



**FINANCIAL**  
REPORT  
**2010**







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# MANAGING DIRECTOR'S MANAGEMENT REPORT

## Characteristics of 2010

After a year marked by an unprecedented economic and financial crisis, growth in emerging countries was very vigorous, while it remained more modest in the main advanced economies. Thus, in 2010, GDP in France rose by an annual average of 1.4%, after dropping by 2.6% in 2009 (Source: INSEE (French National Institute of Statistics and Economic Studies)). After an acceleration recorded in spring 2010, French activity stalled in the second half of the year due to several exceptional factors (the cold weather, strikes) which disturbed activity. Growth in 2010 was driven predominantly by strong household consumption but also benefited from an improvement in foreign trade. Business investment continued to drop, albeit at a slower pace than in 2009, while the adjustment transaction of business inventories died down.

Together with the economic recovery, employment affiliated to the Unemployment insurance scheme rose by 0.7% in 2010, i.e. 119,700 jobs over one year, after dropping by 1.5% in 2009. At the same time, the increase in the number of unemployed persons receiving benefits from the Unemployment insurance scheme slowed down (+2.4% in 2010 after +15.1% in 2009). There were 2,196,000 recipients as at 31 December 2010 (Seasonally adjusted estimate data, mainland France).

This change in the labour market limited the depreciation of the Unemployment insurance scheme's accounts in 2010:

- Benefit expenses increased by 9.4% in one year
- 5.4% for Unemployment benefit (Allocation d'aide au retour à l'emploi – ARE)
- 22.8% for the other benefits
- Proceeds from contributions rose by 2%, all factors remaining equal<sup>(1)</sup>, reflecting the increase in the affiliated wage bill in 2010.

In this context, the technical management transactions are loss-making for the 2010 financial year, by 3.21 billion Euros, before assignment of administrative management and financial management expenses, in particular.

In terms of financing the Unemployment insurance scheme, it should be emphasised that:

- During autumn, the rating agencies confirmed the maximum ratings attributed to Unédic (AAA, Aaa,) which may therefore continue to appear on financial markets while benefiting from the best credit terms,
- The Amending Finance Law of 30 December 2010 authorises the Ministry of Economy and Finance to grant a French State guarantee to bond issues which Unédic shall launch in 2011 up to the maximum principal amount of 7.5 billion Euros.

## Reconciliation between the change in cash balance and the accounting result

### CHANGE IN CASH BALANCE

The net change in cash balance for the Unemployment insurance transactions is negative by 2,974 million Euros and is analysed in the following manner:

	31 Dec 2009	31 Dec 2010	Change
Bond issues	-6 200	-4 000	2 200
Bridging facility	0	-650	-650
Commercial papers	-2 625	-5 280	-2 655
Overdraft	-35	-3	32
Investments	3 265	1 364	-1 901
<b>Total</b>	<b>-5 595</b>	<b>-8 569</b>	<b>-2 974</b>

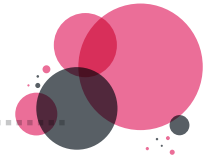
and represents the result of current transactions.

The contribution due to Pôle emploi (State employment agency) for the 2010 financial year increased to 2,973 million Euros. Given the payments made and the set-off of debts and receivables between Pôle emploi and Unédic, the balance registered in the credit of the Pôle emploi 10% contribution account is reduced to 337 million Euros.

### NET ACCOUNTING RESULT

The consolidated net accounting result of the Unemployment insurance scheme, that is to say in terms of expenses and income, represents a deficit amounting to 3,246.8 million Euros.

The discrepancy between the change in cash balance within the meaning of "technical equilibrium" and the net accounting result is explained by the transactions with no effect on the cash flow, i.e. a net expense resulting from inventory entries for 273 million Euros (differential on benefits to be paid, contributions to be received, current accounts, pension points to be paid, write-offs, benefit overpayments, amortisation, provisions for contingencies and expenses, etc.).



The net financial position, taking into account the result for the financial year is negative up to 9,150 million Euros as of 31 December 2010.

## Certification of the accounts for the financial year

The accounts for the 2010 financial year have been drawn up in accordance with the chart of accounts of the Unemployment insurance organisations. The 2010 financial year was not marked by any change in accounting method, but takes into account the consequences of the first stages of the transfer of recovery to AcoSS, and also the start of Unédic's direct relationship with the CCMSA (Central Fund for the Agricultural Mutual Insurance Scheme), taking over the inventory operations from Pôle emploi. Thus, 52 employer accounts from the Paris region were managed for the Unemployment insurance and AGS (Employer Insolvency Insurance) part by the Paris Urssaf (Social Security Contribution Collection Agency) from January 2010, with the Rhône department being managed by the Rhône Urssaf as of September 2010.

The establishment of separate accounts for Unemployment insurance organisations concerns only two institutions, the Lorraine and Guyana Assédic agencies, with all the others being integrated into Unédic's certified accounts. All of the separate and consolidated accounts were certified unreservedly by the Auditors.

## Events subsequent to closure

### UNEMPLOYMENT INSURANCE AGREEMENT OF 6 MAY 2011

As of 1 June 2011, this agreement shall replace the agreement of 19 February 2009 extended until 31 May 2011 to allow for the continued payment of benefits.

The contribution rate remain fixed at 6.4% and is divided up as follows:

4% payable by the employer and 2.4% payable by the employees. The rate is likely to be revised downwards depending on the level of the half-yearly operating result and that of debt.

This agreement shall be applicable until 31 December 2013. However, the clause setting out the conditions according to which the rate of contributions may be reduced shall be applicable until 31 December 2016.

### THE EXTENSION OF THE TRANSFER OF RECOVERY TO ACOSS

Law no. 2008-126 of 26 February 2008 on the reform of the organisation of the public employment service provided for the transfer of recovery to AcoSS after a preparatory stage of recovery carried out by Pôle emploi. The date of transfer to AcoSS had been approved by the three organisations and scheduled for 1 January 2011.

After the completion of two test stages with a sample of 52 companies from the Paris region as of January 2010, then all of the employers from the Rhône department as of September 2010 to launch the new procedures and recovery circuits, the extension of recovery to all the employers was implemented as of 1 January 2011.

This measure primarily concerns AcoSS and the network of Urssaf agencies, but also the Social Services Compensation Fund (CCSS) of Monaco and the Social Security Fund (CPS) of Saint-Pierre and Miquelon. The CCMSA and the CCVRP (Social Security and Unemployment Benefit Management Agency) shall retain their powers of recovery for their specific business sector while Pôle emploi shall continue to manage recovery for casual workers in the entertainment industry, expatriates, the personal redeployment agreement (CRP) arrangement and the burden of bad debts.

## 2011 Outlook

In France, the increase in the number of unemployed persons receiving benefits from the Unemployment insurance scheme slowed down in 2010: 51,500 recipients after 282,000 in 2009.

The hypotheses used to forecast the 2011 break-even point for the Unemployment insurance scheme are as follows:

- GDP: +1.8%
- Inflation: +2.0%

In line with the acceleration of activity recorded at the start of the year, employment affiliated to the Unemployment insurance scheme would rise by 146,000 jobs in 2011. In the wake of job creations, the number of unemployed persons receiving benefits from the Unemployment insurance scheme would decrease by 79,000 in 2011.

The rise in inflation and the improvement in the labour market would benefit the average wage per head of the non-agriculture market sector, which would rise by 2.3% in 2011, then by 2.5% in 2012. Finally, the wage bill would profit from increased employment in the non-agricultural market sector: it would increase by 3.1% in 2011 then by 3.5% in 2012.

All of these effects lead to forecast a deterioration in the financial position of the Unemployment insurance scheme which might be in the region of 2.0 billion Euros over the financial year. Unédic's indebtedness would therefore be approximately 10.6 billion Euros as at 31 December 2011. To guarantee the liquidity required to fulfil its missions, Unédic shall have to contract new loans throughout 2011.

To this end, the Board of Directors, which convened on 29 June 2010, approved a 4.5 billion Euro programme of bond issues, in one or more tranches, with a maximum term of 5 years. An initial tranche was successfully launched in March 2011 for 1.5 billion Euros in 3 years.

# CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated balance sheet – Unemployment insurance (in thousands of Euros)

ASSETS	2010	2009
<b>Fixed assets</b>	<b>234,8</b>	<b>464,0</b>
Intangible fixed assets	2,8	14,1
Tangible fixed assets	203,1	420,5
Financial fixed assets	28,9	29,4
<b>Current assets</b>	<b>5 445,8</b>	<b>7 832,8</b>
Receivables :	3 930,0	4 256,3
- Benefit receivables	200,3	176,4
- Affiliated receivables	3 729,7	4 079,9
Other receivables	140,8	295,3
Marketable securities	1 364,2	3 265,2
Available capital	2,9	12,7
Prepaid expenses	7,9	3,3
Deferred expenses	2,9	4,4
Bond redemption premiums	8,0	12,2
<b>TOTAL ASSETS</b>	<b>5 691,5</b>	<b>8 313,4</b>
<b>LIABILITIES</b>	<b>2010</b>	<b>2009</b>
<b>Net financial position</b>	<b>-9 150,2</b>	<b>-5 903,4</b>
Retained earnings	-5 903,4	-4 738,0
Result for the financial year	-3 246,8	-1 165,4
Provisions for contingencies and expenses	60,7	33,0
<b>Debts</b>	<b>14 767,9</b>	<b>14 162,7</b>
Loans and financial debts	9 955,0	8 942,5
- Bond issues	4 006,4	6 266,6
- Other loans and financing	5 932,4	2 627,2
- Bank loans and overdrafts	2,6	34,9
- Other debts	13,6	13,8
Other debts	4 812,9	5 220,2
- Affiliated debts	105,6	102,7
- Benefit debts	2 372,5	2 345,8
- Tax and social security debts	68,5	63,2
- Trade payables	6,0	15,3
- State debts	0,0	0,0
- Other debts	2 260,3	2 693,2
Accruals	13,1	21,1
<b>TOTAL LIABILITIES</b>	<b>5 691,5</b>	<b>8 313,4</b>



## Consolidated profit and loss account – Unemployment insurance (in millions of Euros)

TECHNICAL MANAGEMENT	2010	2009
<b>Income</b>	<b>30 809,6</b>	<b>30 886,4</b>
Contributions	30 558,2	30 562,3
Other income	206,7	238,7
Write-back of provisions	23,3	9,8
Transfers of expenses	21,4	75,6
<b>Expenses</b>	<b>34 020,8</b>	<b>31 884,2</b>
Unemployment benefit	25 047,6	23 761,3
Other benefits	2 634,1	2 144,2
Redeployment benefits	1 093,6	778,0
Validation of pension points	1 646,7	1 603,5
Other expenses	3 504,8	3 345,7
Provisions	94,0	251,5
<b>Technical profit or loss</b>	<b>-3 211,2</b>	<b>-997,8</b>
<b>ADMINISTRATIVE MANAGEMENT</b>		
<b>Income</b>	<b>97,7</b>	<b>121,5</b>
Provision of services	44,2	63,6
Other income	53,5	57,9
<b>Expenses</b>	<b>127,1</b>	<b>167,9</b>
Purchases	0,7	0,9
External services	52,5	52,0
Taxes and levies	7,9	7,9
Wages and social security contributions	26,6	27,2
Other expenses	0,0	0,0
Depreciation expenses and provisions	39,4	79,9
<b>Administrative management profit or loss</b>	<b>-29,4</b>	<b>-46,4</b>
<b>FINANCIAL MANAGEMENT</b>		
Financial income	4,8	2,4
Financial expenses	121,5	118,0
<b>Financial profit or loss</b>	<b>-116,7</b>	<b>-115,6</b>
<b>EXTRAORDINARY TRANSACTIONS</b>		
Technical management	0,0	0,0
Administrative management	114,8	-0,8
<b>Extraordinary profit or loss</b>	<b>114,8</b>	<b>-0,8</b>
Corporation tax and similar levies	-4,3	-4,8
<b>PROFIT OR LOSS</b>	<b>-3 246,8</b>	<b>-1 165,4</b>



**Consolidated cash flow statement – Unemployment insurance** (in millions of Euros)

	2010	2009
Consolidated net result	-3 246,8	-1 165,4
Elimination of transactions with no effect on the cash flow or not linked to the activity:		
- Amortisation and provisions	110,1	325,8
- Capital gains or losses on disposals	-115,2	-11,2
Change in working capital requirement	10,2	191,7
Net cash flow linked to the activity	-3 241,7	-659,2
Acquisition of tangible and intangible fixed assets	-6,6	-54,1
Disposal of tangible and intangible fixed assets	326,3	24,1
Change in financial fixed assets	0,6	3,1
Change in suppliers of fixed assets	-1,5	-8,2
Net cash flow linked to investment operations	318,8	-35,1
Bond issues	-2 200,0	4 000,0
Short-term credit lines	650,0	0,0
Commercial papers	2 655,0	-375,0
Other transactions	-60,4	-3,9
Net cash flow linked to financing transactions	1 044,6	3 621,1
Change in cash flow (all schemes)	-1 878,5	2 926,9
Net cash flow at the opening of the period	3 243,0	316,1
Positive cash flow: available capital	3 277,9	394,6
Negative cash flow: bank loans and overdrafts	-34,9	-78,5
Net cash flow at the closing of the period	1 364,5	3 243,0
Positive cash flow: available capital	1 367,1	3 277,9
Negative cash flow: bank loans and overdrafts	-2,6	-34,9



## APPENDIX

# 1. KEY EVENTS OF THE FINANCIAL YEAR

### 1.1. The first stages of the transfer of recovery

Law no. 2008-126 of 13 February 2008 on the reform of the organisation of the public employment service provided for the transfer of recovery to Acooss no later than 1 January 2012.

Work on this project carried out by Acooss, Pôle emploi and Unédic resulted in an early transfer on 1 January 2011, but also in the implementation of two experiments:

- concerning 52 employers from the Paris region who accepted the recovery of Unemployment insurance contributions and AGS dues from 1 January 2010 by the Paris Urssaf, following the signing of a cash flow protocol on 5 February 2010;
- relating to the employers from the Rhône department for whom the contributions and dues were invoked from 1 September 2010 by the Rhône Urssaf, following the signing of a cash flow protocol on 26 July 2010.

These experiments tested the procedures provided for in the project, both for financial transactions and exchanges of information.

These results and guarantees obtained for the three organisations which were joined by the Employer Insolvency Insurance Association (AGS) led to the signing of the agreement on the recovery of contributions and dues owed by the employers on 17 December 2010.

Financial flows for the sum of 615 million Euros were recorded in 2010 for both these protocols to which is added an amount of 155 million Euros collected in January 2011 for 2010.

Besides the work carried out with Acooss and Pôle emploi for the transfer of recovery, Unédic prepared with the other recovery operators the operating procedures applicable as at 1 January 2011.

Thus, an agreement was signed with the Social Services Compensation Fund (CCSS) of Monaco to ensure recovery from Monaco-based employers.

This action was also carried out with the Social Security Fund (CPS) of Saint-Pierre and Miquelon which replaces Pôle emploi as of 1 January 2011 in this geographical area.

Finally, Unédic shall directly manage relations with the CCMSA for employers from the agricultural

sector and with Acooss for specific arrangements such as “*individual employers*”, employer money vouchers for associations (*chèques emploi associatifs*) and arrangements not included in the general agreement with Acooss.

Pôle emploi shall permanently retain the recovery of contributions from casual workers in the entertainment industry and expatriates and, for now, the management of individual contributions linked to the personal redeployment agreement (CRP) and the occupation transition contract (CTP). It is also responsible for the recovery of bad debts recorded as at 31 December 2010.

### 1.2. Financial relationships between Pôle emploi and Unédic

Pôle emploi and Unédic have financial relationships within the framework of bipartite agreements (benefit payments and recovery of contributions), the payment of the 10% contribution for the functioning of Pôle emploi and the joint management of individual arrangements (CRP, CTP, Recovery Plan).

### **FRAMEWORK AGREEMENT FOR DISPOSAL OF MOVABLE PROPERTY**

The financial relationships also concern extraordinary transactions for the disposal of assets.

Thus, in accordance with the commitments of both organisations and the framework agreement for the disposal of movable property of 15 November 2010, Unédic sold to Pôle emploi the following tangible and intangible fixed assets:

- office furniture for 14.7 million Euros;
- fittings of premises whose leases were taken over by Pôle emploi for 33.6 million Euros;

specific installations for 12 million Euros;

- IT equipment for 12 million Euros;
- software for 11 million Euros;
- logiciels pour 11 millions d'euros ;
- various other fixed assets for 1.9 million Euros.

### **SALE TO PÔLE EMPLOI OF REAL ESTATE SITES**

This concerned fixed assets used by Pôle emploi which derived from the network of Assédic agencies or Unédic establishments, in particular for IT equipment and software.

Furthermore, Pôle emploi wanted to acquire 78 real estate sites, property of the Unemployment insurancescheme, for the sum of 179.1 million Euros. The corresponding notarised instruments were signed in November and December 2010.

### **DISSOLUTION OF GIE SI CONVERGENCE EMPLOI (FRENCH-LAW ECONOMIC INTEREST GROUP)**

ANPE (National Employment Agency) and Unédic had established an EIG in 2007, named SI Convergence emploi, in order to establish a common IT architecture and to share all of the projects relating to managing jobseekers. As these IT projects have been managed directly since 19 December 2008 by Pôle emploi, it was agreed on 28 September 2010 to implement the dissolution of the EIG. This operation is ongoing as at 31 December 2010, with the financial arrangements yet to be specified.

