



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



The Abdus Salam International Centre for Theoretical Physics

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2023

THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS

Trieste, Italy

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THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS
Trieste, Italy

CERTIFICATION OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023.

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, 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 Dabholkar
Director
ICTP

(Signed)

Mrs Magdolna Bona
Chief Financial Officer
UNESCO

(Signed)

14 June 2024

THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS

Trieste, Italy



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 2023, 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 2023, 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.

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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
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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
14 June 2024

THE ABDUS SALAM INTERNATIONAL CENTRE FOR THEORETICAL PHYSICS
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Statement I
ICTP
I. STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER

(Expressed in '000s Euro)	Notes	2023	2022
ASSETS			
Current Assets			
Cash	5	4,761	2,164
Accounts receivable from non-exchange transactions	6	214	142
Accounts receivable from exchange transactions	7	461	312
Advance payments	8	344	541
Other receivable	9	-	3
Receivable from UNESCO	10	18,600	19,864
Total Current Assets		24,380	23,026
Non-Current Assets			
Property, plant and equipment	11	1,575	1,571
Intangible Assets	12	52	57
Total Non-current Assets		1,627	1,628
TOTAL ASSETS		26,007	24,654
LIABILITIES			
Current Liabilities			
Accounts payable and accruals (exchange transactions)	13	1,493	1,860
Employee benefits	14	7,189	7,211
Transfers payable		141	77
Voluntary contributions with conditions – Extrabudgetary	15	1,402	2,134
Advance receipts		329	287
Other current liabilities		21	20
Payable to UNESCO		8	-
Total current liabilities		10,583	11,589
Non-Current liabilities			
Employee benefits	14	18,212	16,800
Voluntary contributions with conditions – Extrabudgetary	15	3,305	3,138
Total non-current liabilities		21,517	19,938
TOTAL LIABILITIES		32,100	31,527
NET ASSETS	16	(6,093)	(6,873)

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

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

(Expressed in '000s Euro)	Notes	2023	2022
REVENUE			
UNESCO Financial Allocation - Core Funding		429	401
Voluntary contributions - Core Funding		22,783	22,746
Voluntary contributions - Extra budgetary		7,340	2,530
In-kind contribution		1,187	1,131
Other revenue producing activities		400	230
Finance revenue		655	43
Other revenue		139	158
TOTAL REVENUE	17	32,933	27,239
EXPENSES			
Personnel Cost		16,302	12,372
Consultants, experts and mission costs		909	875
Training, research and scientific activities		7,435	6,141
Supplies, consumables and other running costs		4,997	4,230
Contracted services		1,305	1,292
Depreciation and amortization		468	499
Foreign Exchange Losses		69	31
Finance costs		44	37
Other expenses		17	21
TOTAL EXPENSES	18	31,546	25,498
(DEFICIT)/SURPLUS FOR THE PERIOD		1,387	1,741

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

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

(Expressed in '000s Euro)	Notes	2023	2022
NET ASSETS AT THE BEGINNING OF THE PERIOD	16	(6,873)	(8,290)
Actuarial losses		(607)	(324)
(Deficit)/Surplus for the period	16	1,387	1,741
NET ASSETS AT THE END OF THE PERIOD	16	(6,093)	(6,873)

