

UNEDIC
Association
80 rue de Reuilly
75012 PARIS

STATUTORY AUDITORS' REPORT
Consolidated Financial Statements
Financial year ended 31 December 2008

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This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

Ladies and gentlemen,

Following our appointment as statutory auditors by your Board of Directors, we have audited the accompanying consolidated, combined financial statements of the Unemployment insurance regime managed by Unédic for the financial year ended 31 December 2008.

The consolidated financial statements have been prepared by Unédic's Director General. Our role is to express an opinion on these financial statements, based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and the financial position of the Unemployment insurance regime institutions within the scope of consolidation as at 31 December 2008 and of the results of their operations for the year then ended in accordance with French accounting regulations.

Without qualifying the above opinion, we draw your attention to the following matters set out in the notes to the financial statements relating to:

- the measures decided to ensure the financing of the Unemployment insurance regime taking into account the 2008 economic down-turn and its impact on forecasts (see note 1.3.2 « Financing for the period 2009-2010 »)
- the promulgation of the law n° 2008-126 dated February 13, 2008 related to the change in the organisation of employment's public service and its impact on financial

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statements as of December 31, 2008 (see note 1.1. "Reorganisation of employment public services")

2. JUSTIFICATION OF OUR ASSESSMENTS

The consolidated financial statements were prepared in a context of financial crisis accompanied by a slowdown in business activity, difficult access to funding and a lack of future visibility. These factors were taken into consideration by your association to assess the appropriateness of the going concern assumption used when preparing the financial statements and to make the accounting estimates required by the accounting principles at 31 December 2008. It is in this context that, in accordance with the requirements of article L 823-9 of the French Company Law (Code de Commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- The note to the financial statements setting out the accounting principles, rules and methods states that the Unemployment Insurance is a specific redistribution regime (régime spécifique par répartition) and that the financial statements have been prepared in accordance with the standard accounting practice for unemployment insurance organisations approved by the French National Accounting Council (Conseil National de la Comptabilité).

The consolidated financial statements have therefore been prepared taking into account the specific characteristics associated with the declarative nature of Unemployment insurance and the resulting consequences, with respect to returns submitted by affiliates and payments to benefit recipients.

- Furthermore, the consolidated financial statements for the financial year were prepared with the aim of continuing the activities of the Unemployment Insurance, given the structuring assumption set out in note 1.3.2 "Funding for the period 2009–2010" and concerning its ability to put in place the necessary funding arrangements.

As part of our appraisal of accounting rules and methods, we verified the appropriateness of the accounting methods detailed above and the information provided in the notes to the consolidated financial statements and we satisfied ourselves as to their correct application.

The assessments which we performed form part of our audit of the consolidated financial statements taken as a whole, and as such contributed to the opinion issued in Section one of this report.

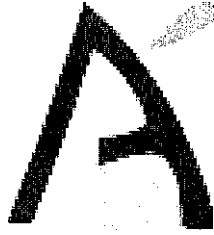
3. SPECIFIC PROCEDURE

We have also verified, in accordance with professional standards applicable in France, the information provided in the management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements

Paris and Neuilly, 24 June 2009
The Statutory Auditors

FCN ALEXANDRE		Deloitte & Associés	
[Signature]	[Signature]	[Signature]	[Signature]
Michel Doray	Serge Floch	Anne Blanche	Tristan Guerlain

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Unédic

Unemployment benefits

**80, rue de Reuilly
75012 Paris**

**CONSOLIDATED ANNUAL FINANCIAL
STATEMENTS**

31 DECEMBER 2008



Balance sheet at 31 December 2008 Assets

	Links	Gross at 31 December 2008	Depreciation amortisation and provisions	Net at 31 December 2008	Net at 31 December 2007
FIXED ASSETS					
INTANGIBLE FIXED ASSETS	C1 N1 N2	142,462,701.20	119,177,625.32	23,285,075.88	25,905,563.65
TANGIBLE FIXED ASSETS	C1 N1 N2	1,288,128,520.56	789,048,760.13	499,079,760.43	530,859,642.37
LONG-TERM INVESTMENTS	C1	32,491,064.58	0.00	32,491,064.58	31,414,666.34
TOTAL FIXED ASSETS		1,463,082,286.34	908,226,385.45	554,855,900.89	588,179,872.36
CURRENT ASSETS					
WORK-IN-PROGRESS INVENTORY		0.00	0.00	0.00	783,404.30
RECEIVABLES					
TRADE PAYABLES IN DEBIT	C3	1,163,912.44	0.00	1,163,912.44	3,559,444.18
BENEFIT RECIPIENTS IN DEBIT	C3	376,502,394.42	210,283,138.85	166,219,255.57	185,776,298.37
AFFILIATES	C4	4,685,489,830.99	738,033,291.83	3,947,456,539.16	3,911,609,707.58
FRENCH STATE	C4	53,667,928.45	0.00	53,667,928.45	40,018,499.54
CURRENT ACCOUNTS		0.00	0.00	0.00	0.00
OTHER RECEIVABLES	C5	155,492,215.22	1,500,407.89	153,991,807.33	98,706,514.26
MARKETABLE SECURITIES	C6	357,245,304.50	0.00	357,245,304.50	0.00
OTHER CASH AND CASH EQUIVALENTS	C6	37,384,881.57	0.00	37,384,881.57	25,271,639.95
PREPAYMENTS AND ACCRUED INCOME					
PREPAID EXPENSES		25,785,759.05	0.00	25,785,759.05	35,702,808.01
TOTAL CURRENT ASSETS		5,692,732,226.64	949,816,838.57	4,742,915,388.07	4,301,428,316.19
DEFERRED CHARGES	C6	538,283.60	0.00	538,283.60	1,613,557.93
BOND REDEMPTION PREMIUMS		440,289.32	0.00	440,289.32	3,232,815.32
TOTAL ASSETS	A2	7,156,793,085.90	1,858,043,224.02	5,298,749,861.88	4,894,454,561.80

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Balance sheet at 31 December 2008 Liabilities and Equity

	Links	As at 31 December 2008	As at 31 December 2007
CAPITAL AND RESERVES		0.00	0.00
ACCUMULATED DEFICIT		-9,712,320,203.70	-13,440,653,075.00
NET INCOME (LOSS) FOR THE PERIOD	B1	4,974,365,393.97	3,728,332,871.36
TOTAL I		-4,737,954,809.73	-9,712,320,203.64
TOTAL II PROVISIONS FOR CONTINGENCIES AND LOSSES	D8	43,922,928.93	237,720,967.33
LIABILITIES			
BOND ISSUES	D1	2,260,213,698.63	6,300,487,671.23
BORROWINGS FROM LENDING AND FINANCE INSTITUTIONS	D1	3,002,476,346.59	2,972,938,069.32
CURRENT BANK FACILITIES	D1	78,496,948.24	132,859,787.97
OTHER FINANCIAL LIABILITIES	D1	11,544,142.00	10,563,910.33
AFFILIATE ACCOUNTS IN CREDIT	D6	127,970,800.58	111,019,380.62
BENEFIT RECIPIENT LIABILITIES & RELATED ACCOUNTS	D3	1,943,704,774.46	1,792,368,892.02
TAX AND SOCIAL SECURITY LIABILITIES	D2	140,986,783.02	294,848,414.85
TRADE PAYABLES & RELATED ACCOUNTS	D6	117,595,674.90	140,292,897.69
FRENCH STATE	D6	0.00	118,350,609.12
CURRENT ACCOUNTS		0.00	0.00
OTHER LIABILITIES	D7	2,288,720,470.76	2,471,889,613.98
ACCRUALS AND DEFERRED INCOME			
DEFERRED INCOME		21,072,103.50	23,434,550.98
TOTAL III		9,992,781,742.68	14,369,053,798.11
TOTAL LIABILITIES AND EQUITY	A1	5,298,749,861.88	4,894,454,561.80

