

**MOLDOVA SOCIAL INVESTMENT FUND**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**for the year ended 31 December 2015**

**CHISINAU  
March 2016**

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## THE BOARD OF THE MSIF

### **The Chairman**

Filip Pavel Prime-minister

### **Vice-Chairman**

Copaci Tudor Secretary general of the Government

### **Members**

Galbur Andrei Vice Prime-minister, Minister of Foreign Affairs and Integrations with Europe

Brega Gheorghe Vice Prime-minister

Calmîc Octavian Minister of the Economy

Rmaşu Octavian Minister of the Finance

Cebotari Vladimir Minister of Justice

Jizdan Alexandru Minister of Internal Affairs

Şalaru Anatolie Minister of Defense

Bîtca Vasile Minister of Territorial Development and Construction

Chirinciuc Iurie Minister of Transportation and Road Infrastructure

Munteanu Valeriu Minister of Environment

Babuc Monica Minister of Culture

Glavan Ruxanda Minister of Healthcare

Zubcu Victor Minister of Youth and Sport

Botnari Vasile Minister of Information Technology and Communication



# "ՍՕՍ-ԱՈՒԴԻՏ" ՍՊԸ "SOS-AUDIT" LTD

## INDEPENDENT AUDITOR'S REPORT

*On the financial statements of Moldova Social Investment Fund  
for the year ended 31 December 2015*

*To the Management of the Moldova Social Investment Fund*

We have audited the accompanying financial statements of the Moldova Social Investment Fund (the MSIF), which comprise the statement of cash flows for the year ended 31 December 2015, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

The management of the MSIF is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standard: *Financial Reporting Under the Cash Basis of Accounting*, (IPSAS-Cash Basis) issued by the International Public Sector Accounting Standards Board (IPSASB) within the International Federation of Accountants (IFAC), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs) as issued by International Auditing and Assurance Standards Board (IAASB) within the IFAC. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain reasonable audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 internal control.



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## "SOS-AUDIT" LTD

An audit also includes the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Opinion*

In our opinion, the financial statements present fairly in all material respects the cash flows of the Moldova Social Investment Fund for the year ended in accordance with the IPSAS-Cash Basis.

"SOS-Audit" LLC  
11 March 2016

  
Manvel Ghazaryan  
Director



  
Gnel Khachatryan, FCCA  
Auditor

## STATEMENT OF CASH FLOWS

*Moldova Social Investment Fund  
As at 31 December 2015*

	Note	Year ended 31.12.2014 MDL	Year ended 31.12.2015 MDL
<b>TOTAL OPENING CASH</b>	4	<b>39,400,832</b>	<b>400,419,028</b>
<b>Funds received</b>	5		
WB (PHRD)		3,685,725	5,730,540
KfW		32,052,955	9,869,409
Romania Government (Project RO-1)		377,540,303	-
Romania Government (Project RO-2)		56,018,100	-
Other donors		9,425,338	40,859
Government of Moldova		2,444,000	3,167,558
Community Contributions		18,289,432	10,260,015
<b>TOTAL</b>		<b>499,455,853</b>	<b>29,068,381</b>
<b>Other Income</b>	10	<b>2,032,804</b>	<b>974,020</b>
<b>Project Expenditures</b>	6		
“PHRD Technical Assistance for the Integration of Children with Disabilities into Mainstream Schools” Project (“PHRD”)		875,150	4,637,148
“Social Infrastructure and Energy Efficiency” Project (“KfW”)		35,683,551	14,489,350
“Technical and Financial Programme for preschool institutions in Moldova” Project ( <i>Romanian Government, “RO-1”</i> )		69,904,173	286,059,822
“Increasing of children access and participation to the early education in the Republic of Moldova” ( <i>Romanian Government, “RO-2”</i> )		-	9,513,311
Other projects (UNICEF, UE, FSP,..)		33,482,982	10,582,348
<b>TOTAL PROJECT EXPENDITURES</b>		<b>139,945,856</b>	<b>325,281,979</b>
<b>Other expenditures</b>		<b>(362,493)</b>	<b>(902,577)</b>
<b>Other inflows/(outflows)</b>	11	<b>(1,630,605)</b>	<b>(43,697,595)</b>
<b>Payments for property and equipment</b>	7	<b>(170,304)</b>	<b>(1,750,581)</b>
<b>Foreign currency gain/(loss)</b>	13	<b>1,638,797</b>	<b>35,283,540</b>
<b>TOTAL CLOSING CASH</b>	4	<b>400,419,028</b>	<b>94,112,237</b>

