



The Abdus Salam
**International Centre
for Theoretical Physics**



The Abdus Salam International Centre for Theoretical Physics

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2022

CONTENTS

| | |
|--|----|
| I. STATEMENT OF FINANCIAL POSITION | 6 |
| II. STATEMENT OF FINANCIAL PERFORMANCE | 7 |
| III. STATEMENT OF CHANGES IN NET ASSETS | 8 |
| IV. CASH FLOW STATEMENT..... | 9 |
| NOTES TO THE FINANCIAL STATEMENTS..... | 10 |
| FOR THE YEAR ENDED 31 DECEMBER 2022 | 10 |
| Note 1: Reporting entity..... | 10 |
| Note 2: Significant accounting policies..... | 11 |
| Note 3: Accounting estimates, Assumptions and Judgments..... | 19 |
| Note 4: Accounting standards issued..... | 20 |
| Note 5: Cash and cash equivalents | 21 |
| Note 6: Investments | 21 |
| Note 7: Accounts receivable from non-exchange transactions..... | 21 |
| Note 8: Accounts receivable from exchange transactions..... | 22 |
| Note 9: Advance payments | 22 |
| Note 10: Other Receivables..... | 22 |
| Note 11: Receivable from UNESCO..... | 23 |
| Note 12: Property, plant and equipment | 23 |
| Note 13: intangible assets | 24 |
| Note 14: Accounts payable and accruals | 25 |
| Note 15: Employee benefits..... | 25 |
| Note 16: Voluntary contributions with conditions..... | 31 |
| Note 17: Net assets | 31 |
| Note 18: Revenue | 32 |
| Note 19: Expenses..... | 34 |
| Note 20: Contingent liabilities, Commitments and Contingent Assets | 36 |
| Note 21: Financial risk management..... | 36 |
| Note 22: Capital management | 38 |
| Note 23: Related party disclosures | 39 |

THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS
Trieste, Italy

THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS
Trieste, Italy

CERTIFICATION OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

In accordance with the Financial Regulations (article 11) of the United Nations Educational, Scientific and Cultural Organization (UNESCO), attached are the financial statements and accompanying notes for the year ended 31 December 2022.

The financial statements are the responsibility of Management, and have been prepared in accordance with the International Public Sector Accounting Standards, and comply with the Financial Regulations of the United Nations Educational, Scientific and Cultural Organization. They include certain amounts that are based on Management's best estimates and judgements.

Accounting procedures and related systems of internal control, developed by Management, provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions.

The External Auditor, in line with Article 12 of the Financial Regulations, also provides an opinion on the financial statements.

The financial statements numbered I to IV and the accompanying notes are hereby approved and submitted to the Steering Committee of The Abdus Salam International Centre for Theoretical Physics.

Mr Atish Dabhoikar
Director
ICTP

(Signed)

Mrs Magdolna Bona
Chief Financial Officer
UNESCO

(Signed)

19 June 2023



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

INDEPENDENT AUDITOR'S REPORT

To the Steering Committee of the Abdus Salam International Centre for Theoretical Physics

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Abdus Salam International Centre for Theoretical Physics (the ICTP), which comprise the statement of financial position as at 31 December 2022, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the ICTP as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

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 ICTP in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSASs, and for such internal control as management determines 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, management is responsible for assessing the ICTP'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 management either intends to liquidate the ICTP or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the ICTP's financial reporting process.

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 judgment and maintain professional skepticism 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 ICTP's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 ICTP'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 ICTP to cease to continue as a going concern.
- 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 those charged with governance 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 Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Abdus Salam International Centre for Theoretical Physics coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the UNESCO *Financial Regulations*.

THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS
Trieste, Italy

- 3 -

In our opinion, the transactions of the Abdus Salam International Centre for Theoretical Physics that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the UNESCO *Financial Regulations*, we report that, in our opinion, the accounting principles in IPSASs have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Abdus Salam International Centre for Theoretical Physics' compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Abdus Salam International Centre for Theoretical Physics to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

(Signed)

Firyal Awada, CPA, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
19 June 2023

THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS
Trieste, Italy

Statement I
ICTP
I. STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER

| (Expressed in '000s Euro) | Notes | 2022 | 2021 |
|--|-------|----------------|----------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 5 | 2,164 | 3,842 |
| Investments | 6 | - | 15,000 |
| Accounts receivable from non-exchange transactions | 7 | 142 | 340 |
| Accounts receivable from exchange transactions | 8 | 312 | 248 |
| Advance payments | 9 | 541 | 505 |
| Other receivable | 10 | 3 | 28 |
| Receivable from UNESCO | 11 | 19,864 | 289 |
| Total Current Assets | | 23,026 | 20,252 |
| Non-Current Assets | | | |
| Property, plant and equipment | 12 | 1,571 | 1,397 |
| Intangible Assets | 13 | 57 | - |
| Total Non-current Assets | | 1,628 | 1,397 |
| TOTAL ASSETS | | 24,654 | 21,649 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts payable and accruals (exchange transactions) | 14 | 1,860 | 2,057 |
| Employee benefits | 15 | 7,211 | 9,334 |
| Transfers payable | | 77 | 38 |
| Voluntary contributions with conditions – Extrabudgetary | 16 | 2,134 | 2,028 |
| Advance receipts | | 287 | 211 |
| Other current liabilities | | 20 | 16 |
| Total current liabilities | | 11,589 | 13,684 |
| Non-Current liabilities | | | |
| Employee benefits | 15 | 16,800 | 16,255 |
| Voluntary contributions with conditions – Extrabudgetary | 16 | 3,138 | - |
| Total non-current liabilities | | 19,938 | 16,255 |
| TOTAL LIABILITIES | | 31,527 | 29,939 |
| NET ASSETS | 17 | (6,873) | (8,290) |

The accompanying notes form an integral part of these financial statements.

THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS
Trieste, Italy

Statement II
ICTP
II. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR 1 JANUARY – 31 DECEMBER

| (Expressed in '000s Euro) | Notes | 2022 | 2021 |
|---|-----------|---------------|---------------|
| <u>REVENUE</u> | | | |
| UNESCO Financial Allocation | | 401 | 376 |
| Voluntary contributions - Regular programme | | 22,746 | 22,697 |
| Voluntary contributions - Extrabudgetary | | 2,530 | 2,263 |
| In-kind contribution | | 1,131 | 1,054 |
| Other revenue producing activities | | 230 | 60 |
| Finance revenue | | 43 | 18 |
| Other revenue | | 158 | 206 |
| TOTAL REVENUE | 18 | 27,239 | 26,674 |
| <u>EXPENSES</u> | | | |
| Personnel Cost | | 12,372 | 13,655 |
| Consultants, experts and mission costs | | 875 | 861 |
| Training, research and scientific activities | | 6,141 | 4,272 |
| Supplies, consumables and other running costs | | 4,230 | 3,805 |
| Contracted services | | 1,292 | 1,187 |
| Depreciation and amortization | | 499 | 404 |
| Foreign Exchange Losses | | 31 | - |
| Finance costs | | 37 | 18 |
| Other expenses | | 21 | - |
| TOTAL EXPENSES | 19 | 25,498 | 24,202 |
| (DEFICIT)/SURPLUS FOR THE PERIOD | | 1,741 | 2,472 |

The accompanying notes form an integral part of these financial statements.

Statement III
ICTP
III. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR 1 JANUARY – 31 DECEMBER

| (Expressed in '000s Euro) | Notes | 2022 | 2021 |
|--|-------|----------------|-----------------|
| NET ASSETS AT THE BEGINNING OF THE PERIOD | 17 | (8,290) | (10,357) |
| Actuarial losses | | (324) | (405) |
| (Deficit)/Surplus for the period | 17 | 1,741 | 2,472 |
| NET ASSETS AT THE END OF THE PERIOD | 17 | (6,873) | (8,290) |

The accompanying notes form an integral part of these financial statements.