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INCOME STATEMENT

	Links	Year Ended 31 December 2008	Year ended 31 December 2007
TECHNICAL MANAGEMENT INCOME			
CONTRIBUTIONS	H4 F3	30,339,357,522.62	29,536,293,898.49
STATE GRANTS		0.00	0.00
OTHER TECHNICAL MANAGEMENT INCOME	F4	113,686,052.01	133,993,693.71
REVERSALS OF DEPRECIATION, AMORTIZATION AND PROVISIONS	D8 F4	33,468,147.67	27,341,672.83
	F5	149,787,440.40	145,608,908.54
TOTAL TECHNICAL MANAGEMENT INCOME		30,636,299,162.70	29,843,238,173.57
TECHNICAL MANAGEMENT EXPENSES			
BACK TO WORK BENEFITS	F1	19,582,371,542.27	19,639,120,551.70
OTHER BENEFITS	F1	1,507,502,652.78	1,546,552,393.07
RETRAINING ASSISTANCE	F2	822,272,269.26	761,962,367.81
VALIDATION OF PENSION POINTS		1,447,306,219.27	1,240,288,423.70
OTHER TECHNICAL MANAGEMENT EXPENSES	F1	979,890,039.85	1,076,157,792.26
CHARGES TO DEPREC., AMORT. AND PROVISIONS	D8 F1	3,094,751.01	37,768,170.27
TOTAL TECHNICAL MANAGEMENT EXPENSES		24,342,437,474.44	24,301,849,698.81
SUBTOTAL I		6,293,861,688.26	5,541,388,474.76
ADMINISTRATIVE MANAGEMENT INCOME			
OTHER INCOME	E8	232,304,941.98	180,643,891.07
REVERSALS OF DEPREC., AMORTI. AND PROVISIONS	E9	6,800,280.92	5,900,449.95
INCOME FROM INTER-AGENCY SERVICES	E8	182,624,474.30	4,601,983.42
	E8	2,637,750.09	929,136.25
	E8	0.00	0.00
TOTAL ADMINISTRATIVE MANAGEMENT INCOME		424,367,477.29	192,075,460.69
ADMINISTRATIVE MANAGEMENT EXPENSES			
PURCHASES	E1	23,384,830.81	23,045,852.87
EXTERNAL SERVICES	E1 to 5	543,612,626.11	528,409,582.94
TAXES AND SIMILAR PAYMENTS	E6	76,486,736.61	88,663,240.91
SALARIES AND SOCIAL SECURITY CONTRIBUTIONS	K6	757,731,587.51	848,403,494.63
OTHER ADMINISTRATIVE MANAGEMENT EXPENSES	E6	2,400,351.35	1,597,660.26
CHARGES TO DEPREC., AMORT. AND PROVISIONS	E1	79,452,699.66	92,608,560.82
TOTAL ADMINISTRATIVE MANAGEMENT EXPENSES		1,483,068,832.05	1,582,728,392.43
SUBTOTAL II		-1,058,701,384.76	-1,390,652,931.74

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2008 INCOME STATEMENT

	Links	Position at 31 December 2008	Position at 31 December 2007
FINANCIAL INCOME			
INCOME FROM OTHER RECEIVABLES		0.00	638.97
INCOME FROM LONG-TERM SECURITIES		0.00	0.00
INCOME FROM SHORT-TERM FUNDS		13,512,371.14	38,715.94
REVERSALS OF IMPAIRMENT ON INVESTMENTS	D8	0.00	0.00
TOTAL FINANCIAL INCOME		13,512,371.14	39,354.91
FINANCIAL EXPENSES			
INTEREST AND FINANCIAL CHARGES	F6	275,087,908.84	419,083,735.32
CHARGES TO AMORTISATION AND PROVISIONS	D8 F6	2,792,526.00	4,937,457.14
TOTAL FINANCIAL EXPENSES		277,880,434.84	424,021,192.46
SUBTOTAL III		-264,368,063.70	-423,981,837.55
OTHER TECHNICAL MANAGEMENT INCOME			
INCOME FROM AM NON-CAPITAL TRANSACTIONS	F7	0.00	88,380.17
INCOME FROM AM CAPITAL TRANSACTIONS	F7	182,624.86	566,116.64
EXCEPTIONAL REVERSALS OF AM PROVISIONS	F7	8,011,614.51	8,024,303.89
	F7	0.00	0.00
TOTAL EXCEPTIONAL INCOME		8,194,239.37	8,678,800.70
OTHER TECHNICAL MANAGEMENT EXPENSES			
EXPENSES ON AM NON-CAPITAL TRANSACTIONS	F7	0.00	437,242.19
EXPENSES ON AM CAPITAL TRANSACTIONS	F7	508,867.27	146,327.90
EXCEPTIONAL CHARGES TO AM PROVISIONS	F7	2,325,134.98	4,942,238.64
	F7	1,743,601.89	1,534,412.52
TOTAL EXCEPTIONAL EXPENSES		4,577,604.14	7,060,221.25
SUBTOTAL IV		3,616,635.23	1,618,579.45
INCOME AND RELATED TAXES			
		43,481.06	39,431.56
TOTAL INCOME		31,082,373,220.50	30,044,031,789.87
TOTAL EXPENSES		26,108,007,826.53	26,315,698,918.51
NET INCOME (LOSS) FOR THE PERIOD		4,974,365,393.97	3,728,332,871.36



Unemployment benefits

**80, rue de
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**NOTES TO THE
CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2008**