*The financial statements were approved by the management of the Moldova Social Investment Fund on 11 March 2016 and signed on its behalf. The accompanying notes form an integral part of the financial statements.*



**Mircea Esanu**  
MSIF Executive Director

**Ludmila Nita**  
MSIF Financial Director

## NOTES TO THE PROJECT FINANCIAL STATEMENTS

*Moldova Social Investment Fund  
As at 31 December 2015*

### **1. General information**

#### ***1.1. The Organization and its operations***

The Moldova Social Investment Fund (the MSIF) has been established by a Decree of the Government of Moldova N 468 dated 19 May 1997 as an autonomous public institution. The Board, chaired by the Prime Minister of the Republic of Moldova, is a supreme governing body of the MSIF.

The Moldova Social Investment Fund state registration code is 1008601001382.

The major projects implemented by MSIF since its incorporation includes (the Projects):

- Moldova Social Investment Fund Project;
- Social Infrastructure and Energy Efficiency Project;
- Technical and Financial Programme for preschool institutions in Moldova Project.

The Projects financing was provided by the Government of the Republic of Moldova through funds received from international donors, the largest creditor being:

- World Bank (with its partner organizations: IDA, IBRD, EBRD, JSDF, PHRD, SIDA);
- German Development Bank (KfW),
- Romania Government.

The Projects co-financing was provided by:

- Government of the Republic of Moldova,
- Local/Benefited Communities,
- Other international donor organizations.

The address of the registered office of the MSIF is 124, Stefan cel Mare str., Chisinau, Republic of Moldova.

## 2. Accounting policy

### 2.1 Preparation and presentation of financial statements

The financial statements are prepared in accordance with the International Public Sector Accounting Standard: *Financial Reporting Under the Cash Basis of Accounting* (IPSAS-Cash Basis), issued by the International Public Sector Accounting Standards Board (IPSASB) within the International Federation of Accountants (IFAC).

The Management policy is to prepare and present financial statements under the cash basis of accounting, which recognizes transactions and events only when cash (including cash equivalents) are received or paid by the entity.

Financial Statements prepared under the cash basis provide readers with information about the sources of cash raised during the period, the purpose for which cash was used and the cash balances at the reporting date.

### 2.2. Functional and presentation currency

The MSIF's functional currency is the national currency of the Republic of Moldova, Moldavian Lei (MDL). The presentation currency of these financial statements is MDL, with additional information related to transactions with donors shown in United States dollars (USD), Euro (EUR) or other relevant foreign currency.

### 2.3. Foreign currency transactions

Foreign currency is a currency other than the functional currency of the MSIF: MDL. Transactions in foreign currencies are translated to functional currency at exchange rates at the dates of the transactions. Settlement rate of foreign currency over functional currency established by the National Bank of the Republic of Moldova (NBM) is taken as the exchange rate.

The MSIF's accounts are maintained and transactions are made in MDL, EUR and USD. Transactions denominated in foreign currency are translated into MDL as follows:

- Contributions of the donors as well as payments to contractors and suppliers in foreign currency are presented in MDL at the conversion rate applied by the NBM for foreign currency exchange to the local currency at the date of transfer.
- As at reporting date, grant receivable balances and cash balances denominated in the currencies other than MDL are translated into MDL at the exchange rate established by NBM at that date.
- Transaction and translation exchange rate differences (gain/loss) are reflected in the financial statements as separate item.

