Bellon S.A. Consolidated Financial Statements as of August 31, 2009 and 2010

1. CONSOLIDATED INCOME STATEMENT

(in millions of euro)	Notes	Fiscal 2010	Fiscal 2009*
Revenues	**3**	**15,256**	**14,681**
Cost of sales	4.1	(12,853)	(12,366)
Gross profit		**2,403**	**2,315**
Sales department costs	4.1	(226)	(221)
General and administrative costs	4.1	(1,378)	(1,322)
Other operating income	4.1	12	5
Other operating costs	4.1	(41)	(31)
Operating profit	**3**	**770**	**746**
Interest income	4.2	61	73
Financing costs	4.2	(249)	(231)
Share of profit of companies consolidated by the equity method	3 and 4.8	14	12
Profit for the period before tax		**596**	**600**
Income tax expense	4.3	(205)	(216)
Profit for the year		**392**	**384**
Non controlling interests		287	285
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**105**	**99**

**As restated for the comparative period in accordance with IAS 8; refer to note 2.2*

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of euro)	Notes	Fiscal 2010	Fiscal 2009*
Profit for the year		392	384
Available for sale financial assets	4.10.3 and 4.14	0	7
Change in fair value of hedging derivative instrument (1)	4.16 and 4.14	(12)	(21)
Actuarial gain (loss) on defined benefit pension plans and other items	4.17.1 and 4.14	(62)	(54)
Currency translation differences		336	(63)
Income tax related to components of other comprehensive income		**17**	**17**
Total other comprehensive income, after tax		**279**	**(114)**
Comprehensive income		671	270
Attributable to:			
Equity holders of the parent		203	60
Non-controlling interests		468	210

(1) Including for companies consolidated by the equity method.

**As restated for the comparative period in accordance with IAS 8; refer to note 2.2*

3. CONSOLIDATED BALANCE SHEET

ASSETS

(in millions of euro)	Notes	August 31, 2010	August 31, 2009*	August 31, 2008*
Non-current assets				
Property, plant and equipment	4.4	531	520	465
Goodwill	4.5	4,840	4,432	3,998
Other intangible assets	4.6	527	392	288
Client investments	4.7	228	186	162
Companies consolidated by the equity method	4.8	71	48	40
Financial assets	4.10	110	94	67
Other non-current assets	4.12	14	11	13
Deferred tax assets	4.20	162	93	86
TOTAL NON-CURRENT ASSETS		**6,483**	**5,776**	**5,119**
Current assets				
Financial assets	4.10	6	7	8
Derivative financial instruments	4.16	6	4	7
Inventories	4.11	235	204	202
Income tax receivable		81	64	54
Trade and other receivables	4.12	3,033	2,728	2,615
Restricted cash and financial assets related to the Motivation Solutions activity (1)	4.10	578	597	483
Cash and cash equivalents	4.13	1,593	1,228	1,595
TOTAL CURRENT ASSETS		**5,532**	**4,833**	**4,964**
TOTAL ASSETS		**12,015**	**10,609**	**10,083**

**As restated for the comparative periods in accordance with IAS 8; refer to note 2.2*

LIABILITIES AND EQUITY

(in millions of euro)	Notes	August 31, 2010	August 31, 2009*	August 31, 2008*
Shareholders' equity				
Common stock		0	0	0
Additional paid in capital		397	397	397
Retained earnings		0	0	0
Consolidated reserves		74	(106)	(173)
Equity attributable to equity holders of the parent		**471**	**291**	**224**
Non-controlling interests		**1,740**	**1,466**	**1,355**
TOTAL SHAREHOLDERS' EQUITY	**4.14**	**2,211**	**1,757**	**1,579**
Non-current liabilities				
Borrowings	4.15	3,124	3,292	1,902
Employee benefits	4.17	349	258	193
Other liabilities	4.19	243	105	85
Provisions	4.18	64	46	53
Deferred tax liabilities	4.20	122	99	45
TOTAL NON-CURRENT LIABILITIES		**3,902**	**3,800**	**2,278**
Current liabilities				
Bank overdrafts		59	42	31
Borrowings	4.15	319	100	1,374
Derivative financial instruments	4.16	29	16	2
Income tax payable		138	71	61
Provisions	4.18	61	53	36
Trade and other payables	4.19	2,989	2,693	2,635
Vouchers payable		2,307	2,077	2,087
TOTAL CURRENT LIABILITIES		**5,902**	**5,052**	**6,226**
TOTAL LIABILITIES AND EQUITY		**12,015**	**10,609**	**10,083**

**As restated for the comparative periods in accordance with IAS 8; refer to note 2.2*

4. CONSOLIDATED CASH FLOW STATEMENT

(in millions of euro)	**Notes**	**Fiscal 2010**	**Fiscal 2009***
Operating activities			
Operating profit		**771**	**746**
Elimination of non-cash and non-operating items			
Depreciation and amortization		240	217
Provisions		19	(2)
Losses/(gains) on disposal and other		9	10
Dividends received from associates		9	6
Change in working capital requirement from operating activities		**257**	**(94)**
Change in inventories		(12)	1
Change in accounts receivable		(177)	11
Change in trade and other payables		201	(73)
Change in vouchers payable		233	95
Change in financial assets related to the Motivation Solutions activity		12	(128)
Interest paid		(172)	(178)
Interest received		28	37
Income tax paid		(186)	(194)
NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES		**975**	**548**
Investing activities			
Acquisitions of property, plant & equipment and intangible assets		(236)	(221)
Disposals of property, plant & equipment and intangible assets		26	19
Change in client investments	4.7	(19)	(21)
Change in financial assets		(20)	(17)
Acquisitions of subsidiaries	4.23	(25)	(528)
Dispositions of subsidiaries		3	2
NET CASH FLOW USED IN INVESTING ACTIVITIES		**(271)**	**(766)**
Financing activities			
Dividends paid to parent company shareholders		(5)	(5)
Dividends paid to non-controlling shareholders of consolidated companies		(141)	(142)
Acquisitions of non-controlling interests		(114)	(14)
Dispositions of non-controlling interests		24	32
Reduction of common stock and additional paid in capital			41
Proceeds from borrowings		321	1,632
Repayment of borrowings		(393)	(1,659)
NET CASH FLOW USED IN FINANCING ACTIVITIES		**(308)**	**(115)**
CHANGE IN NET CASH AND CASH EQUIVALENTS		**396**	**(333)**
Net effect of exchange rates and other effects on cash		(49)	(44)
Net cash and cash equivalents at beginning of period		1,187	1,564
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	**4.13**	**1,534**	**1,187**

**As restated for the comparative period in accordance with IAS 8; refer to note 2.2*

5. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

							Total shareholders' equity		
(in millions of euro)	**Shares outstanding**	**Share capital**	**Share premium***	**Treasury shares***	**Reserves and comprehensive income***	**Translation adjustments***	**Attributable to holders of the parent***	**Non-controlling interests***	**Total***
Notes				4.14	4.14				
Shareholders' equity as of August 31, 2008	**25,710**		**397**	**(11)**	**(3)**	**(159)**	**224**	**1,355**	**1,579**
Profit for the period					98		98	285	383
Other comprehensive income, net of tax					(17)	(21)	(38)	(75)	(113)
Comprehensive income					**81**	**(21)**	**60**	**210**	**270**
Dividends paid (excluding treasury shares)					(5)		(5)	(142)	(147)
Increase in share capital								41	41
Other					11		11	2	13
Shareholders' equity as of August 31, 2009	**25,710**		**397**	**(11)**	**84**	**(180)**	**290**	**1,466**	**1,756**
Comprehensive income					105		105	287	392
Other comprehensive income, net of tax					(19)	116	97	182	279
Comprehensive income					**86**	**116**	**202**	**469**	**671**
Dividends paid (excluding treasury shares)					(6)		(6)	(140)	(146)
Other					(15)		(15)	(55)	(70)
Shareholders' equity as of August 31, 2010	**25,710**		**397**	**(11)**	**149**	**(64)**	**471**	**1,740**	**2,211**

**As restated for the comparative period in accordance with IAS 8; refer to note 2.2*

Notes to the Consolidated Financial Statements

Bellon SA is a *société anonyme* (a form of limited liability company) domiciled in France, with its headquarters located in Marseille.