Consolidated cash flow statement - Unemployment benefits

	2008	2007
Net consolidated income	4,974.4	3,728.3
Elimination of transactions not impacting cash or not relating to operating activities	(134.7)	101.8
Depreciation, amortisation and provisions	(129.0)	104.9
Capital gains or losses on disposals	(5.7)	(3.1)
Changes in working capital requirements	(353.8)	(328.3)
Net cash flow from operating activities	4,485.9	3,501.8
Purchases of tangible and intangible fixed assets	(49.9)	(71.0)
Disposals of tangible and intangible fixed assets	8.0	8.0
Change in long-term investments	(1.1)	8
Change in fixed asset payables	(9.7)	(5.1)
Net cash flow from investing activities	(52.7)	(69.9)
Bridging loans - securitisation	0.0	0.0
Bond issues	(4,000.0)	(1,000.0)
Short-term lines of credit	0.0	0.0
Commercial paper	130.0	(130.0)
Securitisation	(100.0)	(1,400.0)
Other operations	(39.5)	(7.4)
Net cash flow from financing activities	(4,009.5)	(2,537.4)
Net increase (decrease) in cash (all regimes)	423.7	894.5
Net cash at start of period	(107.6)	(1002.1)
Cash assets: cash and cash equivalents	25.3	23.9
Cash liabilities: current bank facilities	(132.9)	(1,026.0)
Net cash at end of period	316.1	(107.6)
Cash assets: cash and cash equivalents	394.6	25.3
Cash liabilities: current bank facilities	(78.5)	(132.9)

(in millions of euros)

1. Key events of the period

1.1 REORGANISATION OF EMPLOYMENT PUBLIC SERVICES

Law no. 2008-126 of 13 February 2008, reforming the organisation of employment public services, set the creation of the new operator for the first meeting of its Board of Directors. This meeting was held on 19 December 2008 and it is therefore from this date that all legal provisions apply and, in particular, the merger of the operational networks of the Assédics/Garp and ANPE.

This merger resulted in the transfer of Assédic/Garp personnel to the new operator *Pôle emploi* on 19 December 2008. The creation of *Pôle emploi* before the 2008 year-end led the Executive Management of *Unédic* and *Pôle emploi* to agree on transitional arrangements guaranteeing the continuity of benefit and collection services and the start-up of *Pôle emploi* activities.

Further to the decisions of *Unédic* and *Pôle emploi* Executive Management, the Assédics/Garp paid salaries and social security contributions for the month of December 2008. As such, *Pôle emploi* was invoiced for the portion of this expense corresponding to the period 19-31 December 2008. Other operating expenses were reinvoiced in the same way, with *Unédic* undertaking to consolidate all the detailed breakdowns to finalise settlement for this period. The financing of *Pôle emploi* by the Unemployment Benefit regime also takes effect from 19 December 2008, with the statutory contribution of 10% of contributions collected in 2007, the last certified annual financial statements, proportionate to the number of days' operation of *Pôle emploi*.

The merger also led to the transfer of unemployment benefit and Assédic/Garp contribution collection services to *Pôle emploi*, the latter carrying out these tasks on behalf of *Unédic*.

The terms of the transfer of these duties to *Pôle emploi* are based on the following agreements:

- A tripartite agreement between the French State, *Unédic* and *Pôle emploi*, fixing the objectives of *Pôle emploi* and the methods of financing *Pôle emploi*'s activities by the French State and *Unédic*,
- An agreement organising the provision of assets and the transfer of rights and obligations, receivables and liabilities, signed at national level and by each institution,
- A *Unédic-Pôle emploi* agreement for the insurance benefits service,
- A *Unédic-Pôle emploi* agreement on the collection of contributions due by employers,

The effect of these texts was to transfer responsibility for accounting for Assédic/Garp's technical management activities to *Unédic*, for all income and expense transactions performed on or after 19 December 2008 and for all receivables and liabilities in these areas.

In addition, the Ministry for the Economy, Industry and Employment officialised the transfer of the management of state benefit schemes relating to Solidarity and early retirement to *Pôle emploi*. As such, transactions relating to *Unédic*'s management of these state schemes are recognised in *Pôle emploi*'s account. The only remaining transactions in the Unemployment

Benefits accounts concern schemes that have not been transferred (social integration allowance, Training and Placement Allowance, Special Provisional Fund Allowance, etc.).

Further to the agreements on the transfer of liabilities and receivables and the provision of assets, the Assédics/Garp and *Unédic* remain owners of the computer applications and their property and movable assets. *Pôle emploi* pays an annual fee of €50 million for the use of property assets.

The financial impacts of all the measures mentioned in applicable texts will be the subject of a final settlement in 2009.

1.2. Agreement of 18 January 2006

The rate of unemployment benefit contributions was maintained at 6.40% for 2008. The agreement was extended to 31 March 2009.

At its meeting of 24 June 2008, *Unédic's* Board of Directors decided to increase by 2.5% the benchmark salary which serves as a basis for calculating benefits, from 1 July 2008.

1.3. FUNDING OF THE UNEMPLOYMENT INSURANCE REGIME

1.3.1 Financing transactions in 2008

At the 2008 year-end, financing outstandings totalled €5,278 million, including:

- bond issues : €2,200 million,
- commercial paper : €3,000 million,
- bank overdrafts : €78 million,

1.3.1.1 Bond issues

The €4 billion bond issue performed in September 2003 at a fixed rate of 3.5% was fully repaid on maturity in September 2008.

Bond outstandings totalled €2.2 billion at the 2008 year-end, corresponding to the bond issue maturing in February 2010 and bearing interest at 3%. This bond issue is guaranteed by the French State (article 107 of law 2004-1485 of 30 December 2004).

1.3.1.2 Commercial paper

This financing method for associations is authorised, subject to certain conditions, by article 37 of law 2003-706 of 1 August 2003. The initial amount of €1,200 million in 2004 was gradually increased to total outstandings of €3,000 million at 31 December 2008, the ceiling

authorised by the Board of Directors, maturing no later than April 2009. Commercial paper is renewed at equivalent terms as required.

This commercial paper programme received the short-term rating A1+ from Standard & Poor's and PI from Moody's on inception in January 2004. This rating has since been renewed every year.

Furthermore, at the request of the Moody's rating agency, syndicated and confirmed lines of credit were arranged to fully back this programme, thereby safeguarding it against any disruptions in the European monetary market.

1.3.1.3 Traditional bank financing

Very short-term financing requirements are covered by bank overdrafts privately negotiated with Unédic's bank partners. At the 2008 year-end, such funding totalled €78 million for Unédic.

1.3.1.4 Assignment of receivables - Securitisation

The securitisation programme, initially totalling €1,500 million in 2006, and reduced to €100 million in 2007, was closed on 18 December 2008.

1.3.2 Financing for the period 2009-2010

Due to the economic downturn during the course of 2008, the position on the technical accounts was forecast for 2009 and 2010, based on negative GDP growth of 3% in 2009 and positive growth of 0.5% in 2010. This forecast revealed a funding shortfall of €1.3 billion for 2009 and €4.7 billion for 2010, in addition to the need to repay the €2.2 billion bond issue, which matures in February 2010.

Faced with this downturn in its financial position, Unédic initially consulted financial market players, who confirmed its ability to obtain the necessary funding to continue its benefits service. Once its governing bodies have laid down guidelines, Unédic will implement the policy defined to guarantee the coverage of its financing requirements.

1.3.3 Regulation fund aimed at guaranteeing the stability of benefits and contributions in an uncertain and fluctuating economic climate.