The exchange rate defined by the NBM is follows:

Foreign currency	As at 31.12.2015	As at 31.12.2014	MDL annual inflation %
USD	19.6585	15.6152	21%
EUR	21.4779	18.9966	12%

## **2.4. Taxes**

According to tax code of the Republic of Moldova, all the goods and services designed for the implementation of MSIF sub-projects are to be delivered/rendered with application of zero VAT.

Income taxes for personnel and for long-term consultants as well as the social and medical charges are paid in conformity with the Grant Agreements.

## **2.5. Accounting System**

MSIF has adequate written statements and explanations of its accounting policies and procedures such as:

- Chart of accounts,
- Specification of accounting records,
- Accounting procedures and the required supporting documents,
- Assignment of responsibilities and delegation of authority,
- Documentation and approval requirements for recording transactions and making journal entries.

## **2.6. Internal Control System**

MSIF internal control system is able to ensure that financial records are reliable and complete. In particular, the internal control system ensures proper recording and safeguarding of assets and resources, adherence to financial management policies and orderly and efficient conduct of operations.

## **2.7. Property and equipment**

Property and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required. Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of property and equipment items are capitalized and the replaced part is retired.

Depreciation is calculated on a straight-line basis in accordance with the following annual depreciation rates :

Office renovation	20%
Vehicles	20%
Computer equipment	30%
Office furniture	20%

### 3. Statement of Financial Position

The Statement of Financial Position discloses assets, liabilities and net assets of the Projects as at reporting date. It is prepared in accrual basis that is transactions are recognized when they occur (and not only when cash is received or paid).

	Note	As at 31.12.2014 MDL	As at 31.12.2015 MDL
<b>ASSETS</b>			
Cash	4	400,419,028	94,112,237
Grants receivable	5	75,653,699	74,282,376
Other receivables	11	1,630,605	45,328,200
Advances to contractors	8	3,531,804	50,700
Property and equipment	7	153,273	1,646,380
<b>Total assets</b>		<b>481,388,409</b>	<b>215,419,893</b>
<b>LIABILITIES</b>			
Payables to contractors	9	14,777,546	21,583,590
Grants	5	450,118,971	186,490,814
<b>Total liabilities</b>		<b>464,896,517</b>	<b>208,074,404</b>
<b>NET ASSETS</b>	12	<b>16,491,892</b>	<b>7,345,489</b>

### 4. Cash

Project	Account	Currency of Account	31.12.2014	31.12.2015
			MDL	MDL
PHRD Technical Assistance for the Integration of Children with Disabilities into Mainstream Schools	Designated Account	USD	2,976,179	4,914,254
		MDL	3	92
<b>Subtotal (PHRD)</b>			<b>2,976,182</b>	<b>4,914,346</b>
Social Infrastructure and Energy Efficiency	Designated account	EUR	6,461,010	6,806,324
		MDL	83	39
	Cofinancing account	MDL	6,239,100	1,795,374
<b>Subtotal (KfW)</b>			<b>12,700,193</b>	<b>8,601,737</b>
RO-1, Technical and Financial Programme for preschool institutions in Moldova	Designated account	EUR	307,007,958	12,210,306
		MDL	48,005	2,324,117
	Cofinancing account	MDL	3,627,154	2,113,702
<b>Subtotal (RO-1)</b>			<b>310,683,117</b>	<b>16,648,125</b>
RO-2, Increasing of children access and participation to the early education in the Republic of Moldova	Designated account	EUR	56,998,231	55,693,169
		Cofinancing account	MDL	696,752
<b>Subtotal (RO-2)</b>			<b>57,694,983</b>	<b>57,579,581</b>
MSIF generated accounts	Interest account	MDL	15,724,621	6,368,019
	Other	MDL	639,932	429
<b>Subtotal (MSIF-generated)</b>			<b>16,364,553</b>	<b>6,368,448</b>
<b>TOTAL CASH</b>			<b>400,419,028</b>	<b>94,112,237</b>

As at 31.12.2015, the balances of:

- the designated accounts of the PHRD and RO-1 grants were held at Treasury of the Republic of Moldova
- other cash balances were held at “Mobiasbanca-Groupe Societe Generale” S.a. (Chisinau, Moldova).