For the purpose of this document, “Bellon” refers to Bellon S.A., “the group” refers to Bellon S.A. and the Sodexo group, together, and “Sodexo” or “the Sodexo group” refers to Sodexo S.A. and its consolidated subsidiaries.

Bellon S.A.’s consolidated financial statements were finalized by its Executive Board and approved by its Supervisory Board on July 5, 2011 and will be submitted to the Annual Shareholder’s Meeting on September 12, 2011.

1. SIGNIFICANT EVENTS

In April 2010, Bellon SA discontinued the Calyon overdraft line of credit of 40 million euro, which was no longer necessary given the high level of cash.

The Sodexo Group made the following acquisitions during Fiscal 2009:

- On September 30, 2008, Sodexo closed the acquisition of Score Group, a leading independent provider of Foodservices in France. Sodexo consolidated Score Group with effect from October 1, 2008;
- On December 12, 2008, Sodexo completed the acquisition of the Zehnacker Group, one of the leading independent providers of Facilities Management services in the healthcare segment in Germany. Sodexo consolidated Zehnacker with effect from December 1, 2008;
- On April 1, 2009, Sodexo completed the acquisition of Radhakrishna Hospitality Services Group (RKHS), one of the leading companies in On-Site Service Solutions in India;
- On August 18, 2009, Sodexo completed the acquisition of 100% of Comfort Keepers, one of the foremost players in the American market in non-medical in-home services for seniors and dependent persons.

In March 2009, Sodexo repaid two bond issues that had matured:

- On March 16, 2009, Sodexo repaid 287 million euro representing the balance, net of prior partial redemptions, of the bonds issued in March 1999;
- On March 25, 2009, Sodexo repaid 937 million euro corresponding to the balance, net of prior partial redemptions, of the bonds issued in March 2002.

Previously, the Sodexo Group completed the following transactions, in the first half of Fiscal 2009, in order to refinance these maturities:

- On September 29, 2008, Sodexo SA completed a 500 million dollar private placement with U.S. investors at a fixed rate of interest. This loan is structured in three tranches maturing between September 2013 and September 2018;
- On January 30, 2009, Sodexo SA issued bonds totaling 650 million euro at a fixed rate of interest and maturing in January 2015. On June 24, 2009, a complementary tranche of 230 million euro was issued.

Additional information about these two new financing arrangements is provided in section 4.15 of the notes to the consolidated financial statements.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of the financial statements

2.1.1 Basis of preparation of financial information for Fiscal 2009 and 2010

The consolidated financial statements of the Group have been prepared in accordance with international financial reporting standards (IFRS) as issued by the International Accounting Standards Board (IASB) and approved by the

European Union as of the balance sheet date, in order to conform to the framework used by the Sodexo Group, which is required to comply with European Regulation 1606/2002 of July 19, 2002. A comprehensive list of accounting standards adopted by the European Union is available for consultation on the european Commission website at http://ec.europa.eu/internal_market/accounting/ias/standards_en.htm. Bellon S.A. prepares financial statements as of and for the same year-end as its subsidiary Sodexo.

Information for the comparative year presented has been prepared using the same principles.

The IFRS application dates as approved by the European Union are the same as those for the IFRS standards published by the IASB during the past three years, given Sodexo's balance sheet date. Consequently, any difference between the two sets of standards arising out of delays in approval by the European Union had no impact considering the application date of the related standards or interpretations.

Finally, the Group continues to assess the impact of IFRIC 4 and IFRIC 12 since their required application date, but has not made any adjustment in the absence of any significant investment.

2.1.2 New accounting standards and interpretations adopted

The following interpretations adopted by the European Union and applied by the Group with effect from Fiscal 2009 have had no impact on the Group financial statements as of August 31, 2009:

- IFRIC 12 - "Service Concession Arrangements", which addresses the accounting for concession contracts operated within a framework of services to the public, where the concession grantor is deemed to control or regulate the services provided in connection with the assets, determines who benefits from the services, defines the method of remuneration for the operator and controls the residual value of the infrastructure at the end of the contract. The Group has assessed the impact of this interpretation on the consolidated financial statements but has not made any adjustment in the absence of materiality;
- IFRIC 13 - "Customer Loyalty Programs", which addresses how companies should account for benefits granted within the framework of loyalty programs. This interpretation does not apply to the fiscal years presented;
- IFRIC 14 - "IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction", which prescribes the method of accounting for the surplus assets of a pension plan and the impact of a minimum funding obligation on the assets to be recorded, and additional liabilities, if any, to be recognized. Application of this interpretation had no impact on the financial statements for the fiscal years presented.

The new standards, interpretations and amendments whose application was mandatory effective for the fiscal year beginning September 1, 2009 had no material impact on the Group's financial statements for Fiscal 2010:

- IAS 1 Revised – "Presentation of Financial Statements:" the Group has elected to present comprehensive income for the period in two separate statements: the income statement and the statement of comprehensive income;
- IFRS 8 – "Operating Segments" replaced IAS 14 – "Segment Reporting" and requires information about segments to be reported based on internal management data utilized by Group management in measuring the performance of and allocating resources to each segment. Application of this new standard did not affect the presentation of information by operating segment in note 3;
- IFRS 3 Revised – Business Combinations (IFRS 3R) and the amendments to IAS 27 – "Consolidated and separate financial statements" are required to be applied by the Group effective September 1, 2009. IFRS 3R and amended IAS 27 are to be applied prospectively and consequently did not affect (with the exception of recognition of certain deferred tax assets described below) the accounting for business combinations made before September 1, 2009, for which the accounting principles applied are described in notes 2.4 – Business combinations and goodwill, and 2.5 – Intangible assets.

The main impacts on transactions in scope for application of these standards are described below:

Acquisition costs

Direct acquisition costs are expensed in the year in which they were incurred.

Non-controlling interests (formerly, minority interests)

Once control has been obtained, a non-controlling interest in the acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. This election may be made on a case-by-case basis for each business combination.

IAS 27R modifies in particular the accounting for transactions with non-controlling interests, for which changes not resulting in a change of control will be recognized in shareholders' equity. In particular, in the event of the acquisition of additional shares in an entity already controlled by the Group, the difference between the consideration paid and the acquirer's share of identifiable net assets (goodwill) is recognized in shareholders' equity. The consolidated value of the identifiable assets and liabilities of the subsidiary (including goodwill) are unchanged.

Contingent consideration and/or earn outs

Contingent consideration or earn outs relating to a business combination are measured at fair value at the acquisition date, even if payment is not considered probable. Goodwill is adjusted for post-acquisition changes in fair value estimates of price adjustments only if they occur during the allocation period (one year from the acquisition date) and if they arise out of facts and circumstances existing at the acquisition date. In all other cases, the change is recognized in income or in other comprehensive income in accordance with the relevant IFRS standard.

Measurement of goodwill

At the acquisition date, goodwill reflects the difference between:

- the fair value of the consideration (for example, the price paid), plus the consideration for non-controlling interests in the acquiree (either at fair value, or at the proportionate interest in the identifiable net assets of the acquiree); and
- the fair value of the identifiable assets acquired and the liabilities assumed, at the date of acquisition.

