

REFERENCES



FINANCIAL REPORT 2017

Unédic

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KEY EVENTS IN 2017

In 2017, economic activity rose sharply in France: average annual Gross Domestic Product increased 2.3%, after rises of 1.1% in both 2016 and 2015. Household consumption slowed, but investment expenditure accelerated markedly. Exports rose faster than imports, resulting in a significantly positive contribution from external trade to GDP growth by volume. Nonetheless, the external trade deficit increased by value due to higher oil prices. The purchasing power of households' disposable income fell, similarly due to higher prices. The household savings rate increased slightly, while the margin rate achieved by non-financial companies stood firm at 31.9%

Under the combined effect of higher growth and targeted employment policies, notably the increase in the CICE competitiveness and employment tax credit from 6% to 7% and the effects of the pacte de responsabilité, numerous jobs were created in 2017 which were affiliated to the Assurance chômage unemployment insurance scheme: 277,000 additional jobs in 2017 against 235,000 in 2016. This growth mirrors that of total employment, which rose 1.4% in 2017 after a 1.0% increase in 2016. Over the same period, the average per-capita salary rose appreciably faster than in 2016 (1.9% vs 1.3%) due to the improved labour market environment. This creates the conditions for higher unemployment insurance contributions driven by total payroll, which increased 3.5% in 2017 against a 2.4% rise in 2016.

Following the inter-industry agreement of 28 March 2017, a new unemployment insurance agreement was signed on 14 April 2017, receiving ministerial approval on 4 May 2017.

The three-year term of the new agreement came into force in three stages:

- ❖ On 1 October 2017, for the extraordinary and temporary 0.05% employer's contribution introduced for all employment contracts. This contribution is set to remain in place until 30 September 2020 at the latest, although it may be repealed early with the approval of all social partners.
- ❖ On 1 November 2017, for all measures impacting jobseekers' benefit entitlements. This agreement introduces new terms for determining the ARE return-to-work benefit. The term of entitlement (affiliation period) is determined on the basis of the number of days worked. In addition, measures have been introduced to cater for seniors to take account of the labour market trend pointing to longer careers for this demographic. Accordingly, the rules governing compensation of employees deprived of work have been modified.
- ❖ 1 January 2018, for the remaining provisions.

Given the phased implementation of the agreement's terms during Q4 2017, the favourable financial effects in 2017 are limited, mainly resulting from the extraordinary and temporary 0.05% contribution.

The unemployment rate according to the ILO yardstick and as measured by INSEE stood at 9.0% at the end of 2017, its lowest since 2009. However, the number of unemployed jobseekers required to make positive efforts to gain employment (Category A) changed little over 2017 as a whole: - 10 000 persons. The slight fall is explained by the conclusion of the «500,000 formations» training plan and the re-inclusion into Category A of a proportion of those who completed training: the number of jobseekers in training (Category D) actually fell by 64,000 in 2017. The number of jobseekers receiving unemployment benefit (ARE), some 2.6 million at the end of December 2017 in France as a whole, grew year-on-year by 1.3%. This increase is partly explained by the 2014 unemployment insurance agreement which widens access to benefits by removing thresholds for combining unemployment benefit with salaried earnings and by phasing in renewable benefits.

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COMPARATIVE INCOME STATEMENT

(In millions of euros)	2016	2017	% CHANGE
Mainstream contributions	34,489	35,765	3.7
Special contributions	597	505	-
Other income	450	326	-
TOTAL TECHNICAL INCOME	35,536	36,596	3.0
ARE benefits	- 29,672	- 30,270	2.0
Other benefits	- 2,863	- 2,605	-
Redeployment benefits	- 723	- 684	-
Vesting of pension entitlements	- 2,043	- 2,087	-
10% Pôle emploi contributions	- 3,301	- 3,348	-
Other expenses	- 804	- 677	-
TOTAL TECHNICAL EXPENSES	- 39,406	- 39,671	0.7
TECHNICAL MANAGEMENT RESULT	- 3,870	- 3,075	- 20.5
Administrative management result	- 33	- 32	-
Financial result	- 324	- 352	8.5
Extraordinary result	26	18	-
Corporate income tax	- 2	- 2	-
NET RESULT	- 4,203	- 3,444	- 18.1

The total technical income increased by 3.0% in 2017 over 2016 due to the 3.7% increase in mainstream contributions, driven by the increase in the affiliated total payroll in 2017. The 1.4% growth in the salaried workforce in 2017 compared to 1.1% in 2016 coincided with faster growth in the average per-capita salary (SMPT), at 1.9 % in 2017 against 1.4% in 2016.

As the effects of the unemployment insurance agreement of May 2014 began working through, the 0.7 % increase in technical management expenses between 2016 and 2017 is mainly explained by the increases in the average amount of the daily benefit (+1.58%) and in the number of benefit days, mirroring the slight year-on-year growth in the average number of jobseekers receiving benefits for the reasons given above under Key Events in 2017.

After taking into consideration the contribution made by the unemployment insurance scheme to the functioning of Pôle emploi (€3.348 billion), the technical management result produced a loss of €3.076 billion, an improvement over the 2016 loss of €3.870 billion.

After recognising the tax on property rents and losses of €32 million for administrative management, €352 million for financial management and the extraordinary loss, the net book loss for the year stands at €3.445 billion.

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Regarding the financing of the unemployment insurance scheme in 2017, it should be stressed that the French Ministry for the Economy and Finance granted an explicit guarantee from the French government vis-à-vis the bonds issued by Unédic in 2017 within the limit of €5 billion in principal plus interest and costs, via ministerial order dated 6 March 2017 and in accordance with the law.

CASH FLOW FOR THE FINANCIAL YEAR

The net cash flow for unemployment insurance transactions is negative at €3,792 million, broken down as follows:

(€ million)	31/12/2016	31/12/2017	CHANGE
Bond issues	- 25,300	- 28,800	- 3,500
Commercial papers	- 4,960	- 3,010	1,950
Negotiable medium-term notes	- 3,350	- 5,950	- 2,600
Overdrafts	0	0	0
Short-term investments	2,293	1,993	- 300
Bank balances	1 560	2,219	658
TOTAL	- 29,757	- 33,549	- 3 792

The transition from the net cash flow of - €3,792 million to the financial year loss of €3,444 million analyses as follows:

TRANSITION FROM NET INCOME TO NET CASH FLOW (€ million)	
Accounting loss for the 2017 financial year	- 3,444
Transactions with no incidence on cash flow Net reversals of depreciation and provisions)	87
Increase in Working Capital Requirement (Adversely affects cash flow)	- 435
CHANGE IN CASH BALANCE 2017/2016	- 3,792

The negative net equity of €29,125 million at the end of 2017 worsened by €3,444 million due to the loss in FY 2017, producing negative net assets of €32,569 million at 31 December 2017.

(€ million)	2016	2017
Retained earnings and Reserves	- 24,922	- 29,125
Result for the period	- 4,203	- 3,444
NET ASSETS	- 29,125	- 32,569

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The transition from the negative net assets of €32,569 million to the net bank debt of €33,549 million, less the balance sheet assets in cash and cash equivalents, analyses as follows:

TRANSITION FROM NET ASSETS TO NET BANK BORROWINGS AT 31/12/2017 (€ million)	
Net assets at 31/12/2017	- 32 569
Transactions with no incidence on cash flow (Financing capacity represented by aggregate depreciation and provisions at 31/12/2017)	2,680
Gross non-current assets at 31/12/2017	- 247
Cash requirement represented by the financing of the excess of current assets over current liabilities	- 3,699
Cash resource linked to accrued interest on loans and staggering of deferred financial expenses (issue premiums, accrued interest, etc.)	286
NET BANK BORROWINGS AT 31/12/2017	- 33,549

POST-BALANCE SHEET EVENTS

The following events occurred after the balance sheet date of 31 December 2017:

- ✚ The draft legislation on “the freedom to choose one’s own professional future” entails the future creation of new rights: the extension of insurance benefits to new categories of employees resigning from their post; availability of replacement income for certain self-employed workers deprived of business activity. The draft legislation defines a new framework of governance and introduces new provisions concerning the funding of the unemployment insurance scheme.
- ✚ The social security financing act for 2018 (LFSS 2018) introduces partial and subsequently total exemption from payroll contributions, with ACOSS financially offsetting Unédic’s loss of earnings (finance act).
- ✚ The transfer to ACOSS of CCVRP collections as of 1 January 2018.
- ✚ The extension to Monaco of the territorial scope of the agreement dated 14 April 2017 concerning the unemployment insurance scheme.
- ✚ The extension of part-time working to Mayotte and the signature on 28 February 2018 of the addendum to the agreement of March 2016 covering benefit eligibility in Mayotte.

2018 OUTLOOK

Unédic regularly updates its expenditure and revenue forecasts to take account of changes in the economic situation. The latest financial forecast was made in June 2018 and is based on the following macroeconomic assumptions:

According to the findings published by INSEE on 30 May 2018, GDP growth slowed in the first quarter of 2018: rising 0.2%, after an increase of 0.7% in the fourth quarter of 2017. At the end of the first quarter, growth achieved in 2018 had already reached 1.2%, driven by the 2017 year-end, with annual average growth of 2.3%. The latest economic information suggests a slowdown in activity in France, although remaining favourable in the short term.

For the present, higher growth is deemed to be the only driver of job creation among unemployment insurance scheme affiliates for the remainder of 2018. The forecasts suggest that total employment

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will be buoyed by job creation in the commercial sectors, while non-commercial employment is predicted to fall with the slowdown in the number of new assisted contracts. In combination with the buoyant trends in employment and average per capita salary (SMPT), the aggregate payroll is predicted to rise 3.6% on an annual average basis in 2018, following a 3.5% rise in 2017. If so, this will boost contributions to the unemployment insurance scheme, which are mainly derived from contributions assessed on total payroll.

At the same time, in the first two months of 2018 the number of unemployed receiving benefit under the unemployment insurance scheme fell by 26,000. This fall coincides with the slight fall expected in ILO-measured unemployment in the second quarter. The number of unemployed receiving benefit should therefore fall over the year as a whole.

The financial outturn for the unemployment insurance scheme is expected to produce a significantly lower deficit in 2018 than in 2017 (-€1.4 billion vs -€3.4 billion) due to the combined effect of the economic situation and the 2017 agreement.

€ million at 31/12/2017 (Source: financial situation forecast, June 2018)	2016	2017 OUTTURN	2018 FORECAST
Total receipts	35,146	36,364	37,975
Total expenditure	39,503	39,874	39,378
Restatement of book balance sheet and non-recurring items	- 4,255	66	40
Net result		- 3,444	- 1,363
NET BANK BORROWINGS	- 29,985	- 33,549	- 34,912

In order to cover the unemployment insurance scheme's financing requirements, the Board of Directors approved a €4.5 billion 2018 bond issue programme at its meeting on 29 January 2018.

These issues benefit from the State guarantee provided under Article 213-15 of the French Monetary and Financial Code and from paragraph 2 of Article 107 of Amending Finance Act No. 2004-1485 of 30 December 2004. The guarantee was authorised by the Amending Finance Act of 29 December 2017 in the amount of €4.5 billion, and an order issued by the French Minister for the Economy and Finance on 10 April 2018 authorised an initial drawdown of €2 billion in principal, plus related interest and costs. This first drawdown takes account of the significant improvement in Unédic's financial equilibrium. It may be followed where necessary by a second additional drawdown in line with any updating of Unédic's financing requirements during 2018.

This year Unédic made a first bond issue for €1 billion with a 15-year maturity (2033), as well as honouring its bond maturity of €1.55 billion on 1 June 2018.