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	2023	2022
Cash flows provided by/(used in) operating activities:			
(Deficit)/Surplus for the period		1,387	1,741
Non cash interest revenue from Cash pooling arrangement	17	(635)	-
Depreciation and amortization	18	468	499
(Increase) Decrease in accounts receivables (non-exchange transactions)	6	(76)	201
(Increase) Decrease in accounts receivables (exchange transactions)	7	(149)	(65)
(Increase) Decrease in other receivables	9	3	25
(Increase) Decrease in Receivable from UNESCO - Due from UNESCO	10	13,607	(17,575)
(Increase) Decrease in advance payments	8	197	(36)
Increase (Decrease) in advance receipts		40	76
Increase (Decrease) in accounts payable and accruals	13	(367)	(480)
Increase (Decrease) in employee benefits (Current and Non-Current)	14	769	(1,885)
Increase (Decrease) voluntary contributions with conditions – extrabudgetary (Current and Non-Current)	15	(565)	3,242
Increase (Decrease) in other current liabilities		1	(16)
Increase (Decrease) in transfers payable		65	40
Loss on disposal of property, plant and equipment		1	-
Effect of exchange rates on operating activities		20	3
Net cash flows provided by/(used in) operating activities		14,766	(14,230)
Investing activities:			
Purchase of property, plant & equipment	11	(457)	(448)
Purchase of intangible assets	12	(12)	-
Cash contributions to the UNESCO cash pooling arrangement	10	(20,000)	-
Cash withdrawals from the UNESCO cash pooling arrangement	10	8,300	-
Net (Purchase)/Redemption in investments		-	13,000
Net cash flows (used in) investing activities		(12,169)	12,552
Net Increase (Decrease) in cash		2,597	(1,678)
Cash beginning of period	5	2,164	3,842
Cash end of period	5	4,761	2,164

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 2023

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, accounts receivable from exchange and non-exchange transactions and receivable from UNESCO.

Financial assets are recognized initially at fair value. The subsequent measurement of financial assets depends on their classification. ICTP classifies its financial assets as either measured at amortized cost (AC) using the effective interest method or measured at fair value through surplus or deficit (FVTSD). The classification depends on ICTP's management model for the financial assets and the contractual cash flow characteristics of the financial assets.

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

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Trieste, Italy

Financial assets	Classification	Subsequent Measurement
Cash	AC	Amortized cost
Accounts receivable from exchange transactions	AC	Amortized cost
Accounts receivable from non-exchange transactions	AC	Amortized cost
Receivable from UNESCO	AC	Amortized cost

ICTP assesses on a forward-looking basis the expected credit losses associated with its financial assets classified as measured at amortized cost. The adjustment to the loss allowance at each reporting date is recognized as an impairment gain or loss in surplus or deficit.

ICTP derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or are waived, or when it transfers the financial asset and the transfer qualifies for derecognition.

2.4 FINANCIAL LIABILITIES

ICTP's financial liabilities include accounts payable and accruals, transfers payable, payable to UNESCO and other current liabilities. ICTP initially recognizes its financial liabilities at fair value. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method.

2.5 CASH

Cash includes current accounts held by financial institutions which are available on demand and cash in hand.

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

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

2.7 ADVANCE PAYMENTS

ICTP advances payments under exchange contracts for the delivery of goods and services related to ICTP's programs and activities. Such payments are treated as Advance Payments if the delivery of goods and services are not fulfilled at the reporting date. Advance payments are recognised as expenses as the goods and services are rendered.

2.8 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.

2.9 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:

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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 PP&E 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 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. Cash-generating assets are those held for the purpose of generating a commercial return. ICTP's PP&E are not held for future sale and are therefore considered as non-cash generating assets.

2.10 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:

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

2.11 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.

2.12 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 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

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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 medical insurance plan (AMIP). This plan 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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 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.

2.17 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, 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.

Judgments

- *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 14.

▪ *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 2.9 provides information on the determined current useful lives.

NOTE 4: ACCOUNTING STANDARDS ISSUED

Accounting standards adopted in current year

- IPSAS 41 Financial Instruments has been applied retrospectively as per the required implementation date of January 1, 2023. IPSAS 41 Financial Instruments was published in August 2018 and replaces IPSAS 29 Financial Instruments: Recognition and Measurement. ICTP has adopted IPSAS 41 and the related consequential amendments to other IPSASs in the financial reporting period commencing January 1, 2023. ICTP's revised accounting policies in relation to financial instruments are provided above. The implementation has had no significant impact on the financial statements.

IPSAS 41 provides a single classification and measurement approach for financial assets that reflects the management model for managing the assets and their contractual cash flow characteristics. For financial liabilities, the existing classification and measurement requirements of IPSAS 29 are largely retained. The table below illustrates the classification of financial assets and financial liabilities under IPSAS 41 and IPSAS 29 at the date of initial application of 1 January 2023.

