method applied, the residual value and the useful life are reviewed on a regular basis and when necessary, revised with effect of any changes in estimates being accounted for prospectively.

Derecognition of intangible assets

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains and losses arising from derecognition represent the difference between the net proceeds (if any) and the carrying amount and are included in the surplus or shortfall in the period of derecognition.

2. Significant Accounting Policies (continued)

Property, plant and equipment

Recognition and measurement

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that the future economic benefits that are associated with the asset will flow to the Authority and the cost can be measured reliably. Property, plant and equipment are initially measured at cost comprising the purchase price, any costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the item and restoring the site on which it is located. Subsequent expenditure is capitalised as part of the cost of property, plant and equipment only if it is enhances the economic benefits of an asset in excess of the previously assessed standard of performance, or it replaces or restores a component that has been separately depreciated over its useful life.

After initial recognition, property, plant and equipment may be carried under the cost model, that is at cost less any accumulated impairment losses, or under the revaluation model, that is at their fair value at the date of the revaluation less any accumulated depreciation and any accumulated impairment losses.

After initial recognition, property, plant and equipment are carried under the cost model.

Depreciation

Depreciation is calculated to write down the carrying amount of the asset on a systematic basis over its expected useful life. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) or the date that the asset is derecognised. The depreciation charge for each period is recognised in the income statement.

The depreciation rates charged are as follows:

	%
Motor vehicles	20 per annum straight line
Fixtures, fittings and office equipment	20 per annum straight line
IT equipment	33.3 per annum straight line
Improvements to buildings	10 per annum straight line

Depreciation method, useful life and residual value

The depreciation method applied, the residual value and the useful life are reviewed on a regular basis and when necessary, revised with effect of any changes in estimate being accounted for prospectively.

2. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

Derecognition of property, plant and equipment

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains and losses arising from derecognition represent the difference between the net proceeds (if any) and the carrying amount and are included in the surplus or shortfall in the period of derecognition.

Financial assets, financial liabilities and capital fund

A financial asset or a financial liability is recognised on the Authority's balance sheet when the Authority becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recognised at their fair value plus in the case of financial assets and financial liabilities not classified as held for trading and subsequently measured at fair value, transaction costs attributable to the acquisition or issue of the financial assets and financial liabilities.

Financial assets and financial liabilities are derecognised if and to the extent that, it is no longer probable that any future economic benefits associated with the item will flow to or from the Authority.

An equity instrument is any contract that evidences a residual interest in the assets of the Authority after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

A financial instrument, or its component parts, is classified as a financial liability, financial asset or an equity instrument in accordance with the substance of the contractual arrangement rather than its legal form.

i. Trade and other receivables

Trade and other receivables are stated at their nominal value unless the effect of discounting is material in which case trade and other receivables are measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in the surplus or shortfall when there is objective evidence of impairment.

ii. Trade and other payables

Trade and other payables are stated at their nominal value unless the effect of discounting is material, in which case trade and other payables are measured at amortised cost using the effective interest method.

2. Significant Accounting Policies (continued)

Impairment

The Authority's property, plant and equipment, intangible assets and financial assets, are tested for impairment.

i. Property, plant and equipment and intangible assets

The carrying amounts of the Authority's property, plant and equipment and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised and the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised immediately in profit or loss, unless they relate to an asset which is carried at revalued amount, in which case they are treated as a revaluation decrease to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that asset.

The carrying amounts of the Authority's assets are also reviewed at each balance sheet date to determine whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss previously recognised is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Impairment reversals are recognised immediately in the profit or loss, unless they relate to an asset which is carried at revalued amount, in which case they are treated as a revaluation increase unless an impairment loss on the same asset was previously recognised in the income statement.

ii. Financial assets

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost or cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The reversal does not result in a carrying amount of the financial asset that exceeds what the amoritsed cost/cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement.

2. Significant Accounting Policies (continued)

Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term investments that are held to meet short-term cash commitments rather than for investment or other purposes.

Income recognition

Revenue comprises the fair value of the consideration received or receivable in the normal course of business, net of value added tax and discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Authority and these can be measured reliably.

Revenue is recognised as follows:

i. Government contribution income

Government contribution income is recognised when there is reasonable assurance that all the conditions attaching to it are complied with and the contribution will be received.