THE BORROWING COST OF THE UNEMPLOYMENT INSURANCE SCHEME

Since 2008 Unédic has become increasingly indebted, from €5 billion in 2008 to €33.5 billion at end 2017. The increase has enabled the unemployment insurance scheme to maintain benefit levels equivalent to those guaranteed in the most protective European countries, without affecting employees' purchasing power or the cost of labour. Expressed as months of income, the debt reached 11 months at the end of 2017, a ratio that is set to fall from 2018 onwards. The level of the debt, on the other hand, should reach its peak in 2019, then fall from 2020 onwards.

In view of the counter-cyclical role of the unemployment insurance scheme, Unédic borrows in a worsened economic situation, when interest rates are consequently low. The particularly favourable level of interest rates in recent years is explained by the introduction of an accommodative monetary policy by the European Central Bank (ECB) and by the social partners' ability to devise a financing strategy that is readily understood by Unédic's investors and stakeholders. The loans issued under that strategy have limited the borrowing cost. Accordingly, the average rate of interest paid on borrowings stood at 1.11% at 2017 year end and the net financial costs for 2017 as a whole stood at €352 million, less than 1% of income.

Year-end debt and financial charges for 2013-2017 (€ million)	2013	2014	2015	2016	2017
Net debt	17,675	21,398	25,674	29,758	33,549
Net financial charges	227	295	301	324	352
Ratio of net financial charges to net debt (%)	1.28	1.38	1.17	1.09	1.11

The financing strategy implemented between 2009 and 2018 was designed to limit the impact of any new rise in interest rates on the interest costs in a context of the increasing indebtedness of Unédic: the annual amount of debt repayments was limited to 10% of Unédic's income, meaning that the average maturity of the debt is somewhat less than 6 years; all the loans are contracted at fixed rates and in euros. Unédic's financing requirement contracted significantly in 2018 thanks to the new provisions of the unemployment insurance agreement concluded in April 2017 and the improvement in the macroeconomic context, which stimulated employment. Accordingly, Unédic's interest costs should be virtually stable as from 2017.

DEVELOPMENT OF THE FINANCING STRATEGY

The current financing strategy pursued by Unédic was devised in a context of a negative economic cycle leading to increasing indebtedness between 2009 and 2018. This situation forced Unédic to adopt the strategy of lengthening the average maturity of the debt in order to control the level of its annual debt repayments. Anticipatory financial management based on financial forecasts therefore enables Unédic to retain effective control of its refinancing risk.

This strategy took advantage of an environment of particularly low rates from 2014 onwards: Unédic's net financial loss was €352 million in 2017, equivalent to only 1% of its technical receipts. The present fixed-rate financing structure is particularly suited to the unemployment insurance scheme's high sensitivity to economic factors.

In the light of the improving financial prospects for Unédic, its financial strategy could be adjusted to re-establish healthier finances. Amending this strategy could lead to a shorter average debt maturity period.

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BALANCE SHEET – ASSETS – UNÉDIC ASSOCIATION

ASSETS (€ million)	2017			2016		
FIXED ASSETS			74.0			101.4
Intangible assets		0.4			0.5	
Property, plant & equipment		52.2			78.6	
Financial assets		21.4			22.3	
CURRENT ASSETS			10,162.3			9,552.6
Receivables:		5,601.1			5,240.4	
Receivables from benefit recipients	426.2			369.1		
Receivables from affiliates	5,174.9			4,871.3		
Other receivables		348.1			456.8	
Marketable securities		1,992.7			2,292.7	
Cash & cash equivalents		2,218.6			1,560.5	
Prepaid expenses		1.9			2.2	
Deferred expenses			34.0			28.3
Bond redemption premiums			103.7			90.7
TOTAL ASSETS			10,374.1			9,773.0

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BALANCE SHEET – LIABILITIES – UNÉDIC ASSOCIATION

LIABILITIES (€ million)	2017			2016		
NET ASSETS			- 32,569.1			- 29,124.8
Reserves		0.8			0.8	
Retained earnings / loss carried forward		- 29,125.6			- 24,922.5	
Profit or loss for the year		- 3,444.3			- 4,203.1	
Provisions for contingencies and expenses			103.1			95.6
DEBTS			42,677.3			38,625.4
Loans and financial debts		38,020.4			33,841.6	
Bond issues	29,048.8			25,521.8		
Other loans and financing	8,962.7			8,311.7		
Bank loans and overdrafts	0.0			0.0		
Other financial debts	8.9			8.1		
Other payables		4,656.9			4,783.8	
Payables to affiliates	161.3			165.5		
Payables to benefit recipients	2,884.1			2,895.7		
Tax and social security payables	66.7			69.8		
Supplier payables	7.5			8.0		
State debts	0.0			0.0		
Other	1,537.2			1,644.8		
Accrual accounts		162.9			176.8	
TOTAL LIABILITIES		10,374.1			9,773.0	

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INCOME STATEMENT – UNÉDIC ASSOCIATION

INCOME STATEMENT (€ million)	2017			2016		
TECHNICAL MANAGEMENT						
Income		36,596.2			35,535.7	
Contributions	36,270.0			35,085.9		
Other income	97.0			117.2		
Write-back of provisions	80.1			48.4		
Transfers of expenses	149.2			284.2		
Expenses		39,671.9			39,405.5	
Back-to-work benefits	30,271.2			29,671.5		
Other benefits	2,604.8			2,862.7		
Redeployment benefits	683.5			723.3		
Vesting of pension entitlements	2,087.3			2,043.3		
Other expenses	3,799.8			3,807.9		
Provisions	225.3			296.8		
TECHNICAL RESULT	- 3,075.6			- 3,869.8		
ADMINISTRATIVE MANAGEMENT						
Income		62.4			65.0	
Provision of services	42.8			46.3		
Other income	19.6			18.7		
Expenses		94.8			98.1	
Purchases	0.6			0.7		
External services	49.3			47.4		
Taxes and levies	5.2			5.9		
Wages and social-security costs	27.4			27.9		
Other expenses	0.0			0.0		
Depreciation and provisions	12.2			16.2		
ADMINISTRATIVE MANAGEMENT RESULT	- 32.4			- 33.1		
FINANCIAL MANAGEMENT						
Financial income		65.3			61.5	
Financial expenses		416.9			385.2	
FINANCIAL RESULT	- 351.7			- 323.7		
NON-RECURRING TRANSACTIONS						
Technical management		0.0			0.0	
Administrative management		17.6			25.3	
NON-RECURRING PROFIT OR LOSS	17.6			25.3		
Corporate income tax and similar levies	- 2.2			- 1.8		
PROFIT OR LOSS	- 3,444.3			- 4,203.1		

1. KEY EVENTS

1.1 NEW REGULATORY MEASURES IN 2017

1.1.1 The agreement of 14 April 2017 on the unemployment insurance scheme

The agreement of 14 April 2017 on the unemployment insurance scheme sets out the principles laid down in the memorandum of agreement dated 28 March 2017, and approved by ministerial order of 4 May 2017 (Official Journal of 6 May 2017). It shall remain in force until 30 September 2020.

The new agreement entered into force in three stages:

- ❖ Measures concerning employers (unemployment insurance contributions) entered into force on 1 October 2017;
- ❖ Most of the measures concerning benefit recipients came into force on 1 November 2017, with the date of termination of the employment contract or of commencement of the redundancy procedure determining the applicable regulations;
- ❖ Lastly, given the significant upgrades to the Pôle emploi information system, certain provisions (notably concerning combination of the ARE benefit with remuneration from a non-salaried professional activity, and the treatment of certain periods of suspension of the employment contract not falling within affiliation) came into force on 1 January 2018.

1.1.1.1 Measures relating to contributions

There are three changes concerning contributions paid by employers:

- ❖ An extraordinary and temporary 0.05% employer's contribution was introduced for all employment contracts. This contribution came into force on 1 October 2017 until 30 September 2020 at the latest, and may be repealed earlier by the social partners;
- ❖ The 0.5% surcharge on the employer's contribution for contracts with fixed terms of 3 months or less, introduced by the addendum of 29 May 2013 to the agreement of 6 May 2011, is being maintained until 31 March 2019. The 1.5% and 3% surcharge was abolished for fixed-term contracts concluded for temporary increases in activity of three months' duration or less;
- ❖ The temporary exemption from the employer's contributions for hiring a young person aged less than 26 on a permanent contract was abolished.

1.1.1.2 Measures relating to benefits

The main new features shown below concern benefit recipients:

- ❖ Benefit eligibility subject to the number of days worked in a calendar week (5 days when the contract covers at least one calendar week; the exact number of days of the contract when less than 1 week up to a maximum of 5 days); this concept of days worked also impacts the determination of the reference daily salary, the involuntary unemployment condition and the notification of entitlement;
- ❖ The abolition of special treatment for temporary employees of temporary employment agencies (abolition of Appendix 4) who are now awarded benefit under the general rules;
- ❖ The decrease in the ceiling for specific deferral of indemnity to a maximum of 150 days in the event of payment of supra-legal indemnities on termination of the employment contract, and indexation of the dividing figure for benefit taken into account when calculating the deferral;
- ❖ Measures targeting seniors:
 - The raising of the age of entry gives entitlement to a benefit period of 36 months from the age of 55 upwards;
 - For jobseekers aged 53 and 54, the maximum 30-month duration may be increased to 36 months if training has been received;
 - Seniors from 50 to below 55 receive a credit of 500 hours' training on the personal training account (CPF);
- ❖ To be considered as definitively non-debarring for the future any voluntary resignation regarded as non-debarring during receipt of benefit;

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- ❖ The exclusion from benefit eligibility of certain periods when the employment contract is suspended (leave of absence and sabbatical leave) and non-availability for civil servants;
- ❖ Amended terms for payment of benefit for the takeover or creation of a business (ARCE);
- ❖ Modified implementation procedures when combining ARE benefit and remuneration derived from non-salaried professional activity.

1.1.2 Individualised support

The individualised support system (PAP), emanating from Law no. 2016-1088 of 8 August 2016 and Decree no. 2016-1909 of 28 December 2016, was repealed by Article 3 of Order no. 2017-1385 of 22 September 2017 establishing the collective performance agreements (APC), notably replacing the employment preservation and development agreements (APDE). This measure was designed to provide an array of enhanced measures to support job seeking, targeting employees facing redundancy for specific reasons after refusing amendment of the employment contract under implementation of an APDE agreement. The measure also provides for an array of intensified jobseeking support measures and individualised benefit on the basis of the employee's length of service at the company.

A new PAP measure under Article 19 of Law no. 2017-1339 of 15 September 2017 and Decree no. 2017-1733 of 22 December 2017 was created to assist parliamentary staff facing redundancy other than on personal grounds.

1.1.3. Hurricane IRMA

The damage caused by hurricane IRMA on 7 September 2017 in the French overseas territories of Saint-Martin and Saint-Barthélemy led the government authorities by Order of 8 September 2017 (published in the Official Journal of 9 September 2017) to recognise the status of natural disaster and to institute exceptional measures:

- ❖ The State introduced a simplified part-time working procedure for all or part of the workforce of businesses that suffered from the disaster. It should be noted that Unédic is involved in the part-time working measure as a co-financing agency under the State-Unédic financial agreement of 1 November 2014;
- ❖ Relief from payment of the CSP contribution for businesses forced to lay off staff as a result of damage caused by the hurricane, and whose employees have signed up to the job-security contract between 6 September 2017 and 5 September 2018 (Section V of Law no. 2018-217 of 29 March 2018 ratifying various orders passed on the basis of Law no. 2017-1340 of 15 September 2017 authorising the passing of orders for strengthening social dialogue).

Regarding unemployment insurance, the procedures for ascertaining benefit eligibility were adjusted to take account of the circumstances: a statement could be produced to the best of an applicant's knowledge and belief, attesting to the ending of the employment contract and enabling entitlement to be examined, where the employer's certification cannot be produced in accordance with Article R. 1234-9 of the Labour Code by businesses affected by the disaster.