Article 13 of the heads of agreement of 20 December 2002, incorporated in article 7 of the agreement of 1 January 2004 and then in article 6 of the agreement of 18 January 2006, provides for the creation of a "regulation fund aimed at guaranteeing the stability of benefits and contributions during periods of cyclical fluctuation". This fund will be funded using Unemployment Benefit resources and may equal up to three months of technical management expenses.

The *Unédic* Board of Directors' meeting of 15 February 2007 decided to create this fund then on 21 June 2007 specified how it was to be funded.

Developments in the financial markets from the second half of 2007 were such that these decisions could not be implemented.

2. Accounting principles, rules and methods

2.1. GENERAL PRINCIPLES

The Unemployment Benefit consolidated financial statements for the year ended 31 December 2008, prepared in euros, comprising the balance sheet, income statement and notes to the financial statements, were prepared in accordance with the Insurance Benefit agencies chart of accounts approved by the French National Accounting Institute on 9 January 1995 (compliance notice No 79).

They take account of the specific characteristics associated with the declarative nature of the Unemployment insurance regime and the resulting consequences, as regards both returns submitted by affiliated members and payments to benefit recipients.

The signatory organisations of the 18 January 2006 agreement on the Unemployment insurance regime, as defined in article L 351-3-1 of the Employment Code on the funding of benefits paid under this regime, attest that the Unemployment insurance regime is a specific redistribution regime.

2.2. UNEMPLOYMENT BENEFITS

2.2.1. Expenses

In view of the regulatory provisions that stipulate that jobseekers are persons registered as such by the Assédic and who provide monthly proof of their situation to these same organisations to ensure their benefit payments are not called into question, benefits are recorded on a monthly basis in technical management expenses.

By derogation, benefits paid to individuals dispensed from monthly justification procedures are also recorded on a monthly basis.

2.2.2. Benefit recipient liabilities

Benefit recipients liabilities include benefits considered payable in respect of the current financial year, based on the above principles and determined based on benefits paid in January of the following year.

2.2.3. Benefit recipients in debit

Benefit recipient accounts in debit (benefits not due and payments on account) are provided based on the age of the receivable.

For 2008, the provision calculation method for the write-down of undue payments to benefit recipients was standardised based on the definition of a statistical formulae by Assédic in order to project recovery expectations in future periods, based on an analysis of benefits cost accounts.

Undue payments attributable to fraud are covered by a 100% provision.

2.3. CONTRIBUTIONS OF AFFILIATES

2.3.1. Income

Technical management income corresponds to the general and specific contributions that employers are obliged to pay for the year, based on mandatory periodic returns submitted to the institutions.

When returns are not received within the deadlines, contributions payable are estimated by the affiliate.

2.3.2. Amounts receivable from affiliates

Contributions receivable in respect of the year are determined based on income recorded between 1 January and 28 February of the following financial year, in respect of the financial year ended.

From 2007 and pursuant to the agreement signed with CCMSA (*Caisse Centrale de la Mutualité Sociale Agricole*), information on disputed receivables is available, enabling them to be recorded in the accounts of the institutions.

A provision is recorded at the year-end in respect of amounts receivable from affiliates that appear doubtful, determined based on the age and type of the receivable (reported or estimated amount) and the stage of the dispute.

2.3.3. Affiliate accounts in credit

Funds held by the institutions on behalf of affiliated members, that could not be allocated to a receivable at the year end.

2.4. OTHER ITEMS

2.4.1. Fixed assets

Intangible and tangible fixed assets are recognised in accordance with the provisions of CRC rule No 2002-10 on the depreciation, amortisation and impairment of assets and CRC rule No 2004-06 on the definition, recognition and valuation of assets.

Depreciation and amortisation is calculated on a straight-line basis over the following periods:

➤ Software	5 years
➤ Buildings and constructions	10 to 40 years
➤ Fittings and installations	10 to 20 years
➤ IT installations and hardware	3 to 6 years
➤ Office furniture	10 years
➤ Office equipment	5 years
➤ Others	4 to 10 years

2.4.2. Employee-related commitments

In view of the creation of *Pôle emploi* and the transfer of all the personnel to this organisation, the Assédics and Garp have not calculated provisions for employee-related commitments.

Therefore, pursuant to the agreement on the transfer of receivables and liabilities, the provisions for retirement payments and long-service awards were cleared in the accounts of the Assédics, Garp and the IT entity. Only *Unédic*, for the personnel retained, recorded a provision for contingencies and losses, in accordance with the provisions of the collective agreement for unemployment benefits personnel with regards to retirement payments and the internal agreement on long-service awards.

Commitments are valued based on the following:

- an analysis of the collective bargaining agreements determining employees' rights;
- determination of internal actuarial assumptions: employee turnover, retirement age and terms, rate of salary increases;
- discounting of commitments at a rate corresponding to the yield on long-term bonds of first-class euro zone issuers, (4.30% for the 2008 financial year).

Using this data, commitments are calculated individually for each employee present in the institution, with commitments in respect of long-service awards calculated for bonuses payable throughout the employment period, i.e. up to four levels and not only the next level.

The resulting commitments are recognised in provisions for contingencies and losses and the change in these provisions is recorded in net income for the period, including the impact

of changes in assumptions. As the provision only applies to staff retained by *Unédic*, a substantial reversal of the provision is recognised in the 2008 income statement.

2.4.3. IT development expenses

All internal costs of developing “trade” applications specific to the Unemployment insurance regime are expensed in the period incurred.

2.4.4. Exceptional items

Exceptional items include:

- technical management transactions,
- administrative management items, i.e. provided in the general chart of accounts and particularly capital gains or losses on disposals of tangible and intangible fixed assets.

Capital gains or losses on disposals of long-term investments are, by exception, recorded in financial transactions.

2.5. UNEMPLOYMENT INSURANCE REGIME CONSOLIDATION PRINCIPLES

Unédic consolidates the financial statements of all Unemployment Benefit institutions. From a strictly legal point of view, the “consolidated” entity corresponds in reality to a “combination” of financial statements established in accordance with CNC Regulation No 99-02 of the French National Accounting Institute. In effect, there is no parent-subsidiary link between the entities included in the scope of consolidation except for the SCIs, subsidiaries of Unédic.

The scope of consolidation is presented in the Additional Information section of the notes to the financial statements.

The annual financial statements of these institutions are totalled and the following entries recorded:

- > elimination of inter-institution transactions:
 - services between Unédic’s IT establishments and the Institutions,
 - participation of the Institutions at the national training centre,
 - other reciprocal services,
 - reversal of the entries to reverse the net income/(loss) of the Assédics and Garp initially recorded in Unédic;
- restatement of the finance lease carried by SCI Reully 1;
- netting of charges and reversals by provision family: contingencies and losses, affiliates, benefit recipients, administrative management;
- proportionate consolidation (50%) of *GIE SI Convergence Emploi*,
- > elimination of transaction balances relating to managed third parties (AGS, Single Counter) appearing in the annual financial statements of the Assédics and Garp in order to present in the consolidated balance sheet only the Unemployment Benefit transactions.