Step acquisitions

In a business combination achieved in stages (step acquisition), the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and the resulting gain or loss, if any, is recognized in the income statement. For equity interests not consolidated prior to attaining control, changes in fair value previously recognized directly in shareholders' equity are recognized in profit or loss at the time of attaining control.

Deferred tax assets

The period for determining allocation of the consideration may not exceed one year after the acquisition date. After that period, the effects are recognized directly in profit or loss, unless they reflect error corrections. IFRS 3R requires subsequent recognition directly in the income statement of deferred tax assets not recognized at the acquisition date or during the measurement period. This requirement also applies to subsequent adjustments to deferred tax assets for acquisitions made prior to application of IFRS 3R.

- IFRIC 18 – "Transfers of Assets from Customers" defines the accounting treatment of property, plant and equipment transferred by a customer to an entity where the customer transfers control of the asset to the operator. This interpretation, which is applicable to transactions occurring as from July 1, 2010, had no impact on the consolidated financial statements of the Group.
- IAS 23 Revised – "Borrowing Costs," had no material impact on the consolidated financial statements of the Group.

2.1.3 Accounting standards and interpretations issued but not yet applicable

The Group has not elected early application of standards and interpretations not required to be applied in Fiscal 2010. The Group is currently researching the practical consequences of these new rules and the impact of their application on the annual financial statements. A comprehensive list of accounting standards adopted by the European Union is available for consultation on the european Commission website at http://ec.europa.eu/internal_market/accounting/ias/standards_en.htm.

2.2 Correction of error: change in accounting for Sodexo

Effective for Fiscal 2010, Sodexo has been fully consolidated with retrospective application. Previously, it was accounted for using the equity method. This change was made in light of the requirements of IAS 27, including the clarification made by the IASB in October 2005 with respect to the circumstances in which one company may be considered to control another company without having a majority of the voting rights in that company.

In accordance with IAS 8, the consolidated financial statements for Fiscal 2009 were restated and an opening balance sheet as of September 1, 2008 has been presented in order to reflect the cumulative effect of this accounting change on prior periods.

This accounting changing affects all of the comparative financial information provided for Fiscal 2009.

The impacts on profit for the year, comprehensive income, and shareholders' equity attributable to equity holders of the parent mainly arise from the effect of Sodexo's wholly-owned subsidiary, Sofinsod, which owns 18.5% of Bellon S.A., on the calculation of Bellon's percentage ownership of Sodexo.

In the absence of IFRS guidance on the accounting for equity interests of this nature, the following methodology was applied:

- Bellon's percentage interest in Sodexo was recalculated using an iterative method;
- The amount related to the treasury shares held in Bellon S.A. by Sofinsod were incorporated into the Group's share of equity using the above-described recalculated percentage interest;
- Non-controlling interests in Bellon S.A. have been recognized based on their interest as determined through the above calculation.

The effects on profit for the year and comprehensive income attributable to equity holders of the parent for Fiscal 2009 and shareholders' equity attributable to equity holders of the parent as of August 31, 2009 and 2008 are presented below:

(in millions of euro)	As reported	Adjustment	As restated
Fiscal 2009 Profit for the year attributable to equity holders of the parent	111	(12)	99
Fiscal 2009 Other items recognized directly in shareholders' equity (comprehensive income) attributable to equity holders of the parent	(22)	(17)	(39)
Shareholders' equity attributable to equity holders of the parent as of August 31, 2009	332	(41)	291
Shareholders' equity attributable to equity holders of the parent as of August 31, 2008	250	(26)	224

2.3 Use of estimates

The preparation of financial statements requires the management of the Group and its subsidiaries to make estimates and assumptions which affect the amounts reported for assets, liabilities and contingent liabilities as of the date of preparation of the financial statements, and for revenues and expenses for the period.

These estimates and evaluations are updated continuously based on past experience and on various other factors considered reasonable in view of current circumstances, and are the basis for the assessments of the carrying amount of assets and liabilities.

Actual results may differ substantially from these estimates if assumptions or circumstances change.

Significant items subject to such estimates and assumptions include the following:

- provisions for litigation and tax risks (notes 4.18 and 4.27);
- fair value of derivative financial instruments (note 4.16);
- valuation of post-employment defined benefit plan assets and liabilities (note 4.17);
- impairment of current and non-current assets (notes 4.9 and 4.12);
- deferred taxes (note 4.20);
- valuation of goodwill and acquired intangible assets and their estimated useful lives (note 4.23);
- share-based payment (note 4.22).

2.4 Principles and methods of consolidation

2.4.1 Intragroup transactions

Intragroup transactions and balances, and unrealized losses and gains between Group companies, are eliminated. Unrealized losses are eliminated in the same way as unrealized gains, unless they represent an impairment loss.

2.4.2 Consolidation methods

A subsidiary is an entity directly or indirectly controlled by Bellon SA. Control exists when Sodexo has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing whether control exists, *de facto* control is taken into consideration. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is obtained to the date on which control ceases to be exercised.

Companies in which Bellon SA directly or indirectly exercises significant influence or joint control over financial and operating policy without exercising control are consolidated by the equity method from the date on which significant influence or joint control is obtained to the date on which it ceases.

The Group owns a number of equity interests in project companies established in connection with Public-Private Partnership (PPP) contracts. These contracts enable governments to call upon the private sector for the design, construction, financing and management of public infrastructure (hospitals, schools, barracks, prisons), with detailed performance criteria. An analysis is conducted for each of these equity interests, of which the details are provided in note 4.8, in order to determine whether the Group has significant influence based on the criteria in IAS 27, as amended, IAS 28 and the interpretation SIC 12. Based on this analysis, these companies are consolidated using the equity method of accounting.

The Group only makes equity and subordinated debt investments in such projects when it acts as a service provider to the project company.

Further information on these entities as of August 31, 2009 and 2010 is provided in note 6.

2.4.3 Foreign currency translation

The exchange rates used are derived from rates quoted on the Paris Bourse and other major international financial markets.

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated using the closing rate. The resulting translation differences are reported in financial income or expense.

Non-monetary foreign-currency assets and liabilities reported at historical cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities reported at fair value are translated using the exchange rate at the date when the fair value was determined.

Transactions for the period are translated at the exchange rate at the transaction date.

Translation differences on monetary items that are in substance part of a net investment in a foreign operation consolidated by Sodexo are reported in consolidated shareholders' equity until the disposal or liquidation of the investment.

Financial statements denominated in foreign currencies

Countries with stable currencies

The separate financial statements of each consolidated entity are presented on the basis of the primary economic environment (functional currency) in which the entity operates.

For consolidation purposes, all foreign-currency assets and liabilities of consolidated entities are translated into the reporting currency of the Bellon S.A. Group (the euro) at the closing exchange rate, and all income statement items are translated at the average exchange rate for the period. The resulting translation differences are recognized in shareholders' equity as “Cumulative translation adjustments”. At the time of the transition to IFRS, the cumulative translation adjustments as of September 1, 2004 were reclassified to consolidated reserves.

Statutory monetary adjustments are maintained in the financial statements of subsidiaries in countries that were previously hyperinflationary (Argentina, Chile, Colombia, Mexico and Turkey, and, for Fiscal 2009, Venezuela). The residual translation differences between the monetary adjustment and the use of closing exchange rates are reported in shareholders' equity.

Countries with hyperinflationary economies

For these countries, the difference between profit or loss for the period translated at the average rate and profit or loss for the period translated at the closing rate is recognized in financial income or expense.

Subsidiaries operating in Venezuela

At the end of calendar 2009, Venezuela joined the list of countries considered hyperinflationary according to the criteria in IAS 29. Consequently, the Group applied the specific accounting requirements of this standard to the transactions of its subsidiaries operating in this country in the preparation of the annual financial statements as of August 31, 2010.