### **PÔLE EMPLOI'S EXCLUSION FROM UNEMPLOYMENT INSURANCE CONTRIBUTIONS**

Pôle emploi had continued to contribute to the Unemployment insurance scheme for staff under private status since its creation on 19 December 2008 until 31 December 2009.

This decision was challenged by Pôle emploi, as a court decision

confirmed that its status as a public administrative company was incompatible with its inclusion in the Unemployment insurance scheme.

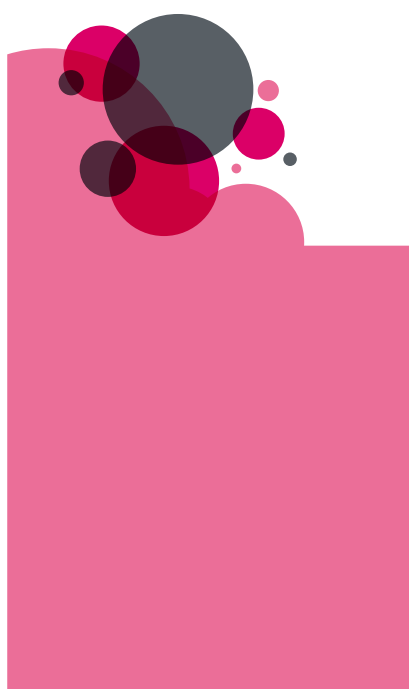
A repayment of the contributions and dues paid, i.e. approximately 44 million Euros, shall take place in 2011.

### **1.3. Joint arrangements between the State and Unédic**

In an agreement of 5 November 2010, the State and Unédic agreed to indemnify those jobseekers who exhausted their entitlement to unemployment insurance benefit between 1<sup>st</sup> January and 31<sup>st</sup> December 2010. This arrangement pays exceptional employment benefits financed equally by the State and Unédic and managed by Pôle emploi. It represents an expenditure of 5.2 million Euros during 2010.

Furthermore, Unédic and the DGEFP (Delegation-General for Employment and Vocational Training) continued their relationship within the framework of the agreement on Long-term reduced activity (APLD). This agreement signed on 4 December 2009 allows for the payment of additional partial unemployment benefits to employees experiencing a reduction in activity. This measure benefited from being managed by Unédic for the sum of 44 million Euros in 2010.

Finally, Unédic and the State ensured the continued financing of benefits supporting CRP and CTP arrangements.





Within the framework of the CTP, Unédic finances the indemnification of recipients up to the amount of the Unemployment benefit (ARE), while the State ensures that the arrangement breaks even by supplementing employers contributions.

With regard to the CRP, Unédic integrates the result of this arrangement, consisting of employers revenues and minus specific benefits paid to members, into its technical management profit or loss.

## 1.4. Review of unemployment insurance benefits

Unédic's Board of Directors decided, in its meeting of 29 June 2010, to review the reference wage, which serves as a basis for calculating benefits, by 1.2% as of 1 July 2010.

## 1.5. Financing the Unemployment insurance scheme

### 1.5.1. 2010 FINANCING TRANSACTIONS

At the end of the 2010 financial year, the net financial position is 8,566 million Euros, i.e.:

- bond issues: 4,000 million Euros,
- bank loan: 650 million Euros,
- commercial papers: 5,280 million Euros,
- investments: -1,364 million Euros,
- funds available at bank: 0.2 million Euros.

N.B.: the net global debt including the sums owed to Pôle emploi under the 10% contribution and not yet paid (337 million Euros) therefore stands at 8,903 million Euros.

### 1.5.1.1. Bond issues and bank loans

In 2009, Unédic opened a 12 billion Euro EMTN (Euro Medium Term Notes) programme within which its bond issues shall be launched.

An initial public offering was launched with this in mind in December 2009. Unédic then raised 4 billion Euros in 3 years which constitutes its only bond issue at the end of the 2010 financial year.

The EMTN programme benefits from the rating attributed to Unédic by the S&P (AAA), Moody's (Aaa) and Fitch (AAA) rating agencies.

Given the constraints imposed by Article 213-15 of the French Monetary and Financial Code governing the issue of bonds by the associations on the financial markets, the Board of Directors decided to apply for the State guarantee for its bond issues in 2011.

In November 2010, a 3 billion Euro bridging facility over 6 months was therefore authorised in order to cover the cash flow requirements until the launch of the first bond issue guaranteed by the State (March 2011).

650 million Euros of this facility was used as at 31 December 2010.

### 1.5.1.2. Commercial papers

The use of this financing solution for the associations was authorised, under certain conditions, in Article 37 of law no. 2003-706 of 1st August 2003. The initial amount of 1.2 billion Euros in 2004 was gradually increased to reach a ceiling amount of 6 billion Euros authorised by the Board of Directors in June 2009.

The total outstanding liability of the programme as at 31 December 2010 is 5,280 million Euros.

These commercial papers shall be drawn down as required.

This programme of commercial papers obtained the short-term rating "A1+" by the Standard & Poor's rating agency and "P1" by Moody's as of its launch in January 2004. Since July 2009, it has also benefited from the rating "F1+" from the Fitch Rating Agency.

Initially, at the request of the Moody's rating agency, syndicated and confirmed credit lines were put in place to ensure 100% coverage of this programme and therefore mitigate any European money market failures.

Since July 2009, the agencies coverage requirement has been reduced to 50% of the authorised programme.





### 1.5.1.3 Traditional bank financing

Very short-term financing requirements are covered in the form of bank overdrafts mutually agreed with Unédic's bank partners (1.5 billion Euros negotiated).

The use of these overdrafts at the end of the 2010 financial year is 3 million Euros for Unédic.

### 1.5.1.4 Investments

A commitment was made with regard to the rating agencies to build up a reserve of liquid assets when the drawdowns on the commercial papers programme exceed an outstanding liability of 3 billion Euros. It is in return for this commitment that the level of coverage could be reduced to 50% of the amount of the programme concerning 6 billion Euros.

Given a commercial paper outstanding liability of 5,280 million Euros as at 31 December 2010, the investments represent 1,364 million to this date, intended to cover the commitments (33.33% of the commercial paper outstanding liability exceeding 3 billion Euros) made with the rating agencies and to contribute to repaying a 770 million Euro debt maturing on 3 January 2011.

## 1.5.2. FINANCING OF THE 2011-2012 PERIOD

The gradual emergence from recession envisaged over the next few years leads the Unemployment insurance scheme to anticipate results which should remain negative in 2011 and break even in 2012.

On the basis of growth rate assumptions of 1.80% in 2011 and 1.70% in 2012, the financial position could therefore be at -10.6 billion Euros at the end of 2011 and at -10.3 billion Euros at the end of 2012.

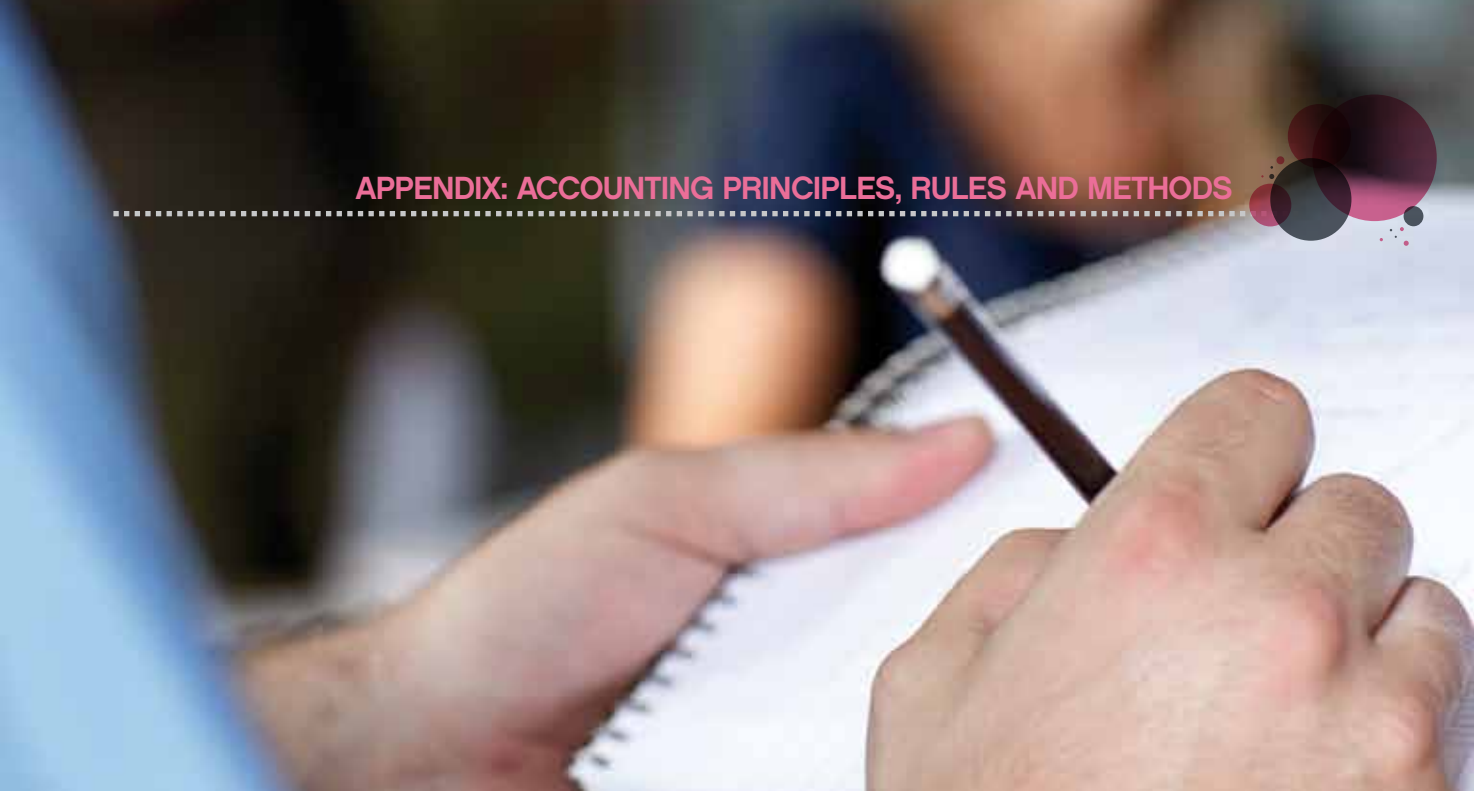
The threefold strategy set out and approved by the Board of Directors from 2009 remains operational.