Statement IV
ICTP
IV. CASH FLOW STATEMENT
FOR THE YEAR 1 JANUARY – 31 DECEMBER

| (Expressed in '000s Euro) | Notes | 2022 | 2021 |
|--|-------|-----------------|----------------|
| Cash flows provided by/(used in) operating activities: | | | |
| (Deficit)/Surplus for the period | | 1,741 | 2,472 |
| Depreciation and amortization | 19 | 499 | 404 |
| (Increase) Decrease in accounts receivables (non-exchange transactions) | 7 | 201 | 163 |
| (Increase) Decrease in accounts receivables (exchange transactions) | 8 | (65) | 110 |
| (Increase) Decrease in other receivables | 10 | 25 | (19) |
| (Increase) Decrease in Receivable from UNESCO - Due from UNESCO | 11 | (17,575) | (162) |
| (Increase) Decrease in advance payments | 9 | (36) | (256) |
| Increase (Decrease) in advance receipts | | 76 | 11 |
| Increase (Decrease) in accounts payable and accruals | 14 | (480) | 622 |
| Increase (Decrease) in employee benefits (Current and Non-Current) | 15 | (1,885) | 121 |
| Increase (Decrease) voluntary contributions with conditions – extrabudgetary (Current and Non-Current) | 16 | 3,242 | (41) |
| Increase (Decrease) in other current liabilities | | (16) | 0 |
| Increase (Decrease) in transfers payable | | 40 | 13 |
| Effect of exchange rates on operating activities | | 3 | (17) |
| Net cash flows provided by/(used in) operating activities | | (14,230) | 3,421 |
| Investing activities: | | | |
| Purchase of property, plant & equipment | 12 | (448) | (795) |
| Net (Purchase)/Redemption in investments | 6 | 13,000 | (1,000) |
| Net cash flows (used in) investing activities | | 12,552 | (1,795) |
| Net Increase (Decrease) in cash and cash equivalents | | (1,678) | 1,626 |
| Cash and cash equivalents, beginning of period | 5 | 3,842 | 2,216 |
| Effect of exchange rates on cash & cash equivalent | | - | - |
| Cash and cash equivalents, end of period | 5 | 2,164 | 3,842 |

The accompanying notes form an integral part of these financial statements.

Statement V
ICTP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 1: REPORTING ENTITY

The International Centre for Theoretical Physics (ICTP) was founded in 1964 under the auspices of the International Atomic Energy Agency (IAEA). The United Nations Educational, Scientific and Cultural Organization (UNESCO) joined the IAEA in 1970 as a full partner in the financing as well as in the scientific and administrative management of the ICTP. As from 1 January 1996, it is financed and administered in the framework of an Agreement signed between the Italian government, the IAEA and UNESCO. As of the same date, the administrative responsibility for the ICTP was transferred from the IAEA to UNESCO on behalf also of the Italian government and the IAEA itself. The ICTP was renamed The Abdus Salam International Centre for Theoretical Physics on 21 November 1997 to honour its founder and first director on the first anniversary of his death.

The main objectives of the ICTP are:

- (a) to help foster the growth of advanced studies and research in physical and mathematical sciences, especially in developing countries;
- (b) to provide an international forum for scientific contacts among scientists from all countries; and
- (c) to provide facilities to conduct original research by its visitors, associates and fellows, principally from developing countries.

The Steering Committee is composed of one high level representative, each designated respectively by the Italian government, the Director General of the IAEA and the Director General of UNESCO, and of the Director of the ICTP. The representatives may be accompanied by experts. Its functions are:

- a) to formulate the general guidelines for the ICTP's activities, taking into account its objectives;
- b) subject to the budgetary appropriation by the respective organizations, to determine:
 - i) the annual level of the budget;
 - ii) the level of respective contributions;
 - iii) the financial plans;
 - iv) the use of funds available for the operation of the ICTP;
- c) to consider the proposals of the Director for the program, work plans, financial plans, and budget proposals of the ICTP and to take decisions thereon;
- d) to consider the annual and other reports of the Director on the activities of the ICTP;
- e) to submit a report on the ICTP's activities to UNESCO and the IAEA;
- f) to recommend to the Director General of UNESCO the names of candidates for the post of the Director of the ICTP;
- g) to adopt its own rules and procedures, which shall include the following provisions: the Steering Committee shall normally meet twice a year; the decisions of the Steering Committee shall be

taken by a two third majority except in cases concerning the level of contributions in which case decision shall require the consent of each contributor concerned.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have been prepared on an accrual and going concern basis in accordance with the requirements of International Public Sector Accounting Standards (IPSAS) and comply with UNESCO's Financial Regulations.

The accounting policies set out below have been applied consistently in the preparation and presentation of these financial statements.

Financial year

The financial statements are prepared on an annual basis, beginning on the first day of January and ending on the thirty-first day of December each year.

Presentation and functional currency

The financial statements are presented in Euros (EUR) which is also its functional currency.

2.2 FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions carried out during the financial year are converted into Euros using the United Nations Operational Rate of Exchange (UNORE) prevailing at the date of the transaction. The UNORE approximate market rates as they are set bi-monthly and revised if there are significant exchange rate fluctuations relating to individual currencies.

Non-monetary items that are measured in terms of historical cost or fair value in a foreign currency are translated using the UNORE prevailing at the date of the initial transaction or when the fair value was determined. Monetary assets and liabilities that are denominated in foreign currencies are translated into EUR at the exchange rate prevailing on the date of the Statement of Financial Position.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Financial Performance.

2.3 FINANCIAL ASSETS

ICTP's financial assets include: cash and cash equivalents, investments, accounts receivable from exchange and non-exchange transactions, receivable from UNESCO and accrued interest.

Financial assets within the scope of IPSAS 29 - Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, as appropriate. ICTP determined the classification of its financial assets at initial recognition.

THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS
Trieste, Italy

The subsequent measurement of financial assets depends on their classification. The classification depends on the purpose for which the financial assets are acquired, and is determined at initial recognition and re-evaluated at each reporting date.

Financial assets classified as loans and receivables (L&R) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially measured at fair value plus transaction costs and subsequently recorded at amortized cost using the effective interest rate method.

The following table presents the classification and measurement of ICTP's financial assets:

| Financial assets | Classification | Subsequent Measurement |
|--|----------------|------------------------|
| Cash and cash equivalents | L&R | Amortized cost |
| Investments | L&R | Amortized cost |
| Accounts receivable from exchange transactions | L&R | Amortized Cost |
| Accounts receivable from non-exchange transactions | L&R | Amortized cost |
| Receivable from UNESCO | L&R | Amortized cost |
| Accrued Interest | L&R | Amortized cost |

Impairment of financial assets at amortized cost

ICTP assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset which has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to revenue in surplus or deficit.

2.4 FINANCIAL LIABILITIES

ICTP's financial liabilities include accounts payable and accruals, transfers payable and other current liabilities.

All financial liabilities are recognized initially at fair value.

ICTP has classified all its financial liabilities as amortized cost.

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

2.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand which is available on demand and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. Financial instruments classified as cash equivalents include saving accounts and short-term deposits with a maturity of three months or less from the date of investment.

2.6 INVESTMENTS

Investments are term deposits with an initial maturity of more than three months but less than one year and term accounts, which are investments that may be realized within 12 months. These financial instruments are held with international banking groups which are assigned deposit ceilings in accordance with the Investment Policy of UNESCO.

Financial assets with maturities in excess of 12 months or not expected to be realized within 12 months at the reporting date are categorized as non-current assets. Other financial assets are classified as current assets.

At each reporting date ICTP assesses whether there is any objective evidence that an investment or group of investments is impaired. Any impairment losses are recognized in the Statement of Financial Performance.

2.7 ACCOUNTS RECEIVABLE FROM NON-EXCHANGE TRANSACTIONS, RECEIVABLES FROM EXCHANGE TRANSACTIONS AND OTHER RECEIVABLES

Receivables are initially measured at fair value and then, their carrying value is adjusted for any allowance for estimated irrecoverable amounts. An allowance is established when there is objective evidence, based on a review of outstanding amounts at the reporting date, that ICTP will not be able to collect all amounts due according to the original terms of the receivables. In establishing the allowance, the fair value of receivables is calculated as the estimated discounted cash flows arising from receivables to be collected in the future. The level of accounts receivable related to voluntary contribution and Receivable from UNESCO does not require discounting.