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Financial Assets	Category IPSAS 29	Category IPSAS 41
Cash	Loans & Receivables	Amortized cost
Accounts receivable from exchange transactions	Loans & Receivables	Amortized cost
Accounts receivable from non-exchange transactions	Loans & Receivables	Amortized cost
Receivable from UNESCO	Loans & Receivables	Amortized cost
Financial liabilities	Category IPSAS 29	Category IPSAS 41
Accounts payable and accruals	Amortized cost	Amortized cost
Transfers payable	Amortized cost	Amortized cost
Payable to UNESCO	Amortized cost	Amortized cost
Other current liabilities	Amortized cost	Amortized cost

There were no changes made to the measurement of financial assets and financial liabilities as a result of adopting IPSAS 41. The standard also introduces a forward-looking assessment of expected credit losses on financial assets categorized at amortized cost.

Accounting standards issued and to be adopted at a later date

- IPSAS 43 – Leases: the standard is effective for annual reporting year beginning on or after 1 January 2025, with earlier application permitted. 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, with earlier application permitted. 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.
- IPSAS 45 - Property Plant and Equipment: the effective date of this standard is 1 January 2025. The Standard prescribes the accounting treatment for property, plant and equipment so that users of financial statements can discern information about the entity’s investment in its property, plant and equipment and the changes to such investments. ICTP has not yet assessed the impact of the adoption of the standard.
- IPSAS 46—Measurement: the effective date of this standard is 1 January 2025, with earlier application permitted. The Standard defines the measurement bases that assist in reflecting fairly cost of services, operational capacity and financial capacity of assets and liabilities. ICTP has not yet assessed the impact of the adoption of the standard.
- IPSAS 47 – Revenue: the effective date of this standard is 1 January 2026, with earlier application permitted. The Standard establishes the principal that an entity shall apply to report useful information to users of financial statement about the nature, amount, timing and uncertainty of revenue and cash flows from revenue transactions. ICTP has not yet assessed the impact of the adoption of the standard.

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- IPSAS 48—Transfer Expenses: the effective date of this standard is 1 January 2026, with earlier application permitted. The Standard establishes the principles that a transfer provider (an entity) shall apply to report useful information to users of financial information about the nature, amount, timing and uncertainty of expenses and cash flows arising from transfer expense transactions. ICTP has not yet assessed the impact of the adoption of the standard.

NOTE 5: CASH

Expressed in '000s Euro	2023	2022
Cash		
Cash in hand	30	15
Current accounts	4,731	2,149
Total cash	<u>4,761</u>	<u>2,164</u>

NOTE 6: ACCOUNTS RECEIVABLE FROM NON-EXCHANGE TRANSACTIONS

Expressed in '000s Euro	2023	2022
Voluntary contributions (current)	214	142
Total accounts receivable (non-exchange transaction)	<u>214</u>	<u>142</u>

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

NOTE 7: ACCOUNTS RECEIVABLE FROM EXCHANGE TRANSACTIONS

Expressed in '000s Euro	2023	2022
Amounts receivables for goods and services	461	312
Total accounts receivable (exchange transactions)	<u>461</u>	<u>312</u>

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

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NOTE 8: ADVANCE PAYMENTS

Expressed in '000s Euro	2023	2022
Advances to staff	65	98
Other advance payments	279	443
Total advance payments	344	541

Advance payments to staff primarily concern education grant 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 2023 but relevant to year 2024.

NOTE 9: OTHER RECEIVABLES

Expressed in '000s Euro	2023	2022
Other	-	3
Total Other receivables	-	3

NOTE 10: RECEIVABLE FROM UNESCO

Expressed in '000s Euro	2023	2022
Due from UNESCO	-	64
Deposits held by UNESCO	18,600	19,800
Total Receivable from UNESCO	18,600	19,864

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.

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.