The work carried out with the rating agencies confirmed the ratings attributed to Unédic which continues to benefit from a rating enabling it to raise the necessary resources under the best conditions (AAA, Aaa, AAA).

The 12 billion Euro EMTN programme was updated and shall enable Unédic to retain the responsiveness needed for its future bond issues. An issue made in March 2011 raised 1.5 billion Euros over a maturity of 3 years.

The commercial papers programme continues to enable Unédic to raise the additional short-term resources it needs under the best conditions, thereby spreading its exposure to interest rate risk evenly.

The possibility of a further extension of the commercial papers programme shall be put to the June 2011 Board of Directors. If necessary, such an extension would provide greater adaptability to accompany the reduction in Unédic's indebtedness.



# APPENDIX

## 2. ACCOUNTING PRINCIPLES, RULES AND METHODS

### 2.1. General principles

The Unemployment insurance scheme's consolidated annual accounts for the financial year ended 31 December 2010 drawn up in Euros, including the balance sheet, the profit and loss account and the appendix were drawn up in accordance with the Unemployment insurance organisations chart of accounts approved by the National Accounting Council (CNC) dated 9 January 1995 (notice of compliance no. 79).

They take into account the specific information linked to the declaratory nature of Unemployment insurance and the consequences which arise therefrom, with regard to both the declarations of affiliates and payments to recipients.

The signatory organisations of the agreement of 19 February 2009 on Unemployment insurance in view of Article L351-3-1 of the French Labour Code on the method of financing benefits paid under this scheme, certify that Unemployment insurance is a specific pay-as-you-go scheme.

### 2.2. Unemployment benefits

#### 2.2.1. EXPENSES

Regulatory provisions stipulate that jobseekers register then provide Pôle emploi with evidence of their situation on a monthly basis to avoid their entitlements being called into question. These formalities enable the benefits to be dealt with on a monthly basis under technical management expenses.

For persons exempt from checking, accounting is, the aforementioned notwithstanding, also carried out on a monthly basis.

#### 2.2.2. BENEFIT RECIPIENT DEBTS

Under the item "Benefit Recipient debts" is the amount of benefits considered as owing for the current financial year, according to the principles referred to above, and which are calculated by using the benefits paid in January of the following year.

#### 2.2.3. BENEFIT RECIPIENT RECEIVABLES

The accounts receivable of benefit recipients (undue payments and advances) are the subject of a provision built up according to the age of the debts.

The method for calculating provisions for depreciation of the benefit recipients undue payments is based on statistical law making it possible to measure the probability of recovering them.

Undue payments for fraud were the subject of a 100% provision of their amount.





## 2.3. Contributions of affiliates

### 2.3.1. INCOME

The income from technical management correspond to general and specific contributions that the employers are required to pay for the year according to mandatory periodic declarations that they make to regional departments of Pôle emploi or Urssaf agencies involved in the experiments linked to the transfer of recovery.

When the forms are not received within the specified time, an estimate of the contributions due is carried out per affiliate.

### 2.3.2. AFFILIATE RECEIVABLES

Contributions yet to be received for the year are calculated according to the income recorded between 1 January and 28 February of the following financial year and relating to the financial year elapsed.

A provision is recorded at the end of the year on affiliates' debts which appear doubtful. It is calculated according to the age of the debts, the litigation stage reached and the type of debts (declared or estimated amounts).

### 2.3.3. CREDITOR AFFILIATES

Funds paid by the affiliates and collected by the various regional departments of Pôle emploi and which could not be assigned to an identified debt are shown under balance sheet liabilities.

For flows deriving from Acoos, a portion of the funds not assigned shall be recorded as income from contributions following a statistical evaluation, with the balance shown under balance sheet liabilities.

## 2.4. Other items

### 2.4.1. FIXED ASSETS

The intangible and tangible fixed assets are recorded in the accounts according to ARC (Accounting Regulatory Committee) provisions regulation no. 2002-10 on the amortisation and depreciation of assets and ARC regulation no. 2004-06 on the definition, accounting and evaluation of assets.

**Amortisation is practiced according to the straight-line method over the following terms**

Software	5 years
Buildings and structures	10 to 40 years
Fixtures and fittings	10 to 20 years
IT facilities and equipment	3 to 6 years
Office furniture	10 years
Office equipment	5 years
Other	4 to 10 years



### 2.4.2. CORPORATE COMMITMENTS

Given the provisions of the National collective agreement for Unemployment insurance scheme personnel, Unédic is required to pay retirement indemnities calculated as monthly wage by number of years of service.

Furthermore, bonuses are to be paid under long-term service bonuses (médailles du travail).

Commitments are calculated using the following information:

- use of personal information: age, sex, salary, length of service;
- determination of internal actuarial assumptions: staff turnover rate, retirement age and terms and conditions, wage increase rate;
- use of a discount rate for the commitment corresponding to the Bloomberg reference rate, i.e. 4.75% for the 2010 financial year.

Using this data, the amount of the commitments is calculated individually for each employee present, it being understood that for the long-term service bonuses, the commitment must be calculated for the bonuses that risk being paid for the entire period of work, i.e. a maximum of 4 bonus levels.

The amounts thus obtained are recorded in the accounts as provisions for contingencies and expenses and the change in these provisions is recorded in the result for the period including the impacts of assumption changes.

Added to this from 2010 is the amount of commitments due under the defined benefits pension plan for senior executives of the Unemployment insurance scheme present as at 1 January 2001, providing evidence of 8 years in this role and having ended their career in an Unemployment insurance institution.

### 2.4.3. EXTRAORDINARY PROFIT OR LOSS

The extraordinary profit or loss includes:

- technical management transactions which do not derive from ordinary activity and relate to benefit recipient or recovery domains,
- items relating to administrative management, that is to say the items provided for by the general chart of accounts and, in particular, the capital gains or losses from disposals of tangible and intangible fixed assets.

The capital gains or losses from disposals of financial fixed assets are, the aforementioned notwithstanding, recorded in the financial transactions.

## 2.5. Principles of consolidation of Unemployment insurance scheme accounts

Unédic shall “consolidate” all Unemployment insurance institutions’ accounts. Strictly on a legal basis, the “consolidated” whole corresponds to a “combination” of the accounts according to regulation no. 99-02 of the National Accounting Council.

There is no legal relationship between the entities included in the scope of consolidation except for the SCIs (Non-trading Real Estate Companies), subsidiaries of Unédic. For the 2010 financial year, this situation only concerns two institutions which did not merge with Unédic as at 31 December 2010.

The scope of consolidation is presented in the chapter of the appendix on additional information.

The main pre-consolidation adjustment transactions concern:

- the leasing held by SCI Reully1;
- the offset of depreciations and write-backs by categories of provisions: contingencies and expenses, affiliates, benefit recipients, administrative management;
- proportional integration, at 50% of the SI Convergence Emploi EIG;
- elimination of balances from transactions relating to the managed third party (AGS) shown in Unédic’s annual accounts, in order to solely present the Unemployment insurance transactions in the consolidated balance sheet.





## APPENDIX

# 3. BALANCE SHEET ANALYSIS

### 3.1. Analysis of balance sheet assets

#### 3.1.1. FIXED ASSETS

##### 3.1.1.1. Tangible and intangible fixed assets

All of the movable property and some real estate sites made available to Pôle emploi since its creation were the subject of:

- a framework agreement for the disposal of movable property of 15 November 2011, selling to Pôle emploi the fixed assets acquired by the Assédic agencies and Unédic's IT establishments;
- a sale of 78 real estate sites, with these transactions taking place in November and December 2010.