Receivables are classified into current and non-current on the basis of when the expected amounts are to be received.

2.8 ADVANCE PAYMENTS

ICTP advances funds to third parties under non-exchange contracts for the delivery of ICTP's programs and activities. Such transfers to third parties are treated as Advance Payments if the conditions on the

transferred assets are not fulfilled at the reporting date. Advance payments are amortized based on objective evidence to reflect the risk of non-recovery.

2.9 ADVANCE RECEIPTS

A liability is recognized for amounts received from donors where no binding agreement is yet in place at the time of the receipt of the asset from the donor. This is mainly common under framework agreements and other voluntary contributions where funds can be received before agreement is reached on the allocation of the contribution received from the donor. Advance receipts are recognized as revenue at the time the agreement becomes binding and when control over the underlying asset is obtained, unless the agreement establishes a condition on transferred assets that requires recognition of a liability.

2.10 PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment (PP&E) is measured at cost less accumulated depreciation and impairment.

Heritage assets are not recognized in the financial statements, but appropriate disclosure is made in the notes to the financial statements as applicable.

Additions

The cost of an item of PP&E is recognized as an asset if it is probable that future economic benefits or service potential associated with the item will flow to ICTP and the cost of the item can be measured reliably.

When an asset is donated, its initial cost is measured as the fair value of the asset as at the date of acquisition.

Leasehold improvements are initially recorded at cost and subsequently presented at depreciated cost.

Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset, and are recognized in the Statement of Financial Performance.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to ICTP and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis on all PP&E, at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives of major classes of assets have been estimated as follows:

| Class of Property, Plant and Equipment | Useful life (in years) |
|--|--|
| Communications and IT equipment | 4 years |
| Vehicles | 5 years |
| Furniture and fixtures | 5 years |
| Other equipment | 5 years |
| Leasehold Improvements | 15-50 years (or the shorter of lease term and useful life) |

The residual values and useful lives of assets are reviewed and adjusted, if applicable, at each financial year-end.

Impairment

The carrying amount of fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. Any impairment loss is recognized in the Statement of Financial Performance. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. For this purpose, all property, plant and equipment assets are considered as non-cash generating assets.

2.11 INTANGIBLE ASSETS

Intangible assets are measured at cost less accumulated amortization and impairment. Intangible assets are capitalized in the financial statements if it is probable that expected future economic benefit or service potential will flow to ICTP and amount can be measured reliably. ICTP currently only recognizes software as intangible assets, as copyrights and intellectual property do not meet the criteria above.

Software acquisition and development

Acquired computer software licenses are capitalized based on costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for use by ICTP are capitalized as an intangible asset. Direct costs include the software development employee costs and overheads which can be directly attributed to preparing the asset for use.

Amortization

Amortization is provided on a straight-line basis on all intangible assets of finite life, at rates that will write off the cost or value of the assets over their useful lives. The useful lives of major classes of intangible assets have been estimated as follows:

| Class of Intangible | Useful life (in years) |
|-------------------------------|------------------------|
| Software acquired separately | 5 years |
| Software internally developed | 5 years |

2.12 ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable are financial liabilities for goods and services that have been received by ICTP and invoiced but not yet paid by the reporting date.

Accruals are financial liabilities for goods and services that have been received by ICTP and which have neither been paid for nor invoiced to ICTP at the reporting date.

2.13 EMPLOYEE BENEFITS

ICTP recognizes the following categories of employee benefits:

Short-term employee benefits

Short-term employee benefits are expected to be settled within 12 months of the reporting date and are measured at their nominal values based on accrued entitlements at current rates of pay. Short-term employee benefits comprise of first-time employment benefits (assignment grants), regular monthly benefits (wages, salaries, allowances) and other benefits (education grant, home leave, etc.).

An expense is recognized when employees render service to ICTP and a liability is recognized for an entitlement that has not been settled at the reporting date.

Post-employment benefits

Post-employment benefits are employee benefits that are payable after the completion of employment.

UNESCO, participates in the United Nations Joint Staff Pension Fund (UNJSPF or Fund), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The institutes contribute to UNJSPF through UNESCO. The Fund is a funded, multi-employer defined benefit plan. As specified in Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. UNESCO and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify UNESCO's proportionate share, and thereby ICTP's proportionate share, of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNESCO has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39 - Employee Benefits. ICTP's

contributions to the plan during the financial year are recognized as staff costs in the Statement of Financial Performance.

In addition, ICTP provides an after service health insurance programme (AMIP). This programme provides health insurance coverage to retired staff and their dependents. The right to benefit for such coverage (AMIP) is acquired and accumulated during the retirees' active service at ICTP. The liability recognised for this plan is the present value of the defined benefit obligations at the reporting date. The liability is calculated by an independent actuary using the Projected Unit Credit Method. Interest cost and current service costs are recognized on the statement of financial performance as a component of personnel costs. Actuarial gains or losses arising from changes in actuarial assumptions or experience adjustments are directly recognized in net assets.

The contributions of the Institute to AMIP is assessed yearly which is based on a sliding percentage as described in their insurance contract.

The current portion of this post employment benefit is presented in the current liabilities portion of the statement of financial position.

Other long-term employee benefits

Other long-term employee benefits are benefits which are expected to be settled more than 12 months after the end of the reporting period and relates to repatriation grants (RG), compensated absences (accumulated leave) and Italian end of service (SPS). The liability recognized for these other long term benefits is the present value of the defined benefit obligations at the reporting date. These liabilities are calculated by an independent actuary using the Projected Unit Credit Method. Interest cost, current service costs, and actuarial gains or losses arising from changes in actuarial assumptions or experience adjustments are recognized in the Statement of Financial Performance.

2.14 PROVISIONS AND CONTINGENT LIABILITY

Provisions are recognized for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent liabilities are disclosed where a possible obligation is uncertain but can be measured, or where ICTP has a present obligation but cannot reliably measure the possible outflow of resources.

2.15 TAX

ICTP, being an Institute of UNESCO, enjoys the privilege of tax-exemption. Therefore, its assets, income and other property are exempt from all direct taxation.

2.16 REVENUE RECOGNITION

Revenue from non-exchange transactions

Revenue from non-exchange transactions is measured based on the increase in net assets recognized. The revenue from non-exchange transactions are as follows:

- UNESCO Financial Allocation and Voluntary Contributions – Core funding

These are contributions that have been made available from the Italian government, the IAEA and UNESCO in force of the specific agreement signed in 1993. They are approved for each financial year and are recognized as revenue at the beginning of the relevant year as soon as the amounts are communicated to ICTP.

- Voluntary contributions - Extrabudgetary

Voluntary contributions and other transfers, which are supported by enforceable agreements are recognized as revenue at the time the agreement becomes binding and when control over the underlying asset is obtained, unless the agreement establishes a condition on transferred assets that requires recognition of a liability. Conditions are imposed by donors on the use of contributions, and include both a performance obligation to use the donation in a specified manner, and an enforceable return obligation to return the donation if it is not used in the specified manner. The amount recognized as a liability is the best estimate of the amount that would be required to settle the obligation at the reporting date. As ICTP satisfies the conditions on voluntary contributions through performance in the specified manner, the carrying amount of the liability is reduced and an amount of revenue equal to that reduction is recognized.

Voluntary contributions such as pledges and other promised donations which are not supported by binding agreements are recognized as revenue when received.

- In-kind contributions

In-kind contributions of goods that directly support approved operations and activities and can be reliably measured, are recognized and valued at fair value. These contributions include the use of premises and utilities. In the case of the use of premises, the contribution value is based on the commercial rate for renting the building.

In-kind contributions of services, such as the services of volunteers, are not recognized.

Revenue from exchange transactions

Other sources of revenue from exchange transactions are measured at the fair value of the consideration received or receivable and are recognized as goods and services are delivered.

2.17 EXPENSES

Expenses are defined as decreases in economic benefits or service potential during the reporting year in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets. Expenses are recognized when the transaction or event causing the expense occurs, and the recognition of the expense is therefore not linked to when cash or its equivalent is paid.