1.2 RELATIONS BETWEEN PÔLE EMPLOI AND UNÉDIC

The 2015-2018 tripartite agreement signed between the State, Unédic and Pôle emploi on 18 December 2014 sets out the objectives of Pôle emploi's service offer and action as well as the resources made available to it.

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KEY EVENTS

It is consistent with the guidelines initiated by the previous agreement, but it marks a step forward by setting out three major strategic objectives:

- ❖ Enhancing the individualised support provided to jobseekers in order to improve their prospects of returning to work;
- ❖ Offering employers a range of services that meets their needs and facilitates jobseekers' access to employment;
- ❖ Improving the quality of the relationship with jobseekers and with employer businesses.

Every year, the financial relationship associated with the implementation of this agreement is covered by a cash management agreement entered into between Unédic and Pôle emploi, which specifies the amount of the 10% contribution to be paid in respect of the contributions collected and payable by Unédic and the terms and conditions for payment. This agreement generated a technical management expense of €3,348 million in 2017, recognised in income.

On behalf of Unédic, Pôle emploi pays benefits to unemployment insurance recipients and collects contributions for certain employee categories. For the financial year 2017, contributions managed by the Pôle emploi recognised in the amount of €1,070 million (of which €8 million relating to AGS contributions), while benefits and other assistance amounted to €33,560 million.

An agreement between Unédic and Pôle emploi defines the implementation of this service delegation and the operational cooperation.

A financing support agreement gives responsibility to Pôle emploi for implementing special measures targeting benefit recipients under the CSP job security contract which followed on from the CRP personal redeployment agreement and CTP career transition arrangements. Expenses of €65.7 million were recognised for 2017, consisting of the CSP scheme operating expenses.

Concerning the operating budgets of both organisations, it should be noted that the rents and service charges invoiced to Pôle emploi for their occupation of premises belonging to Unédic stand at some €4.8 million.

Unédic - Pôle emploi agreement of 21 December 2012

The bipartite agreement of 21 December 2012 between the State and Unédic specifies the terms under which Pôle emploi is to carry out the missions delegated to it by Unédic, namely payment of benefits and other financial assistance to jobseekers, financed by the unemployment insurance scheme.

The terms of exercise of these delegated powers were drawn up to ensure complementarity between Unédic and Pôle emploi, in order to respect the roles and responsibilities of their respective decision-making bodies.

The terms of the agreement faithfully uphold the objectives of the multi-year agreement between the State, Unédic and Pôle emploi.

The agreement stresses the need for performance-based monitoring, adapted to the objectives of the social partners, with the aim of proposing a high quality service to jobseekers.

The bipartite agreement sets out the process for monitoring objective indicators, such as the rate at which decisions are made within 15 days, the rate of first payments within deadline, the quality indicator for the processing of benefit applications and the proportion of overpayments remaining outstanding.

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KEY EVENTS

1.3 SERVICES DELIVERED JOINTLY BY THE STATE AND UNÉDIC

1.3.1 Part-time working

In 2017 the amount of the cost borne by Unédic for part-time working was €58.29 million, against €67 million in 2016.

The part-time working allowance is paid by the ESP services and payment agency on behalf of the State and Unédic, on the basis of separate financing agreements that specify for each of the two financing entities the implementation details of the related financial administration arrangements.

Following the transposition of the part-time working measures in Mayotte by Order no. 2016-1579 of 24 November 2016 and Decree no. 2016-1583 of 24 November 2016, replacing the partial unemployment provisions:

- ✦ Under the Unédic-ASP agreement of 28 February 2018 setting out the terms for funding by Unédic of its participation in the part-time working arrangements in Mayotte, Unédic covers part of the cost of the part-time work benefit in the amount of €2.19 per hour of unemployment covered;
- ✦ A financing agreement between the State and Unédic dated 28 February 2018 on part-time working in Mayotte.

Both agreements took effect on 1 December 2016, for a term ending on 31 December 2018.

1.3.2 The CSP job security contract

By an addendum dated 17 November 2016, the agreement of 26 January 2015 on the CSP job security contract was extended until 30 June 2018.

It should be noted that the State bears the cost of the ASP benefit paid to beneficiaries able to prove 12 to 24 months of service for the employer company at the time when they sign up to the scheme for the portion in excess of the ARE benefit, and after deduction of 80% of the contributions payable by the employers, where their employees sign up to the scheme.

1.4. FINANCIAL RELATIONS WITH THE COLLECTING AGENCIES

Unédic has a number of agencies collecting its contributions: ACOSS, CCMSA, Pôle emploi, CCVRP, the CCSS social services compensation fund of Monaco and the CPS social security fund of Saint Pierre and Miquelon.

The contributions collected in 2017 came to approximately €36.7 billion from all agencies. The amount of unemployment insurance collections for 2017 made on our behalf by ACOSS was approximately €32.5 billion.

The financial relationship between ACOSS and Unédic originates from the agreement of 17 December 2010 between Unédic, Pôle emploi, ACOSS and the AGS employee claims guarantee scheme management association, covering the collection of contributions payable by employers.

The CCMSA is the second-largest collecting agency alongside Pôle emploi, their amounts collected being €1.07 billion and €1.06 billion respectively.

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1.5. INCREASE IN UNEMPLOYMENT INSURANCE BENEFITS

Meeting on 19 June 2017, the Unédic board of directors decided to increase the unemployment insurance benefits by 0.65% as from 1 July 2017:

- The fixed-portion amount of the ARE return-to-work benefit;
- The minimum ARE return-to-work benefit amount;
- The lower limit of the ARE training benefit.

Reference salaries were also revised upwards by 0.65%. This increase applies to benefit recipients whose reference salary wholly consists of remuneration dating more than 6 months earlier, i.e. prior to 1 January 2017.

The amounts of the minimum ARE return-to-work benefit and the minimum ARE training benefit were also increased using the same coefficient.

1.6. MERGER BY ABSORPTION OF THE GUYANE ASSÉDIC UNEMPLOYMENT BENEFIT AGENCY

The Bureau meeting of Unédic held on 26 September 2017 approved the proposed merger by absorption with the Guyane Assédic unemployment benefit agency, under which net assets were transferred to Unédic, with recognition of €713.57 in goodwill impairment.

The transaction was approved by the Unédic General Meeting on 20 December 2017.

1.7. DEPLOYMENT OF THE DSN SOCIAL SECURITY DECLARATION

The DSN procedure continued its deployment during 2017, impacting the collection operating processes of the following collecting agencies:

1.7.1 ACOSS

2017 saw the acceleration of the DSN within the URSSAF network. A fall was noted in the number of non-conforming DSN returns at the end of 2017, with fewer rejected declarations. Furthermore, the IT audit focussing on the DSN and conducted by an external consultancy under the responsibility of the Cour des Comptes ensured the integrity of data flows transmitted to recipients.

1.7.2 CCMSA

Regarding transactions delegated to CCMSA, an updated control from the accountant was circulated to the MSA agricultural mutual agencies via circular no. DCF-2017-007 issued on 27 July 2017. This notification of update was designed to safeguard the radical change of method from demands for specific amounts to self-declarations.

In view of the difficulties caused by the DSN procedure, the following method was adopted by CCMSA to determine receivables (PAR) at 31 December 2017:

- Estimate at 31 December 2017 of PAR relating to the Q4 2017 costed demands and DSN declarations, with deduction from the Q4 DSNs of the DSNs for October 2017 already

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included in the CAI individual subscriber accounts as of the estimate date, compared with the estimate at 31 December 2016 of PAR for Q4 2016;

- Estimate of DSN-based PAR for the first three quarters of 2017 corresponding to the following:
 - Contributions of DSNs not yet submitted by companies on the basis of a request for complete data;
 - Contributions of submitted DSNs not or only partially included in the CAI individual account on the basis of the inclusion monitoring request.

The following impact on Unédic at 31 December 2017 compared with the data for the 2016 financial year was as follows:

CCMSA RECEIVABLES (€K)	2017	2016
SAPA accounting statement for January and February year N	212,875	172,622
Additional item, DSN statement	1,820	0
DSN additional item	66,416	0
TOTAL RECEIVABLES	281,111	172,622

1.8. FINANCING THE UNEMPLOYMENT INSURANCE SCHEME

Since 2008 Unédic has become increasingly indebted, from €5 billion in 2008 to €33.5 billion at end 2017. Through this increase, the unemployment insurance scheme maintained a benefit level equivalent to that guaranteed in the most protective European countries, without affecting employees' purchasing power or the cost of labour. Expressed as months of income, the debt reached 11 months at the end of 2017, a ratio that is set to fall from 2018 onwards.

In view of the counter-cyclical role of the unemployment insurance scheme, Unédic borrows in a worsened economic situation and hence, when interest rates are low. The particularly favourable level of interest rates in recent years is explained by the introduction of an accommodating monetary policy by the European Central bank (ECB) and by the social partners' ability to devise a financing strategy that is readily understood by Unédic's investors and stakeholders.

The loans issued under that strategy have limited the borrowing cost. Accordingly, the average rate of interest paid on borrowings stood at 1.11% at 2017 year end and the net financial costs for 2017 as a whole stood at €352 million, less than 1% of income (*see table, page 8*).

The financing strategy implemented between 2009 and 2018 was designed to limit the impact of any new rise in interest rates on the interest costs in a context of the increasing indebtedness of Unédic: the annual amount of debt repayments was limited to 10% of Unédic's income, meaning that the average maturity of the debt is somewhat less than 6 years; all the loans are contracted at fixed rates and in euros.

At the 2017 financial year end, the net balance of outstanding long-term borrowings was €33.549 billion, broken down as follows:

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NET FINANCIAL BORROWINGS OUTSTANDING (€ billion)	
TOTAL OUTSTANDING LOANS	37.76
Bond loans	28.80
Commercial paper	3.01
Negotiable medium-term notes	5.95
TOTAL CASH OR CASH-EQUIVALENTS	4.21
Short-term investments	1.99
Bank balances	0.52
Public Treasury account	1.70

Note: Aggregate net debt includes accrued sums payable to Pôle emploi for the 10% contribution (€306 million) yet to be paid, amounting to €33.873 billion.

1.8.1 Bond issues and bank loans

The upper limit of the EMTN (Euro Medium Term Note) programme was increased to €37 billion following the decision of the Board of Directors on 31 January 2017, and the maximum maturity extended to 15 years. The decision to lengthen the maximum authorised maturity for bond loans was to guard against any rise in interest rates and to control the refinancing risk by limiting annual bond repayments.

In 2017 Unédic raised a total of €4.5 billion on the bond market: 2 new bond issues for an aggregate €2 billion with a 10-year maturity in 2027, and €1.750 billion with a 15-year maturity in 2032, with in addition three bond increases of €0.250 billion with a 9-year maturity in 2026, €0.750 billion with a 15-year maturity in 2023 and €0.250 billion with a 10-year maturity in 2027.

All these issues enjoyed the original rating attributed to Unédic by the rating agencies Fitch Ratings (AA) and Moody's.

On 26 September 2017, under delegation from the Board of Directors, the Bureau of Unédic decided to issue one or more tranches of new bonds for a maximum amount of €4.5 billion for 2018. In view of the restrictions imposed by Article 213-15 of the Monetary and Financial Code governing bond issues on financial markets by non-profit associations, Unédic applied for a State guarantee. The guarantee was authorised under the Amending Finance Law of 29 December 2017 for the full amount requested, namely €4.5 billion. Authorisation for a first tranche issue of €2 billion in principle plus related interest and costs was given by order of the Minister for the Economy and Finance on 10 April 2018. In view of Unédic's improving finances, the financing requirement will be updated during the year with the possible authorisation for a second tranche issue under a new order from the Minister for the Economy.