The transactions recorded with regard to the fixed assets and the amortisation during the 2010 financial year are presented below:

CHANGES IN GROSS FIXED ASSETS IN 2010 (in millions of Euros)	Gross value at the opening of the financial year (1)	Acquisitions and creations (2)	Sales or asset retirement (3)	Transfers (4)	Gross value at the closing of the financial year (5)=(1)+(2)- (3)+(4)
Total intangible fixed assets (A)	140,9	0,3	131,9		9,3
Total tangible fixed assets (B)	1 235,6	6,3	723,1		518,8
Property: Land, buildings and fittings	895,4	1,9	389,6		507,8
Other tangible fixed assets	339,8	1,9	333,5	0,2	8,3
Current tangible fixed assets	0,4	2,5	0	-0,2	2,6
<b>Total (A+B)</b>	<b>1 376,5</b>	<b>6,6</b>	<b>855,0</b>	<b>0</b>	<b>528,1</b>

CHANGES IN AMORTISATION IN 2010 (in millions of Euros)	Amortisa- tion at the opening of the financial year (1)	Increases: Provisions (2)	Reductions: sales and asset retire- ment (3)	Transfers (4)	Gross value at the closing of the financial year (5)=(1)+(2)- (3)+(4)
TOTAL intangible fixed assets (A)	126,9	0,7	121,0		6,6
Total tangible fixed assets (B)	815,1	23,1	522,6	0	315,6
Property: buildings and fittings	519,5	21,9	231,1	0	310,3
Other tangible fixed assets	295,6	1,2	291,5	0	5,3
<b>Total (A+B)</b>	<b>942,0</b>	<b>23,8</b>	<b>643,6</b>	<b>0</b>	<b>322,2</b>



### 3.1.1.2. Financial fixed assets

This item, for the sum of 28.9 million Euros, essentially comprises the loans for their original amount within the framework of the construction subsidy for 28.5 million Euros and the deposits and securities paid amounting to 0.4 million Euros.

## 3.1.2. CURRENT ASSETS

### 3.1.2.1. Receivables

#### A) BENEFIT RECIPIENT DEBTORS

The gross value of this item is up by 10.9% on the previous financial year: 430.5 million Euros versus 388.1 million Euros. 95.2% of it is made up of undue Unemployment insurance payments to benefit recipients, i.e. 409.8 million Euros. Transactions relating to undue Unemployment insurance payments are presented in the table below:

(in millions of Euros)	2010	2009	Change 2010/2009
Undue advances and payments on account at the opening of the financial year (A)	388,1	376,4	3,1%
Detection of undue payments during the financial year (B)	867,1	746,2	16,2%
Reimbursement and recoveries of undue payments (C)	796,2	715,0	11,3%
Write-offs and losses on undue payments (D)	28,8	20,3	41,9%
Advances and payments on account (E)	12,7	12,3	3,3%
Recovered advances and payments on account (F)	12,4	11,5	7,8%
<b>Benefit recipient debtors at the end of the financial year (including advances and payments on account) (G) = (A)+(B)- (C)-(D)+(E)-(F)</b>	<b>430,5</b>	<b>388,1</b>	<b>10,9%</b>
Provision set aside for bad debts (H)	230,2	211,7	8,7%
Provisioning rate (H) / (G)	53,4%	54,5%	1,1 pts
<b>Net book value (1) = (G)–(H)</b>	<b>200,3</b>	<b>176,4</b>	<b>13,6%</b>

The risk of not recovering undue payments is covered by the setting aside of a provision equal to 53.4% of the debt compared with a rate of 54.5% for the 2009 financial year.

#### B) AFFILIATES

The burden of gross contributions yet to be recovered, i.e. 4,747.3 million Euros, is down by 6.2% compared with the previous financial year. It is broken down into:

- main contributions: 4,236.3 million Euros or 89.2% of the total,
- individual contributions: 311.9 million Euros or 6.6% of the total,
- additional contributions: 199.1 million Euros or 4.2% of the total.

(in millions of Euros)	2010	2009	Change 2010/2009
Uncontested debts to be received (A)	3 478,7	3 711,3	-6,3%
Bad debts to be received (B)	1 268,6	1 352,1	-6,2%
<b>Gross value (C) = (A) + (B)</b>	<b>4 747,3</b>	<b>5 063,4</b>	<b>-6,2%</b>
Provision set aside for bad debts (D)	1 017,6	983,5	34,0%
Provisioning rate (D)/(B)	80,2%	72,7%	7,5 pts
<b>Net book value (E) = (C) – (D)</b>	<b>3 729,7</b>	<b>4 079,9</b>	<b>-8,6%</b>

Uncontested debts to be received correspond to contributions due for 2010 which were settled at the beginning of the following financial year.

The burden of bad debts is down slightly (-6.2%), with this change resulting from the improvement in the economic situation.

It should be noted that for the debts of affiliates managed by the CCMSA, the review of such debts until the end of the first quarter recorded the debts invoked in January 2011 in the accounts for 2010 as uncontested debts to be received, while in previous years, a review of the results at the end of January resulted in a significant

portion being recorded in the accounts as bad debts, with the impact being an 86.4 million Euro reduction in the burden of bad debts between 2009 and 2010.

A provision is set aside in order to cover the risk of not recovering bad debts, which represents 80.2% of the contested contributions to be received or an increase of 7.5 points compared with the 2009 financial year. This change is explained, in particular, by a review of the results of the recovery of contested contributions over previous years which resulted in adjusting the provisioning rate of such debts.

#### 3.1.2.2. State

This item, for the sum of 53.7 million Euros, represents an amount due by the State for arrangements prior to 2009 managed on behalf of the State and not transferred to Pôle emploi.

#### 3.1.2.3. Other debts

This item, for the sum of 87.1 million Euros, predominantly comprises:

- the national participatory youth employment programme (EJEN) to be received for 0.7 million Euros;
- an income to be received from the State as part of the CA (Contract for the future) – CAE (Employment Support Contract) arrangement balance for 16.1 million Euros;
- a claim against establishments under management agreements amounting to 23.0 million Euros;
- a claim against sales of fixed assets for 2.5 million Euros;
- a 20.6 million Euro claim against Pôle emploi relating to current transactions of benefit recipient domains and other agreements

- a 17.2 million Euro claim against Acoess relating to current transactions of the contribution recovery domain.

#### 3.1.2.4. Marketable securities

This item, for the sum of 1,364 million Euros, corresponds to money market funds, 760 million of which are dedicated to the coverage of commercial paper issues in the event of market failure.

Marketable security inventory as at 01/01/2010	3 265
Acquisitions in 2010	13 339
Sales in 2010	15 240
Marketable security inventory as at 31/12/2010	1 364

#### 3.1.3. DEFERRED EXPENSES

This item for the sum of 2.9 million Euros concerns the costs of bond issues which are distributed in a linear manner over the term of the issue from December 2009, i.e. 3 years.

#### 3.1.4. REDEMPTION PREMIUMS

The bond issued by Unédic includes an issue premium, corresponding to the difference between the nominal value of the bonds and the issue value, for the sum of 12.5 million Euros for the 4 billion Euro bond issued in 2009.

This premium is amortised over the term of the issue, i.e. 3 years, and represents a net value of 8.0 million Euros as at 31 December 2010.





## 3.2. Analysis of balance sheet liabilities

### 3.2.1. NET FINANCIAL POSITION

The net financial position, at the end of the 2010 financial year, is negative by 9,150.2 million Euros and is changing in the following manner:

- net financial position as at 31 December 2009: -5,903.4 million Euros
- negative result for the 2010 financial year: -3,246.8 million Euros
- net financial position as at 31 December 2019: -9,150.2 million Euros

### 3.2.2. PROVISIONS FOR CONTINGENCIES AND EXPENSES

This item for a total amount of 60.7 million Euros predominantly comprises the following provisions:

- Unédic's contribution to the financing of AS-FNE (special benefit from the national employment fund) for 18.2 million Euros;
- the rights acquired up to their retirement by the recipients of ARPE (job substitution allowance) for 0.2 million Euros (i.e. a reduction of 0.3 million Euros compared with 2009); this provision covers the costs of benefits yet to be paid and the financing of additional pension benefits;
- the unemployment insurance contributions paid in error by some public employers and to be repaid for 20.8 million Euros;
- the provision relating to the procedures for sharing the fixed assets of the EIG for 2.7 million Euros;
- the provision for risks of dispute over dossiers from benefit recipient and recovery domains flagged up by the regional departments of Pôle emploi for 5.7 million Euros;
- provisions for corporate commitments:
  - provisions for retirement indemnities (IDR) for the sum of 11.5 million Euros;
  - provisions for long-term service bonuses for 1.1 million Euros.

The change in provisions for contingencies and expenses during the 2010 financial year is presented in the table below.