During the year, ICTP had the following non-cash transactions in the UNESCO's investment account: investment amounting to €0k and withdrawal amounting to €12,900k. In the prior year, UNESCO sold on behalf of ICTP a net investment of €2,000k and acquired on behalf of ICTP investments amounting

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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 11: 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 2023							
Cost	4,004	163	244	2,179	448	225	7,263
Accumulated depreciation	(3,402)	(157)	(242)	(1,824)	(67)	-	(5,692)
Carrying amount	602	6	2	355	381	225	1,571
Movements 12 months to 31 December 2023							
Additions	84	36		154	28	155	457
Transfers				130		(130)	-
Disposals	(600)			(186)			(786)
Disposals depreciation	598			186			784
Depreciation	(265)	(9)	(1)	(141)	(35)		(451)
Total movements 12 months to 31 December 2023	(183)	27	(1)	143	(7)	25	4
31 December 2023							
Cost	3,488	199	244	2,277	476	250	6,934
Accumulated depreciation/disposal	(3,069)	(166)	(243)	(1,779)	(102)	-	(5,359)
Carrying amount	419	33	1	498	374	250	1,571

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	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	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

At 31 December 2023, ICTP holds fully depreciated PP&E which is still in use for a gross value of €4,349k (€4,571k in 2022).

At 31 December 2023, there are no heritage assets to declare (consistent with 31 December 2022).

At 31 December 2023, ICTP has committed purchasing assets of a value of €101k (€298k in 2022).

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NOTE 12: INTANGIBLE ASSETS

Expressed in '000s Euro	Software	Software (WIP)	Total
1 January 2023			
Cost	-	57	57
Accumulated amortization	-	-	-
Carrying amount	-	57	57
Movements 12 months to 31 December 2023			
Additions	12	-	12
Transfers	57	(57)	-
Disposals	-	-	-
Disposals amortization	-	-	-
Amortization	(17)	-	(17)
Total movements 12 months to 31 December 2023	52	(57)	(5)
31 December 2023			
Cost	69	-	69
Accumulated amortization	(17)	-	(17)
Carrying amount	52	-	52

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

At 31 December 2023, ICTP has no commitments to purchase intangible assets (€24K in 2022).

At 31 December 2023, ICTP holds fully amortized intangible assets which is still in use for a gross value of €0 (€0 in 2022).

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NOTE 13: ACCOUNTS PAYABLE AND ACCRUALS

Expressed in '000s Euro	2023	2022
Suppliers payable	166	487
Accruals	1,327	1,373
Total accounts payable and accruals	1,493	1,860

NOTE 14: EMPLOYEE BENEFITS

Expressed in '000s Euro	2023			2022
	Actuarial valuation	ICTP valuation	Total	
Home leave, accrued annual leave and other End of Service (EOS) allowances	-	158	158	182
Payroll and reimbursements	-	108	108	87
After Service Medical Insurance Plan	390	-	390	311
Accumulated annual leave	1,507	-	1,507	1,463
Repatriation benefits	51	-	51	11
Italian end of service benefit	4,975	-	4,975	5,156
Employee benefits (current)	6,923	266	7,189	7,210
Repatriation benefits	820	-	820	711
After Service Medical Insurance Plan	17,392	-	17,392	16,089
Employee benefits (non-current)	18,212	-	18,212	16,800
Total employee benefits	25,135	266	25,401	24,010

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.

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.

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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, 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 2023:

Assumptions used for AMIP Plan, annual leave, repatriation grant and Italian end of service benefit		2023	2022
Discount rate - After Service Medical Insurance Plan (AMIP)	The rate used is based on the Mercer Yield Curve	3.60% (maturity around 19 years)	4.25% (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%
Discount rate - Repatriation benefits, Accumulated annual leave and Liquidazione (SPS)	The rate used is based on the Mercer Yield Curve	3.50% (maturity around 10 years)	4.15% (maturity around 11.5 years)
Salary increase rate - Accumulated annual leave		2.50%	2.25%

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Salary increase rate - Italian end-of-service benefit (SPS)		2.75%	2.75%
Salary increase rate - Repatriation grant		2.50%	2.25%
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	5.65%	7.50%
Inflation rate	For all benefits	2.25%	2.00%
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 2019 and 2023		