1.8.2 NEU MTNs (formerly Negotiable Medium Term Notes)

The implementation of a €3 billion programme of NMTNs (Negotiable Medium Term Notes) was authorised by decision of the Board of Directors on 27 June 2014 in order to reduce

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the volume of outstanding commercial papers and to extend the average maturity of the unemployment insurance scheme's borrowings. The maximum outstanding balance under the programme was increased to €6 billion following the decisions of the Board of Directors on 28 January 2016. The maximum authorised amount outstanding under the programme was raised to €8 billion, and the maximum maturity at issue lengthened to 7 years by decision of the Board of Directors on 31 January 2017.

On its creation, the programme benefited from a rating awarded by Fitch Ratings (AA) and Moody's (Aa1, subsequently Aa2 following the fall in the French sovereign debt rating in 2016).

Unédic took advantage of the reform of the negotiable debt securities market to create NEU MTN documentation (the new name for NMTN) compliant with the provisions of the "Prospectus" Directive. These documentary developments enabled the NEU MTN securities to be listed on Euronext.

For the 2017 financial year, Unédic raised a total of €2.7 billion under the NEU MTN programme, with four new issues maturing in 2018, 2020, 2022 and 2024.

1.8.3 Commercial paper

This financing method for non-profit associations was authorised under certain conditions by Article 37 of Law no. 2003-706 of 1 August 2003. The initial amount of €1.2 billion in 2004 was gradually increased to reach the ceiling of €12 billion authorised by the Board of Directors in June 2012. This maximum amount was reduced to €10 billion by decisions of the Board of Directors in January 2016. The total amount outstanding under the programme at 31 December 2017 is €4.96 billion. These commercial paper facilities are drawn down according to need.

Today, this commercial paper programme is rated "P-1" by Moody's and "F1+" by Fitch Ratings.

Initially, at the request of the rating agencies, syndicated and confirmed credit lines were put in place to provide coverage of this programme and thereby mitigate any imbalances in the European money market.

Since July 2012, these lines of credit have been replaced by a liquidity reserve in the minimum amount of €2 billion. Its level varies according to the use of the commercial paper programme and the amount of payments forecast for the next rolling 15-day period.

1.8.4 Conventional bank financing arrangements

Very short-term financing requirements are covered in the form of bank overdrafts negotiated by mutual agreement with Unédic's banking partners (some €1 billion negotiated). None of these overdraft facilities had been used at 2017 financial year end.

1.8.5 Short-term investments

Given the outstanding commercial paper issues of €3.01 billion at 31 December 2017, the liquidity reserve mentioned above amounts to €4.21 billion.

2. ACCOUNTING PRINCIPLES, RULES AND METHODS

2.1 GENERAL PRINCIPLES

Unédic's annual financial statements for the year ended 31 December 2017, drawn up in euros, comprise the balance sheet, the profit and loss account and the notes to the financial statements. These financial statements were drawn up in accordance with the unemployment insurance agencies' chart of accounts approved by the CNC (National Accounting Council) on 9 January 1995 (notice of compliance no. 79).

These financial statements take into account the specific features due to the dependence of the unemployment insurance scheme on affiliate declarations, and the consequences this entails for both the declarations by affiliates and the benefit payments to recipients.

The signatory organisations to the unemployment insurance agreement of 14 May 2014, as amended by the addenda of October 2014 and March 2015, and as extended by Decree no. 2016-869 of 29 June 2016 and the new unemployment insurance agreement of 14 April 2017, having regard to Article L. 5422-9 of the French Labour Code on the method of financing benefits paid under this scheme, certify that the unemployment insurance scheme is a specific "pay-as-you-go" scheme.

The accounts of Unédic Association and the accounts of the institutions Unédic and Délégation Unédic AGS.

Unédic's annual financial statements were drawn up on the basis of financial information produced by the following agencies:

• ACOSS, CCMSA, CCVRP, Pôle emploi, CCSS (Monaco) and CPS (St-Pierre-et-Miquelon), and are summarised in documents reflecting the transactions conducted on behalf of the unemployment insurance scheme.

2.2 UNEMPLOYMENT BENEFITS

2.2.1 Expenses

The regulations require jobseekers to register and subsequently provide Pôle emploi with monthly evidence of their eligibility in order to avoid forfeiting benefit. These formalities allow the recognition of benefits on a monthly basis, under technical management expenses.

In addition to the benefits for December paid in January of the following year, payment adjustments may occur in the ensuing months. Accordingly, for accrued benefits payable Unédic adopts an additional provision corresponding to the months of February and March of the year after the year under review, relating to the year under review and earlier years.

Concerning assistance amounts payable, the provision relates solely to January of the current year, since the event giving rise to the assistance to be paid in two instalments (such as ARCE, which accounted for 71% in 2017) is the date of the consent to assistance. There is therefore no certainty that benefit paid in February and March of the year following is chargeable to the year under review.

For people exempt from the signing-on requirement, by way of derogation accounting recognition is also performed on a monthly basis.

2.2.2 Payables to benefit recipients

The item "Payables to benefit recipients" includes the amount of benefits regarded as owed for the current financial year, in accordance with the aforementioned principles. This item is

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ACCOUNTING PRINCIPLES, RULES AND METHODS

calculated on the basis of the benefits paid in January, February and March due for the current financial year.

2.2.3 Receivables from benefit recipients

The accounts receivable from debtor recipients (overpayments and advances) are provisioned according to the age of the receivables.

The method of calculating provisions for impairment of overpayments to benefit recipients is based on a statistical law measuring the probability of recovery.

2.3 CONTRIBUTIONS FROM AFFILIATES

2.3.1 Income

The income from technical management corresponds to general and specific contributions that employers are required to pay for the year under review, on the basis of the mandatory periodic declarations they make to URSSAF, the MSA agencies, the regional departments of Pôle emploi, CCSS (Monaco), the CCVRP and the CPS (Saint-Pierre-et-Miquelon). Forms received in January of the following financial year are deemed to concern the current financial year. For those received in February of the following financial year, the reference on the form for the previous year and preceding years allows recognition as accrued income receivable of amounts declared.

If the forms are not received within the prescribed time limits, contributions due are estimated for each affiliate individually.

2.3.2 Receivables from affiliates

Accrued contributions receivable for the year are calculated in accordance with the income recorded in January and February of the following financial year, relating to the previous and earlier financial years.

A provision is recognised at year end for affiliate receivables judged to be doubtful. It is calculated according to the age of the receivables and the forecasts of the companies' ability to pay in line with their profile.

2.3.3 Payables to affiliates

Des fonds versés par les affiliés et encaissés par les différents opérateurs recouvrant pour le compte de l'Unédic et qui n'ont pas pu être affectés à une créance identifiée figurent au passif du bilan.

2.4 OTHER ITEMS

2.4.1 Non-current assets

Intangible assets and property, plant & equipment are recognised in the manner prescribed by CRC Regulation no. 2002-10 on depreciation and impairment of assets, and CRC Regulation no. 2004-06 on the definition, recognition and measurement of assets.

Depreciation and amortisation are charged using the straight-line method over the following durations:

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ACCOUNTING PRINCIPLES, RULES AND METHODS

NON-CURRENT ASSETS	DURATION OF DEPRECIATION
Software	5 years
Buildings and structural works	10 to 40 years
Plant, fittings and fixtures	10 to 20 years
IT plant and equipment	3 to 6 years
Office furniture	10 years
Office equipment	5 years
Other items	4 to 10 years

2.4.2 Employer's commitments

Under the national collective labour agreement (CCN) for personnel of the unemployment insurance scheme, Unédic is required to pay retirement benefits calculated as monthly pay multiplied by the number of years of service.

Furthermore, bonuses are to be paid for long-service awards (*médailles du travail*).

Commitments are calculated using the following information:

- CCN provisions: addendum of 10 February 2011 use of personal data: age, sex, salary and length of service;
- Determination of internal actuarial assumptions: staff turnover rate (0% to 3% depending on the employee's age), retirement age, terms and conditions (60 to 65 depending on the year of birth with retirement at the initiative of the employee), a 3% wage increase rate including inflation;
- Use of the Bloomberg reference rate as the discount rate for the commitment, i.e. 1.3% for the 2017 financial year, the same as in 2016.

Using this data, the amount of the commitments is calculated individually for each employee present, it being understood that for long-service awards, the commitment must be calculated for the bonuses which are liable to be paid for the entire period of work, i.e. a maximum of four award levels.

The amounts obtained are recognised as provisions for contingencies and expenses and the change in these provisions is recorded in income in the relevant financial year, including the impacts of assumption changes.

Added to this, from 2010 onwards, are the commitments due under the defined-benefits pension plan for the unemployment insurance senior executives in service as of 1 January 2001 with 8 years' service in this category and who ended their career at an institution of the unemployment insurance scheme.

2.4.3 Extraordinary result

The extraordinary result includes:

- Technical management transactions not arising from ordinary activity and relating to benefit recipients or collection;
- Items relating to administrative management, namely the items scheduled in the French general chart of accounts and, in particular, the capital gains or losses from disposals of intangible assets and property, plant & equipment.

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ACCOUNTING PRINCIPLES, RULES AND METHODS

The capital gains or losses from disposals of financial assets are, notwithstanding the above, recognised under financial transactions.

2.5 FINANCIAL RELATIONS WITH THIRD PARTIES

2.5.1 The management mandate on behalf of AGS

In an agreement dated 18 December 1993, AGS entrusted Unédic with management of contributions collections on its behalf and with the creation of a national delegation and six regional delegations to manage the salary guarantee scheme.

Under the reform of the organisation of the public employment service, on 1 January 2011 Unédic transferred to ACOSS the tasks of collecting the unemployment insurance contributions and AGS contributions. However, these contributions are recognised by Unédic in third-party accounts based on information received. For the purposes of this transfer, AGS is a signatory party to the Unédic-Pôle emploi-ACOSS-AGS agreement dated 17 December 2010

2.5.2 Benefit recipients' contribution to supplementary pension financing

The regional departments of Pôle emploi collect and perform accounting recognition of the benefit recipients' contributions to the financing of supplementary pensions. This advance levy, subsequently passed on to Unédic, reduces the expenditure associated with the vesting of pension entitlements, which are calculated pursuant to the agreements signed with AGIRC-ARRCO, IRCANTEC, CNBF and CRPN.

2.5.3 EU-wide coordination of unemployment insurance schemes

Regulation (EC) 883/2004 stipulates the conditions for reimbursing unemployment benefits paid to a resident who receives benefits for salaried work carried out in another EU country or who has signed up to this arrangement.

The expenses comprising the benefit reimbursements to be sent to the jobseeker's country and the income representing the reimbursements to be collected are recognised on receipt of the benefit reimbursement application from the third-party country, or on despatch of the benefit reimbursement application to the third-party country.

2.5.4 Administrative agreements

Pursuant to Article L.5424-2 of the Labour Code, Unédic has signed administrative agreements with companies and public institutions not affiliated to the unemployment insurance scheme. These agreements stipulate that employees falling within their scope shall receive benefits from Pôle emploi while the signatory organisations pay a fixed amount to Unédic.

Administrative agreements signed before 19 December 2008 have been managed by Pôle emploi since that agency's creation. Pôle emploi manages new agreements entered into since 19 December 2008.

Agreements prior to 19 December 2008 were taken over by Pôle emploi in 2016.

3. POST-BALANCE SHEET EVENTS

The following events occurred after the balance sheet date of 31 December 2017:

- The draft legislation on “the freedom to choose one’s own professional future” entails the future creation of new rights: the extension of insurance benefits to new categories of employees resigning from their post; availability of replacement income for certain self-employed workers deprived of business activity. The draft legislation defines a new framework of governance and introduces new provisions concerning the funding of the unemployment insurance scheme.
- The social security financing act for 2018 (LFSS 2018) introduces partial and subsequently total exemption from payroll contributions, with ACOSS financially offsetting Unédic’s loss of earnings (finance act).
- The transfer to ACOSS of CCVRP collections as of 1 January 2018.
- The extension to Monaco of the territorial scope of the agreement dated 14 April 2017 concerning the unemployment insurance scheme.
- The extension of part-time working to Mayotte and the signature on 28 February 2018 of the addendum to the agreement of March 2016 covering benefit eligibility in Mayotte.