Government contribution income is recognised in the income statement over the periods necessary to match it with the related costs which it is intended to compensate, on a systematic basis.

ii. Private sector contribution income

Revenue from the private sector is recognised in accordance with the provisions of L.N. 125 of 2002 (Fees (Tourism) Regulations 2002) which detail the amount that is to be invoiced to the various entities that benefit from tourism.

iii. Interest income

Interest income is recognised when the inflow of economic benefits associated with the transaction is probable and the amount of income can be measured reliably. Interest income is recognised on an accrual or time proportion basis.

Employee benefits

The Authority contributes towards the state pension in accordance with local legislation. The only obligation of the Authority is to make the required contributions. Costs are expensed in the period in which they are incurred.

2. Significant Accounting Policies (continued)

Foreign currencies

Transactions denominated in foreign currencies are converted to the functional currency at the rates of exchange ruling on the dates on which the transactions first qualify for recognition. Monetary assets and monetary liabilities denominated in foreign currencies at balance sheet date are translated at year end closing rates of exchange. Any exchange differences arising on the settlement of monetary assets and monetary liabilities, or on translating foreign denominated monetary assets and liabilities at the balance sheet date at rates different from those at which they were previously translated, are recognised in the income statement.

Taxation

The Authority is exempt from income tax in accordance with Article 11 of the Malta Travel and Tourism Services Act (Chap. 409).

3. Revenue

	2018	2017
	€	€
Government of Malta contribution	**61,999,988**	58,499,982
Malta International Airport plc contribution	**6,132,937**	832,937
Other operators contribution	**1,808,182**	1,792,177
	69,941,107	61,125,096

4. Other Operating Income

	2018	2017
	€	€
Marketing income	**1,088,988**	1,100,233
Beach concession income	**530,434**	343,746
Other income	**607,720**	154,790
	2,227,142	1,598,769

5. Staff Costs and Employees Information

	2018 €	2017 €
Board members' remuneration	**115,403**	55,457
Key management personnel remuneration	**487,806**	481,909
Wages and salaries	**5,482,846**	5,217,981
Social security contributions	**336,295**	302,308
	6,422,350	6,057,655

The average number of persons employed by the Authority during the year was as follows:

	2018 No	2017 No
Full time employees	**161**	154
Part time employees	**15**	17
	176	171

6. Operating Shortfall for the Year

The operating shortfall is stated after charging:

	2018 €	2017 €
Board members' remuneration	**115,403**	55,457
Key management personnel remuneration	**487,806**	481,909
Depreciation of property, plant and equipment	**199,080**	205,608
Amortisation of intangible assets	-	7,913
Auditors' remuneration	**3,250**	3,250

7. Reimbursement of Funds to Travellers

Prior to 2016, a travel agent operator has gone bankrupt and various travellers had already booked their holidays with such travel agent prior to bankruptcy. However, the operator could not perform his relevant service as a consequence of insolvency. Hence, in 2016, it was agreed that the Malta Tourism Authority reimburse such travellers. The amount that was estimated to be reimbursed to travellers was €400,000.

The actual amount of funds that were reimbursed to travellers during the year 2017 was €409,430. Hence an amount of €9,430 has been further claimed by travellers than the amount that was provided for in this respect during the previous year.

7. Reimbursement of Funds to Travellers (continued)

On the other hand, an amount of €37,355 has not been cashed by travellers and as such this has been recorded, net of the €9,430 further claims received, as income in the income statement during the year 2017.

8. Investment Income

	2018 **€**	2017 €
Interest income on bank deposits	**5,529**	5,529
Change in fair value of held for trading investment	-	186
	5,529	5,715

9. Intangible Assets

	Website **€**	**Software** **€**	**Total** **€**
At 1 January 2018 and 31 December 2018			
Cost	253,284	231,423	484,707
Accumulated amortisation	(253,284)	(231,423)	(484,707)
Net book amount	-	-	-