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

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Expressed in '000s Euro	After Service Medical Insurance Plan	Accumulated Annual Leave	Repatriation Benefits	Liquidazione (SPS)	2023
Defined Benefit Obligation beginning of the year (Current + Non Current)	16,400	1,463	722	5,156	23,741
Movement for period ended 31/12/2023					
Service Cost	377	89	31	313	810
Interest Cost	690	60	30	213	993
(Actual gross benefits payments)	(292)	(193)	(48)	(1,064)	(1,597)
Actuarial (gain)/loss due to experience adjustments	3,719	(40)	64	-	3,743
Actuarial (gain)/loss due to demographic assumptions changes	(15)	3	1	-	(11)
Actuarial (gain)/loss due to financial assumptions changes	(3,097)	125	71	357	(2,544)
Sub-total actuarial (gain)/loss	607	88	136	357	1,188
Defined benefit obligation 31/12/2023 (Current + Non Current)	17,782	1,507	871	4,975	25,135

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)	(250)	(81)	-	(784)	(1,115)
Actuarial (gain)/loss due to experience adjustments	1,935	(66)	-	355	2,224
Actuarial (gain)/loss due to demographic assumptions changes	-	-	-	-	-
Actuarial (gain)/loss due to financial assumptions changes	(1,612)	(394)	(178)	(1,611)	(3,795)
Sub-total actuarial (gain)/loss	323	(460)	(178)	(1,256)	(1,571)
Defined benefit obligation 31/12/2022 (Current + Non Current)	16,400	1,463	722	5,156	23,741

Actuarial (gains)/losses was further disaggregated by type of (gain)/loss in order to be consistent with current year disclosure.

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 2023
Service Cost	377	89	31	313	810
Interest Cost	690	60	30	213	993
Actuarial (gain)/loss		88	136	357	581
Total expenses recognized	1,067	237	197	883	2,384

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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)

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 5.15%	Medical cost trend 5.65%	Medical cost trend 6.15%
Expressed in '000s Euro			
Defined benefit obligation as at 31 December 2023	16,531	17,779	19,156
% Variation	-7.0%	0.0%	7,7%

A half percentage point change for discount rate would have the following effects:

After Service Medical Insurance Plan - Discount rate	Discount rate 3.10%	Discount rate 3.60%	Discount rate 4.10%
Expressed in '000s Euro			
Defined benefit obligation as at 31 December 2023	19,480	17,779	16,283
% Variation	9.6%	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	2023	2022
After Service Medical Insurance Plan	17,782	16,400
Accumulated Annual Leave	1,507	1,463
Repatriation Benefits	871	722
Liquidazione (SPS)	4,975	5,156

The expected benefits contributions by ICTP in 2024 to the AMIP plan is €390k.

The expected benefits contributions by ICTP in 2024 to the accumulated annual leave, repatriation defined benefit and SPS plans is €112k, €51k and €338k respectively.

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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.

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 the valuation as of 31 December 2023 is currently being performed. 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 (2020, 2021 and 2022) amounted to USD 8,937.68 million, of which 2.16% was contributed by UNESCO.

During 2023, ICTP's contributions paid to UNJSPF amounted to €2.48 million (2022: €2.3 million). Expected contributions due in 2024 are approximately €2.6 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

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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.

NOTE 15: VOLUNTARY CONTRIBUTIONS WITH CONDITIONS

Expressed in '000s Euro	2023	2022
Voluntary contributions with conditions beginning of the year	5,272	2,028
Movements for the year ended 31 December		
Amounts recognized as revenue	(1,717)	(1,530)
New contributions received	1,152	4,774
Voluntary contributions with conditions at the year ended 31 December	4,707	5,272
Voluntary contributions with conditions (current)	1,402	2,134
Voluntary contributions with conditions (non current)	3,305	3,138
Voluntary contributions with conditions at the year ended 31 December	4,707	5,272

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 16: NET ASSETS

Expressed in '000s Euro	Opening Balance 1 January 2023	Surplus for the period	Actuarial losses and gains	Closing Balance 31 December 2023
Restricted Reserves	590	-	-	590
Unrestricted Reserves	(7,463)	1,387	(607)	(6,683)
Total net assets	(6,873)	1,387	(607)	(6,093)

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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)

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	2023	2022
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