Non-exchange transactions

Expenses from non-exchange funding agreements are recognized when the funding is legally in force, except where the agreement establishes a condition on transferred assets. In such cases, expenses are recognized as services are performed and the condition on transferred assets fulfilled consistent with the terms of the agreement.

Where revenue is recognized from in-kind contributions, a corresponding expense is also recognized in the financial statements.

2.18 LEASES

Lease agreements entered into for equipment or office premises are classified as operating leases as these arrangements do not transfer substantially all of the risks and rewards of ownership.

NOTE 3: ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of financial statements in accordance with IPSAS requires ICTP to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting year. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in the next financial year.

The areas where estimates, assumptions or judgement are significant to ICTP's financial statements include, but are not limited to: employee benefits, and the useful lives of Property, plant and equipment and In-kind contribution for the use of the premises. Changes in estimates are reflected in the year in which they become known.

Judgements

- *In-kind contribution calculation for the use of the premises*

ICTP undertakes a valuation of the in-kind contribution for the use of premises. This exercise is performed by an expert hired by ICTP.

The factors that impact the valuation are the following:

- Availability of similar assets for rent; and
 - Office space shared with other organizations
- Estimates and assumptions

ICTP based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of ICTP.

- *Employee benefits*

Employee benefits (AMIP, RG, AAL and SPS) are determined using actuarial valuation, which involves making various assumptions on financial and non-financial elements that may differ from actual developments in the future such as determination of the discount rate, future salary increases,

mortality rates and future cost increases. The employee benefit liability is highly sensitive to the variation of these assumptions and some of them are reviewed at each reporting date. Details about employee benefits are provided in Note 15.

▪ *Useful lives of Property, plant and equipment*

The useful lives of Property, plant and equipment are assessed using the following indicators to inform potential future use, value from disposal and impairment:

- The condition of the asset based on the assessment of experts employed by ICTP;
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
- The nature of the processes in which the asset is deployed;
- Availability of funding to replace the asset; and
- Changes in the market in relation to the asset

Note 2.10 provides information on the determined current useful lives.

NOTE 4: ACCOUNTING STANDARDS ISSUED

Accounting standards adopted during the year

- No accounting standard was adopted during the year.

Accounting standards issued and to be adopted at a later date

- **IPSAS 41 - Financial Instruments:** the standard is effective for annual reporting year beginning on or after 1 January 2023. The standard establishes the principles for financial reporting of financial assets and financial liabilities for the assessment of the amounts, timing and uncertainty of an entity's future cash flows. Preliminary assessment suggests that the adoption of this standard will mainly have implication for disclosure in the notes to the financial statements, but no significant impact on the statements.
- **IPSAS 42 – Social Benefits:** the standard is effective for annual reporting year beginning on or after 1 January 2023. The standard establishes principles and requirements on the recognition, measurement and presentation of Social Benefits in the financial statements. ICTP has assessed that the adoption of the standard will not have any impact on the financial statements.
- **IPSAS 43 – Leases:** the standard is effective for annual reporting year beginning on or after 1 January 2025. The standard establishes the principles for the recognition, measurement, presentation and disclosure of leases in the financial statements. ICTP has not yet assessed the impact of the adoption of the standard.
- **IPSAS 44 – Non-current assets held for sale and discontinued operation:** the standard is effective for annual reporting year beginning on or after 1 January 2025. The standard specifies the accounting for assets held for sale and the presentation and disclosure of discontinued operations. The adoption of the standard has no impact on ICTP's financial statements.

NOTE 5: CASH AND CASH EQUIVALENTS

| Expressed in '000s Euro | 2022 | 2021 |
|--|--------------|--------------|
| Cash | | |
| Cash in hand | 15 | 28 |
| Current accounts | 2,149 | 3,814 |
| Total cash and cash equivalents | 2,164 | 3,842 |

As at 31 December 2022, there are no cash equivalents (2021: nil).

NOTE 6: INVESTMENTS

| Expressed in '000s Euro | 2022 | 2021 |
|--|----------|---------------|
| Current portion | | |
| Loans and receivables (L&R) | | |
| Term Deposits | - | 15,000 |
| Total Investments | - | 15,000 |

As of 31 December 2022, ICTP had no direct investments. The Institute has placed deposits that were invested in the investment account of UNESCO's cash pool disclosed in Note 11.

NOTE 7: ACCOUNTS RECEIVABLE FROM NON-EXCHANGE TRANSACTIONS

| Expressed in '000s Euro | 2022 | 2021 |
|--|------------|------------|
| Voluntary contributions (current) | 142 | 340 |
| Total accounts receivable (non-exchange transactions) | 142 | 340 |

Voluntary contributions receivable represent uncollected revenues committed to ICTP by external donors for completion of program work.

NOTE 8: ACCOUNTS RECEIVABLE FROM EXCHANGE TRANSACTIONS

| Expressed in '000s Euro | 2022 | 2021 |
|--|------------|------------|
| Amounts receivables for goods and services | 312 | 248 |
| Total accounts receivable (exchange transactions) | 312 | 248 |

The amounts receivable mainly represent uncollected revenues for services rendered by ICTP to third parties.

NOTE 9: ADVANCE PAYMENTS

| Expressed in '000s Euro | 2022 | 2021 |
|-------------------------------|------------|------------|
| Advances to staff | 98 | 58 |
| Other advance payments | 443 | 447 |
| Total advance payments | 541 | 505 |

Advance payments to staff concern travel advances for staff members whereas other advances relate to prepayments for goods and services not yet delivered. Other advance payments relate to rent, subscriptions, university fees and grants paid in 2022 but relevant to year 2023.

NOTE 10: OTHER RECEIVABLES

| Expressed in '000s Euro | 2022 | 2021 |
|--------------------------------|----------|-----------|
| Accrued Interest | - | 6 |
| Other | 3 | 22 |
| Total Other receivables | 3 | 28 |

THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS
Trieste, Italy

NOTE 11: RECEIVABLE FROM UNESCO

| Expressed in '000s Euro | 2022 | 2021 |
|-------------------------------------|---------------|------------|
| Due from UNESCO | 64 | 289 |
| Deposits held by UNESCO | 19,800 | - |
| Total Receivable from UNESCO | 19,864 | 289 |

The Due from UNESCO represent amounts relating to UNESCO financial allocation and voluntary contributions received on behalf of ICTP used, inter alia, to cover payroll payments processed by UNESCO.

Since November 2022, in addition to the operating account described above, UNESCO manages on behalf of ICTP an investment account labelled as Deposits held by UNESCO. The receivable balance from both the operating and investment accounts are kept within UNESCO's cash pool to maximize the return on deposited funds. The net investment returns are allocated to ICTP in the proportion of its share held in UNESCO's cash pool, and are recognized within the operating account of UNESCO's cash pool.

In November 2022, UNESCO sold on behalf of ICTP an investment of €2,000k and acquired on behalf of ICTP investments amounting to €19,800k. As these transactions did not impact ICTP's cash balance, these investing activities are excluded from ICTP's Cash Flow Statement.

Balances are classified as current or non-current based on ICTP's projected cash flow requirement.