4. BALANCE SHEET ANALYSIS

4.1 ANALYSIS OF BALANCE SHEET ASSETS

4.1.1 Non-current assets

4.1.1.1 Intangible assets and property, plant & equipment

Forty-nine real estate sites were sold during the financial year.

The changes recognised in non-current assets and depreciation during the 2017 financial year are presented below:

CHANGES IN GROSS NON-CURRENT ASSETS IN 2017 (€ million)	(1) Opening gross balance	(2) Acquisitions and creations	(3) Disposals or scrapping	(4) Transfers	(5) = (1) + (2) + (3) + (4) Closing gross balance
Total intangible assets (A)	1.9	0.1	0.0	0.0	2.0
Total property, plant & equipment (B)	304.5	1.2	83.0	1.4	224.1
Property: land, buildings, fixtures & fittings	301.1	1.1	83.0	1.6	220.8
Other property, plant & equipment	3.1	0.1	0.0	0.0	3.2
Property, plant & equipment in progress	0.3	0.0	0.0	- 0.3	0.0
TOTAL (A + B)	306.4	1.3	83.0	1.4	226.1

CHANGES IN DEPRECIATION, AMORTISATION AND IMPAIRMENT OF PROPERTY, PLANT & EQUIPMENT IN 2017 (€ million)	(1) Opening depreciation balance	(2) Increase in depreciations	(3) Decreases due to disposals and scrapping	(4) Transfers	(5) = (1) + (2) + (3) + (4) Closing gross balance
Total intangible assets (A)	1.4	0.2	0.0	0.0	1.6
Total property, plant & equipment (B)	223.9	5.0	59.0	1.0	170.9
Real estate: buildings, fixtures & fittings	221.2	4.8	58.9	1.0	168.1
Other property, plant & equipment	2.7	0.2	0.1	0.0	2.8
TOTAL (A + B)	225.3	5.2	59.0	1.0	172.5

A provision for impairment of properties, fittings and fixtures, amounting to €0.950 million, is recognised under the planned disposal of certain sites for which a purchase proposal in lieu of the sale price estimate is lower than the net book value.

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BALANCE SHEET ANALYSIS

4.1.1.2 Financial assets

This item, amounting to €21.4 million, comprises the loans in their original amount under the construction subsidy of €21.3 million, and the deposits and guarantees paid amounting to €0.1 million.

4.1.2 Current assets

4.1.2.1 Receivables

a) *Receivables from benefit recipients – overpayments to recipients*

The gross value of this item increased by 20.26% over the previous financial year: €1,136.6 million as against €945.1 million. This amount consists of overpayments to benefit recipients from the unemployment insurance scheme.

Changes in unemployment insurance overpayments are presented in the table below:

(€ million)	2017	2016	CHANGE 2017/2016 IN %
Opening balance of overpayments, advances and payments on account (A)	945.1	766.9	23.24
Total unemployment insurance overpayments detected (B)	1,072.8	984.9	8.92
Total reimbursements and recoveries (C)	763.3	671.1	13.74
Debt write-offs and losses on overpayments (D)	118.0	134.8	- 12.46
Advances and payments on account (E)	8.5	8.9	- 4.49
Recovered advances and payments on account (F)	8,5	8.8	- 3.41
Closing gross balance of receivables due from recipients (including advances and payments on account) (G) = (A) + (B) - (C) - (D) + (E) - (F)	1,136.6	945.1	20.26
Provision for bad debts (H)	- 736.1	- 601.3	22.42
Provisioning rate (H) / (G)	0.6 %	0.6 %	1.79
NET BOOK VALUE (I) = (G) - (H)	400.5	343.8	16.49

The risk of not recovering overpayments is covered by provisioning 63.96% of the receivable amount, which has increased in comparison to the 2016 financial year.

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BALANCE SHEET ANALYSIS

b) Receivables due from recipients – advance payments

Operations relating to unemployment insurance overpayments are presented in the table below:

(€ million)	2017	2016	CHANGE 2017/2016 IN %
Opening balance of advance payments for the year (A)	45.8	31.4	45.86
Balance of advance payments detected (B)	308.5	319.6	- 3.47
Total reimbursements and recoveries (C)	308.9	306.1	0.91
Debt write-offs and losses on overpayments (D)	-	-	-
Advances and payments on account (E)	-	-	-
Recovered advances and payments on account (F)	-	-	-
Closing gross balance of receivables due from recipients (including advances and payments on account) (G) = (A) + (B) - (C) - (D) + (E) - (F)	45.4	45.8	- 0.87
Provision for bad debts (H)	- 20.1	- 20.5	- 1.95
Provisioning rate (H) / (G)	0.4 %	0.4 %	- 1.09
NET BOOK VALUE (I) = (G) - (H)	25.3	25.3	0.00

The risk of not recovering advance payments to recipients is covered by provisioning 44.27% of the receivable amount, slightly lower than in the 2016 financial year.

c) Receivables from affiliates

Accrued gross contributions remaining recoverable at 31 December 2017 amount to €6,795.0 million, of which €6,610.7 million for unemployment insurance. This amount breaks down into:

- Mainstream contributions: €5,945.6 million, equivalent to 89.9% of the total;
- Specific contributions: €468.5 million, equivalent to 7.1% of the total;
- Additional contributions: €196.6 million, equivalent to 3.0% of the total.

These contributions also break down into undisputed contributions receivable which were recovered in January or February 2018, of €4,576.1 million (of which €98 million for AGS) and disputed contributions receivable for €2,218.9 million (of which €86.7 million for AGS).

Under the management agency agreement between AGS and Unédic Association, AGS affiliate receivables are recognised as counterpart entries to the AGS current account entered under liabilities in the balance sheet.

After analysis of the stage reached in recovery proceedings or of the employer business profile, a provision for risk of non-recovery of disputed contributions is set aside of €1,620.1 million (of which €63.4 million for AGS).

The provision is calculated by each of the agencies responsible for recovering unemployment insurance contributions, according to the review of the results of recovering disputed debts over previous years.

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BALANCE SHEET ANALYSIS

4.1.2.2 Other receivables

This item, amounting to €348.1 million net of impairment, **principally** comprises:

- ❖ Accrued income receivable in repayment by Member States to France of benefits paid to French cross-border workers of €230 million net of provisions for impairment of long-standing receivables;
- ❖ A receivable from the services and payment agency for €6.2 million;
- ❖ A receivable from institutions under administration agreements, amounting to €3.6 million;
- ❖ A receivable from Monaco of €8.8 million relating to current contribution collection transactions
- ❖ A receivable from ACOSS of €67.3 million for the balance of contributions paid by employers in December to be made over to Unédic;
- ❖ A receivable from Saint-Pierre-et-Miquelon of €0.4 million relating to current contribution collection transactions;
- ❖ A balance receivable from the State concerning the exemption of shipowners, of €4.2 million on current contribution collection transactions;
- ❖ A receivable from CCVRP of €2.5 million relating to current contribution collection transactions;
- ❖ A receivable from AGS of €18.7 million in administration costs re-invoiced to AGS;
- ❖ AGS share of affiliates not broken down concerning ACOSS, in the amount of €4.2 million.

4.1.2.3 Marketable securities

This item, amounting to €1,993 million, consists of money market SICAVS designed to hedge commercial paper issues in the event of market failure.

(€ million)	
Marketable securities inventory at 1/1/2017	2,293
Acquisitions in 2017	65,779
Disposals in 2017	66,079
Marketable securities inventory at 31/12/2017	1,993

4.1.2.4 Bank balances

This item, amounting to €2,219 million, mainly corresponds to interest-bearing passbook deposits.

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BALANCE SHEET ANALYSIS

4.1.3 Deferred expenses

This item amounts to €34 million, consisting of the issue costs of bond loans, NMTNs and EMTNs. These costs are spread out on a straight-line basis over the maturity period of the loans. Summary of deferred expenses:

(€ million)	Deferred fees and costs	Prior-year amortisation	Amortisation in 2017	Reversal for loans repaid in 2017	Cumulative amortisation at 31/12/2017	Balance of loan fees at 31/12/2017
Payment date						
2012	5.1	4.0	0.6	1.6	3.0	0.5
2013	5.5	2.6	0.7	0.1	3.1	2.3
2014	10.9	3.5	1.4	-	-	6.1
2015	11.2	2.2	1.4	-	0.8	7.7
2016	8.4	0.7	1.0	-	0.1	6.7
2017	11.5	-	0.7	-	0.2	10.8
TOTAL EXPENSES DEFERRED	52.6	12.9	5.8	1.8	7.1	33.9

(€ million)	Issue premium amount	Prior-year amortisation	Amortisation in 2017	Reversal for loans repaid in 2017	Cumulative amortisation at 31/12/2017	Issue Premium Balance 31/12/2017
Payment date						
2012	10.8	9.0	1.1	5.9	4.3	0.7
2013	7.8	3.8	1.1	-	4.9	3.0
2014	19.2	5.4	2.3	-	7.7	11.5
2015	50.0	8.5	5.0	-	13.4	36.6
2016	33.2	2.9	3.7	-	6.6	26.6
2017	27.3	-	1.4	-	1.4	25.9
BOND ISSUE PREMIUM	148.3	29.5	14.6	5.9	38.3	104.2

4.1.4 Redemption premiums

Bonds, NMTNs and EMTNs issued by Unédic incorporate a bond issue premium, corresponding to the difference between the nominal value of bonds and the issue value. These premiums are amortised over the term of the issue.

4.

BALANCE SHEET ANALYSIS

4.2 ANALYSIS OF BALANCE SHEET LIABILITIES

4.2.1 Net assets

Net assets at the 2017 financial year end were negative at -€32,569.1 million, reflecting the following changes:

- Net assets as at 31 December 2016: -€29,124.8 million;
- Net deficit for the 2017 financial year: -€3,444.3 million;
- Net assets as at 31 December 2017: -€32,569.1 million.

4.2.2 Provisions for liabilities and charges

This item, for a total amount of €103.1 million, predominantly includes the following provisions:

- Provision for disputes with affiliates, of €71.6 million;
- Provision for risks of disputes relating to benefit recipients and collection reported by the regional departments of Pôle emploi, of €6.4 million;
- Provisions for employer commitments:
 - Provision for IDR retirement benefits amounting to €15.2 million;
 - Provision for long-service awards of €2 million.

The change in provisions for liabilities and charges during the 2017 financial year is presented in the table below.

(€ million)	Opening balance	Provision	Used provision reversals	Unused provision reversals	Closing balance
ACOSS	55.4	16.2	-	-	71.6
IDR	16.1	0.2	1.1	-	15.2
Long-service awards	2	-	-	-	2.0
Reimbursement of public-sector employers	15.3	-	7.4	-	7.9
Other	6.8	0.6	1.0	-	6.4
TOTAL	95.6	17.0	9.5	-	103.1

4.2.3 Loans and financial debts

The change in financing during 2017 is as follows:

Financing facilities (€ million)	Opening balance	Of which accrued interest	Additional financing	Financing repaid	Closing balance	Of which accrued interest
Bond issues	25,522	222	5,000	1,500	29,049	249
Negotiable Medium Term Notes BMTN	2,852	2	-	100	2,752	2
Negotiable Medium Term Notes NMTN	500	-	2,700	-	3,201	1
Loans from credit institutions / commercial paper	4,960	-	7,020	8,970	3,010	-
Bank loans and overdrafts	-	-	-	-	-	-
TOTAL	33,834	224	14,720	10,570	38,012	252

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BALANCE SHEET ANALYSIS

4.2.3.1 Bond issues

The bond debt amounts to €28,800 million at the 2017 financial year end.