3. Notes to the balance sheet

3.1. Analysis of balance sheet assets

3.1.1. Fixed assets

3.1.1.1. Intangible assets and tangible fixed assets

Movements in tangible and intangible fixed assets and depreciation and amortisation during 2008 are presented below:

MOVEMENT IN GROSS FIXED ASSETS IN 2008

(in millions of euros)	(1)	(2)	(3)	(4)	(5)=(1) + (2) - (3)
	Opening gross value	Additions & created	Disposals or decommissioning	Transfers	Closing gross value
TOTAL intangible assets (A)	136.1	7.2	0.9		
Total tangible fixed assets (B)	1,287.4	41	40.3		1,288.1
Property: Land, buildings and fittings	884	21.7	15.8	14.5	
Other tangible fixed assets	385.5	17.6	24.1		
Tangible fixed assets in progress	17.9	1.7	0.4	-14.5	
Total (A+B)	1,423.5	48.2	41.2	0	1,430.3

CHANGES IN AMORTISATION IN 2008

(in millions of euros)	(1)	(2)	(3)	(4)	(5)=(1)+(2)-(3)
	Opening deprec. & amort.	Charge	Reversal - disposals & decommissioning	Transfers	Closing deprec. & amort.
Total amortisation of intangible assets (A)	110.2	9.9	0.9		119.2
Total depreciation of tangible fixed assets (B)	756.5	68.3	35.8	0	789.0
Property: buildings and fittings	462.2	36.3	12.6	0	
Other tangible fixed assets	294.3	32	23.2	0	
TOTAL (A+B)	866.7	78.2	36.7	0	918.2

3.1.1.2. Long-term investments

Long-term investments total €32.5 million and mainly comprise loans to assist construction of €27.5 million and deposits and guarantees paid of €5 million.

3.1.2. Current assets

3.1.2.1. Receivables

a) *Benefit recipients in debit*

The gross value of this item is down 6% on last year: €376.5 million compared to €399.2 million. It is made up 96.75% of benefits wrongly paid to recipients of €364.3 million.

Movements in Unemployment Benefit undue amounts are presented in the table below:

(in millions of euros)	2008	2007	Change 08/07
>Opening undue amounts (A)	377.4	357.5	5.6%
> Undue amounts identified during the financial year (B)	586.8	616.9	-4.9%
> Repayments and recoveries (C)	561.2	555.3	1.1%
> Recognised bad debts and losses (D)	38.7	41.7	-7.2%
Closing undue amounts (E)=(A)+(B)-(C)-(D)	364.3	377.4	-3.5%
> Provision for disputed receivables (F)	(209.5)	(212.7)	-1.5%
> Provision rate (F)/(E)	57.5%	56.4%	+ 1.1 pt
Net book value (G) = (E)-(F)	154.8	164.7	-7.0%

The risk of not recovering undue amounts is covered by a provision equal to 57.5% of the debt compared with 56.4% in 2007. This change in the rate of provision is mainly due to the rise in undue payments attributable to fraud, which are fully written off, and to a larger proportion of undue amounts relating to prior periods, which results in a degree of “ageing” of the balance and thus higher rates of write-down.

The breakdown of undue unemployment benefits by financial year of origin is presented in the table below:

(in millions of euros)		current financial year	financial year Y-1	financial year Y-2	financial year Y-3	prior financial years	TOTAL
2008	Undue amounts	154.5	72.3	73.8	23.6	40.1	364.3
	Relative weight as %	42.4%	19.8%	20.3%	6.5%	11.0%	100.0%
	Provision	47.3	43.5	60.1	18.5	40.1	209.5
	Provision rate	3.1%	60.2%	81.4%	78.4%	100.0%	57.5%
2007	Undue amounts	182.3	100.7	37.0	20.5	36.9	377.4
	Relative weight as %	48.3%	26.7%	9.8%	5.4%	9.8%	100.0%
	Provision	65.6	70.4	24.1	16.1	36.5	212.7
	Provision rate	36.0%	69.9%	65.1%	78.5%	98.9%	56.4%

b) Affiliates

Gross contributions receivable total €4,685.4 million, up slightly on last year (+0.8%). They break down as follows

- > main contributions: €4,271.3 million; 91.2% of the total,
- > special contributions: €248.3 million; 5.3% of the total,
- > secondary contributions: €165.8 million; 3.5% of the total.

(in millions of euros)	2008	2007	Variation 2008/2007
➤ Receivables certain to be received and cashed between 1 January and 28 February Y+1 (A)	3,596.2	3,641.0	-1.2%
➤ Disputed debts receivable (B)	1,089.2	1,006.0	8.3%
Gross value (C)=(A)+(B)	4,685.4	4,647.0	0.8%
➤ Provision for disputed receivables (D)	(738.0)	(735.4)	0.4%
➤ Provision rate (D)/(B)	67.8%	73.1%	-5.3 pts
Net book value (E) = (C)-(D)	3,947.5	3,911.6	0.9%

The provision recorded to cover the risk of non-recovery of disputed receivables represents 67.8% of disputed debts receivable, i.e. down 5.3 points on 2007.

This reduction is mainly due to the 7-point reduction in the provision rate for disputed accounts receivable reported by CMSA and the lower provision rates per stage of dispute given the collection results of the previous period.

The breakdown of Unemployment Benefit disputed receivables by stage of dispute is presented in the table below:

(in millions of euros)		not due	no action	notice served	Executory order	Other	Debt cancellation	Receivers hip / liquidation	TOTAL
2008	Receivables	35.1	172.6	231.1	190.6	187.2	31.6	241.0	1 089.2
	<i>Relative weight</i>	3.2%	15.8%	21.2%	17.5%	17.2%	2.9%	22.1%	100.0%
	Provision	5.1	66.6	148.2	161.6	99.8	31.5	225.2	738.0
	<i>Provision rate</i>	14.5%	38.6%	64.1%	84.8%	53.3%	99.7%	93.4%	67.8%
2007	Receivables	46.2	103.0	195.3	222.4	182.3	44.8	212.0	1006.0
	<i>Relative weight</i>	4.6%	10.2%	19.4%	22.1%	18.1%	4.5%	21.1%	100.0%
	Provision	6.0	47.0	129.5	188.7	111.6	44.6	208.0	735.4
	<i>Provision rate</i>	13.0%	45.6%	66.3%	84.8%	61.2%	99.6%	98.1%	73.1%

3.1.2.2. Other receivables

This item, in an amount of €154.0 million, mainly comprises:

- accrued income under the Franco-Swiss agreement of €45.9 million;
- amounts receivable on fixed asset disposal of €4.7 million;
- a receivable on establishments party to a management agreement of €14.0 million;
- an ANPE receivable of €15.7 million corresponding to residual services rendered on behalf of this organisation;

- a receivable of €67.2 million on *Pôle emploi*, comprising:
 - the transfer of the balances on French State programme accounts in the amount of €90.6 million
 - the *Unédic* contribution to funding the AS-FNE for December 2008 of €3.9 million
 - the share of OPP salaries for the period 19 to 31 December 2008 in the amount of €1.5 million
 - the re-invoicing of retraining assistance expenditure incurred by the Assédics for the period 9 to 31 December 2008 and the rent for premises made available to *Pôle emploi* for the same period (€7.6 million).