On January 8, 2010, Venezuela announced the devaluation of its currency, the Bolivar Fuerte.

As of that date, the Group decided to no longer use the official exchange rates published by the Venezuelan government and to instead utilize translation rates resulting from transactions carried out on the parallel currency market. The Group considers that rates arising on the parallel market are more appropriate, for the following reasons:

- to better reflect the economic parity between the euro and the Bolívar resulting from the hyperinflationary situation in Venezuela since the end of 2009; and
- to estimate the most probable rate at which the Group considers it will be able to convert Bolivars into euro in the future given the current restrictions on official market transactions placed by the country's authorities.

The Group has maintained its view concerning the appropriateness of the parallel rate versus the official rate despite the suspension of the parallel market since May 2010. The financial statements of subsidiaries operating in Venezuela are therefore translated at the rate of 1 euro = 10.46 bolivars, which corresponds to the most recent rate observed on the parallel market.

The impact on the Group's financial statements is provided below:

(in millions of euro)	**Published amounts (Venezuelan subsidiaries) parallel rate €1 = 10.46 VEF**	**Pro forma amounts (Venezuelan subsidiaries) official rate €1 = 5.45 VEF**	**Impact of use of parallel rate on published financial statements**
Revenues	60	116	(56)
Operating income	25	49	(24)
Net earnings	7	14	(7)
Shareholders' equity	15	28	(13)

As of August 31, 2009, no country in which the Group was operating met the criteria for having a hyperinflationary economy.

2.5 Business combinations and goodwill

The purchase method is used to account for acquisitions of subsidiaries by the Group. The consideration corresponds to the fair value of assets acquired, equity instruments issued by the purchaser and liabilities assumed as of the date of the acquisition. As of September 1, 2009, this consideration no longer includes costs directly incurred in the acquisition.

On first-time consolidation of a subsidiary or equity interest, the Group measures all identifiable elements acquired in the currency of the acquired entity.

Changes to the measurement of identifiable assets and liabilities resulting from specialist evaluations or additional analysis may be recognized as adjustments to goodwill if they are identified within one year of the date of acquisition and result from facts and circumstances existing at the acquisition date. Once this one year period has elapsed, the effect of any adjustments is recognized directly in the income statement unless it involves the correction of an error, with the exception of the specific case of certain deferred tax assets described below.

Before September 1, 2009, if future benefits of tax loss carry forwards or other deferred tax assets of an acquired company were not recognized at the time of an acquisition because they did not meet the required accounting criteria but subsequently meet the accounting criteria when utilized, the carrying amount of goodwill is reduced by the amount that would have been recorded if the tax asset had been recognized at the time of the acquisition. Following the adoption of IFRS 3R, a benefit is recorded in the income statement for deferred tax assets recognized more than one year after the acquisition date, even if they originate with a subsidiary acquired prior to the date of adoption of IFRS 3R.

Goodwill arising on the acquisition of associates is included in the value of the equity method investment.

At the time of the transition to IFRS, the Group elected not to restate business combinations occurring before September 1, 2004.

2.5.1 Goodwill

Any excess of the cost of an acquisition over the Group’s interest in the fair value at the acquisition date of the identifiable assets, liabilities and intangible items is recognized as goodwill in the balance sheet.

Goodwill is not amortized, but is subject to impairment tests immediately if there is evidence of impairment, and at least once per year. Impairment test procedures are described in note 2.9. Any impairment losses recognized in the income statement are irreversible.

2.5.2 Negative goodwill

Negative goodwill reflects the excess of the Group’s interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the acquisition date over the consideration paid, increased by the amount of any non-controlling interest.

After verification of the process of identification and measurement of the different components included in the calculation of goodwill, any negative goodwill is immediately expensed in the income statement in the period of acquisition.

2.6 Intangible assets

Separately acquired intangible assets are initially measured at cost in accordance with IAS 38. At the time of the transition to IFRS, the Group did not elect to re-measure intangible assets at their fair value in the opening balance sheet as of September 1, 2004. Intangible assets acquired in a business combination that (i) can be reliably measured, (ii) are controlled by the Group and (iii) are separable or arise from a legal or contractual right are recognized at fair value separately from goodwill. Subsequent to initial recognition, intangible assets are measured at cost less accumulated amortization and impairment losses.

Intangible assets other than certain brands having an indefinite useful life (when market conditions and the legal context allow for an indefinite utilisation) are considered to have finite useful lives, and are amortized by the straight line method over their expected useful lives:

Integrated management software	5 years
Other software	3-4 years
Patents and licenses	2-10 years
Other intangible assets	3-20 years
Client relationships	3-20 years

The cost of licenses and software recognized in the balance sheet comprises the costs incurred in acquiring the software and bringing it into use, and is amortized over the estimated useful life of the asset.

Subsequent expenditures on intangible assets are capitalized only if they increase the expected future economic benefits associated with the asset to which they relate. Other expenditures are expensed as incurred.

2.7 Property, plant and equipment

In accordance with IAS 16, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, except for land, which is measured at cost less accumulated impairment losses. Cost includes expenditures directly incurred to acquire the asset, and in some cases may also include estimated unavoidable future dismantling, removal and site remediation costs.

Subsequent expenditures are included in the carrying amount of the asset, or recognized as a separate component, if it is probable that the future economic benefits of the expenditures will flow to the Group and the cost can be measured reliably. All other repair and maintenance costs are recognized as expenses during the period in which they are incurred, except costs incurred to improve productivity or extend the useful life of an asset, which are capitalized. At the time of the transition to IFRS, the Group did not elect to re-measure property, plant and equipment at its fair value in the opening balance sheet as of September 1, 2004.

Items of property, plant and equipment are depreciated over their expected useful lives using the component-based approach, taking account of their residual value. The straight line method of depreciation is regarded as the method that most closely reflects the expected pattern of consumption of the future economic benefits embodied in items of property, plant and equipment.

The useful lives generally used by the Group are:

Buildings	20-30 years
General fixtures and fittings	3-10 years
Plant and machinery	3-8 years
Motor vehicles	4 years
Boats and pontoons (depending on the component)	5-15 years

The residual values and useful lives of items of property, plant and equipment are reviewed and, if necessary, adjusted at each balance sheet date.

The carrying amounts of items of property, plant and equipment are tested for impairment if there is an indication that an item has become impaired.

2.8 Leases

Leases contracted by the Group as lessee are accounted for in accordance with IAS 17, “Leases”.

Finance leases, under which substantially all the risks and rewards incidental to ownership of an asset are transferred to Sodexo, are accounted for as follows:

- at inception of the lease term, the leased asset is recognized as an asset at the lower of fair value or the present value of the minimum lease payments;
- the corresponding liability is recognized in borrowings;
- lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability.

An asset held under a finance lease is depreciated over its estimated useful life, or if there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, over the shorter of the lease term and its useful life.

Leases under which the lessor retains substantially all the risks and rewards incidental to ownership of the asset are treated as operating leases. Payments made under operating leases are expensed as an operating item on a straight line basis over the term of the lease.

2.9 Impairment of assets

2.9.1 Impairment of assets with finite useful lives

Property, plant and equipment and intangible assets with finite useful lives are tested for impairment if there is objective indication of impairment. Impairment losses are recognized in the income statement, and may be reversed subsequently.

2.9.2 Impairment of assets with indefinite useful lives

Goodwill and other intangible assets considered to have an indefinite useful life are tested for impairment whenever there is an indication of impairment, and at least annually, in the last quarter of the fiscal year. The results of the impairment tests conducted are then confirmed using data as of August 31.

Cash Generating Units

Assets that do not generate cash inflows that are largely independent of those from other assets, and hence cannot be tested for impairment individually, are grouped together in Cash Generating Units (CGUs).