(in millions of Euros)	Opening balance	Provision	Write-back provision used	Write-back provision not used	Closing balance
ARPE	0,5	-	0,3	-	0,2
AS-FNE	22,6	18,2	22,6	-	18,2
IDR	4,9	6,6	-	-	11,5
Long-term service bonuses	1,1	-	-	-	1,1
Public employer reimbursement	0	20,8	-	-	20,8
Other	3,9	5,0	-	-	8,9
<b>Total</b>	<b>33,0</b>	<b>50,6</b>	<b>22,9</b>	<b>-</b>	<b>60,7</b>

### 3.2.3. FINANCIAL LOANS AND DEBTS

The change in financing during 2010 is as follows:

Financing arrangements (Amounts in millions of Euros)	Opening balance	Of which accrued interest	Additional financing	Repayment of financing	Closing balance	Of which accrued interest
Bond issues	6 267	67		2 200	4 006	6
Credit/financing establishments loans	2 627		3 305		5 932	
of which commercial papers	2 625		2 655		5 280	
of which other loans	2		650		652	
Bank loans and overdrafts	35			32	3	
<b>Total</b>	<b>8 929</b>	<b>67</b>	<b>3 305</b>	<b>2 232</b>	<b>9 941</b>	<b>6</b>

### 3.2.3.1. Bond issues

The bonded debt amounts to 4,006 million Euros at the end of the 2010 financial year.

It corresponds to:

- the 4 billion Euro loan (3 years, 2.125%) issued in December 2009;
- the accrued interest on the 4 billion Euro loan, i.e. 6.4 million Euros.

### 3.2.3.2. Loans from various credit and finance establishments

The total amount of this item comes to 5,932.4 million Euros. It comprises:

- the commercial papers issued by Unédic amounting to 5,280 million Euros;
- the establishment of a bridging facility, pending the launch of a bond issue, for 650 million Euros;
- the leasing debt corresponding to the financing of the IT production centre for 1.6 million Euros;
- the accrued interest for 0.8 million Euros.

Transactions concerning the commercial papers were as follows in 2010:

Inventory as at 01/01/2010	Issues in 2010	Repayments in 2010	Inventory as at 31/12/2010
2 625	13 940	11 285	5 280

Amount in millions of Euros

The due dates of these commercial papers are as follows:

Due date of commercial papers	During the 1st quarter 2011	During the 2nd quarter 2011	Total
	4 085	1 195	5 280

Amount in millions of Euros

### 3.2.3.3. Bank loans and overdrafts

The total amount of this item comes to 2.6 million Euros and comprises:

- the accounting balances of creditor bank and postal accounts for 2.5 million Euros;
- the accrued interest on bank overdrafts used for 0.1 million Euros.

The bank loans and overdrafts correspond to the negative cash flow presented in the cash flow statement.

## 3.2.4. OTHER DEBTS

### 3.2.4.1. Affiliated debts

This item, amounting to 105.6 million Euros, corresponds to the sums received from employers which could not be assigned to debts at the end of the financial year.

### 3.2.4.2. Benefit recipient debts and other accounts payable

This item for a total amount of 2,372.5 million Euros corresponds, essentially, to the benefits to be paid: benefits from the month of December 2010 paid at the start of 2011, i.e. 2,409.5 million Euros and 63.1 million Euros for the redeployment benefits to be paid to benefit recipients minus the advance retirement levy for the sum of 98.4 million Euros.



### 3.2.4.3. Tax and social security debts et sociales

This item for a total of 68.5 million Euros comprises:

- provision for paid leave and holiday and 13th month bonuses amounting to 3.0 million Euros instead of 3.1 million Euros in 2009;
- the benefit recipient advance levies yet to be paid, i.e. 49.0 million Euros corresponding to benefits paid in December 2010;
- other tax and social security debts for 16.5 million Euros.

### 3.2.4.4. Trade debts

The sum of 6.0 million Euros, representing the invoices yet to be paid as at 31 December 2010, is divided into two sections:

- suppliers of goods and services: 5.2 million Euros
- suppliers of fixed assets: 0.8 million Euros

### 3.2.4.5. Other debts

The main items of this section, the total amount of which comes to 2,260.3 million Euros, concern:

- the various creditors for 769.7 million Euros essentially consist of a debt of 769.6 million Euros to a financial establishment. This debt results from the sale in 2007 of a State debt to a financial establishment that Unédic undertook to pay on maturity, i.e. 3 January 2011;
- the cost to be paid as at 31 December 2010 to various pension funds, for the validation of the benefit recipients' additional pension points:

→ 571.3 million Euros due to ARRCO (Association of supplementary pension plans for salaried employees) which is broken down into:

- > 461.8 million Euros corresponding to contributions yet to be paid for 2010;
- > 26.9 million Euros due by ARRCO pursuant to the 2009 regularisation;
- > 71.7 million Euros due to ARRCO pursuant to the 2008 regularisation;
- > 64.6 million Euros pursuant to the AFSP (Benefit from the specific temporary fund) arrangement.

→ 492.6 million Euros due to AGIRC (General Association of Pension Institutions for Managerial Staff) which is primarily broken down into:

- > 576.2 million Euros corresponding to Unédic's commitment to AGIRC, as provided for in the agreement of 19 December 1996 which had valued the amount of supplementary retirement contributions for the periods of unemployment prior to this date and set a 20 year payment schedule at the rate of 1/20th each year, with the debt amount being re-assessed each year by applying the price index;
- > 92.8 million Euros corresponding to contributions yet to be paid for 2010;
- > 158.0 million Euros due by AGIRC pursuant to the 2009 adjustment;
- > 23.5 million Euros due by AGIRC pursuant to the 2008 adjustment.

- 35.7 million Euros due primarily to IRCANTEC (Supplementary Retirement Pensions Institution for Non-Certified State Employees and Employees of Public Administrations);
- reciprocal accounts with Pôle emploi for 360.7 million Euros including the one relating to the financing of Pôle emploi through the 10% contribution for the sum of 337.2 million Euros.

### 3.2.5. ACCRUALS

Unearned income, i.e. 13.1 million Euros, essentially concerns payments made by public companies and establishments which are not affiliated to the Unemployment insurance scheme, but which have signed a management agreement with Unédic.

Payments are made for benefit recipients registered as unemployed and whose acquired rights may be spread over several financial years according to their age.





## APPENDIX

# 4. PROFIT AND LOSS ACCOUNT ANALYSIS

### 4.1. Technical management

#### 4.1.1. PROCEEDS

##### 4.1.1.1. Contributions

The proceeds from contributions for the 2010 financial year are down slightly by 0.02% compared with 2009:

(in millions of Euros)	2010	2009	2010/2009
Main contributions	30 115,7	29 916,4	0,67 %
Special contributions	442,5	645,9	-31,49%
<b>Total</b>	<b>30 558,2</b>	<b>30 562,3</b>	<b>-0,02%</b>

The main contributions are up slightly with a change of 0.7%. It should be noted that AcoSS' assumption of responsibility for the recovery of contributions as of 1 January 2011 has an impact on the level of proceeds from contributions in 2010. In fact, in December 2010, some employers staggering pay made declarations to their Urssaf agencies and not to the regional departments of Pôle emploi. As the principle of attaching such proceeds to the accounting year is different between these two organisations, the amount of 2010 contributions does not take into account the sum of 298 million Euros for these employers.

Furthermore, the reimbursement of unemployment insurance contributions to Pôle emploi generates a reduction in the proceeds from 2010's main contributions of 42 million Euros.

Given this reassessment, the level of change in proceeds from contributions (+1.8%) is very close to the increase in the private sector's wage bill in 2010 which stands at 1.9% (source: AcoSS).

Special contributions experienced a considerable reduction of 31.5%, given the improvement in the economic situation and the drop in the number of members of the CRP (Personal redeployment agreement) arrangement.



#### 4.1.1.2. Other proceeds

This item for the sum of 206.6 million Euros predominantly comprises proceeds pursuant to management agreements, i.e. 53.9 million Euros, in addition to overcharges for arrears and penalties for 137.9 million Euros.

#### 4.1.1.3. Net write-back of provisions

In accordance with the accounting principles of the Unemployment insurance scheme, the provisions and write-backs of provisions for contingencies and expenses, and for depreciation of claims on benefit recipients and affiliates are presented for their net amount, i.e. a total of 23.3 million Euros, as:

- Unédic's contribution to the current financing of AS-FNE amounting to 22.6 million Euros;
- the reduction in acquired rights until their retirement by ARPE the recipients for 0.3 million Euros;
- the depreciation of debts relating to management agreements for 0.4 million Euros.

#### 4.1.1.4. Transfer of expenses

This item for the sum of 21.4 million Euros predominantly comprises:

- reimbursements of benefits by the affiliates amounting to 15.9 million Euros;
- the full reimbursement of benefits paid to the EJEN (National Youth Employment Programme) for the sum of 9.3 million Euros;
- an adjustment on the reimbursement of benefits within the framework of the Franco-Swiss agreement for -3.8 million Euros. This agreement ended on 31 May 2009 and was replaced as of May 2010 by a new arrangement for the reimbursement of benefits between European community countries, an arrangement which Switzerland may ask to join.