Less:

- €0.4 million in respect of a state payment in connection with the CATS scheme (Arrco and Agirc balances for companies in official receivership).
- €36 million owed by *Unédic* for the operation of *Pôle emploi* from 19 to 31 December 2008.

3.1.2.3. Marketable securities

This item totals €357.2 million and comprises money market funds.

3.1.2.4. Cash and cash equivalents

This item totals €37.4 million and corresponds to the accounting balances of bank and post office accounts in debit.

This item corresponds to cash assets presented in the cash flow statement.

3.1.2.5. Prepaid expenses

Prepaid expenses total €25.8 million and concern interest deducted at source on the commercial paper programme of €23.7 million and the year-end regularisation of administrative management transactions.

3.1.3. Deferred charges

This item totals €0.5 million and comprises bond issue costs amortised on a straight-line basis over the term of the bonds, i.e. five years.

3.1.4. Bond premiums

Bonds issued by Unédic contain a premium corresponding to the difference between the nominal value and the issue value, in the amount of:

- €2.0 million for the €2.2 billion bond issued in February 2005,

These premiums are amortised over the life of the bonds, i.e. five years, and represent a net value of €0.4 million as at 31 December 2008.

3.2. ANALYSIS OF BALANCE SHEET LIABILITIES

3.2.1. Net equity

Net equity at the 2008 financial year-end is negative in the amount of €4,738 million. Movements during 2008 break down as follows:

- net equity at 31 December 2007: €(9,712.3) million
- net income for the 2008 financial year: €4,974.3 million
- net equity at 31 December 2008: €(4,738.0) million

3.2.2. Provisions for contingencies and losses

This item totals €43.9 million and mainly comprises the following provisions:

- Unédic's participation in funding AS-FNE (National Employment Fund Special Benefits) for €33.9 million;
- > vested entitlement until retirement of ARPE (Expatriate Pension and Provident Association) benefit recipients for €0.9 million (i.e. a reduction of €1.0 million on 2007); this provision covers the cost of benefits payable in the amount of €0.8 million, and the funding of supplementary pension rights in the amount of €0.1 million;
- > provisions for employee-related commitments:
 - provision for retirement payments (Indemnités de Départ à la Retraite) (IDR) of €4.2 million,
 - provision for long-service awards of €1 million.

Movements in provisions for contingencies and losses in 2007 break down as follows.

<i>(in millions of euros)</i>	Opening balance	Charge	Reversal	Closing balance
➤ ARPE	1.9	—	1.0	0.9
➤ AS-FNE	43.8	—	9.9	33.9
➤ Retirement payments	151.5		147.3	4.2 *
➤ Long-service awards	35.3	—	34.3	1.0 *
➤ Other	5.0	0.2	1.3	3.9
Total	237.5	0.2	193.8	43.9

* The sharp deduction in employee-related commitments is due to the transfer of Assedic/GARP staff and staff from the *Unédic* institutions concerned to *Pôle emploi*. This heading contains the residual provision for the remaining *Unédic* staff.

3.2.3 Loans and borrowings

Changes in financing in 2008 are as follows:

<i>Financing</i>	Opening balance	o/w Accrued interest	Additional funding	Repayments	Closing balance	o/w Accrued interest
Bond issues	6,300	100		4,040	2,260	60
Bank borrowings	2,973		130	101	3,002	
incl. Commercial paper	2,870		130		3,000	
incl. Securitisation	100			100	0	
incl. other borrowings	3			1	2	
Current bank facilities	133			55	78	
TOTAL	9,406	100	130	4,196	5,340	60

(in millions of euros)

3.2.3.1. Bond issues

Bonds issues total €2,260.2 million and comprise the following operations:

- €2.2 billion bond issue guaranteed by the French State, issued on 2 February 2005 for a term of five years and redeemable in full on maturity, i.e. in February 2010. This bond has a fixed coupon of 3%.

The initial placement of these operations took place without a public offering, with subscription reserved solely for eligible or identified investors.

This item also comprises accrued interest on these bonds issues of €60.2 million.

3.2.3.2. Borrowings from lending and finance institutions

This item totals €3,002.5 million and comprises:

- commercial paper issued by Unédic in the amount of €3,000 million;
- a finance lease liability corresponding to the funding of the IT production centre of €2.5 million.

The commercial paper matures as follows:

<i>Maturity of commercial paper</i>	<i>in 1st quarter of 2009</i>	<i>in April 2009</i>	<i>Total</i>
	1,950	1,050	3,000

in millions of euros

3.2.3.3. Current bank facilities

This item totals €78.5 million and comprises:

- bank and post office account balances in credit of €77.2 million;
- accrued interest on bank overdrafts drawn of €1.3 million.

Current bank facilities correspond to cash liabilities presented in the cash flow statement.

3.2.4. Other liabilities

3.2.4.1. Affiliate payables

This item totals €127.9 million and corresponds to amounts received from employers that could not be allocated to receivables at the financial year-end.

3.2.4.2. Benefit recipient liabilities and related accounts

This item totals €1,943.7 million and mainly comprises benefits payable: December 2008 benefits paid at the start of 2009 (€1,902.9 million) and retraining assistance payable to benefit recipients (€36.3 million).

3.2.4.3. Tax and social security liabilities

This item totals €141 million and comprises:

- paid holiday entitlement, holiday bonuses and 13th-month bonuses provided in the amount of €6.5 million, compared to €146.2 million in 2007. This decrease is due to the transfer of staff to *Pôle emploi*.
- outstanding benefit deductions at source of €45.1 million in respect of benefits paid in December 2008
- other taxes and social security liabilities of €89.3 million.

3.2.4.4. Trade payables

Trade payables of €117.6 million comprise invoices still to be paid at 31 December 2008 and break down into two categories:

- Suppliers of goods and services: €107.1 million
- Suppliers of fixed assets: €10.5 million

3.2.4.5. Other liabilities

This item totals €2,288.7 million and mainly comprises

- €771.8 million due to various creditors and primarily a debt of €769.6 million owed to a financial institution. This debt results from the transfer of a debt on the French State to a

financial institution. *Unédic* has undertaken to settle this debt on maturity (3 January 2011).