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

| Expressed in '000s Euro | Comms & IT Equipm't | Vehicles | Furniture and Fixtures | Other Equipm't | Leasehold Improvements | Work in Progress | Total |
|--|------------------------|------------|---------------------------|-------------------|---------------------------|---------------------|--------------|
| 1 January 2022 | | | | | | | |
| Cost or fair value | 3,762 | 163 | 244 | 2,186 | 356 | | 6,711 |
| Accumulated depreciation | (3,150) | (152) | (241) | (1,728) | (43) | | (5,314) |
| Carrying amount | 612 | 11 | 3 | 458 | 313 | - | 1,397 |
| Movements 12 months to 31 December 2022 | | | | | | | |
| Additions | 337 | | | 19 | 92 | 225 | 673 |
| Transfers | | | | | | | - |
| Disposals | (95) | | | (26) | | | (121) |
| Disposals depreciation | 95 | | | 26 | | | 121 |
| Depreciation | (347) | (5) | (1) | (122) | (24) | | (499) |
| Total movements 12 months to 31 December 2022 | (10) | (5) | (1) | (103) | 68 | 225 | 174 |
| 31 December 2022 | | | | | | | |
| Cost or fair value | 4,004 | 163 | 244 | 2,179 | 448 | 225 | 7,263 |
| Accumulated depreciation/disposal | (3,402) | (157) | (242) | (1,824) | (67) | 0 | (5,692) |
| Carrying amount | 602 | 6 | 2 | 355 | 381 | 225 | 1,571 |

THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS
Trieste, Italy

| Expressed in '000s Euro | Comms & IT Equipm't | Vehicles | Furniture and Fixtures | Other Equipm't | Leasehold Improvements | Total |
|--|------------------------|------------|---------------------------|-------------------|---------------------------|--------------|
| 1 January 2021 | | | | | | |
| Cost or fair value | 3,430 | 163 | 244 | 1,962 | 304 | 6,103 |
| Accumulated depreciation | (2,911) | (147) | (239) | (1,777) | (23) | (5,097) |
| Carrying amount | 519 | 16 | 5 | 185 | 281 | 1,006 |
| Movements 12 months to 31 December 2021 | | | | | | |
| Additions | 395 | | | 348 | 52 | 795 |
| Disposals | (63) | | | (124) | | (187) |
| Disposals depreciation | 63 | | | 124 | | 187 |
| Depreciation | (302) | (5) | (2) | (75) | (20) | (404) |
| Total movements 12 months to 31 December 2021 | 93 | (5) | (2) | 273 | 32 | 391 |
| 31 December 2021 | | | | | | |
| Cost or fair value | 3,762 | 163 | 244 | 2,186 | 356 | 6,711 |
| Accumulated depreciation/disposal | (3,150) | (152) | (241) | (1,728) | (43) | (5,314) |
| Carrying amount | 612 | 11 | 3 | 458 | 313 | 1,397 |

At 31 December 2022 ICTP holds fully depreciated PP&E which is still in use for a gross value of €4,571k (€4,510k in 2021).

At 31 December 2022, there are no heritage assets to declare (consistent with 31 December 2021).

At 31 December 2022, ICTP has committed purchasing assets of a value of €298k within the next year (€347k in 2021).

NOTE 13: INTANGIBLE ASSETS

| Expressed in '000s Euro | Software (WIP) | Total |
|--|-------------------|-----------|
| 1 January 2022 | | |
| Cost or fair value | - | - |
| Accumulated amortization | - | - |
| Carrying amount | - | - |
| Movements 12 months to 31 December 2022 | | |
| Additions | 57 | 57 |
| Transfers | - | - |
| Disposals | - | - |
| Disposals amortization | - | - |
| Amortization | - | - |
| Total movements 12 months to 31 December 2022 | 57 | 57 |
| 31 December 2022 | | |
| Cost or fair value | 57 | 57 |
| Accumulated amortization | - | - |
| Carrying amount | 57 | 57 |

THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS
Trieste, Italy

At 31 December 2022, ICTP has €24k committed to purchasing intangible assets (€ nil in 2021) within the next year.

At 31 December 2022, ICTP holds fully amortized intangible assets which is still in use for a gross value of €0 (€0 in 2021).

NOTE 14: ACCOUNTS PAYABLE AND ACCRUALS

| Expressed in '000s Euro | 2022 | 2021 |
|--|--------------|--------------|
| Suppliers payable | 487 | 669 |
| Accruals | 1,373 | 1,388 |
| Total accounts payable and accruals | 1,860 | 2,057 |

NOTE 15: EMPLOYEE BENEFITS

| Expressed in '000s Euro | 2022 | | | 2021 |
|--|---------------------|----------------|---------------|---------------|
| | Actuarial valuation | ICTP valuation | Total | |
| Home leave, accrued annual leave and other End of Service (EOS) allowances | - | 182 | 182 | 392 |
| Payroll and reimbursements | - | 87 | 87 | 93 |
| After Service Medical Insurance Plan | 311 | - | 311 | 258 |
| Accumulated annual leave | 1,463 | - | 1,463 | 1,889 |
| Repatriation benefits | 11 | - | 11 | 11 |
| Italian end of service benefit | 5,156 | - | 5,156 | 6,691 |
| Employee benefits (current) | 6,941 | 269 | 7,210 | 9,334 |
| Repatriation benefits | 711 | - | 711 | 850 |
| After Service Medical Insurance Plan | 16,089 | - | 16,089 | 15,405 |
| Employee benefits (non-current) | 16,800 | - | 16,800 | 16,255 |
| Total employee benefits | 23,741 | 269 | 24,010 | 25,589 |

Employee benefits – current

Current employee benefits include payroll and allowances, education grant, home leave, accumulated annual leave (AAL), Italian end of service benefit (SPS), as well as the current term portion of the After Service Medical Insurance Plan (AMIP) and Repatriation benefits.

Notwithstanding that AAL and SPS are fully included as current employee benefits as required by the standards since ICTP does not have an unconditional right to defer settlement of the liability for at least 12 months.

Accumulated annual leave (AAL) - ICTP staff can accumulate unused annual leave up to a maximum of 60 working days. Upon separation from ICTP, staff members are entitled to receive a sum of money for AAL that they hold at the date of separation up to 60 days.

THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS
Trieste, Italy

Italian end of service benefit (SPS) - The Italian end of service benefit (known as “liquidazione”) is a separation lump sum payable to local General Service staff working for ICTP in Italy, employees can be eligible to receive this benefit prior to their separation from ICTP. The amount of the payment is based on the number of completed years of service at the time of separation from ICTP.

Employee benefits – non-current

Non-current employee benefits relate to post-employment and other long-term employee benefits. These include After Service Medical Insurance Plan and the long term portion of repatriation benefits.

After Service Medical Insurance Plan (AMIP – ICTP provides health insurance coverage to retired staff and their dependents (AMIP), which accrues during the retirees’ active service at ICTP. This is a multi-employer defined benefit plan. Under the scheme, eligible employees, who have reached their fifty-fifth birthday and who have completed at least ten years of participation in the plan as at the date of their separation, may opt to remain (indefinitely) in that plan as an associate participant with ICTP continuing to participate in the funding of their contributions. ICTP performs annually both a long-term projection and an actuarial valuation of the AMIP scheme to measure its employee benefits obligation. ICTP finances its AMIP liability on a pay-as-you-go basis.

Repatriation benefits - A staff member who has completed one year of continuous service outside the country of his/her recognized home is entitled upon separation from ICTP to a repatriation grant payable on the basis of completed years and months of qualifying service outside the country of his/her recognized home. For eligible staff members hired after July 1st, 2016 the grant is payable starting on five years of expatriate service according to the current scale. Staff members are also entitled to travel and removal costs for repatriation on separation from ICTP. In addition, employees can be eligible to receive this benefit prior to their separation from ICTP.

Actuarial valuations

An actuarial valuation was carried out to calculate the ICTP’s estimated liability related to AAL, SPS, AMIP and repatriation grants. The following assumptions and methods have been used to determine the value of post-employment and other long term benefits for ICTP as at 31 December 2022:

| Assumptions used for AMIP Plan, annual leave, repatriation grant and Italian end of service benefit | | 2022 | 2021 |
|--|---|---|---|
| Discount rate - After Service Medical Insurance Plan (AMIP) | The rate used is based on the Mercer Yield Curve | 4.25% (maturity around 21 years) | 1.50% (maturity around 21 years) |
| Take up rate - After Service Medical Insurance Plan (AMIP) | Staff eligible for AMIP benefits on leaving to actually claim their entitlement | 100% | 100% |

THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS
Trieste, Italy

| | | | |
|---|---|---|---|
| Discount rate - Repatriation benefits, Accumulated annual leave and Liquidazione (SPS) | The rate used is based on the Mercer Yield Curve | 4.15% (maturity around 11.5 years) | 1.15% (maturity around 11.5 years) |
| Salary increase rate - Accumulated annual leave | | 2.25% | 2.00% |
| Salary increase rate - Italian end-of-service benefit (SPS) | | 2.75% | 2.50% |
| Salary increase rate - Repatriation grant | | 2.25% | 2.00% |
| Retirement Age | For all benefits | 65 | 65 |
| Medical Healthcare trend – AMIP | The rate is defined as the sum of long-term inflation and medical inflation in Italy | 7.50% | 4.85% |
| Inflation rate | For all benefits | 2.00% | 1.75% |
| Take up rate - Repatriation benefits | Staff eligible for repatriation benefits on leaving to actually claim their entitlement | 75% | 75% |
| Take up rate - Accumulated annual leave | Staff eligible for accumulated annual leave to actually claim their entitlement at separation | 100% | 100% |
| Pre-retirement Mortality Tables | 2019 United Nations in-service mortality table for annual leave and repatriation grant; and A62D ISTAT table for Italian end-of-service benefit | | |
| Post-retirement Mortality Tables | Updated 2017 UN Generational mortality tables for AMIP | | |
| Withdrawal tables | Based on a study of UNESCO's turnover rates from 2017 and 2021 | | |

The following tables and text provide additional information and analysis on employee benefit liabilities calculated by actuaries:

THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS
Trieste, Italy

| Expressed in '000s Euro | After Service Medical Insurance Plan | Accumulated Annual Leave | Repatriation Benefits | Liquidazione (SPS) | 2022 |
|---|--|-----------------------------|--------------------------|-----------------------|----------------|
| Defined Benefit Obligation beginning of the year (Current + Non Current) | 15,663 | 1,889 | 861 | 6,691 | 25,104 |
| Movement for period ended 31/12/2022 | | | | | |
| Service Cost | 431 | 94 | 29 | 428 | 982 |
| Interest Cost | 233 | 21 | 10 | 77 | 341 |
| (Actual gross benefits payments) | (251) | (81) | - | (784) | (1,116) |
| Actuarial (gain)/loss | 324 | (460) | (178) | (1,256) | (1,570) |
| Defined benefit obligation 31/12/2022 (Current + Non Current) | 16,400 | 1,463 | 722 | 5,156 | 23,741 |

| Expressed in '000s Euro | After Service Medical Insurance Plan | Accumulated Annual Leave | Repatriation Benefits | Liquidazione (SPS) | 2021 |
|---|--|-----------------------------|--------------------------|-----------------------|---------------|
| Defined Benefit Obligation beginning of the year (Current + Non Current) | 14,926 | 1,524 | 803 | 6,792 | 24,045 |
| Movement for period ended 31/12/2021 | | | | | |
| Service Cost | 378 | 68 | 25 | 448 | 919 |
| Interest Cost | 178 | 11 | 6 | 47 | 242 |
| (Actual gross benefits payments) | (224) | (39) | - | (253) | (516) |
| Actuarial (gain)/loss | 405 | 325 | 27 | (343) | 414 |
| Defined benefit obligation 31/12/2021 (Current + Non Current) | 15,663 | 1,889 | 861 | 6,691 | 25,104 |

The actuarial loss of €324k (2021: €405k) related to AMIP was recognized through net assets in the Statement of Changes in Net Assets. This amount is a net amount comprised of net actuarial gain of €1,612K (2021: net actuarial loss of €70K) on changes in financial assumptions, and actuarial loss of €1,936K (2021: €335k) on experience adjustments mostly comprised of actual Health Insurance premiums being different than those previously expected. The annual expense amounts recognized in the Statement of Financial Performance are as follows:

| Expressed in '000s Euro | After Service Medical Insurance Plan | Accumulated Annual Leave | Repatriation Benefits | Liquidazione (SPS) | Total 2022 |
|----------------------------------|--|-----------------------------|--------------------------|-----------------------|----------------|
| Service Cost | 431 | 94 | 29 | 428 | 982 |
| Interest Cost | 233 | 21 | 10 | 77 | 341 |
| Actuarial (gain)/loss | | (460) | (178) | (1,256) | (1,894) |
| Total expenses recognized | 664 | (345) | (139) | (751) | (571) |

THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS
Trieste, Italy

| Expressed in '000s Euro | After Service Medical Insurance Plan | Accumulated Annual Leave | Repatriation Benefits | Liquidazione (SPS) | Total 2021 |
|----------------------------------|--|-----------------------------|--------------------------|-----------------------|---------------|
| Service Cost | 378 | 68 | 25 | 448 | 919 |
| Interest Cost | 178 | 11 | 6 | 47 | 242 |
| Actuarial (gain)/loss | | 325 | 27 | (343) | 9 |
| Total expenses recognized | 556 | 404 | 58 | 152 | 1,170 |

Current service cost is the increase in the present value of defined obligation resulting from employee service in the current year. Interest cost is the increase during the year in the present value of the defined benefit obligation which arises because the benefits are one year closer to settlement.

Sensitivity analysis

Assumed healthcare cost trends and discount rate have a significant effect on the amounts calculated for the AMIP liability and expenses. A half percentage point change would have the following effects:

| After Service Medical Insurance Plan - healthcare cost trends | Medical cost trend 7% | Medical cost trend 7.5% | Medical cost trend 8% |
|--|--------------------------|----------------------------|--------------------------|
| Expressed in '000s Euro | | | |
| Defined benefit obligation as at 31 December 2022 | 15,154 | 16,398 | 17,775 |
| % Variation | -7.6% | 0.0% | 8.4% |

The present value of the total defined benefit obligation for the current and previous year are disclosed in the following table:

| Expressed in '000s Euro | 2022 | 2021 |
|--------------------------------------|--------|--------|
| After Service Medical Insurance Plan | 16,400 | 15,663 |
| Accumulated Annual Leave | 1,463 | 1,889 |
| Repatriation Benefits | 722 | 861 |
| Liquidazione (SPS) | 5,156 | 6,691 |

The expected benefits contributions by ICTP in 2023 to the AMIP plan is €311k.

The expected benefits contributions by ICTP in 2023 to the accumulated annual leave, repatriation defined benefit and SPS plans is €57k, €11k and €37k respectively.

United Nations Joint Staff Pension Fund

The Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS
Trieste, Italy

ICTP participates in UNESCO's financial obligation to the Fund, consisting of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9% for participants and 15.8% for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

The latest actuarial valuation for the Fund was completed as of 31 December 2021, and a roll forward of the participation data as of 31 December 2021 to 31 December 2022 was used by the Fund for its 2022 financial statements.

The actuarial valuation as of 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0% (107.1% in the 2019 valuation). The funded ratio was 158.2% (144.4 % in the 2019 valuation) when the current system of pension adjustments was not taken into account.

After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2021, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2019, 2020 and 2021) amounted to USD 8,505.27 million, of which 2,19% was contributed by UNESCO.

During 2022, ICTP's contributions paid to UNJSPF amounted to €2.3 million (2021: €2 million). Expected contributions due in 2023 are approximately €2.4 million.

Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF Pension Board and to the United Nations General Assembly on the audit every year. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF website.

THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS
Trieste, Italy

NOTE 16: VOLUNTARY CONTRIBUTIONS WITH CONDITIONS

| Expressed in '000s Euro | 2022 | 2021 |
|--|--------------|--------------|
| Voluntary contributions with conditions beginning of the year | 2,028 | 2,069 |
| Movements for the year ended 31 December | | |
| Amounts recognized as revenue | (1,530) | (1,516) |
| New contributions received | 4,774 | 1,475 |
| Voluntary contributions with conditions at the year ended 31 December | 5,272 | 2,028 |
| Voluntary contributions with conditions (current) | 2,134 | 2,028 |
| Voluntary contributions with conditions (non current) | 3,138 | - |
| Voluntary contributions with conditions at the year ended 31 December | 5,272 | 2,028 |

ICTP recognizes as a liability conditions attached to Extrabudgetary contracts. Conditions are imposed by donors on the use of funds, and include both a performance obligation to use the funds in a specified manner, and an enforceable obligation to return the funds if they are not used in the specified manner. The amount recognized as a liability is the best estimate of the amount that would be required to settle the obligation at the reporting date. As ICTP satisfies the conditions on these Extrabudgetary projects/contracts through performance in the specified manner, the balance of the liability is reduced and an amount of revenue equal to that reduction is recognized.

Balances are classified as current or non-current based on the expected settlement of the performance obligation.