BOND DEBT (€ million)	Amount	Issue date	Maturity	Coupon %
Issue				
5.1	1,000	29/02/2012	25/04/2019	3.000
5.2	300	25/04/2012		
5.3	300	17/09/2013		
5.4	500	23/09/2014		
7.1	1,000	01/06/2012	01/06/2018	2.125
7.2	100	16/10/2012		
7.3	100	26/10/2012		
7.4	100	21/08/2013		
7.5	100	25/02/2014		
7.6	150	01/03/2014		
8.1	1,500	05/04/2013	05/04/2023	2.250
8.2	500	22/05/2014		
10.1	1,500	29/05/2013	29/05/2020	1.250
11.1	2,500	20/02/2014	25/05/2024	2.375
12.1	1,500	16/04/2014	16/04/2021	1.500
12.2	150	30/10/2014		
12.3	500	14/12/2015		
13.1	1,500	05/09/2014	25/10/2022	0.875
13.2	250	01/10/2015		
13.3	500	04/05/2016		
14.1	3,000	17/02/2015	17/02/2025	0.625
15.1	1,250	21/10/2015	21/10/2027	1.250
15.2	750	04/05/2016		
16.1	1,000	04/11/2015	04/11/2021	0.300
17.1	2,000	03/03/2016	03/03/2026	0.625
17.2	250	20/06/2017		
18.1	1,750	31/03/2016	24/11/2023	0.250
19.1	2,000	28/03/2017	28/03/2027	1.250
19.2	250	31/08/2017		1.500
20.1	1,750	20/04/2017	20/04/2032	
20.2	750	30/08/2017		
TOTAL	28,800			

To this are added €249 million in coupons accrued at the financial year end.

4.

BALANCE SHEET ANALYSIS

4.2.3.2 Loans from various credit and financing institutions

The total amount of this item comes to €3,010 million, corresponding to the volume of commercial paper issued by Unédic.

Commercial paper transactions in 2017 were as follows:

(€ million)	Inventory at 01/01/2017	Issues in 2017	Repayments in 2017	Inventory at 31/12/2017
	4,960	7,020	8,970	3,010

These commercial paper issues mature as follows:

(€ million)	During Q1 2018	During Q2 2018	During Q3 2018	During Q4 2018	Total
Commercial paper maturity dates	1,440	510	730	330	3,010

4.2.3.3 Negotiable Medium Term Notes (NMTNs)

At the 2017 year end, Unédic had €2,750 million of NMTNs outstanding.

ISSUES (€ million)	Amount	Issue date	Maturity	Coupon %
6	1,250	05/03/2015	05/03/2020	0.125
7	1,500	16/04/2015	25/05/2019	0.040
TOTAL	2,750			

At end December, accrued interest amounted to €1.6 million.

4.2.3.4 Negotiable Medium Term Notes (NMTN)

At the 2017 year end, Unédic had €3,200 million of NMTNs outstanding.

ISSUES (€ million)	Amount	Issue date	Maturity	Coupon %
1	500	04/10/2016	25/11/20	0.000
2	1,250	16/01/2017	25/05/22	0.125
3	100	13/02/2017	13/11/18	0.000
4	100	13/02/2017	25/11/20	0.000
5	1,250	28/11/2017	25/11/24	0.1250
TOTAL	3,200			

Accrued interest at the balance sheet date amounted to €1.1 million.

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BALANCE SHEET ANALYSIS

To summarise:

(€ million)	Maturity dates of bond issues, TMTNs and NMTNs	Maturing at 1 year or less	Maturing in more than 1 year and less than 5 years	Maturing at more than 5 years
Summary at end December 2016	34,750	1,650	13,600	19,500

4.2.3.5 Bank loans and overdrafts

None.

4.2.4 Other payables

4.2.4.1 Payables to affiliates

This item, amounting to €161.3 million, consists of sums received from employers that could not be matched with receivables at the financial year end.

4.2.4.2 Payables to benefit recipients and related payables

This item, totalling €2,884.1 million, mainly consists of accrued benefits payable:

- For the month of December 2017 paid in January 2018, of €2,875.4 million, and €42 million for accrued redeployment benefits payable to benefit recipients;
- For 2017 and paid in February and March 2018, amounting to €82.9 million;
- Less the advance retirement levy amounting to €123.5 million.

4.2.4.3 Tax and welfare payables

This item, amounting to €66.7 million, principally includes:

- Provision for paid leave and holidays and 13th month bonuses, of €3.2 million;
- Accrued benefit recipient advance levies payable of €53.4 million, corresponding to benefits paid in December 2017;
- Part-time working for €5.9 million;
- Other tax and welfare payables of €4.2 million.

4.2.4.4 Trade payables

The amount of €7.5 million, representing accrued invoices payable at 31 December 2017, falls under two headings:

- Payables to suppliers of goods and services: €7.3 million;
- Payables to suppliers of non-current assets: €0.2 million.

4.2.4.5 Other payables

The main items under this heading total €1,537.2 million and primarily concern:

- The accrued charge payable at 31 December 2017 to various pension funds, for the vesting of benefit recipients' supplementary pension entitlements:
 - €659.8 million due to ARRCO breaking down into:
 - €627 million in accrued contributions payable for 2017;
 - €22.1 million in respect of the semi-finalised position for 2017
 - €10.7 million payable by ARRCO in respect of the 2016 adjustment.

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BALANCE SHEET ANALYSIS

- €257.5 million due to AGIRC, primarily breaking down into:
 - ▶ €282.6 million in accrued contributions payable for 2017;
 - ▶ - €11 million in respect of the semi-finalised position for 2017;
 - ▶ - €14.1 million due from AGIRC in respect of the 2016 adjustment.
- €36.1 million due to the other supplementary pension agencies, including IRCANTEC (€32.4 million);
- ✚ The linking accounts with Pôle emploi totalling €294.4 million, including the account used to finance Pôle emploi with the 10% contribution of which the balance stood at €306.7 million;
- ✚ The payable to AGS for the affiliate receivables arising from collection by ACOSS, for a gross amount of €184.3 million, less a provision of €63.4 million;
- ✚ A payable to CCMSA of €142.8 million relating to current contribution collection transactions;
- ✚ A payable to the State concerning the exemption of apprentices for €3.5 million, relating to current contribution collection transactions;
- ✚ The balance payable by Unédic to the State as at 31 December 2017 of €7 million, relating to its financial contribution in respect of deferral (Notes 8 and 10).

4.2.5 Accrual accounts

Unearned income of €162.9 million concerns:

- ✚ Payments made by public companies and public corporations not affiliated to the unemployment insurance scheme, but which have signed an administration agreement with Unédic. The payments are made for benefit recipients registered as unemployed whose vested entitlements may be spread over several financial years in accordance with their age. This amounts to €7.9 million;
- ✚ The opportunity costs on bond loans and EMTNs of €150.3 million. These costs are amortised over the term of the loan.

PAYMENT DATE (€ million)	Financial income amount	Prior-year amortisation	Depreciation charge for 2017	Reversal for loans repaid in 2017	Cumulative amortisation at 31/12/2017	Balance of unearned income at 31/12/2017
2012	28.9	24.3	3.3	16.6	11.0	1.3
2013	28.7	18.5	4.9	3.7	19.7	5.3
2014	109.8	49.5	19.3	4.8	64.0	40.9
2015	36.2	6.3	5.9	-	12.2	24.0
2016	54.6	4.3	7.8	-	12.2	42.5
2017	37.7	-	1.4	-	1.4	36.3
TOTAL UNEARNED INCOME	295.9	103.0	42.7	25.1	120.5	150.3

- ✚ Other income amounting to €4.6 million consists of deferred income on commercial paper interest.

5. INCOME STATEMENT ANALYSIS

5.1 TECHNICAL MANAGEMENT

5.1.1 Income

5.1.1.1 Contributions

The income from contributions for the 2017 financial year rose by 3.37% compared with 2016:

(€ million)	2017	2016	CHANGE 2017/2016 IN %
Mainstream contributions	35,765.30	34,488.60	3.70
Special contributions	504.7	597.40	- 15.52
TOTAL	36,270.00	35,086.00	3.37

After correction for new items and changes in contributions pertaining to financial years prior to 2017, the increase in mainstream contribution income excluding the apprenticeship scheme came to 3.7% in 2017.

This is primarily explained by the 3.4 % increase in total payroll:

- The change in total payroll should be set against the 1.9% increase in per capita average salary (SMPT);
- The increase in employee numbers of 1.4%;
- Specific contributions saw a 15.52% decrease in line with the fall in the number of company failures.

5.1.1.2 Other income

This item, amounting to €96.9 million, predominantly includes income received under administration agreements of €18.1 million, together with €75 million in late payment surcharges and penalties.

5.1.1.3 Net provision reversals

The total amount of decreases or reversals of provisions is €80.1 million, and relates to:

- Doubtful receivables from affiliates of €10.5 million;
- Reversal of the Pôle emploi liabilities and charges provision of €1.1 million;
- Reversal of the CNAM provision of €7.4 million;
- Reversal of the Pôle emploi public employers provision of €61.1 million.

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INCOME STATEMENT ANALYSIS

5.1.1.4 Expenses transferred

This item, amounting to €149.1 million, predominantly includes:

- Reimbursements of benefits by affiliates amounting to €18.9 million;
- Full reimbursement of benefits paid to the EJEN national youth employment programme in the amount of €0.1 million;
- Reimbursement of benefits between EU countries for €190.1 million;
- Partial coverage of CSP job security contract benefits by the State for -€0.4 million;
- Reimbursement of the contribution by the deferred ARE return-to-work benefit scheme for €7.4 million;
- Cancellation of accrued income receivable due to mistaken payment to public employers out of the unemployment insurance funding totalling €67 million. This accrued income receivable, which in 2014 was recognised under transfers of expenses, had been impaired at the time for €61 million. It was cancelled in 2017, since that income was no longer economically justified, in the absence of recovery initiatives by Pôle emploi to target the benefit recipients concerned.

5.1.2 Expenses

Total technical management expenses increased slightly by 0.68% to €39,672 million in 2017, compared with €39,406 million in 2016, owing to the growth in average benefit, while the number of unemployed receiving benefit under the unemployment insurance scheme (ARE, AREF and ASP) was stable for the year 2017 as a whole. Technical management expenses are mainly accounted for by benefit expenses, other technical management expenses (writing off benefit overpayments and receivables from affiliates), the cost of vesting retirement entitlements of benefit recipients, and Unédic's financial contribution to the running of Pôle emploi.

5.1.2.1 Benefits

The overall cost of benefits increased by 1.05% in 2017, broken down as follows:

(€ million)	2017	2016	CHANGE 2017/2016 IN %
ARE	30,271.2	29,671.5	2.02
Other benefits	2,604.8	2,862.7	- 9.01
ARE training benefit	1,398.1	1,385.0	0.95
ASR ASP benefits	1,194.1	1,464.9	- 18.49
Other	12.6	12.8	- 1.56
TOTAL	32,876.0	32,534.2	1.05

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INCOME STATEMENT ANALYSIS

The expenses per benefit take the following into account:

- Payments to benefit recipients made during the financial year;
- Reduction in expenses associated with the detection of overpayments;
- The provision reversal recognised in 2016 for accrued benefits payable relating to the previous financial year;
- Supplementary expenses represented by the provision recorded for the benefits paid at the start of 2018 for periods in 2017 or earlier years.

