

Employees' Old-Age Benefits Institution
Notes to the Accounts
For the year ended June 30, 2011

1. Nature and status

- 1.1** Employees' Old Age Benefits Institution (the Institution) is a body corporate, established under Employees' Old Age Benefits Act, 1976. The Institution's prime objective is to provide pensions and old age grants to the insured persons covered under the scheme.

The head office of the institution is located at Postal Life Insurance building adjacent to GPO building II

- 1.2** EOBI Fund was established under Section 17 of Employees' Old-Age Benefits Act, 1976, where in all contributions paid under this Act, and all other moneys received by or on behalf of the Institution are paid into it while all expenditure incurred by the Institution necessary for the purpose of this Act are charged to the same.
- 1.3** The financial statements are presented in Pak Rupees, which is the Institution's functional and presentation currency.

2. Statement of compliance

These financial statements have been prepared in accordance with the Employees' Old-Age Benefits Act, 1976 (the Act), Employees' Old-Age Benefits (Audit and Account) Rules, 1977 (the Rules) and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Accounting Standards as are notified by the Securities and Exchange Commission of Pakistan. Wherever, the requirements of the rules or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards the requirements of the Rules or said directives take precedence.

3. Basis of preparation

These financial statements have been prepared under the historical cost convention except that certain investments are stated at market value and amortized cost and recognition of certain employee retirement benefits at present value.

4. Significant Accounting Policies

The principal accounting policies adopted are set out below:

4.1 Property, Plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to revenue applying the straight line method at rates stated in note 5. Depreciation is applied on proportionate basis on the cost of addition/disposal of assets during the year.

Capital work-in-progress is stated at cost accumulated to the balance sheet date. These assets will be transferred to specific assets as and when these are available for use.

Maintenance and normal repairs are charged to revenue account as and when incurred. However, major additions and renewals are capitalized.

Gains and losses on disposal of property, plant and equipments are included in income currently.

4.2 Investment properties

These properties are carried at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to income applying the straight line method at the rates stated in note 6. Depreciation is applied on proportionate basis on the cost of additions / disposal of assets during the year.

4.3 Investments

The Institution has classified its investment portfolio as financial assets at fair value through profit or loss - held-for-trading (Trading portfolio), held-to-maturity and available-for-sale (strategic investment portfolio). Investments are recognized initially at cost, and subsequently they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchase and sale of investments

All purchases and sales of investments in securities are recognized using trade date accounting. Trade date is a date on which the Institution commits to purchase or sale the investment.

Subsequent measurement

Financial assets at fair value through profit or loss

Held for trading investments classified under the category 'financial assets at fair value through profit or loss' are acquired for the purpose of generating profit from short term fluctuations in price or dealer's margin and are measured subsequently at fair value. Unrealized gains or losses are recorded in the revenue account for the period in which they arise.

Held-to-maturity

Held-to-maturity investments with fixed or determinable payments and fixed maturity that the Institution has the positive intent and ability to hold to maturity, are subsequently carried at amortized cost using effective interest rate method.

Available-for-sale

Investment securities held by the Institution other than financial assets at fair value through profit or loss and held-to-maturity are classified as available-for-sale. These investments are remeasured at fair value. Gains or losses arising from re-measurement at fair value are recognized directly in equity as surplus / (deficit) on revaluation of investment, until the investment is disposed off or is determined to be impaired, at which time the cumulative gain or loss previously recognized in the equity as unrealized gain / (loss) on revaluation of investment is included in the revenue account.

Fair market value of quoted marketable securities is determined by reference to stock exchange rates ruling at the balance sheet date.

4.4 Impairment and uncollectibility of assets

An assessment is made at each balance sheet date to determine whether there is an indication that assets may be impaired. If such indication exists, the carrying amounts of such assets is reviewed to assess whether they are recorded in excess of their carrying amount. Where carrying value exceeds the recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in revenue account. The recoverable amount is higher of an asset's fair value less costs to sell and value in use.

When impairment loss subsequently reverses, the carrying amount of the assets is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognized as income in the revenue account.

4.5 Staff retirement and other benefits

(a) Pension

The Institution operates an approved funded pension scheme for its eligible employees under Employees' Old-Age Benefits Institution (Employees pension and Gratuity) Regulations, 1987. The retirement benefits under this scheme are in line with the benefits admissible to the Federal Government employees.

(b) Gratuity

The Institution operates an unfunded gratuity scheme for its eligible employees under Employees' Old-Age Benefits Institution (Employees' pension and Gratuity) Regulations, 1987. The liability is recognized based on the actuarial valuation in line with International Accounting Standard-19.

(c) Post employment medical care (PEMC)

The Institution operates unfunded Post employment medical care scheme for its eligible employees. The liability is recognized based on the actuarial valuation in line with International Accounting Standard-19.

d) Compensated absences

The Institution provides for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned.

4.6 Provisions

Provisions are recognized when the Institution has a present, legal or constructive obligations as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.7 Revenue recognition

Contribution from employers, insured persons and Federal Government are recorded on receipt basis.

Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognized when the Institution's right to receive the dividend is established.

Rental income from tenants is recognized on accrual basis.

4.8 Contribution

Contribution from registered employers

The registered employers contribute @ 5% of lower of basic salary/wages or Rs. 7,000 on behalf of each insured person (maximum contribution is Rs. 350 per insured person per month) towards EOBI Fund, as per amended rules effective from July 01, 2010.

Contribution from insured persons

The each insured person contributes @ 1% of lower of basic salary/wages or Rs. 7,000 (maximum contribution is Rs.70 per insured person per month) towards EOBI Fund, as per amended rules effective from July 01, 2010.

Number of registered employers

The number of registered employers as at June 30, 2011 was 80,302 (2010: 74,723)

Number of active registered employers

The number of active registered employers as at June 30, 2011 was 53,629 (2010: 49,093)

Number of insured persons

The number of insured persons as at June 30, 2011 was 4,699,111 (2010: 4,347,517)

4.9 Benefits paid

The Government of Pakistan has announced enhancement of minimum EOBI pension w.e.f 1st July 2010 from

The benefits paid to the insured persons are charged to revenue account on payment basis.

Number of Pensioners

The number of pensioners as at June 30, 2011 & 2010 were

	2011	2010
a) Old-Age Pensioners	266,713	246,821
b) Invalidity Pensioners	6,397	5,875
c) Survivors' Pensioners	117,827	108,067

Number of Old - Age Grant Cases Settled

The number of Old - Grant Cases Settled up to June 30, 2011 were 18,317 (2010: 16,053).

The number of Old - Grant Cases Settled during 2010-11 were 2,268 (2009-10: 1,788).

4.10 Taxation

The Institution's income is exempted from tax charge under clause 57 (3) (v) part 1 of the 2nd Schedule of the Income Tax Ordinance 2001.