NOTE 17: NET ASSETS

| Expressed in '000s Euro | Opening Balance 1 January 2022 | Surplus for the period | Actuarial losses and gains | Closing Balance 31 December 2022 |
|-------------------------|-----------------------------------|---------------------------|-------------------------------|-------------------------------------|
| Restricted Reserves | 590 | - | - | 590 |
| Unrestricted Reserves | (8,880) | 1,741 | (324) | (7,463) |
| Total net assets | (8,290) | 1,741 | (324) | (6,873) |

| Expressed in '000s Euro | Opening Balance 1 January 2021 | Surplus for the period | Actuarial losses and gains | Closing Balance 31 December 2021 |
|-------------------------|-----------------------------------|---------------------------|-------------------------------|-------------------------------------|
| Restricted Reserves | 590 | - | - | 590 |
| Unrestricted Reserves | (10,947) | 2,472 | (405) | (8,880) |
| Total net assets | (10,357) | 2,472 | (405) | (8,290) |

THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS
Trieste, Italy

Restricted Reserves have been created within the legislative authority of ICTP as is deemed to be required for the purpose of sound administration or legal obligations and are summarized as follows:

| Expressed in '000s Euro | 2022 | 2021 |
|------------------------------------|------------|------------|
| Future acquisition of office space | 537 | 537 |
| New Information System Project | 23 | 23 |
| Operation of the guest houses | 30 | 30 |
| Total restricted reserves | 590 | 590 |

ICTP has the following restricted reserves:

- a) Reserve for future acquisition of office space
- b) Reserve for the new Information System Project.
- c) Reserve for operation of the guesthouses

Remeasurements of the AMIP net defined benefit liability, which include actuarial gains or losses, are recognized directly in Net Assets.

NOTE 18: REVENUE

| Expressed in '000s Euro | 2022 | 2021 |
|---|---------------|---------------|
| Voluntary contributions | | |
| Voluntary contributions - Core Funding | 23,147 | 23,073 |
| Voluntary contributions - Extrabudgetary | 2,530 | 2,263 |
| In-kind contribution | 1,131 | 1,054 |
| Total Voluntary contributions | 26,808 | 26,390 |
| Other revenue producing activities | | |
| Income from Services Rendered | 230 | 60 |
| Total Other revenue producing activities | 230 | 60 |
| Finance revenue | 43 | 18 |
| Other revenue | | |
| Other operating gains | 5 | 51 |
| Interfund Transfers | 153 | 155 |
| Total Other revenue | 158 | 206 |
| Total Revenue | 27,239 | 26,674 |

THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS
Trieste, Italy

Voluntary contributions - Core Funding consist of the financial allocations determined by the Italian government for €20,593 (€20,593k in 2021), the General Conference of the IAEA for €2,154 (€2,105k in 2021) and the General Conference of UNESCO for €401k (€375k in 2021).

Voluntary contributions - Extrabudgetary consist of contributions received from public or private organizations, associations or individuals for €2,530k (€2,263k in 2021).

In-kind contribution represent an estimate of the commercial rate for renting the buildings made available to the ICTP by the Italian government through the University of Trieste, for use at no charge for €1,131k (€1,054k in 2021). A corresponding expense is also recognized.

Other revenue producing activities/Income from services rendered include income from rent of offices and conference rooms and from accommodation in the guesthouses. The revenue from guesthouses is €211k (€33k in 2021).

Other revenue represents income from administrative services rendered to The World Academy of Sciences for the advancement of science in developing countries (TWAS); savings on liquidation/cancellation of prior year's accrual and other minor items.

Finance revenue is represented by interests from a saving account and short-term deposits.

An amount of €36.9k of interest received is included in the net cash flows provided by operating activities (2021: €15.7).

THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS
Trieste, Italy

NOTE 19: EXPENSES

| Expressed in '000s Euro | 2022 | 2021 |
|--|---------------|---------------|
| Personnel Cost | | |
| International & National staff | 11,655 | 13,212 |
| Temporary staff | 717 | 443 |
| Total Personnel Cost | 12,372 | 13,655 |
| Consultants, experts and mission costs | | |
| Consultants | 658 | 808 |
| Delegates & external individuals missions | - | - |
| Staff mission costs | 217 | 53 |
| Total consultants, experts and mission costs | 875 | 861 |
| Training, research and scientific activities | | |
| Financial Contributions | - | - |
| Grants and Fellowships | 5,416 | 4,130 |
| External Training & Seminars | 725 | 142 |
| Total training, research and scientific activities | 6,141 | 4,272 |
| Supplies, consumables and other running costs | | |
| Communications | 81 | 131 |
| Equipment | 391 | 277 |
| Leases | 1,831 | 1,801 |
| Utilities | 388 | 490 |
| Maintenance and repairs | 711 | 722 |
| Other supplies | 828 | 384 |
| Total supplies, consumables and other running costs | 4,230 | 3,805 |
| Contracted services | | |
| Contracted research | 133 | 186 |
| Contracted Seminars & Meetings | 216 | 38 |
| Contracted Document Production | 7 | 3 |
| Other contracted services | 936 | 960 |
| Total contracted services | 1,292 | 1,187 |
| Depreciation and amortization | 499 | 404 |
| Foreign exchange losses | 31 | - |
| Finance costs | 37 | 18 |
| Other expenses | 21 | - |
| Total expenses | 25,498 | 24,202 |

THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS
Trieste, Italy

Personnel cost

International & National staff expenses include salaries, post adjustments, entitlements and pensions and health plan contributions for Professional and General Service category staff. This line also includes movements in the actuarial liability for Employee Benefits and staff travels expenses which are not related to mission costs (home leave, family visit, education grants, interviews, separation). Temporary staff expenses include all costs relating to the employment of temporary staff.

Consultants, experts and mission costs

Consultants expenses represent the cost of contracting consultants, including insurance and travel expenses. Staff mission costs are the mission and training costs for ICTP staff. These concern principally travel and per diem expenses. Delegates & external individuals' mission costs are expenses for travel and per diem of representatives, delegates, individuals and others (i.e. non-staff).

Training, Research and Scientific Activities

Financial contributions include contributions made to scientific joint activities, publications, conferences and program activities. This include study grants, fellowships, subventions, sponsorships and grant-in-aid. Expenses for external training and seminars are mainly travel and per diem costs for participants.

Supplies, Consumables and Other Running Costs

Communications expenses concern mainly telephone and postal/freight costs. Equipment expenses represent equipment purchases and costs during the year which do not meet the criteria for capitalization as PP&E or intangible assets. This line includes the expense which corresponds to the in-kind voluntary contribution for leases provided to ICTP at no cost. Maintenance and repairs expenses are mainly those incurred in relation to ICTP premises, including building renovation that does not meet the criteria for capitalization as PP&E. Other supplies include office supplies.

Contracted Services

Contracted services represent expenses where ICTP has engaged a third party to perform work on behalf of ICTP. Major categories of these types of arrangements include research, seminars and meetings and document production. Significant amounts fall within the category other contracted services. It should be noted that under certain arrangements, especially non-exchange contracts with not-for-profit organizations and government ministries for the implementation of activities under ICTP's mission and mandate, contracts are established which cover several types of services and work which cannot be easily allocated to a single category of contracted services.

Depreciation and Amortization

Depreciation and Amortization is the expense resulting from the systematic allocation of the depreciable amounts of property, plant and equipment over their useful lives.

Foreign Exchange Losses, Finance Costs and Other Expenses

Finance Cost and Other expenses are mainly due to bank charges and commissions.

NOTE 20: CONTINGENT LIABILITIES, COMMITMENTS AND CONTINGENT ASSETS

Contingent liabilities

ICTP is subject to a variety of claims and suits that arise from time to time in the normal course of business. These claims can be related to third party or human resource claims.

As at 31 December 2022, ICTP has contingent liabilities of €45k (2021 – €15k) for claims or legal actions related to International Labour Organization Administrative Tribunal. No allowance for loss has been provided as the outcome, amount and timing of the outflow is uncertain. With respect to these legal claims, ICTP does not expect the ultimate resolution of any of the proceedings to which it is party to have a significant adverse effect on its financial position, performance or cash flows.