(€ million)	Benefits paid in 2017 (+)	Overpayments detected in 2017 (-)	2017 benefits paid in 2018 (+)	Write-back of 2016 benefits paid in 2017 (-)	Financial year expenses (=)
ARE	31,504.3	1,316.3	2,700.6	2,652.3	30,236.3
ARE CSP/CTP/EJEN/AAP	36.2	1.4	3.0	2.9	34.9
TOTAL ARE	31,540.5	1,317.7	2,703.6	2,655.2	30,271.2
ARE training return-to-work benefit	1,478.4	41.0	156.7	196.0	1,398.1
ASR/ASP	1,232.2	17.7	96.8	117.2	1,194.1
Various others	13.4	0.7	1.1	1.2	12.6
Other benefits	2,724.0	59.4	254.6	314.4	2,604.8
TOTAL ARE	34,264.5	1,377.1	2,958.2	2,969.6	32,876.0

The 2011 ASP job security benefit took over from the specific redeployment benefit and the occupational transition benefit for those signed up to this support arrangement as from 1 September 2011 and until 31 January 2015. The ASP job security benefit has been operating since 2015.

The main changes in benefit payments are as follows:

- ARE payments amounted to €31.50 billion in 2017 compared with €30.89 billion in 2016. This 1.97% increase is explained by a 1.58 % increase in the average amount of the daily benefit and a 0.4% increase in the aggregate number of days' benefit paid.
- ARE training payments – excluding welfare deductions of €101 million – amounted to €1.377 billion in 2017, increasing 8.9% from €1.265 billion in 2016.
- ASR and ASP payments (excluding the CSP premium) amounted to €1.269 billion in 2017 compared with €1.553 billion in 2016, an 18.31% decrease explained by a 22.48% decrease in the aggregate number of days' benefit paid and a 5.39% increase in the average amount of daily benefit.

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INCOME STATEMENT ANALYSIS

a) Redeployment benefits

Redeployment benefits amounted to €683.5 million in 2017 compared with €723.3 million in 2016, broken down as follows:

(€ million)	2017	2016	CHANGE 2017/2016 IN %
IDR (ASP differential redeployment indemnity)	11.2	16.7	- 32.93
ADR (compensatory redeployment allowance)	0.8	5.0	- 84.00
ARCE (assistance for the takeover or creation of a business)	490.2	509.7	- 3.83
CSP 2015 (job security contract bonuses)	160.7	167.4	- 4.00
Other benefits	20.6	24.4	- 15.57
TOTAL REDEPLOYMENT BENEFITS	683.5	723.3	- 5.5

Assistance for the takeover or creation of a business (ARCE) represents the mainstream benefit amounting to €490.2 million, equivalent to 71.7% of all benefits. Its amount decreased by 3.83% in 2017.

The ADR compensatory redeployment allowance was discontinued during 2015.

The introduction of the CSP 2015 job security contract was accompanied by the creation of the improved job security contract bonus.

b) Vesting of pension entitlements

This item registers the cost of vesting benefit recipients' supplementary pension entitlements, amounting to €2,087.3 million in 2017, compared with €2,043.4 million in 2016. This increase is explained by the rise in expenditure on beneficiaries and the restatement of expenses recognised in 2017.

The breakdown by pension scheme is as follows:

(€ million)	TOTAL
ARRCO	2,649.90
AGIRC	676.40
Other funds (Ircantec - CRPNPAC)	135.40
TOTAL PENSION FUNDS	3,461.70
Participation des allocataires	- 1,374.40
VESTING OF PENSION ENTITLEMENTS	2,087.30

5.

INCOME STATEMENT ANALYSIS

c) Other technical management expenses

This item, amounting to €3,799.8 million, declined by 0.21% compared with 2016.

The main expenses comprise:

- ✚ Write-offs and cancellations of receivables from affiliates, amounting to €200.2 million;
- ✚ Write-offs and cancellations of receivables from benefit recipients amounting to €117.6 million;
- ✚ The 10% contribution due by Unédic to Pôle emploi, for 3,348.1 million;
- ✚ Unédic's contribution to the costs of the CSP job security contract of €65.7 million;
- ✚ Unédic's contribution to the financing of part-time working, amounting to €58.3 million.

d) Provisions

The provisions total €225.3 million, broken down as follows:

- ✚ Impairment of receivables from affiliates for €71.7 million;
- ✚ Impairment of overpayments to benefit recipients for €134.6 million;
- ✚ Provision for liabilities and charges of €16.77 million, primarily concerning the provision for ACOSS disputes of €16.24 million and the provision for Pôle emploi liabilities and charges of €0.53 million;
- ✚ EESSI impairment for €2.2 million.

5.2 ADMINISTRATIVE MANAGEMENT

5.2.1 Income

5.2.1.1 Service provision

This item, amounting to €42.8 million, mainly consists of income received from third parties under administration agreements:

(€ million)	2017	2016
AGS	41.4	44.4
Pôle emploi	0.8	1.1
Other agreements with third parties	0.0	0.0
Other services	0.6	0.8
TOTAL	42.8	46.3

5.2.1.2 Other income

This heading totals €5.1 million, and mainly consists of the rent paid by Pôle emploi for the use of the unemployment insurance scheme's real estate assets.

5.

INCOME STATEMENT ANALYSIS

5.2.2 Expenses

Expenses totalled €94.8 million in 2017, a fall of 3.3% against 2016.

The depreciation, maintenance and management of real estate assets constitute a significant administrative management expense. 143 sites remained at the end of 2017.

5.2.2.1 Purchases

This item represents 0.6 % of the administrative management expenses at €0.6 million, decreasing slightly by €0.1 million compared to 2016.

5.2.2.2 External services

This item represents 51.9% of administrative management expenses.

(€ million)	2017	2016
Works and services provided by third parties	6.2	4.8
Other external services	4.1	4.8
Rents	2.7	3.2
Transport and travel	1.1	1.2
Postal and telecommunications costs	0.4	0.4
Legal fees and costs (including financing expenses for trades union and employers' organisations)	19.2	20.1
Bank and postal charges	11.8	8.7
Other	3.8	4.2
TOTAL	49.3	47.4

The "Other external services" item notably includes the expenses for funding trades union and employers' organisations within the context of the administration of the unemployment insurance scheme, amounting to €3.8 million in 2017.

5.2.2.3 Taxes and levies

This item represents 5.5% of administrative management expenses and breaks down as follows:

(€ million)	2017	2016
Payroll taxes	2.2	2.2
Other taxes and payments	3.0	3.7
TOTAL	5.2	5.9

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INCOME STATEMENT ANALYSIS

5.2.2.4 Wages and social security costs

This item represents 28.9% of administrative management expenses, broken down as follows:

(€ million)	2017	2016
Salaries	18.5	18.8
Welfare contributions	8.9	9.1
TOTAL	27.4	27.9

5.2.2.5 Depreciation and provisions

This item represents 12.9 % of administrative management expenses and amounts to €12.2 million, compared with €16.2 million in 2016. This change is explained by decreases to both depreciation charged due to the sale of assets and to provisions for staff-related liabilities and charges (IDR retirement benefits and long-service awards).

5.3 FINANCIAL MANAGEMENT

The financial result is negative:

- - €324 million in 2016;
- - €352 million in 2017.

2017 expenses amount to €416.9 million, mainly consisting of:

- Structured financing expenses of €402.6 million, of which €397.6 million for bond loans and the EMTN facility;
- Amortisation of bond issue redemption premiums for €14.3 million.

The average financing rate for 2017 stands at 1.11%.

5.4 EXTRAORDINARY RESULT

Extraordinary items resulted in a profit of €17.6 million, mainly consisting of capital gains on disposals of non-current assets.

5.5 CORPORATE INCOME TAX

Unédic is liable for corporate income tax on profits arising on property revenue and on income from movable property. Tax liabilities in 2017 stand at €2.2 million. An anticipated tax refund for the financial year 2015 was recognised in the amount of €0.5 million.

5.6 RESULT FOR THE PERIOD

This item represents the net result of the unemployment insurance scheme for the 2017 financial year, namely a loss of €3,444.3 million.

6. SUPPLEMENTARY INFORMATION

6.1 ESTIMATED BENEFITS PAYABLE TO RECIPIENTS AS OF YEAR END UNDER THE SELECTED ASSUMPTIONS

The “pay-as-you-go” distribution system implies that certain technical provisions which might be constituted for an insurance or welfare activity do not apply within the specific framework of the unemployment insurance scheme. However, they constitute potential expenditure items forecast at the end of the financial year, which would only be liable to change in the future through the unemployment insurance scheme achieving breakeven or by a change in regulations.

To ensure an optimum level of information for third parties, we present to you below the estimates that we consider to be the most significant, together with the corresponding calculation methods.

More extensive information on expenditure and income forecasts can be found in the management report in the “2018 Outlook” section, reflecting the regular analysis conducted by the unemployment insurance scheme of the benefits/contributions balance and the coverage of its financing needs.

6.1.1 Estimate of accrued benefits payable by the unemployment insurance scheme to recipients receiving benefit at the financial year end.

The amount of benefits to be paid over the average duration of unemployment yet to run as of 31 December 2017 to benefit recipients registered on this date has been assessed by Unédic’s Analytical Department at €26,320 million. This amount takes no account of the benefits to be paid to recipients of benefits whose entitlement to benefit is extended until retirement. The process and assumptions used to calculate this estimate are as follows:

- Calculation of benefits paid in 2017 to current benefit recipients as at 31 December 2016 (2,638,049 benefit recipients), i.e. €16,886 million;
- Calculation of accrued benefits payable to this population after 31 December 2017, amounting to €8,724 million. This population represents 29.40% of current benefit recipients as at 31 December 2016;
- For this 2016 population, total benefits remaining payable under the unemployment insurance scheme amount to €25,610 million;
- This amount is discounted on the basis of a 0.28% increase in benefit recipient numbers at 31 December 2017 compared with 31 December 2016; the estimate of accrued benefits payable to eligible benefit recipients at the 2017 financial year end is €25,683 million.

6.

SUPPLEMENTARY INFORMATION

6.1.2 Estimate of accrued benefits payable by the unemployment insurance scheme to benefit recipients whose entitlement is extended.

These benefits concern benefit recipients who are jobseekers and who may, under certain conditions, collect their entitlement up to retirement age.

Accrued benefits payable to these benefit recipients registered as unemployed at the financial year end were assessed by Unédic's Analytical Department at €637 million. The calculation is made by re-applying the benefit rate as at 31 December 2017 up to the day before retirement date, with the maximum age being 67.

6.2 UNÉDIC HEADCOUNT

Unédic staff at 31 December 2017 numbered 336 Unédic employees, 225 of whom are assigned to Délégation Unédic-AGS.

6.3 TRANSACTIONS CARRIED OUT ON BEHALF OF THIRDPARTIES

The AGS association for the management of the employee claims guarantee scheme is an employers' organisation founded in early 1974 and financed by companies to guarantee payment of claims arising from employment contracts in the event of company receivership or court-ordered liquidation. An administration agreement has been signed by AGS and Unédic, which is responsible for managing the collection of contributions, in order to make the necessary funds available to court-appointed receivers and agents to recover sums advanced and keep records of such transactions. Unédic itself entered into an agreement with Pôle emploi signed on 19 November 2008 for the collection of unemployment insurance contributions and AGS contributions (via the regional departments and Pôle emploi service).

The transfer of the collection task to ACOSS initiated accounting and financial flows in 2010 under two pilot phases. An agreement signed on 17 December 2010 by Unédic, AGS, ACOSS and Pôle emploi sets out the conditions for extending the collection of contributions by ACOSS and its network.

The contribution rate was lowered from 0.25% (the effective rate since 1 January 2016) to 0.20% from 1 January 2017 following a decision by the board of AGS in December 2016, and subsequently 0.15% from 1 July 2017.



REPORT BY THE
STATUTORY AUDITORS
ON THE FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2017

To the members of the Board of Directors of Unédic Association.

I. OPINION

In fulfilment of the assignment entrusted to us by your Board of Directors, we audited the financial statements for the year ended 31 December 2017, as attached to this report.

We certify that, having regard to French accounting rules and principles, the annual financial statements have been properly drawn up, are both truthful and accurate, and give a true and fair view of the result of the transactions over the past year and of the financial situation, assets and liabilities of the Association at the end of the said period.