Impairment tests are conducted for each CGU or group of CGUs, which are generally defined as one of the Group's two main activities, with the On-site Service Solutions activity further segmented into geographic regions.

The assets allocated to each CGU comprise:

- goodwill, which is allocated when the CGU or group of CGUs is likely to benefit from the business combination;
- other intangible assets, tangible assets, and net working capital requirement.

Indications of impairment

The main indicators that a CGU may be impaired are a significant decrease in revenues and gross margin or material changes in market trends.

Methods used to determine the recoverable amount

An impairment loss is recognized in the income statement when the carrying amount of an asset or CGU is greater than its recoverable amount.

Recoverable amount is the greater of:

- fair value less costs to sell, i.e. the amount obtainable from the sale of an asset (net of selling costs) in an arm's length transaction between knowledgeable, willing parties;
- value in use, which is the present value of the future cash flows expected to be derived from continuing use and ultimate disposal of the asset or CGU.

The value in use of CGUs is estimated using after-tax cash flow projections generally based on three year business plans prepared by management and extrapolated to future years.

Management both at Group and subsidiary levels prepares gross profit forecasts on the basis of past performance and expected market trends. The growth rate used beyond the initial period of the business plan reflects the growth rate for the business sector and region involved.

Expected future cash flows are discounted at the average cost of capital.

The growth and discounting rates used for impairment tests during the period are provided in note 4.9.

Recognition of impairment losses

An impairment loss recognized with respect to a CGU is allocated initially to reducing the carrying amount of any goodwill allocated to that CGU, and then to reducing the carrying amount of the other assets of the CGU in proportion to the carrying amount of each asset.

2.9.3 Reversal of impairment losses

Impairment losses recognized with respect to goodwill cannot be reversed.

Impairment losses recognized with respect to any other asset may only be reversed if there is an indication that the impairment loss is lower or no longer exists. The amount reversed is based on new estimates of the recoverable amount.

The increased carrying amount of an asset resulting from the reversal of an impairment loss cannot exceed the carrying amount that would have been determined for that asset had no impairment loss been recognized.

2.10 Client investments

On some contracts, the Group makes a financial contribution to the purchase of equipment or fixtures on the client site that are necessary to fulfill service obligations. The amortization of these assets is recognized as a reduction to revenues over the period of the service obligation.

In the cash flow statement, changes in the value of these investments are presented as a component of investing cash flows.

2.11 Inventories

Inventories are measured at the lower of cost or net realizable value. Cost is determined by the FIFO (First In First Out) method.

2.12 Trade and other receivables

Trade and other receivables are initially recognized at fair value, and are subsequently measured at amortized cost less impairment losses recognized in the income statement.

Impairment is recognized when there is objective evidence of the Group's inability to recover the full amount due under the initial contract terms. The impairment recognized represents the difference between the carrying amount of the asset and the discounted future cash flow, estimated using the initial effective interest rate. The resulting impairment loss is recognized in the income statement.

2.13 Financial instruments

Financial assets and liabilities are recognized and measured in accordance with IAS 39 "Financial Instruments: Recognition and Measurement".

Financial assets and liabilities are recognized in the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

The fair values of financial assets and derivative instruments are determined on the basis of quoted market prices or of valuations carried out by the depositary bank.

2.13.1 Financial assets

Under IAS 39, financial assets are measured and recognized in three main categories:

- **available-for-sale financial assets** include equity investments in non-consolidated entities, marketable securities with maturities greater than three months, and restricted cash. They are measured at fair value, with changes in fair value recognized directly on a separate line in the statement of comprehensive income. When an available-for-sale financial asset is sold or impaired, the cumulative fair value adjustment recognized in equity is transferred to the statement of comprehensive income. If the fair value of an available-for-sale financial asset cannot be reliably measured, it is recognized at cost;
- **loans and receivables** include financial and security deposits, and loans to non-consolidated equity investees. These financial assets are shown in the balance sheet at amortized cost, which is equivalent to acquisition cost as no significant transaction costs are incurred in acquiring such assets. They are tested for impairment if there is an indication that they may be impaired, and an impairment loss is recognized if the carrying amount of the asset is greater than its estimated recoverable amount;
- **financial assets at fair value through profit or loss** include other financial assets held for trading and acquired for the purpose of resale in the near term. Subsequent changes in the fair value of these assets are recognized in financial income or expense in the income statement.

The fair value of short-term financial assets and liabilities is equivalent to their carrying value because of their short-term maturity. The nature of variable rate financial assets and liabilities is such that their fair value is equivalent to their face value.

2.13.2 Derivative financial instruments

Group policy is to finance acquisitions in the currency of the acquired entity, generally at fixed rates of interest.

The majority of the Group's variable-rate borrowings are converted to fixed-rate using interest rate swaps. In most cases where borrowings are made in a currency other than that of the acquired entity, currency swaps are contracted.

As required by IAS 39, these derivative financial instruments are initially recognized in the balance sheet at fair value, as current financial assets or liabilities.

Subsequent changes in the fair value of derivative instruments are recognized in the income statement, except in the case of instruments that qualify as cash flow hedges.

In the case of cash flow hedges, the necessary documentation is prepared at inception and updated at each balance sheet date. Gains or losses arising on the effective portion of the hedge are recognized in equity, and are not recognized in the income statement until the underlying asset or liability is realized.

Gains or losses arising on the ineffective portion of the hedge are recognized in the income statement.

The fair value of these derivative instruments is determined based on valuations provided by the bank counter-parties.

2.13.3 Commitments to purchase non-controlling interests

As required by IAS 32, the Group recognizes commitments to purchase non-controlling interests as a liability within borrowings in the consolidated balance sheet. In the absence of any IFRS standard or interpretation regarding the treatment of the related debit entry, Sodexo has elected to offset the amount involved against the relevant non-controlling interests in shareholders' equity until they are eliminated in full, and to treat any surplus as goodwill.

Firm commitments to purchase non-controlling interests are therefore accounted for as follows under IFRS:

- the liability arising from the commitment is recognized in other borrowings at the present value of the purchase commitment;
- the expected goodwill is recognized in the balance sheet;
- the change in value arising from the unwinding of the discounting of the liability is recognized in the income statement as a financial expense.

Subsequent price adjustments are recognized as adjustments to the amount of goodwill for acquisitions made prior to September 1, 2009.

2.13.4 Bank borrowings and bond issues

All borrowings, including bank credit facilities and overdrafts, are initially recognized at the fair value of the amount received less directly attributable transaction costs.

Subsequent to initial recognition, borrowings are measured at amortized cost using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of a financial liability to the net carrying amount of that liability. The calculation includes the effects of transaction costs, and of differences between the issue proceeds (net of transaction costs) and reimbursement value.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short-term cash investments in money-market instruments which either have an initial maturity of less than three months at the moment of purchase or may be withdrawn at any time at a known cash value with no material risk of loss in value.

2.15 Borrowing costs

Borrowing costs are recognized as follows:

- borrowing costs directly attributable to the acquisition, construction or production of a non-current asset are capitalized as part of the cost of the underlying asset;
- borrowing costs not directly attributable to a non-current asset as defined in IAS 23 reduce the related borrowing in the balance sheet and are recognized in the income statement over the term of the borrowing.

2.16 Bellon S.A. treasury shares

Bellon S.A. shares held by the company itself and/or by other Group companies are shown as a reduction in consolidated shareholders' equity at acquisition cost.

Gains and losses on acquisitions and disposals of treasury shares are recognized directly in consolidated shareholders' equity and do not affect profit or loss for the period.