- amounts payable as at 31 December 2008 to the various pension plans, to validate additional pension points of benefit recipients, of which:
 - €446.8 million payable to ARRCO;
 - €971.1 million payable to AGIRC, broken down into:
 - €748.1 million corresponding to *Unédic*'s commitment to AGIRC, as provided in the agreement of 19 December 1996, which made it possible to value the amount of additional pension contributions for periods of unemployment before this date and to determine a 20-year payment schedule, based on the payment of 1/20th of the liability each year. The liability is revalued annually by application of the price index,
 - €217.8 million corresponding to contributions payable in respect of 2006;
 - €18.7 million payable mainly to IRCANTEC;
- amounts payable to pension funds under the CATS system in the amount of €4 million;
- the balance on the current account with the overseas departments' solidarity holiday scheme in the amount of €21.3 million;
- amounts received from employers and the French State, with regards to its participation, to pay benefits to recipients under the CATS system in the amount of €37.9 million;

Payments of amounts due to training organisations as part of placement assistance will be made by *Pôle emploi* as part of its remit.

3.2.5. Accruals and deferred income

Deferred income of €21.1 million, mainly concerns payments made by companies and public authorities that are not affiliated to the Unemployment Benefits regime, but that have signed a management agreement with *Unédic*.

Payments are made for benefit recipients registered as unemployed and in respect of whom valid entitlement may extend over several financial years depending on their age.

4. Notes to the income statement

4.1. TECHNICAL MANAGEMENT

4.1.1. Income

4.1.1.1 Contributions

Income from contributions in 2008 is up 2.7% on 2007:

(in millions of euros)	2008	2007	2008 / 2007
➤ Main contributions	29,997.7	28,940.5	3.7%
➤ Special contributions	341.6	595.8	-42.7%
TOTAL	30,339.3	29,536.3	2.7%

Main contributions rose by 3.7%, mainly due to the increase in payroll (+4.6% on average) in 2008.

The 42.7% fall in special contributions is due to the additional contribution for the redundancy of persons aged 50 and over, known as the Delalande contribution, which fell 89%, partially offset by the 23.5% rise in CRP contributions (funding contribution and not a CRP proposal).

4.1.1.2. Other income

This item totals €113.7 million and mainly comprises income under management agreements (€45.3 million), as well as late-payment penalties and fines of €54.8 million.

4.1.1.3. Net reversals of provisions

In accordance with Unemployment Benefit accounting principles, charges to and reversals of provisions for contingencies and losses and the write-down of amounts receivable from recipients and affiliates are presented at their net amount, i.e. a total of €33.5 million.

- The change in Unédic's participation in the current funding of the AS-FNE is reflected by a provision reversal of €9.9 million.
- A reversal of €1.0 million was recorded to take account of the reduction in vested entitlement until retirement of ARPE benefit recipients.

4.1.1.4. Expense reclassifications

This item totals €149.8 million and mainly comprises:

- the repayment of benefits by affiliates of €19.2 million;
- the repayment in full of benefits paid to EJEN (National Education Youth Jobs) recipients in the amount of €24.8 million;
- the repayment of benefits under the Franco-Swiss agreement of €102.2 million.

4.1.2. Expenses

4.1.2.1. Benefits

<i>in millions of euros</i>	2008	2007	2008/2007
ARE	19,582.4	19,639.1	-0.3%
Other benefits	1,507.5	1,546.5	-2.5%
Back-to-work training	937.3	901.9	+3.9%
ACA	103.1	209.3	-50.7%
ASR	450.1	416.7	8.0%
Other	17.0	18.6	-8.6%
TOTAL	21,089.9	21,185.6	-0.5%

- In 2008, back-to-work benefits decreased 0.3% due to a 1.6% increase in the average daily benefit rate and a reduction of approximately 1.7% in the number of days compensated.
- The expense relating to back-to-work training rose 3.9%, with an increase in the number of days compensated of 1.9% and in the average daily benefit rate of 1.4%.
- The average ACA daily benefit rate fell 3.6% and the number of days compensated fell 49%, leading to a 50.7% reduction in the expense.
- The 8% increase in Specific Retraining Assistance (ASR) for CRP benefit recipients is due to a 5.7% increase in the number of days compensated and a 1.8% rise in the average rate of compensation.

4.1.2.2. Retraining assistance

Retraining assistance totals €822.2 million in 2008, compared to €762.0 million in 2007 and breaks down as follows:

<i>in millions of euros</i>	2008	2007	2008/2007
AFPE (Training assistance prior to employment)	28.0	29.5	-5.1%
ADE (Graduated assistance for employers)	55.3	68.0	-18.7%
AFE (Flat-rate Employer assistance)	2.3	2.1	9.5%
Assistance for employers	85.6	99.6	-14.1%
AMG (Relocation assistance)	16.4	17.0	-3.5%
VAE (Validation of experience)	2.2	1.1	100.0%
Approved training	6.1	10.8	-43.5%
Subsidised training	69.2	150.7	-54.1%
ASCRES (Special additional aid for job-seekers)	1.1	0.7	57.1%
ADR (Differential aid for placements)	30.3	20.8	45.7%
ARCE (Assistance for the takeover or creation of companies)	576.4	428.4	34.5%
IDR (Differential CRP placement compensation)	3.4	4.1	-17.1%
Other aids	31.5	28.8	9.4%
Assistance for benefit recipients	736.6	662.4	11.2%
Total retraining assistance	822.2	762.0	7.9%

Marked changes include the reduction in assistance to employers and especially the very high level of Assistance for the takeover or creation of companies, which totalled €576.4 million (70.1% of total assistance).

Note that expenditure relating to assistance for employers, training, experience validation measures and relocation aids is borne by *Pôle emploi* from 19 December 2008.

4.1.2.3. Validation of pension points

This item corresponds to the cost of the validation of additional pension points for benefit recipients in the amount of €1,447.3 million in 2008, compared to €1,240.3 million in 2007. This increase is due to prior period adjustments.

The breakdown by pension regime is shown in the table below:

(in millions of euros)	TOTAL
> ARRCO	1,591.2
> AGIRC	660.0
> Other funds (IRCANTEC - CRPNPAC)	49.7
Total pension funds	2,300.9
> Benefit recipient contributions	-853.6
Confirmed pension points	1,447.3

4.1.2.4. Other technical management expenses

This item totals €980 million and breaks down as follows:

- recognition of bad debts and cancellation of affiliated member liabilities for €214.3 million;
- recognition of bad debts and cancellation of benefit recipient liabilities for €39.1 million;
- Unédic's contribution to the FNE (National Employment Fund) agreements for €25.5 million;

- The 10% contribution to contributions due by *Unédic* to *Pôle emploi* for the period from 19 to 31 December 2008 for €104 million.
- *Unédic*'s contribution to costs covered by the agreement with ANPE and concerning external services for €292.9 million, internal services for €188 million and the costs of the Personalised Retraining Agreement (Convention de Reclassement Personnalisé) (CRP) for €37.8 million.
- The costs of benefit recipient placements, namely expenses arising under agreements with OPPs (private placement agencies), totalling €76.1 million.

4.1.2.5. Charges to provisions

In accordance with Unemployment Benefit accounting principles, charges to and reversals of provisions for the write-down of receivables and for contingencies and losses are presented at their net amount.

The charge for the write-down of amounts receivable from affiliates totalled €3.1 million.