#### 4.1.2. EXPENSES

Technical management expenses total rose by 6.86% in 2010 as a result of the deterioration in the economic outlook in 2008 and 2009 resulting in a significant increase in benefits expenditure.

##### 4.1.2.1. Benefits

(in millions of Euros)	2010	2009	2010/2009
Unemployment benefit (ARE)	25 047,6	23,761,3	5,42%
Other benefits	2 634,1	2 144,2	22,85%
Training	1 044,1	948,0	10,14%
Benefit for older unemployed persons (ACA)	21,1	47,8	-55,86%
Specific redeployment benefit (ASR)	1 551,8	1 126,2	37,79%
Autres	17,1	22,2	29,83%
<b>Total</b>	<b>27 681,7</b>	<b>25 905,5</b>	<b>6,86%</b>

- the ARE for 2010 sees its expenditure increase by 5.42%, with a 1.55% increase in the average daily benefit amount and a 3.64% increase in the number of days for which benefits are paid;
- expenditure relating to ARE training is up by 10.1% with a number of days for which benefits are paid up by 7.1% and an average daily benefit amount up by 2.8%;
- le montant moyen de l'allocation journalière en ACA diminue de 3,9% et le nombre de jours indemnisés est en recul de 55,8 % ce qui entraîne une baisse de la charge de 55,86% ;
- the average daily ACA benefit amount is down by 3.9% and the number of days for which benefits are paid is down by 55.8% which results in a 55.86% decrease in expenditure; the ASR (Specific redeployment benefit for CRP (personalised redeployment agreement) recipients) is up by 37.8% due to a 26% increase in the number of days for which benefits are paid and an increase of 8.2% in the average rate of indemnification.

##### 4.1.2.2. Redeployment benefits

Redeployment benefits amount to 1,093.6 million Euros in 2010 compared with 778.0 million Euros in 2009 and are broken down in the following manner:

(in millions of Euros)	2010	2009	2010/2009
ASCRES – Supplementary specific unemployment benefit	0	0,7	0,00%
ADR – Differential redeployment benefit	43,6	33,8	29,00%
ARCE – Company takeover/creation benefit	989,7	689,3	43,58%
IDR – CRP differential redeployment indemnity	19,1	6,7	185,08%
Other benefits	41,2	47,5	-13,27%
<b>Total</b>	<b>1 093,6</b>	<b>778,0</b>	<b>40,57%</b>

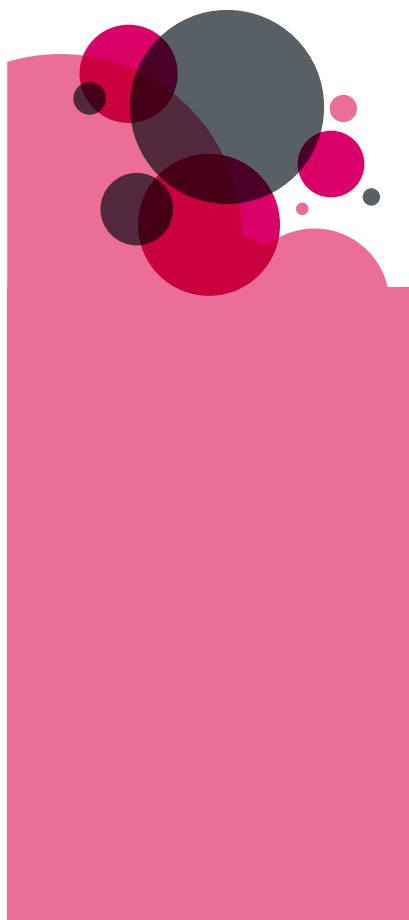
The ARCE (Company takeover and creation benefit) represents the main benefit amounting to 987.7 million Euros i.e. 90% of all benefits. Its amount rose by 43.58% in 2010.

#### 4.1.2.3. Validation of pension points

This item corresponds to the cost of validating benefit recipients' supplementary pension points for the sum of 1,646.7 million Euros in 2010 compared with 1,603.5 million Euros in 2009. This increase is explained by the change in benefit recipient expenditure.

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

(in millions of Euros)	<b>Total</b>
ARRCO	2 202,2
AGIRC	507,5
Other funds (IRCANTEC - CRPNPAC)	72,2
<b>Total pension funds</b>	<b>2 781,9</b>
Contribution of benefit recipients	-1 135,2
<b>Validation of pension points</b>	<b>1 646,7</b>



#### 4.1.2.4. Other technical management expenses

This item for the sum of 3,504.8 million Euros is up significantly with the 10% contribution due by Unédic to Pôle emploi which amounts to 2,993.8 million Euros.

The other main expenses comprise:

- the debt write-offs and cancellations of affiliated debts for 313.7 million Euros;
- the debt write-offs and cancellations of benefit recipient debts for 28.9 million Euros;
- the assumption of responsibility by Unédic of its contribution to the FNE (National Employment Fund) agreements for 14.3 million Euros;
- Unédic's contribution to the CRP (Personalised redeployment agreement) balance sheet costs for 79.7 million Euros;
- Unédic's contribution to the financing of reduced activity (APLD) for the sum of 44.3 million Euros.

#### 4.1.2.5. Provisions

In accordance with the accounting principles of the Unemployment insurance scheme, provisions and write-backs of provisions for depreciation of debts and for contingencies and expenses are presented for their net amount.

The provision for depreciation of claims on affiliates amounts to 34.0 million Euros.

The provision for depreciation of undue payments to benefit recipients is 18.5 million Euros.

The provision for depreciation for contingencies and expenses amounting to 41.1 million Euros is broken down as follows:

- Provision for financing of ASFNE: 18.2 million Euros
- Provision for various benefit recipient and affiliate disputes for 2.2 million Euros
- Provision pursuant to the challenge to certain employers' liability for 20.7 million Euros.



## 4.2. Administrative management

### 4.2.1. PROCEEDS

#### 4.2.1.1. Provision of services

This item amounting to 44.2 million Euros is essentially made up of proceeds received from third parties and from the State within the framework of management agreements:

(in millions of Euros)	2010	2009
AGS	40,7	39,3
ANPE – Pôle emploi	3,8	5,5
Other agreements with third parties	0,0	18,5
Other provisions of services	-0,3	0,3
<b>Total</b>	<b>44,2</b>	<b>63,6</b>

#### 4.2.1.2. Other proceeds

This item, for a total amount of 53.5 million Euros, mainly represents:

- the rent paid by Pôle emploi within the framework of the availability of the Unemployment insurance scheme's real estate assets for 45.8 million Euros;
- the write-backs of provisions for the sum of 4.6 million Euros set aside in 2009 for potential capital losses within the framework of the sale of certain properties to Pôle emploi.

### 4.2.2. EXPENSES

The amount of expenses comes to 127.1 million Euros in 2010 and is reduced by 24.3%, particularly as a result of the sale to Pôle emploi:

- of all movable property which had been made available to it since its creation;
- 79 real estate sites.

The amortisation of the real estate base (approximately 300 sites as at 31 December 2010), its maintenance and its management constitute a significant administrative management expense.

#### 4.2.2.1. Purchases

This item represents 0.6% of the administrative management expenses or the sum of 0.7 million Euros versus 0.9 million Euros in 2009.

#### 4.2.2.2. External services

This item represents 41.3% of administrative management expenses.

(in millions of Euros)	2010	2009
Works and services provided by third parties	10,7	10,2
Other external services	13,7	8,1
Rents	2,0	2,4
Transportation and travel	1,5	2,2
Postal and telecommunications costs	0,5	0,9
Notarial fees and costs	19,3	20,7
Bank and postal costs	4,8	7,5
<b>Total</b>	<b>52,5</b>	<b>52,0</b>



### 4.2.2.3. Taxes and levies

This item represents 6.2% of administrative management expenses and is broken down as follows:

(in millions of Euros)	2010	2009
Taxes on earnings	1,9	2,1
Other taxes and levies	6,0	5,8
<b>Total</b>	<b>7,9</b>	<b>7,9</b>

### 4.2.2.4. Wages and social security costs

This item represents 20.9% of administrative management expenses. It is broken down into:

(in millions of Euros)	2010	2009
Wages	18,1	18,3
Social security costs	8,4	8,9
<b>Total</b>	<b>26,5</b>	<b>27,2</b>

### 4.2.2.5 Amortisation and provisions

This item represents 31% of administrative management expenses or the sum of 39.4 million Euros compared with 79.9 million Euros in 2009, with the significant reduction being attributable to sales of movable and immovable property to Pôle emploi.

## 4.3. Financial management

The financial result is negative:

- -115.6 million Euros in 2009;
- -116.7 million Euros in 2010.