Operating lease commitments

ICTP enters into operating lease arrangements for the use of the facilities, photocopying and printing equipment. Future minimum lease rental payments for the following years are:

| Expressed in '000s Euro | 2022 | 2021 |
|---|--------------|--------------|
| Within one year | 667 | 668 |
| Later than one year and not later than five years | 2,505 | 2,599 |
| Later than five years | 143 | 713 |
| Total operating lease commitments | 3,315 | 3,980 |

Contingent assets

Contingent assets will be disclosed where an inflow of economic benefits resulting from the potential occurrence or non-occurrence of a future event is deemed to be probable. As at 31 December 2022, there are no contingent assets to disclose (2021 – nil €).

NOTE 21: FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, currency and interest rate risk arises in the normal course of ICTP's operations. The following presents information about ICTP's exposure to each of the above risks, policies and processes for measuring and managing risk, and ICTP's management of capital.

ICTP's financial risks are managed in accordance with the risk policies of UNESCO. UNESCO's risk management policies along with its Investment Policy and Financial Rules and Regulations aim to minimize potential adverse effects on the resources available to ICTP to fund its activities.

The primary objective of UNESCO's Investment Policy is the preservation of the value of resources of the Organization. Within this general objective the principal considerations for investment management are, in order of priority, security of principal, liquidity, and rate of return.

UNESCO has an Investment Committee comprising senior management representatives and external member(s) that advise the Chief Financial Officer on investment and cash management policy of UNESCO, on overall investment strategy and on related risk management.

Fair value of financial assets and liabilities

Fair values and fair value hierarchy

The fair value of cash and cash equivalents, accounts receivable from exchange and non-exchange transactions, Receivable from UNESCO and Accrued Interest approximate their recorded carrying amount due to their short term nature.

The fair value of Accounts payable, Accrued liabilities, Transfers payable and Other current liabilities approximate their carrying value.

Credit risk

Credit risk is the risk of financial loss to the ICTP if counterparties to financial instruments fail to meet their contractual obligations. This situation could affect cash and receivables. The maximum exposure to credit risk is the carrying amount of those financial assets.

ICTP participates in UNESCO's cash pooling mechanism. Participation in UNESCO's cash pool implies sharing the risk and returns with all participants. Given that the funds from all participants are commingled and invested on a pool basis, each participant is exposed to the overall risk of the cash pool to the extent of the amount of cash participated.

Cash and cash equivalents

ICTP only held cash at 31 December 2022 and did not hold any cash equivalents nor direct investments at year-end. To mitigate the credit risk, cash is held with major international banks of high credit standing selected in accordance with UNESCO's policies. As such, the credit risk exposure related to cash is not significant.

Receivables

ICTP had receivables in the amount to €20,318k (€882k in 2021) which encompasses a Receivable from UNESCO, public and private organizations or persons whom have contributed funds to ICTP.

An allowance is established when there is objective evidence, based on a review of outstanding amounts at the reporting date that a counterparty will not comply with the original terms of the receivables.

The credit risk exposure related to receivables is not significant as contributions are primarily from governments and related bodies, and all receivables have been assessed as collectable.

Receivable from UNESCO relates to funds held in UNESCO's cash pool. The credit risk exposure to that receivable is limited to its carrying amount. This risk is not significant due to the restrictions on the credit rating (minimum rating A-) of banking institutions that UNESCO can transact with, and UNESCO's strong short term liquidity position.

Liquidity risk

Liquidity risk is the risk that ICTP might not have adequate funds to meet its obligations as they fall due. ICTP ensures on the basis of cash flow forecasts and approved budgets that it has sufficient cash on demand to meet expected operating expenses.

As at the year-end, ICTP's Cash and cash equivalents and Receivable from UNESCO balance equalled €22,028k (€19,131k in 2021) which is substantially more than the current liabilities equalling €11,589k (€13,648k in 2021). Therefore, ICTP is not exposed to significant liquidity risk.

Currency risk

Currency risk is the risk that the fair value of a financial instrument fluctuates due to changes in foreign exchange rates. ICTP is exposed to currency risk on revenues and expenses denominated in foreign currencies, predominately US Dollars. A 1% increase or decrease in exchange rate would not have a material impact on the financial statements.

As mandated by UNESCO, ICTP mitigates this risk by maintaining all cash in Euros. In addition, foreign currency risk related to ICTP's extrabudgetary activities is managed through individual project budget planning for foreign currency expenditure. Therefore, ICTP is not exposed to significant currency risk.

Interest rate risk

Interest rate risk arises from the effects of market interest rate fluctuations on the fair value of financial assets and liabilities and/or on future cash flows. ICTP is mainly exposed to interest rate risk on its financial interest bearing assets.

A 1% increase or decrease in interest rates would not have a material impact on the financial statements.

Concentration risk

ICTP has a significant concentration of risk with UNESCO, who are the counterparty for 81% of ICTP's total assets at 31 December 2022 (2021: 71%). ICTP considers this concentration of risk is sufficiently mitigated by the strong short-term liquidity position of UNESCO.

NOTE 22: CAPITAL MANAGEMENT

ICTP defines the capital that it manages as the aggregate of its net assets, which is comprised of accumulated balances and reserves. ICTP's objectives in managing capital are to safeguard its ability to continue as a going concern to fund its asset base and to fulfil its mission and objectives. ICTP's overall strategy with respect to capital management includes the balancing of its operating and capital activities with its funding on an annual basis.

THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS
Trieste, Italy

ICTP's capital structure is managed in light of global economic conditions, the risk characteristics of the underlying assets and working capital requirements. ICTP manages its capital by reviewing on a regular basis, the actual results against the approved budgets by the ICTP Steering Committee.

NOTE 23: RELATED PARTY DISCLOSURES

Governing Body

ICTP is governed by a Steering Committee, consisting of representatives of the Italian Government, the IAEA and UNESCO, plus the Director of ICTP. The three representatives do not receive any remuneration from the ICTP. ICTP may pay only for travel costs and subsistence allowance to cover costs incurred to attend the bi-annual meetings.

ICTP / UNESCO transactions

Transactions between ICTP and UNESCO, the controlling entity, are recorded on a gross basis. The services received without charge are not recorded. The main services received without charge are the following:

- Payroll management services
- Information Technology services
- Internal audit services
- Legal services

Key Management Personnel

The staff members that fall into the category of key management personnel of ICTP are the Director of ICTP and the members of the ICTP Directorate Management Committee (Sr. Operations Officer & Interim Head Budget and Finance, Human Resources Officer, Sr. Coordinator Programmes and Advancement, Sr. Coordinator Research and Partnerships, Senior Advisor).

The aggregate remuneration paid to key management personnel includes: net salaries, post adjustments, employer pension and health insurance contributions, entitlements such as education grants, home leave and representation allowances. Advances against entitlements are those made in accordance with staff rules and regulations and relate to education grants. No remuneration was provided to family members of key personnel management. The Director of ICTP is accommodated in a residence at the ICTP premises for which the Director pays for the accommodation and utility costs.

| | Number of individuals | Compensation and post adjustment | Entitlements | Pension and health plans | Total remuneration | Outstanding advances against entitlements | Other receivables |
|------|-----------------------|----------------------------------|--------------|--------------------------|--------------------|---|-------------------|
| | | Expressed in '000s Euro | | | | | |
| 2022 | 6 | 693 | 72 | 219 | 984 | 21 | - |
| 2021 | 5 | 575 | 39 | 169 | 783 | - | - |

UNESCO / TWAS transactions

ICTP hosts on its premises The World Academy of Sciences for the advancement of science in developing countries (TWAS) since its foundation in 1983. TWAS is a project of UNESCO and as such is

THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS
Trieste, Italy

maintaining separate accounts and is producing separate financial reports. In force of an agreement stipulated at that time and integrated recently, ICTP is providing to it a number of services by means of its administrative infrastructure. Direct costs borne on behalf of TWAS are accounted for via a clearing account opened in its name and are billed to it on a monthly basis for refund. The balance of the clearing account is zero at the end of the year.

Moreover, TWAS is paying to ICTP an annual global sum as a compensation for the services rendered, which is recognized as revenue. The amount is calculated as a percentage of running costs of ICTP and for year 2022 amounted to €143k (€144k in 2021).