4.2. ADMINISTRATIVE MANAGEMENT

4.2.1. Income

4.2.1.1. Services

This item totals €232.3 million and mainly comprises income received from third parties and from the French State under management agreements:

(in millions of euros)	2008	2007
➤ State (Solidarity Fund)	83.5	88.9
➤ State (Employment Delegation)	20.9	23.8
➤ AGS	38.4	37.7
➤ ANPE	9.5	19.1
➤ Other agreements with third parties	79.9	9.7
➤ Other services rendered	0.1	1.4
TOTAL	232.3	180.6

The revenue from other agreements with third parties includes *Pôle emploi*'s share of administrative management expenses (€68.3 million) for the period from 19 to 31 December 2008.

4.2.1.2. Other income

This item totals €192.1 million and comprises:

- other current management income: €6.8 million,
- reversals of provisions (€182.6 million) resulting from the transfer of Assédic/Garp staff, *Unédic*'s computing entity and certain head office services to *Pôle emploi*
- expense reclassifications: €2.7 million.

4.2.2. Expenses

4.2.2.1. Purchases

This item represents 1.5% of administrative management expenses, i.e. an amount of €23.4 million, compared to €23.1 million in 2007.

4.2.2.2. External services

This item represents 36.7% of administrative management expenses.

(in millions of euros)	2008	2007
➤ Work and services rendered by third parties	166.5	155.7
➤ Other external services	130.8	134.0
➤ Rent	71.0	64.5
➤ Transport and travel	38.6	36.4
➤ Postal and telecom expenses	73.4	84.9
➤ Professional fees and notarial expenses	59.0	49.3
➤ Bank and postal charges	4.3	3.6
TOTAL	543.6	528.4

4.2.2.3. Taxes and similar payments

This item represents 5.1% of administrative management expenses and breaks down as follows:

(in millions of euros)	2008	2007
➤ Taxes on salaries	59.9	58.1
➤ Other taxes and payments	16.6	30.6
TOTAL	76.5	88.7

4.2.2.4. Salaries and social security contributions

This item represents 50.3% of administrative management expenses. It breaks down as follows:

(in millions of euros)	2008	2007
➤ Salaries	516.2	574.1
➤ Social security contributions	241.5	274.3
TOTAL	757.7	848.4

The reduction in personnel expenses is due to the reversal of existing provisions for paid leave, holiday allowances and the 13th month bonus following the transfer of staff to *Pôle emploi*.

4.2.2.5. Other expenses

Litigation expenses charged to affiliated members and recognised as bad debts are recognised in this item for €2.4 million. They represent 0.15% of administrative management expenses.

4.2.2.6. Charges to depreciation, amortisation and provisions

This item represents 5.3% of administrative management expenses (€79.4 million compared with €92.6 million in 2007).

4.3. Financial management

Unédic reported a net financial expense:

- €(424.0) million in 2007,
- €(264.4) million in 2008.

Financial expenses total €278 million and mainly comprise:

- expenses on structured financing arrangements of €267.1 million, i.e.:
 - €165.7 million for bond issues,
 - €95.1 million of interest on the commercial paper programme,
 - €6.3 million of interest on the securitisation programme,
- expenses on non-structured financing arrangements, i.e. authorised bank overdrafts, of €7.6 million,
- amortisation of the bond redemption premium of €2.8 million.

The average funding rate for 2008 is 3.50%.

4.4. Net exceptional items

Unédic reported net exceptional income of €3.6 million, attributable entirely to administration management activities.

4.5. Net income (loss) for the period

The Unemployment insurance regime reported net income for 2008 of €4,974.4 million.

5. Additional information

5.1. Financial commitments associated with technical management

The method of management by distribution implies that certain technical provisions that could be recorded as part of an insurance and provident activity are not recorded in the specific context of Unemployment Benefits. However, they constitute financial commitments at the year-end that only the financial balance of the Unemployment insurance regime or a regulatory change could challenge in the future.

For improved disclosure to third parties, we present below the financial commitments that we consider the most material.

5.1.1. Estimate of Unemployment benefits payable to benefit recipients at the year end

Benefits payable over the average period of unemployment still to run from 31 December 2008, to recipients registered at this date, were valued by Unédic's Statistical Research Department at €18.7 billion. This amount does not take account of benefits payable to recipients whose benefits have been maintained.

5.1.2. Estimate of Unemployment benefits payable to recipients whose benefits have been maintained

These benefits concern jobseeker recipients who may, under certain conditions, collect benefits until retirement age.

Amounts payable to recipients registered at the financial year-end were valued by Unédic's Statistical Research Department at €1.3 billion.

5.2. Individual training entitlement

The agreement on professional training, signed on 6 October 2005, implements the provisions of Law No 2004-391 of 4 May 2004 and the national inter-professional agreement of 5 December 2003, adapting them to the context of the Unemployment insurance regime.

The agreement's provisions provide that, from 1 January 2004, Unemployment Benefit employees acquire Individual Training Entitlement, up to a maximum of 21 hours per year and per employee. **This entitlement**, which may be accumulated over six years, therefore represents a maximum of 105 hours per employee at 31 December 2008.

On the preparation of the financial statements, vested entitlement is calculated based on individual data of Unemployment Benefit employees. At 31 December 2008, cumulative vested entitlement totalled close to 25,276 hours.

5.3. Unemployment Benefit agency headcount

Certain employees of the institutions and the computing entity performing specific *Unédic* activities were transferred to *Pôle emploi* on 19 December 2008, pursuant to articles 1224-1 and 1224-2 of the Labour Code.

Following these transfers, *Unédic's* headcount at 31 December 2008 was 387 employee, including 267 staff seconded to the *Unédic/AGS* delegation.

5.4. Scope of consolidation

The scope of consolidation includes:

- Unédic,
- Assédic and Garp,
- SCI Reully 1 (property investment partnership), a Unédic subsidiary carrying the finance lease funding the construction of the Montpellier computing operations centre,
- SCI Reully 2 (property investment partnership), a Unédic subsidiary formed for asset management purposes as part of the reform of employment public services,
- The Convergence Emploi EIG, formed in March 2007 by ANPE and Unédic for the purpose of setting up a single information system.

No.	INSTITUTIONS	No.	INSTITUTIONS
01	Aquitaine	46	Languedoc-Roussillon
13	Pays de la Loire	48	Midi-Pyrénées
16	Sud-Est Francilien	49	Pays du Nord
17	Alsace	50	Franche Comté - Burgundy
24	Alps	51	Champagne-Ardenne
25	Picardy	55	Garp
26	Pas de Calais	56	Paris
27	Brittany	57	Ouest Francilien
31	Vallées du Rhône et de la Loire	61	Est Francilien
32	Côte d'Azur	63	Lorraine
34	Alpes - Provence	65	Corsica
35	Centre region	66	Guadeloupe
39	Limousin Poitou - Charentes	67	Martinique
40	Lower Normandy	68	La Réunion
41	Upper Normandy	69	French Guiana
44	Auvergne		
	<i>Unédic</i>		SCI Reully 2
	SCI Reully 1		GIE SI Convergence Emploi