## 5. Grants

It represents funds (grants) receivable from donors for implementation of the Project:

### 5.1. Grants Receivable

Donor organization	Project	Financing Currency	31.12.2014		31.12.2015	
			USD/EUR	MDL	USD/EUR	MDL
PHRD	PHRD Technical Assistance for the Integration of Children with Disabilities into Mainstream Schools	USD	2,610,000	40,755,672	2,305,489	45,322,456
KfW	Social Infrastructure and Energy Efficiency	EUR	1,837,067	34,898,027	1,348,359	28,959,920
Romanian Government (RO-1)	Technical and Financial Programme for preschool institutions in Moldova	EUR	-	-	-	-
Romanian Government (RO-2)	Increasing of children access and participation to the early education in the Republic of Moldova	EUR	-	-	-	-
<b>Total</b>			<b>x</b>	<b>75,653,699</b>	<b>x</b>	<b>74,282,376</b>

### 5.2 Roll-forward of the Grants - in currency of funding

	PHRD	KfW	Romania Government (RO-1)	Romania Government (RO-2)	Other Donors (EU, FSP, UNICEF)	Moldova Government	Community Contribution
Donor	USD	EUR	EUR	EUR	MDL	MDL	MDL
As at 01.01.2014	-	3,572,663	-	-	9,425,338		
Granted	2,860,000	-	19,922,505	3,000,000		2,444,000	18,289,432
Received	(250,000)	(1,735,596)	(19,922,505)	(3,000,000)	(9,425,338)	(2,444,000)	(18,289,432)
As at 31.12.2014	2,610,000	1,837,067	-	-	-	-	-
Granted	-	-	-	-	40,859	3,167,558	10,260,015
Received/refund	(304,511)	(488,708)	-	-	(40,859)	(3,167,558)	(10,260,015)
As at 31.12.2015	2,305,489	1,348,359	-	-	-	-	-

**5.3. Roll-forward of the Grant - in MDL equivalent**

	PHRD	KfW	Romania Government (RO-1)	Romania Government (RO-2)	Other Donors (EU, FSP, UNICEF)	Moldova Government	Community Contribution	Total
	MDL	MDL	MDL	MDL	MDL	MDL	MDL	MDL
As at 01.01.2014	-	64,199,683	-	-	-	-	-	64,199,683
Granted	38,376,052	-	375,730,475	55,918,500	9,425,338	2,444,000	18,289,432	500,183,797
Received	(3,685,725)	(32,052,955)	(377,540,303)	(56,018,100)	(9,425,338)	(2,444,000)	(18,289,432)	(499,455,853)
Revaluation	6,065,345	2,751,299	1,809,828	99,600	-	-	-	10,726,072
As at 31.12.2014	40,755,672	34,898,027	-	-	-	-	-	75,653,699
Granted	-	-	-	-	40,859	3,167,558	10,260,015	13,468,432
Received	(5,730,540)	(9,869,409)	-	-	(40,859)	(3,167,558)	(10,260,015)	(29,068,381)
Revaluation	10,297,324	3,931,302	-	-	-	-	-	14,228,626
As at 31.12.2015	45,322,456	28,959,920	-	-	-	-	-	74,282,376

#### 5.4. Revaluation

	PHRD	KfW	Romania Government (RO-1)	Romania Government (RO-2)
<b>For the year ended 31.12.2014</b>				
Equivalent balance in MDL (EUR/USD x rate in MDL)	40,755,672	34,898,027	-	-
Roll-forward balance in MDL	34,690,327	32,146,728	(1,809,828)	(99,600)
<b>Revaluation gain/(loss)</b>	<b>6,065,345</b>	<b>2,751,299</b>	<b>1,809,828</b>	<b>99,600</b>
<b>For the year ended 31.12.2015</b>				
Equivalent balance in MDL (EUR/USD x rate in MDL)	45,322,456	28,959,920	-	-
Roll-forward balance in MDL	35,025,132	25,028,618	-	-
<b>Revaluation gain/(loss)</b>	<b>10,297,324</b>	<b>3,931,302</b>	<b>-</b>	<b>-</b>