2.17 Provisions

A provision is recognized if (i) an entity has a legal or constructive obligation at the balance sheet date, (ii) it is probable that settlement of the obligation will require an outflow of resources, and (iii) the amount of the liability can be reliably measured.

Provisions primarily cover commercial, employee-related and tax-related risks and litigation arising in the course of operating activities, and are measured in accordance with IAS 37 using assumptions that take account of the most likely outcomes.

Where the effect of the time value of money is material, the amount of the provision is determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and any risks specific to the liability.

Loss-making contracts

A provision for onerous contract is established where the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it.

2.18 Employee benefits

2.18.1 Short-term benefits

Group employees receive short-term benefits such as vacation pay, sick pay, bonuses and other benefits (other than termination benefits), payable within 12 months of the related service period.

These benefits are reported as current liabilities.

2.18.2 Post-employment benefits

The Group measures and recognizes post-employment benefits in accordance with IAS 19. As a result:

- contributions to defined-contribution plans are recognized as an expense; and
- defined-benefit plans are measured using actuarial valuations.

Sodexo uses the projected unit credit method as the actuarial method for measuring its post-employment benefit obligations, on the basis of the national or company-wide collective agreements effective within each entity.

Factors used in calculating the obligation include length of service, life expectancy, salary inflation, staff turnover, and macro-economic assumptions specific to countries in which the Group operates (such as inflation rate, rate of return on plan assets and discount rate).

Actuarial gains and losses arising at each balance sheet date are recognized in the statement of comprehensive income, net of deferred taxes, as permitted by IAS 19 Revised. Actuarial gains and losses do not affect the income statement. At the time of the transition to IFRS, actuarial losses and gains on pensions and related benefits as of September 1, 2004 were recognized in shareholders' equity.

If benefits under an existing plan are amended or a new plan is established, past service cost relating to vested benefits is recognized in the income statement, and past service cost relating to benefits not yet vested is recognized on a straight line basis over the average residual vesting period.

The accounting treatment applied to defined-benefit plans is as follows:

- the obligation, net of plan assets, is recognized as a non-current liability in the balance sheet if the obligation exceeds the plan assets and the unrecognized past service cost;
- if the value of plan assets exceeds the obligation under the plan, the net amount is recognized as a non-current asset. Overfunded plans are recognized as assets only if they represent future economic benefits that will be available to the Group. Where the calculation of the net obligation results in an asset for the Group, the amount recognized for this asset may not exceed the total of the unrecognized past service cost plus the present value of all future refunds and reductions in future contributions under the plan;
- the expense recognized in the income statement comprises:
    - current service cost, amortization of past service cost, and the effect of any plan curtailments or settlements, all of which are recorded in operating income,
    - the effect of discounting and the expected return on plan assets, which are recorded in financial income or expense.

The Group contributes to multi-employer plans, primarily in Sweden and the United States. These plans are accounted for as defined-contribution plans, as the information provided by the plan administrators is insufficient for them to be accounted for as defined-benefit plans.

2.18.3 Other long-term employee benefits

Other long-term employee benefits are measured in accordance with IAS 19. The expected cost of such benefits is recognized as a non-current liability over the employee's period of service. Actuarial gains and losses are recognized immediately in the income statement.

2.19 Vouchers payable

Vouchers payable are recognized as a current liability at fair value, which is the face value of vouchers in circulation or returned to Sodexo but not yet reimbursed to affiliates.

2.20 Share-based payment

Some Group employees receive compensation in the form of share-based payment in shares of Sodexo S.A., for which payment is made in equity instruments.

The services compensated by these plans are recognized as an expense, with the offset recognized in shareholders' equity, over the vesting period. The amount of expense recognized in each period is determined by reference to the fair value of the options granted as of the grant date, computed using the binomial model.

On an annual basis, Sodexo reassesses the number of potentially exercisable options. The impact of any change in estimates is recognized in the income statement, with the offset recognized in shareholders' equity.

At the time of the transition to IFRS, only stock option plans granted after November 7, 2002 and not vested as of January 1, 2005 were measured, as permitted by IFRS 2.

2.21 Deferred taxes

Deferred taxes are recognized on temporary differences between the carrying amount of an asset or liability and its tax base, using the tax rate that is expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that are enacted or substantially enacted at the balance sheet date.

Deferred taxes are not recognized on the following items:

- initial recognition of goodwill that is not deductible for tax purposes;
- initial recognition of an asset in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit; and
- temporary differences on investments in subsidiaries that are not expected to reverse in the foreseeable future.

Taxes on items recognized directly in shareholders' equity are recognized in shareholders' equity and not in the income statement.

Residual deferred tax assets on tax loss carry-forwards (after offset of deferred tax liabilities) are only recognized if their recovery is considered probable.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets and liabilities and the deferred taxes relate to the same taxable entity and tax authority.

2.22 Trade and other payables

Trade and other payables are measured at fair value on initial recognition, and subsequently at amortized cost.

2.23 Income statement

2.23.1 Income statement by function

As permitted by IAS 1, "Presentation of Financial Statements", the Group presents its income statement by function.

Operating profit comprises the following components:

- gross profit;
- sales department costs;
- general and administrative costs; and
- other operating income and expense.

2.23.2 Revenues

In accordance with IAS 18, revenues reported by the Group relate to the sale of services in connection with the ordinary activities of fully-consolidated companies as follows:

- On-site Service Solutions: revenues include all revenues stipulated in the contract, taking into account whether Sodexo acts as principal (the vast majority of cases) or agent;
- Motivation Solutions: revenues comprise commissions received from clients and affiliates, financial income from the investment of surplus cash generated by the activity, and profits from vouchers and cards not reimbursed.

In accordance with IAS 18, revenues are measured at the fair value of the consideration received or to be received, net of discounts and rebates and value added tax (VAT) and other taxes. Revenues are recognized when it is probable that future economic benefits will flow to the Group and these benefits can be measured reliably. No revenue is recognized if there is significant uncertainty about recoverability of the costs incurred or to be incurred in meeting the service obligation.

Foodservices revenues are recognized when the service is rendered.

2.24 Cash flow statement

The cash flow statement analyzes changes in net cash and cash equivalents, defined as cash and cash equivalents less current bank overdrafts and credit bank balances payable on demand as an integral component of treasury management.

3. OPERATING SEGMENTS

As of August 31, 2009 and 2010, the Group's activities are monitored by the chief operating decision maker as follows: On-site Service Solutions (formerly Food and Facilities Management Services), and Motivation Solutions (formerly Service Vouchers and Cards). On-site Service Solutions is further segmented by geographic region:

- North America;
- Continental Europe;
- United Kingdom and Ireland;
- Rest of the World.

The geographic regions of On-site Service Solutions and Motivation Solutions constitute the Group's primary operating segments.

No Group client accounts for more than 2% of consolidated revenues.