10. Property, Plant and Equipment

	Improvements to Buildings €	Furniture, Fixture & Office Equipment €	Motor Vehicles €	IT Equipment €	Total €
At 1 January 2018					
Cost	649,226	648,849	187,700	1,300,035	2,785,810
Accumulated depreciation	(64,923)	(493,435)	(187,700)	(1,181,311)	(1,927,369)
Net book amount	**584,303**	**155,414**	**-**	**118,724**	**858,441**
Year ended 31 December 2018					
Opening net book amount	584,303	155,414	-	118,724	858,441
Additions	1,551	57,603	-	61,199	120,353
Disposals	-	-	-	(26,795)	(26,795)
Depreciation charge	(65,078)	(45,442)	-	(88,560)	(199,080)
Depreciation charge released on disposals	-	-	-	26,795	26,795
Closing net book amount	**520,776**	**167,575**	**-**	**91,363**	**779,714**
At 31 December 2018					
Cost	650,777	706,452	187,700	1,334,439	2,879,368
Accumulated depreciation	(130,001)	(538,877)	(187,700)	(1,243,076)	(2,099,654)
Net book amount	**520,776**	**167,575**	**-**	**91,363**	**779,714**

11. Trade and Other Receivables

	2018	2017
	€	€
Trade receivables (Note *i*)	**260,034**	335,250
Amounts owed by related parties (Note *ii*)	**5,495,571**	4,013,376
Prepaid expenses and accrued income	**4,623,587**	896,855
Other receivables (Note *iii*)	**352,758**	341,533
	10,731,950	5,587,014

i. Trade receivables are stated net of provision for impairment losses of €1,006,498 (2017: €996,650).

ii. Amounts owed by related parties are stated net of provision for impairment losses of €46,012 (2017: €32,655). This amount is unsecured and interest free. They are expected to be realised within twelve months after the end of the reporting period.

iii. Other receivables are stated net of provision for impairment losses of €157,538 (2017: €148,849).

12. Cash and Cash Equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2018	2017
	€	€
Cash at bank and in hand	**5,011,215**	6,018,504

13. Capital Fund

Part of the capital fund (€300,773) represents the surplus on the valuation of the tangible assets taken over by the Authority from NTOM in 1999 as well as the valuation of the tangible assets of the overseas offices.

The other remaining funds (€600,000) relates to expenses in connection with the relocation of Malta Tourism Authority offices from the old premises in Valletta to the new premises in Smart City.

14. General Fund

The general fund represents accumulated surpluses and shortfalls.

15. Trade and Other Payables

	2018	2017
	€	€
Trade payables	**7,993,965**	3,964,018
Amounts due to related parties	**979,843**	46,609
Accrued expenses	**13,613,298**	14,210,910
Indirect taxation payable	**451,290**	246,346
Other payables	**520,844**	-
	23,559,240	18,467,883

As per subsidiary legislation 409.18, 'Package Travel Insolvency Fund Regulations,' the Insolvency Fund Managing Board shall set up a fund, which fund shall be used to reimburse travellers in case that a travel agent operator goes bankrupt. The amount of the other payables incorporates the funds deposited in the Insolvency Funds bank accounts. Such funds are administered by the Authority, however, the Authority cannot use the funds for its' operations.

Amounts due to related parties are unsecured and interest free. They are expected to be settled within twelve months after the end of the reporting period.

16. Related Party Transactions

Parties are considered to be related if one party has the ability directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Transactions with members of the board

Transactions with members of the board are included in note 5 to these financial statements.

Transactions with related parties

	Transaction value for the year ended 31 December		Balance outstanding as at 31 December	
	2018	2017	**2018**	2017
	€	€	€	€
Revenue				
Related parties	**68,593,030**	60,062,999	**557,318**	561,766
Expenditure				
Related parties	**19,295,405**	13,667,969	**(979,843)**	(46,609)
Finance transactions				
Advances to related parties	**(1,500,000)**	(1,500,000)	**4,984,265**	3,484,265

17. Contingent Liability

The Authority is currently defending in Court a number of claims or legal proceedings which might lead to liabilities falling due which, owing to their very special nature, cannot be reasonably quantified. Based on information available to the Authority no current claims or legal proceeding are deemed to be exceptional or which could lead to a significant liability falling on the Authority and therefore no new provision for any claims or legal proceedings was deemed necessary at the end of the reporting period.