2010 expenses come to 121.5 million Euros and correspond essentially to:

- structured financing expenses for 117 million Euros, i.e.:
  - 91.6 million Euros for bond issues and the bridging facility
  - 25.4 million Euros in interest on the commercial papers programme
- expenses relating to authorised bank overdrafts and miscellaneous expenses for 0.3 million Euros;
- amortisation of bond issue redemption premiums for 4.2 million Euros.

The average financing rate for 2010 came to 1.327%.

## 4.4. Extraordinary profit or loss

The positive income from extraordinary transactions comes to 114.8 million Euros and is broken down as follows:

- capital gains of 115.2 million Euros for sales of fixed assets;
- miscellaneous proceeds for the sum of 0.4 million Euros;
- miscellaneous expenses for the sum of 0.8 million Euros.

## 4.5. Financial year profit or loss

This item represents the net profit or loss for the 2010 financial year for the Unemployment insurance scheme. The result is negative by 3,246.8 million Euros.



## APPENDIX

# 5. ADDITIONAL INFORMATION

### 5.1. Financial commitments linked to technical management

The method of management by distribution implies that certain technical provisions which might be set aside within the framework of an insurance or welfare activity are not set aside within the specific framework of the Unemployment insurance scheme. However, they constitute financial commitments at the end of the financial year that only the break-even point of the Unemployment insurance scheme or a change in regulation might call into question in the future.

With a view to ensuring third parties are better informed, we present to you below the financial commitments we consider to be the most important.

#### 5.1.1. ESTIMATE OF THE BENEFITS YET TO BE PAID BY THE UNEMPLOYMENT INSURANCE SCHEME TO THE BENEFIT RECIPIENTS RECEIVING BENEFITS AT THE END OF THE FINANCIAL YEAR.

The sum of benefits to be paid over the average duration of unemployment yet to run as of 31 December 2010 to benefit recipients registered on this date was assessed by Unédic's department of studies and analyses at 21.9 billion Euros. This amount does not take into account the benefits to be paid to recipients of an indemnification maintenance until their retirement.

#### 5.1.2. ESTIMATE OF THE BENEFITS YET TO BE PAID BY THE UNEMPLOYMENT INSURANCE SCHEME TO BENEFIT RECIPIENTS RECEIVING AN INDEMNIFICATION MAINTENANCE.

These benefits concern the jobseeker benefit recipients who may, under certain conditions, collect their indemnities up to retirement age.

The sum of benefits yet to be paid to these benefit recipients registered at the end of the financial year was assessed by Unédic's department for studies and analyses at 0.6 billion Euros.

### 5.2. Individual right to training

The vocational training agreement, signed on 6 October 2005, implements, by adapting them to the context of Unemployment insurance, the provisions of law no. 2004-391 of 4 May 2004 and the national multi-sector agreement of 5 December 2003.

The provisions of the agreement stipulate that from 1 January 2004, employees of the Unemployment insurance scheme acquire individual rights to training, capped at 21 hours per annum and per employee. This right, cumulated over 6 years, therefore amounts to a maximum of 126 hours per employee as at 31 December 2010.

When the accounts are drawn up, the acquired rights are calculated by using the personal data of the Unemployment insurance employees. As at 31 December 2010, the cumulation of acquired rights comes to almost 26,620 hours.

### 5.3. Number of Unemployment insurance staff

The number of Unédic staff as at 31 December 2010 is 358 Unédic employees, of which 240 are allocated to the Unédic/AGS delegation.

### 5.4. Scope of consolidation

The scope of consolidation includes:

- Unédic ;
- two unmerged Assédic agencies;
- SCI Reuilly 1, a Unédic subsidiary which holds the leasing which financed the construction of the Montpellier IT production centre;
- SCI Reuilly 2, a Unédic subsidiary, created for asset purposes within the framework of the reform of the Public employment service;
- the SI convergence emploi EIG created in March 2007 by ANPE and Unédic within the framework of implementing a common IT system, and in the process of being dissolved.

N°	INSTITUTIONS
63	Lorraine
69	French Guiana
	Unédic
	SCI Reuilly 1
	SCI Reuilly 2
	SI Convergence Emploi EIG

## TRANSACTIONS CARRIED OUT ON BEHALF OF THIRD PARTIES

The Association for the management of the insurance scheme to cover employees' outstanding claims (AGS), an employer's organisation financed by the companies created at the beginning of 1974, shall ensure that claims arising from the employment contract in the event of the company's receivership or compulsory liquidation are paid. A management agreement was entered into between the Association and Unédic which is responsible for managing the recovery of contributions, making the necessary funds available to representatives and official receivers, recovering sums advanced and keeping accounts of these transactions. Unédic itself entered into an agreement

with Pôle emploi, signed on 19 November 2008 for the recovery of Unemployment insurance contributions and AGS dues (via the regional departments and Pôle emploi Service).

The transfer of recovery to Acoff resulted in accounting and financial flows from 2010 within the framework of two pilot phases. An agreement signed on 17 December 2010 by Unédic, AGS, Acoff and Pôle emploi sets out the terms of the extended assumption of responsibility for recovering contributions by Acoff and its network.

It is specified that the contribution rate remained constant at 0.40% ring 2010.

(in millions of Euros)	2010	2009	Variation 2010/2009
Contributions	1 761	1 110	+58,6%
Recoveries	674	643	+4,8%
Advances to joint ownership associations	1 948	2 117	-8,0%
Technical profit or loss	+488	-305	-



# AUDITORS' REPORT



## AUDITORS' REPORT

In fulfilment of the assignment entrusted to us by your Board of Directors, we hereby report to you, for the year ended 31 December 2010, on:

- the audit of the accompanying so-called consolidated accounts of the Unemployment insurance scheme managed by Unédic;
- the justification of our assessments;
- the audits and specific information required by law.

The consolidated accounts have been approved by the Managing Director of Unédic. Our role is to express an opinion on these accounts based on our audit.

### **I. Opinion on the consolidated accounts**

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 as to whether the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis or by means of other methods of selection, evidence supporting the amounts and information in the consolidated accounts.

An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall presentation of the accounts.

We believe that the information that we have collected is sufficient and relevant on which to base our opinion.

We certify that, in accordance with French accounting rules and principles, the consolidated accounts of the financial year give a true and fair view of the assets, the financial position, and the income of the whole made up of the Unemployment insurance institutions and the other entities included in the combination of accounts ("the consolidation").

Although not to undermine the opinion expressed above, we draw your attention to the point referred to in the appendix relating to the measures taken in order to finance the Unemployment insurance scheme given the return to the economic trend recorded in 2008 and its impact on the technical equilibrium forecasts (see note 1.5.2. "Financing of the 2011-2012 period").

### **II. Justification of the assessments**

Pursuant to the provisions of Article L.823-9 of the Commercial Code relating to the justification of our assessments, we hereby inform you that the assessments we have carried out concerned the appropriate nature of the accounting principles applied and, where necessary, the reasonable nature of the significant estimates used and the overall presentation of the accounts, by way of:



- The note in the appendix referring to the accounting principles, rules and methods specifies that the Unemployment insurance scheme is a specific scheme by distribution and that the accounts were drawn up in accordance with the chart of accounts of the unemployment insurance organisations approved by the National Accounting Council. In order to draw up the consolidated accounts, the specific information linked to the declarative nature of Unemployment insurance is thereby taken into account and the consequences arising therefrom, both in respect of affiliates declarations and the payments to benefit recipients.
- Furthermore, the financial year's accounts were drawn up with a view to continued Unemployment insurance activities, given the structuring hypothesis referred to in note 1.5.2 of the "Financing of the 2011-2012 period" appendix which sets out Unédic's ability to have access to the necessary financing. As part of our assessment of the

accounting rules and principles used, we verified the appropriate nature of the accounting methods specified above and the information provided in the notes of the appendix.

- Unédic accounts were drawn up on the basis of financial information produced by third parties, primarily by Pôle emploi, with regard to the transactions carried out by this entity on behalf of the Unemployment insurance scheme. This information was the subject of an audit opinion by the Pôle emploi Auditors.
  - We have taken apprised of the "Auditors' Report on Pôle emploi accounting statements linked to the management on behalf of Unédic of contributions from affiliates and payments to benefit recipients", drawn up on 26 May 2011, and which give a favourable opinion.
  - We ensured the correct transcription of these accounting statements in the Unemployment insurance scheme's accounts.
  - We were aware of the work carried out by the Pôle emploi

Auditors and we supplemented it with specific requests concerning both the internal audit and the audit of the accounts. Our work consisted in examining the relevance and sufficient nature of the information obtained.

The assessments were made in the context of our audit of the consolidated accounts, taken as a whole, and therefore contributed to the forming of our opinion expressed in the first part of this report.

### III. Specific audits and information

We have also performed the specific audits required by law of the information given in the management report, in accordance with professional standards applicable in France.

We have no matters to report regarding their fair presentation and conformity with the consolidated accounts.

**Paris and Neuilly, 29 June 2011**  
**The Auditors**

FCN

Serge FLOCH

Deloitte & Associés

Anne BLANCHE

Vincent BLESTEL



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