3.1 By operating activity

Fiscal 2010 *(in millions of euro)*	On-site Service Solutions North America	Continental Europe	United Kingdom and Ireland	Rest of the World	Total	Motivation Solutions	Corporate expenses	Elimination	Total
Revenues (third-party)	5,850	5,289	1,252	2,194	14,585	671			15,256
Inter-segment sales (Group)						18		(18)	0
TOTAL	**5,850**	**5,289**	**1,252**	**2,194**	**14,585**	**689**		**(18)**	**15,256**
Segment operating profit	281	233	57	70	641	215	(68)	(18)	770
Share of profit of associates	1	1	6	6	14				14
Net financing costs									(188)
Income tax expense									(205)
Non-controlling interests									287
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT									**105**
Depreciation/amortization of tangible and intangible assets	54	96	20	32	202	25	13		240
Other non-cash items	5	2	1	1	9	1	(1)		9

Fiscal 2009 *(in millions of euro)*	On-site Service Solutions North America	Continental Europe	United Kingdom and Ireland	Rest of the World	Total	Motivation Solutions	Corporate expenses	Eliminations	Total
Revenues (third-party)	5,730	5,074	1,285	1,900	13,989	692			14,681
Inter-segment sales (Group)						19		(19)	0
TOTAL	**5,730**	**5,074**	**1,285**	**1,900**	**13,989**	**711**		**(19)**	**14,681**
Segment operating profit	297	183	52	57	589	247	(71)	(19)	746
Share of profit of associates	1	1	5	5	12				12
Net financing costs									(158)
Income tax expense									(216)
Non-controlling interests									285
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT									**99**
Depreciation/amortization of tangible and intangible assets	46	90	19	25	180	22	15		217
Other non-cash items	4	2	1	1	8	1	3		12

3.2 By significant country

The Group's operations are spread across 80 countries, three of which produce significant revenues: France (the company's country of domicile), the United States and the United Kingdom. Revenues and non-current assets in these countries are stated below:

As of and for the year ended August 31, 2010 *(in millions of euro)*	**France**	**United States**	**United Kingdom**	**Others**	**Total**
Revenues (third-party)	2,645	5,543	1,223	5,845	15,256
Non-current assets (1)	836	2,685	744	1,861	6,126

As of and for the year ended August 31, 2009 *(in millions of euro)*	**France**	**United States**	**United Kingdom**	**Others**	**Total**
Revenues (third-party)	2,528	5,493	1,260	5,400	14,681
Non-current assets (1)	837	2,392	591	1,710	5,530

(1) Excluding financial assets.

4. NOTES TO THE FINANCIAL STATEMENTS AS OF AUGUST 31, 2010

4.1 Operating expenses by nature

(in millions of euro)	**Fiscal 2010**	**Fiscal 2009**
Depreciation, amortization and impairment losses	(246)	(227)
Employee costs		
• Wages and salaries	(5,459)	(5,249)
• Other employee costs [(1)]	(1,662)	(1,583)
Purchases of consumables and change in inventory	(4,822)	(4,696)
Other operating expenses [(2)]	(2,297)	(2,180)
TOTAL	**(14,486)**	**(13,935)**

(1) Primarily payroll taxes, but also including costs associated with defined-benefit plans (note 4.17), defined contribution plans (note 4.17), and stock options (note 4.22).

(2) Other operating expenses mainly include operating lease expenses (303 million euro for Fiscal 2010 and 287 million euro for Fiscal 2009), fees, other purchases of consumables, other sub-contracting costs and travel expenses.

By function	**Fiscal 2010**	**Fiscal 2009**
Cost of sales	(12,853)	(12,366)
Sales department costs	(226)	(221)
General and administrative costs	(1,378)	(1,322)
Other operating income	12	5
Other operating expenses [(1)]	(41)	(31)
TOTAL	**(14,486)**	**(13,935)**

(1) Primarily amortization expense and impairment charges related to client relationships and trademarks.

4.2 Finance income and expense

(in millions of euro)	**Fiscal 2010**	**Fiscal 2009**
Gross borrowing cost	(176)	(193)
Interest income from short-term bank deposits and equivalent	7	17
Net borrowing cost	**(169)**	**(176)**
Interest income from loans and receivables at amortized cost	5	6
Other interest income	15	17
Other interest expense	(6)	(2)
Net foreign exchange (losses)/gains	(2)	1
Net impairment (losses)/reversals	(16)	3
Expected return on defined-benefit plan assets	34	33
Interest cost on defined-benefit plan obligation	(36)	(34)
Foreign-exchange adjustment for hyperinflation	(5)	
Other	(8)	(6)
Net financing costs	**(188)**	**(158)**
Interest income component	**61**	**73**
Financial expense component	**(249)**	**(231)**

4.3 Income tax expense

Income tax rate reconciliation

(in millions of euro)	**Fiscal 2010**	**Fiscal 2009**
Profit for the period before tax	596	600
Share of profit of companies consolidated by the equity method	(14)	(12)
Accounting profit before tax	**582**	**588**
Tax rate applicable to the Group	34.43%	34.43%
Theoretical income tax expense	**(200)**	**(203)**
Effect of jurisdictional tax rate differences	24	26
Permanently non-deductible expenses or non-taxable income	(3)	(14)
Other tax repayments/(charges), net [1]	(22)	8
Tax loss carry-forwards used or recognized during the period but not recognized as a deferred tax asset in prior periods	20	2
Tax loss carry-forwards arising during the period but not recognized as a deferred tax asset	(18)	(22)
Actual income tax expense	**(199)**	**(203)**
Withholding taxes	(6)	(13)
TOTAL INCOME TAX EXPENSE	**(205)**	**(216)**

(1) Other tax payments include the recognition of the CVAE in income tax expense.

Components of income tax expense

(in millions of euro)	**Fiscal 2010**	**Fiscal 2009**
Current income taxes	(221)	(207)
Adjustments to current income tax payable in respect of prior periods	(3)	2
Provision for tax exposures	(5)	1
Tax credits, tax losses and temporary difference carry-forwards utilized	10	24
Sub-total: current income taxes	**(219)**	**(180)**
Deferred taxes on temporary differences arising or reversing during the period	3	(26)
Deferred taxes on changes in tax rates or liability for taxes at new rates	1	0
Tax credits and tax losses utilized	16	3
Sub-total: deferred taxes	**20**	**(23)**
ACTUAL INCOME TAX EXPENSE	**(199)**	**(203)**

Pursuant to introduction of the *Contribution Économique Territoriale* (CET – “local economic contribution” replacing the former professional tax) under the 2010 Finance Bill in France, which applies to French subsidiaries, the Group has elected the following method of recognition:

- the share of the “local economic contribution” attributable to the *Contribution Foncière des Entreprises* (CFE – business real property tax) is recognized as an operating expense;
- the share of the “local economic contribution” attributable to the *Cotisation sur la Valeur Ajoutée des Entreprises* (CVAE – tax based on corporate value added tax paid) is recognized in income tax as defined in IAS 12, as the tax base is considered to be closer to net income than to revenues.

Deferred taxes related notably to property, plant and equipment existing at the date of the change was not material.

Deferred tax assets generated by companies reporting a tax loss in current or prior periods amounted to 41 million euro as of August 31, 2010 and 13 million euro as of August 31, 2009.

An accrual of 1.5 million euro was recorded in the consolidated financial statements as of August 31, 2010 to cover withholding taxes on dividends receivable. As of August 31, 2009, withholding taxes on dividends receivable were accrued in the amount of 7.6 million euro.

The effective tax rate, calculated on the basis of the profit for the period before taxes and excluding the share of profit of companies consolidated by the equity method, has declined from 36.7% as of August 31, 2009 to 35.2% as of August 31, 2010.

4.4 Property, plant and equipment

4.4.1 Analysis of property, plant and equipment

The tables below include assets held under finance leases.

(in millions of euro)	**Land and Buildings**	**Plant and equipment**	**Construction in progress and other**	**Total**
Carrying amount – August 31, 2008	**65**	**322**	**78**	**465**
Increases during the period	11	153	53	217
Decreases during the period	(1)	(11)	(7)	(19)
Newly consolidated companies	5	20	4	29
Depreciation expense	(10)	(134)	(21)	(165)
Translation adjustment	(2)	(4)		(6)
Other	4	23	(28)	(1)
Carrying amount – August 31, 2009	**72**	**369**	**79**	**520**
Increases during the period	4	123	57	184
Decreases during the period	(2)	(19)	(5)	(26)
Assets classified as held for sale				
Newly consolidated companies		2	1	3
Newly deconsolidated companies				
Depreciation expense	(9)	(142)	(23)	(174)
Impairment losses recognized in profit or loss		(3)		(3)
Impairment losses reversed in profit or loss				
Translation adjustment	2	18	5	25
Other	2	23	(23)	2
Carrying amount – August 31, 2010	**69**	**371**	**91**	**531**

(in millions of euro)	**August 31, 2010**	**August 31, 2009**
Cost	1,499	1,383
Accumulated depreciation and impairment	(968)	(863)
Carrying amount	**531**	**520**

Expenditures of 22 million euro were capitalized as construction in progress during Fiscal 2010, compared with 26 million euro in Fiscal 2009.