#### 5.4. Grants (Liability)

As at reporting dates, the Grants (liability) consist of:

	PHRD	KfW	Romania Government (RO-1)	Romania Government (RO-2)	Community Contribution	Total
	MDL	MDL	MDL	MDL	MDL	MDL
<b>As at 31.12.2014</b>						
Cash Balance (Note 4)	2,976,182	6,461,093	307,055,963	56,998,231	10,563,006	<b>384,054,475</b>
Grant Receivable (Note 5.1)	40,755,672	34,898,027	-	-	-	<b>75,653,699</b>
Advances to contractors (Note 8)	-	-	3,531,804	-	-	<b>3,531,804</b>
Other receivables (Note 12)	-	-	1,630,605	-	-	<b>1,630,605</b>
Property and equipment (Note 7)	-	25,934	-	-	-	<b>25,934</b>
Payables to contractors (Note 9)	-	(5,714,950)	(9,062,596)	-	-	<b>(14,777,546)</b>
<b>Grants as at 31.12.2014</b>	<b>43,731,854</b>	<b>35,670,104</b>	<b>303,155,776</b>	<b>56,998,231</b>	<b>10,563,006</b>	<b>450,118,971</b>
<b>As at 31.12.2015</b>						
Cash Balance (Note 4)	4,914,346	6,806,363	14,534,423	55,693,169	5,795,488	87,743,789
Grant Receivable (Note 5.1)	45,322,456	28,959,920	-	-	-	74,282,376
Advances to contractors (Note 8)	-	-	50,700	-	-	50,700
Other receivables (Note 12)	-	-	45,328,200	-	-	45,328,200
Property and equipment (Note 7)	-	368,886	-	300,453	-	669,339
Payables to contractors (Note 9)	-	(2,381,687)	(18,150,046)	(1,051,857)	-	(21,583,590)
<b>Grants as at 31.12.2015</b>	<b>50,236,802</b>	<b>33,753,482</b>	<b>41,763,277</b>	<b>54,941,765</b>	<b>5,795,488</b>	<b>186,490,814</b>

## 6. Project expenses

Project	For the year ended 31.12.2014	For the year ended 31.12.2015
	MDL	MDL
PHRD Technical Assistance for the Integration of Children with Disabilities into Mainstream Schools	875,150	4,637,148
Social Infrastructure and Energy Efficiency (KfW)	35,683,551	14,489,350
Technical and Financial Programme for preschool institutions in Moldova (RO-1)	69,904,173	286,059,822
Increasing of children access and participation to the early education in the Republic of Moldova (RO-2)	-	9,513,311
Other Projects (EU, FSP, UNICEF)	33,482,982	10,582,348
<b>Total</b>	<b>139,945,856</b>	<b>325,281,979</b>

## 7. Property and equipment

(a) The MISF administrative office is located in the rented area of 535 sq.m. at address: 124, Stefan cel Mare str., Chisinau, Republic of Moldova.

The renting right of the area is extended annually. The annual rent charge which includes all utilities updated annually; for year 2015 it was set at 228,415 MDL (in year 2014: 218,878 MDL).

(b) During reporting period the property and equipment were acquired from the following financial sources.

Source of Financing	Office renovation	Vehicles	Computer and office equipment	Office furniture	Total
	MDL	MDL	MDL	MDL	MDL
<b>Year ended 31 Dec 2014</b>					
KfW	-	-	-	28,816	28,816
Other	-	-	141,488	-	141,488
	-	-	<b>141,488</b>	<b>28,816</b>	<b>170,304</b>
<b>Year ended 31 Dec 2015</b>					
KfW	-	308,462	23,391	49,204	381,057
RO-2	-	333,837	-	-	333,837
Other	617,559	379,813	38,315	-	1,035,687
	<b>617,559</b>	<b>1,022,112</b>	<b>61,706</b>	<b>49,204</b>	<b>1,750,581</b>