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

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NOTE 17: REVENUE

Expressed in '000s Euro	2023	2022
Voluntary contributions		
Voluntary contributions - Core Funding	23,212	23,147
Voluntary contributions - Extra budgetary	7,340	2,530
In-kind contribution	1,187	1,131
Total Voluntary contributions	31,739	26,808
Other revenue producing activities		
Income from Services Rendered	400	230
Total Other revenue producing activities	400	230
Finance revenue	655	43
Other revenue		
Other operating gains	5	5
Interfund Transfers	134	153
Total Other revenue	139	158
Total Revenue	32,933	27,239

Voluntary contributions - Core Funding consist of the financial allocations determined by the Italian government for €20,593k (€20,593k in 2022), the General Conference of the IAEA for €2,190k (€2,154k in 2022) and the General Conference of UNESCO for €429k (€401k in 2022).

Voluntary contributions - Extrabudgetary consist of contributions received from public or private organizations, associations or individuals for €7,340k (€2,530k in 2022). In 2023, ICTP received a contribution from the Italian Government of €4,000K for extraordinary maintenance.

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 €1,187k (€1,131k in 2022). 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 €365k (€211k in 2022).

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 bank accounts and cash pooling arrangement.

ICTP has €635k of interest which are not included in the net cash flows provided by operating activities, as these transactions did not impact ICTP's cash balance.

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NOTE 18: EXPENSES

Expressed in '000s Euro	2023	2022
Personnel Cost		
International & National staff	15,727	11,655
Temporary staff	575	717
Total Personnel Cost	16,302	12,372
Consultants, experts and mission costs		
Consultants	628	658
Delegates & external individuals missions	-	-
Staff mission costs	281	217
Total consultants, experts and mission costs	909	875
Training, research and scientific activities		
Financial Contributions	-	-
Grants and Fellowships	6,115	5,416
External Training & Seminars	1,320	725
Total training, research and scientific activities	7,435	6,141
Supplies, consumables and other running costs		
Communications	98	81
Equipment	399	391
Leases	2,043	1,831
Utilities	729	388
Maintenance and repairs	1,014	711
Other supplies	714	828
Total supplies, consumables and other running costs	4,997	4,230
Contracted services		
Contracted research	68	133
Contracted Seminars & Meetings	331	216
Contracted Document Production	7	7
Other contracted services	899	936
Total contracted services	1,305	1,292
Depreciation and amortization	468	499
Foreign exchange losses	69	31
Finance costs	44	37
Other expenses	17	21
Total expenses	31,546	25,498

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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. Leases expense include 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 19: 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 2023, ICTP has no contingent liabilities for claims or legal actions related to International Labour Organization Administrative Tribunal (2022 – €45k). 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	2023	2022
Within one year	667	667
Later than one year and not later than five years	1,980	2,505
Later than five years	-	143
Total operating lease commitments	2,647	3,315

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 2023, there are no contingent assets to disclose (2022 – nil €).

NOTE 20: FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, currency and interest rate risk arises in the normal course of ICTP's operations. To ensure its proper management, UNESCO has an Investment Committee comprising of 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.

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 management 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.

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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.

Fair value of financial assets and liabilities

Fair value

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

The fair value of Accounts payable and accruals, Transfers payable, payable to UNESCO and Other current liabilities approximate their carrying value due to their short-term nature.

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

ICTP only held cash at 31 December 2023 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 €19,275k (€20,318k in 2022) which encompasses a Receivable from UNESCO, public and private organizations or persons whom have contributed funds to ICTP.

An allowance for these is established on a lifetime forward-looking model.

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 Receivable from UNESCO balance equalled €23,361k (€22,028k in 2022) which is substantially more than the current liabilities equalling €10,583k (€11,589k in 2022). 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 72% of ICTP's total assets at 31 December 2023 (2022: 81%). ICTP considers this concentration of risk is sufficiently mitigated by the strong short-term liquidity position of UNESCO.

NOTE 21: 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.

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.

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NOTE 22: 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. The contributions made to ICTP's core funding by the related parties discussed above are disclosed in Note 17.

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, Sr. 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					
2023	6	664	83	204	951	16	-
2022	6	693	72	219	984	21	-

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 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

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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 2023 amounted to €120k (€143k in 2022).