The opinion we formulate below is consistent with the contents of our report to the Audit Committee.

II. BASIS FOR OUR OPINION

Audit frame of reference

We conducted our audit in accordance with the professional standards applicable in France. We believe that the information we have collected provides a reasonable basis for our opinion.

The responsibilities incumbent upon us by virtue of these standards are set out in the section of this report entitled “Responsibilities of Statutory Auditors in relation to the audit of the annual financial statements”.

Independence

We performed our audit in compliance with the independence rules applicable to us for the period from 1 January 2017 to the date of issue of our report, and have notably not provided any services prohibited under Article 5, paragraph 1 of Regulation (EU) no. 537/2014, or under the code of ethics adopted by our profession.

Furthermore, we provided the following non-audit services to your entity during the year and that are not mentioned in the management report or in the Notes to the annual financial statements:

- ✚ Certification concerning the changes to the administration expenses of the unemployment insurance scheme following the creation of Pôle emploi;
- ✚ Summary provided under agreed procedures and audit opinion supplied to AGS’s statutory auditors on the truthfulness and accuracy of the flows communicated by Unédic to AGS.

III. REMARKS

Without qualifying the opinion expressed above, we draw your attention to the following points discussed in the Notes to the annual financial statements:

- ✚ Note 1.8 concerning the steps taken for financing the unemployment insurance scheme, allowing for the economic context and its impact on the technical equilibrium forecasts;
- ✚ Note 2.1, “General principles”, stating that the unemployment insurance scheme is a special “pay-as-you-go” scheme, and that the accounts were drawn up in accordance with the chart of accounts of the unemployment insurance agencies as approved by the Conseil national

STATUTORY AUDITORS' REPORT

de la comptabilité. When drawing up the annual financial statements, account was taken of the dependence of the unemployment insurance scheme on affiliates' declarations, and the consequences this entails as concerns both affiliate declarations and payments to benefit recipients.

IV. SUBSTANTIATION OF OUR ASSESSMENTS – KEY AUDIT POINTS

Pursuant to Articles L. 823-9 and R.823-7 of the Commercial Code concerning the evidence substantiating our assessments, we wish to acquaint you with the key audit points relating to the risks of material misstatement which, in our professional judgement, were of most significance to the audit of the annual financial statements for the year under review, and our responses to those risks.

The assessments thus made were carried out in the context of our audit of the annual financial statements taken as a whole, and contributed to the formation of our opinion expressed earlier in this report. We express no opinion regarding the items of these annual financial statements taken individually.

Key audit points

The risks of material misstatement which we identified and which constitute key points of the audit concern contributions and benefits.

1. Identified risk: Contributions

As stated in Note 2.1, "General principles" to the financial statements, Unédic's financial statements were drawn up on the basis of financial information provided by the agencies responsible for collecting contributions for the unemployment insurance scheme.

Unemployment insurance contributions are collected on Unédic's behalf, chiefly by ACOSS via the URSSAF and CGSS agencies, by the MSA agencies for the farming sector, and by Pôle emploi for special contributions.

In this context, and owing to the uncertainties inherent to the flows managed by third parties and the volume of contributions managed by ACOSS, we judge that the reality, exhaustiveness and correct transcription of the financial information produced by ACOSS, which collected the majority of the contributions recognised Unédic's financial statements, constituted key audit points.

Audit procedures implemented

We acquainted the Cour des Comptes with the investigations and checks expected for the unemployment insurance scheme's flows and balances managed on behalf of Unédic, from the standpoint of the accuracy, exhaustiveness and valuation of the contributions, requesting the Cour des Comptes to forward to us:

- ✦ Its opinion regarding the quality of the internal control system deployed by ACOSS
- ✦ Reasonable assurance regarding the unemployment insurance scheme's flows as concerns both income and collections.

In order to give an opinion on the relevance and sufficiency of the information obtained, we reviewed their interim summary statements and their conclusions on the final checks.

STATUTORY AUDITORS' REPORT

The report certifying the 2017 financial statements of the general social security scheme's collection division was examined by the accounts deliberating chamber on 22 May 2018, and its findings were published on 28 May 2018. That report gave a favourable opinion. By means of tests conducted on the internal control measures and substantive tests, we also satisfied ourselves as to:

- ✚ The appropriateness and effectiveness of the internal control measures implemented by Unédic to ensure accurate transcription of the flows managed by ACOSS;
- ✚ The accurate transcription of the financial data issued by the agencies, including ACOSS, in which the flows are reviewed and validated by their certifying bodies.

2. Identified risk identified: Benefits

As stated in Note 2.1, "General principles" to the financial statements, Unédic's financial statements were drawn up on the basis of financial information provided by the benefit payment agency.

Pôle emploi therefore made all benefit payments.

In this context, and in view of the uncertainties inherent to the flows managed by third parties, we regarded the truthfulness, exhaustiveness and accuracy of Unédic benefits to be a key audit point.

The reliability of this information relies on procedures implemented within the institution itself, and on the following:

- ✚ The quality of the internal control measures deployed by Pôle emploi for purposes of the transactions managed on your behalf by that agency;
- ✚ The quality of Pôle emploi's process for generating the financial information required for drawing up Unédic's financial statements.

Audit procedures implemented

We conveyed audit instructions to the statutory auditors of Pôle emploi stating specific audit investigations, requesting the auditors to provide us with their opinion on:

- ✚ The quality of the internal control measures deployed by Pôle emploi for the purposes of the transactions managed by that agency on Unédic's behalf;
- ✚ The quality of Pôle emploi's process for generating the financial information required for drawing up Unédic's financial statements.

In order to assess the relevance and appropriateness of the information obtained, we acquainted ourselves with the findings from their interim and substantive activities. We satisfied ourselves that such work attested to the exhaustiveness of our investigative work as notified to them.

The auditors of Pôle emploi also sent us their report entitled "Auditors' report on the accounting statements of Pôle emploi relating to the management on behalf of Unédic of specific contributions from certain affiliates and payments to benefit recipients", drawn up on 30 May 2018, which gives a favourable opinion.

By means of tests of the internal control measures and substantive tests, we also satisfied ourselves as to:

- ✚ The reliability of the internal control measures implemented to assure accurate transcription of the flows managed by Pôle emploi;
- ✚ The accurate transcription of Pôle emploi's accounting statements, certified by its statutory auditors, into Unédic's accounts.

V. VERIFICATION OF THE MANAGEMENT REPORT AND OTHER DOCUMENTS SUPPLIED TO MEMBERS OF THE BOARD OF DIRECTORS

In accordance with professional standards applicable in France, we have also performed the specific checks required by law.

Information provided in the management report and in the other documents supplied to the members of the Board of Directors regarding the financial position and the annual financial statements

We are satisfied as to the fair presentation and the conformity with the annual financial statements of the information given in the Managing Director's management report and in the documents sent to the members of the Board of Directors on the financial situation and the annual financial statements.

VI. DISCLOSURES REQUIRED UNDER OTHER LEGAL AND REGULATORY OBLIGATIONS

Appointment of the Statutory Auditor

We were appointed Statutory Auditors to Association Unédic in 1994 for the firm FCN and in 2000 for Deloitte.

At 31 December 2017:

- ✦ FCN was in the 24th year of its assignment, without interruption;
- ✦ Deloitte & Associés was in the 18th year of its assignment, without interruption;
- ✦ Both firms were in their 9th year of assignment since Unédic was given PIE status.

VII. RESPONSIBILITIES OF MANAGEMENT AND OF PERSONS PERFORMING GOVERNANCE IN RELATION TO THE ANNUAL FINANCIAL STATEMENTS

The management is responsible for drawing up annual financial statements providing a true and fair view in accordance with French accounting rules and principles, and for implementing the internal control procedures it considers necessary for drawing up annual financial statements which are free of material misstatement, whether due to fraud or error.

When drawing up the annual financial statements, the management is responsible for assessing the capacity of the Association to continue its operations, to set out in the said financial statements the necessary information relating to its status as a going concern (as applicable), and for applying the accounting principle of going concern, unless it is intended to liquidate the Association or discontinue its activity.

It is the Audit Committee's responsibility to monitor the process for generating the financial information and to follow up the efficiency of the internal control and risk management systems and, where applicable, of internal audit regarding procedures for generating and processing the accounting and financial information.

The annual accounts have been approved by the Managing Director.

VIII. STATUTORY AUDITORS' RESPONSIBILITIES WITH REGARD TO THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Audit objective and approach

It is our task to draw up a report on the annual financial statements. Our aim is to secure reasonable assurance that the annual financial statements as a whole are free from material misstatement. Reasonable assurance denotes a high degree of assurance, while not guaranteeing that an audit performed in accordance with the standards of professional practice will systematically detect any material misstatement. Misstatements may arise from fraud or be the result of error, and are considered material when they can be reasonably expected, whether individually or in combination, to influence business decisions made by the users of the financial statements based on the said statements.

As stated in Article L. 823-10-1 of the Commercial Code, our mission of certifying the financial statements does not consist of guaranteeing the viability or management quality of your Association.

In an audit performed in accordance with the professional standards and practices applicable in France, Statutory Auditors exercise their professional judgement throughout the audit. Furthermore:

- ✦ They identify and assess the risks of the annual financial statements containing material misstatements, whether arising from fraud or due to error; they define and implement audit procedures to respond to such risks and gather evidence they consider to be a sufficient and appropriate basis for their opinion. The risk of failing to detect material misstatement due to fraud is greater than for material misstatement arising from error, since fraud may involve collusion, falsification, deliberate withholding of information, false statements or circumvention of the internal control system;
- ✦ They familiarise themselves with the internal control system as relevant to the audit in order to define audit procedures that are appropriate in the circumstances, and not for the purpose of expressing an opinion as to the effectiveness of the internal control system;
- ✦ They assess the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as assessing the information of relevance to these issues provided in the annual financial statements;
- ✦ They assess the appropriateness of the application by management of the accounting principle of going concern and, in the light of the evidence gathered, assess whether there exists significant uncertainty regarding events or circumstances likely to jeopardise the Association's ability to continue its operations. This assessment is based on evidence gathered up to the date of the auditors' report, although it should be noted that subsequent circumstances or events may jeopardise the status of going concern. If the auditors find that significant uncertainty does indeed exist, they shall draw the attention of the readers of his report to the information provided in the annual financial statements concerning the said uncertainty or, if such information is not provided or is not relevant, they shall issue a qualified certification or refuse to certify;
- ✦ They assess the overall presentation of the annual financial statements and whether the annual financial statements reflect the underlying transactions and events in a true and fair manner.

STATUTORY AUDITORS' REPORT

Report to the Audit Committee

We submit a report to the Audit Committee which notably sets out the scope of the audit activities and the work programme implemented, together with the conclusions from our audit. We also draw that Committee's attention to any significant weaknesses in internal control that we have identified which are of relevance to the procedures for generating and processing the accounting and financial information.

The items communicated in the report to the Audit Committee include the risks of material misstatement which we consider to have been of greatest significance in the audit of the annual financial statements for the year, and which therefore constitute key audit points. These points are described in this report.

We also provide the Audit Committee with the declaration required under Article 6 of Regulation (EU) no. 537/2014 confirming our independence within the meaning of the rules applicable in France, as notably set out in Articles L. 822-10 to L. 822-14 of the Commercial Code and in the code of ethics adopted by our profession. Where applicable, we discuss with the Audit Committee any risks to our independence, including the safeguarding measures implemented accordingly.

Paris and Paris La Défense, 26 June 2018
THE STATUTORY AUDITORS

Deloitte et Associés

FCN

Laure Silvestre-Siaz

Guillaume Radigue

Patrick Vicens

See also:



Unemployment
insurance in action,
2017-2018



2017 report on risk
management, control
and audit

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