## 8. Advances to Contractors

Nature	Project	31.12.2014	31.12.2015
		MDL	MDL
Construction works	Technical and Financial Programme for preschool institutions in Moldova (RO-1)	2,581,489	50,700
Furniture and equipment		950,315	-
<b>Total</b>		<b>3,531,804</b>	<b>50,700</b>

## 9. Payables

Nature	Project	31.12.2014	31.12.2015
		MDL	MDL
Retentions from construction works (5%)	Social Infrastructure and Energy Efficiency (KfW)	5,714,950	2,381,687
	Technical and Financial Programme for preschool institutions in Moldova (RO-1)	9,062,596	18,150,046
	Increasing of children access and participation to the early education in the Republic of Moldova (RO-2)	-	1,051,857
<b>Total</b>		<b>14,777,546</b>	<b>21,583,590</b>

## 10. Other income

	For the year ended 31 Dec 2014	For the year ended 31 Dec 2015
	MDL	MDL
Interest income (in bank accounts)	1,545,730	711,216
Tender participation fees	487,074	262,804
<b>Net transferred/(received)</b>	<b>2,032,804</b>	<b>974,020</b>

## 11. Other inflows/(outflows)

Related to RO-1 project there were other inflows/outflows described below:

	For the year ended 31 Dec 2014	For the year ended 31 Dec 2015	Cumulative as at 31 Dec 2015
	MDL	MDL	MDL
Transfer/(received) from State Budget (a)	1,630,605	(1,630,605)	-
Transferred to State Budget (b)	-	227,328,200	227,328,200
Received from State Budget (c)	-	(182,000,000)	(182,000,000)
<b>Net transferred/(received)</b>	<b>1,630,605</b>	<b>43,697,595</b>	<b>45,328,200</b>
<b>Closing balance receivable/ (payable) (d)</b>	<b>1,630,605</b>	<b>45,328,200</b>	<b>45,328,200</b>

- There was short-term balance with state budget at the end of 31.12.2014.
- The transfer to state budget account was performed in two transactions: 4 million EUR and 7 million EUR, based on letters of the Finance Minister of the Republic of Moldova dated 5 February 2015 and 24 February 2015, respectively. The transfers were done for the purpose of effective state budget management.
- The repayments from State budget during May-Dec 2015 are done in 33 installments based in requests submitted by the MSIF to State Budget.
- During period 01.01.2016-10.03.2016, the total repayment from State Budget is 16,000,000 MDL and the receivable balance is 29,328,200 MDL.

## 12. Net Assets

Net Assets consists of cash, property and equipment, other assets and liabilities balances not related to Projects.

	<b>As at 31 Dec 2014</b>	<b>As at 31 Dec 2015</b>
	<b>MDL</b>	<b>MDL</b>
Cash balance (Note 4)	16,364,553	6,368,448
Property and equipment (Note 7)	127,339	977,041
	<b>16,491,892</b>	<b>7,345,489</b>

The movement of Net assets for the year ended 31.12.2015 were due to following:

	<b>As at 31 Dec 2015</b>
	<b>MDL</b>
<b>Opening Net Assets</b>	<b>16,491,892</b>
Other income	974,020
Financing of RO-1	(2,444,711)
Financing of other projects	(4,021,209)
Returning of Community Contribution balances of closed projects	(2,609,213)
Acquisition of property and equipment	(1,035,687)
Other expenditures	(9,603)
<b>Closing Net Assets</b>	<b>7,345,489</b>

## 13. Foreign exchange gain/(loss)

Foreign exchange significant gain during year ended 31.12.2015 is mostly due to 21% annual inflation of MDL against the EUR during that year (Note 2.3) when there were significant EUR underlined cash balances outstanding (relating to RO-1 –EUR 16,161,206; and RO-2 – EUR 3,000,444).

## 14. Litigations

There are some claims received against the MSIF for which the court resolution is still not made as at date of signing these financial statements.

The management of the MSIF assesses them as having no material effect on the financial statements of the MSIF for the year ended 31 December 2015.