With respect to the one pending lawsuit that is against the Authority, the plaintiff company was never in a position to provide an estimate of the liability since at no point during the proceedings did the plaintiff company indicate an estimate sum of damages which it believe it is entitled to.

18. Comparative Figures

Comparative figures disclosed in the main components of these financial statements have been reclssified to conform with the current year's disclosure format for the purpose of compliance with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, Legal Notice 289 of 2015.

Crowe

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INDEPENDENT AUDITOR'S REPORT
To the Members of the Malta Tourism Authority

Report on the Audit of the Financial Statements

We have audited the financial statements of Malta Tourism Authority (the "Authority"), set out on pages 7 to 22 which comprise the balance sheet as at 31 December 2018, the income statement, statement of changes in equity and cash flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the balance sheet of the Authority, as at 31 December 2018 and of its financial performance for the year then ended in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-sized Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations (GAPSME) and have been prepared in accordance with the requirements for the Malta Travel and Tourism Services Act (Chap 409).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Authority in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board Members are responsible for the other information. The other information comprises the Board Members' report. Our opinion on the financial statements does not cover this information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work we have performed, in our opinion the information given in the Board Members' report for the financial year which the financial statements are prepared is consistent with the financial statements.

In addition, in light of the knowledge and understanding of the Authority and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Board Members' report. We have nothing to report in this regard.

Responsibilities of the Board Members

The board members are responsible for the preparation of the financial statements that give a true and fair view in accordance with GAPSME, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board members are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board members either intend to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board members.

- Conclude on the appropriateness of the board members' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

Crowe

Auditor's Responsibilities for the Audit of the Financial Statements

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been properly prepared in accordance with the Malta Travel and Tourism Services Act (Chap. 409), enacted in Malta, which permits compliance with the Accountancy Profession (General Accounting Principles for Small and Medium – sized Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations (GAPSME), for qualifying entities as prescribed in those regulations.

John Abela (Partner) for and on behalf of

Horwath Malta
Member Crowe Global

La Provvida
Karm Zerafa Street
Birkirkara BKR1713
Malta

9 May 2019

SCHEDULE

1. Advertising, promotional and marketing expenses
2. Product planning and development expenses
3. Other operating expenses

MALTA TOURISM AUTHORITY **Schedule 1**
Advertising, Promotional and Marketing Expenses
For the year ended 31 December 2018

	2018	2017
	€	€
Route development international marketing	**37,381,865**	32,680,413
Strategic support	**3,791,240**	4,301,168
Representative offices	**642,874**	402,210
Conventions	**1,137,180**	1,115,635
Fairs	**1,075,822**	856,336
Familiarisation	**709,523**	898,777
Events	**5,993,630**	2,017,656
Promotional items	**7,851**	9,361
Other advertising and public relations	**11,336,655**	9,386,185
	62,076,640	51,667,741

MALTA TOURISM AUTHORITY **Schedule 2**

Product Planning and Development Expenses
For the year ended 31 December 2018

	2017	2018
	€	€
Tourism zone management expenses	**739,934**	1,184,017
Project management expenses	**1,135,580**	1,659,667
Tourist information offices expenses	**325,000**	-
	2,200,514	2,843,684

MALTA TOURISM AUTHORITY **Schedule 3**
Other Operating Expenses
For the year ended 31 December 2018

	2018	2017
	€	€
Audit fee	**3,250**	3,250
Consultancy fees	**159,532**	152,083
Hospitality	**6,849**	11,569
Insurance	**23,586**	30,688
Bank charges	**43,748**	17,278
Maintenance	**114,714**	114,341
Motor vehicle expenses	**170,323**	139,250
Office expenses	**158,619**	174,909
Cleaning and consumables	**48,006**	35,849
IT expenses and consumables	**125,205**	171,897
Rental of equipment	**7,878**	7,096
Travelling	**214,975**	180,775
Rent	**497,845**	511,181
Staff development	**17,338**	15,093
Subscriptions	**76,630**	81,215
General expenses	**71,148**	100,939
Telecommunications	**109,881**	99,867
Water and electricity	**48,113**	43,285
Research activities	**104,477**	87,950
Bad debts written off	-	17,878
Provision for doubtful debts	**31,894**	(11,608)
Other expenses	**79,517**	61,469
	2,113,528	2,046,254