No item of property, plant and equipment is pledged as collateral for a liability.

Depreciation and impairment losses recognized in the income statement are classified as operating items and reported under either cost of sales, general and administrative costs or sales department costs.

4.4.2 Analysis of assets held under finance leases

The Group holds property, plant and equipment under a large number of finance leases on sites throughout the world. These leases relate mainly to kitchens and kitchen equipment, and office equipment; the terms are negotiated locally.

Carrying amount *(in millions of euro)*	**Buildings**	**Plant and equipment**	**Construction in progress and other**	**Total**
August 31, 2008	18	36	8	62
August 31, 2009	14	59	5	78
August 31, 2010	11	53	4	68

(in millions of euro)	**August 31, 2010**	**August 31, 2009**
Cost	194	198
Accumulated depreciation and impairment	(126)	(120)
Carrying amount	**68**	**78**

Maturities of payments under finance leases are provided in note 4.15.3.

4.5 Goodwill

(in millions of euro)		August 31, 2009	Additions during the period	Dispositions during the period	Translation adjustment	Other	August 31, 2010
On-site Service Solutions North America	Gross	2,026			253	(4)	2,275
	Impairment						
On-site Service Solutions United Kingdom and Ireland	Gross	525			36		561
	Impairment						
On-site Service Solutions Continental Europe	Gross	941	2		10	(1)	952
	Impairment						
On-site Service Solutions Rest of the world	Gross	193	2		31		226
	Impairment						
Motivation Solutions	Gross	541	1		78		620
	Impairment	(2)					(2)
Sodexo	Gross	206					206
	Impairment						
Other	Gross	2					2
	Impairment						
TOTAL	**GROSS**	**4,434**	**5**		**408**	**(5)**	**4,842**
	IMPAIRMENT	**(2)**					**(2)**

No significant acquisition was made in Fiscal 2010.

(in millions of euro)		August 31, 2008	Additions during the period	Dispositions during the period	Translation adjustment	Other	August 31, 2009
On-site Service Solutions North America	Gross	1,916	48		62		2,026
	Impairment						
On-site Service Solutions United Kingdom and Ireland	Gross	574			(49)		525
	Impairment						
On-site Service Solutions Continental Europe	Gross	619	330		(8)		941
	Impairment						
On-site Service Solutions Rest of the world	Gross	100	101		(8)		193
	Impairment						
Motivation Solutions	Gross	584	8		(51)		541
	Impairment	(2)					(2)
Sodexo	Gross	206					206
	Impairment						
Other	Gross	2					2
	Impairment						
TOTAL	**GROSS**	**4,001**	**487**		**(54)**		**4,434**
	IMPAIRMENT	**(2)**					**(2)**

The most significant new goodwill items in Fiscal 2009 were recognized on the acquisition of Score Group in France (179.5 million euro), Zehnacker Group in Germany (142.7 million euro), Radhakrishna Hospitality Services in India (92.9 millions euro) and Comfort Keepers in the United States (47.6 million euro).

4.6 Intangible assets

The tables below show movements in intangible assets during Fiscal 2009 and Fiscal 2010.

(in millions of euro)	**Licenses and software**	**Other intangible assets**	**Total**
Carrying amount – August 31, 2008	**66**	**222**	**288**
Increases during the period	38	1	39
Decreases during the period	(4)		(4)
Newly consolidated companies	1	133	134
Amortization expense	(24)	(22)	(46)
Impairment losses recognized in profit or loss		(5)	(5)
Translation adjustment		(13)	(13)
Carrying amount – August 31, 2009	**76**	**316**	**392**
Increases during the period	45	115	160
Internally-generated assets			
Decreases during the period	(5)		(5)
Newly consolidated companies			
Assets classified as held for sale			
Newly deconsolidated companies			
Amortization expense	(28)	(27)	(55)
Impairment losses recognized in profit or loss		(8)	(8)
Impairment losses reversed in profit or loss			
Translation adjustment	4	33	37
Other	2	4	6
Carrying amount – August 31, 2010	**94**	**433**	**527**

(in millions of euro)	**August 31, 2010**	**August 31, 2009**
Cost	801	599
Accumulated amortization and impairment	(274)	(207)
Carrying amount	**527**	**392**

Amortization and impairment losses recognized in the income statement are classified as operating items and reported under either cost of sales, general and administrative costs or selling costs, except for the amortization of client relationship and brand intangible assets, which is recognized in “Other operating expenses”.

4.7 Client investments

(in millions of euro)	**Fiscal 2010**	**Fiscal 2009**
Carrying amount – September 1	186	162
Increases during the period	64	62
Decreases during the period	(44)	(41)
Translation adjustment	25	3
Other	(3)	
Carrying amount – August 31	**228**	**186**

4.8 Companies consolidated by the equity method

The Group's share of the negative net assets of associates is recognized as a liability, in the form of a provision (cf. note 4.18). Changes in the Group's share of the net assets of its associates in Fiscal 2009 and Fiscal 2010 are shown below:

	August 31, 2009		Profit/(loss)	Dividend	Changes in			August 31, 2010	
(in millions of euro)	Positive amounts	Negative amounts	for the period	paid for the period	scope of consolidation	Other movements (1)	Translation adjustment	Positive amounts	Negative amounts
Doyon Universal Services	13.9		0.9	(0.6)			1.8	16.0	
BAS	6.3		1.4	(1.9)			1.4	7.2	
NANA	10.7		1.1	(1.4)		0.6	1.4	12.4	
SERCO Sodexo Defense Services	4.0		3.2				1.0	8.2	
Catalyst Healthcare (Manchester) Holdings Ltd	4.3		1.4	(2.1)			0.3	3.9	
Groupe Crèche Attitude					13.7			13.7	
Agecroft Prison Management Ltd		(2.5)					(0.2)		(2.7)
Catalyst Healthcare (Roehampton) Holdings Ltd		(2.9)	0.2			(2.2)	(0.3)		(5.2)
Ashford Prison Services Holdings Ltd		(2.1)	0.1			(1.4)	(0.2)		(3.6)
HpC King's College Hospital (Holdings) Ltd		(2.1)	(0.1)				(0.1)		(2.3)
Addiewell Prison (Holdings) Ltd		(2.0)	0.4			(2.2)	(0.2)		(4.0)
Enterprise Healthcare Ltd		(0.9)	(0.1)			(0.3)			(1.3)
Peterborough Prison Mgt		(1.9)	0.3	(0.2)		(1.9)	(0.2)		(3.9)
Others	8.3	(0.1)	5.6	(3.0)	(0.2)	(1.3)	0.1	9.9	(0.5)
TOTAL	**47.5**	**(14.5)**	**14.4**	**(9.2)**	**13.5**	**(8.7)**	**4.8**	**71.3**	**(23.5)**

(1) Including fair value of derivative financial instrument hedges (note 4.16).

	August 31, 2008		Profit/(loss)	Dividend	Changes in			August 31, 2009	
(in millions of euro)	Negative amounts	Positive amounts	for the period	paid for the period	scope of consolidation	Other movements (1)	Translation adjustment	Negative amounts	Positive amounts
Doyon Universal Services	13.4		1.3	(1.3)			0.5	13.9	
BAS	7.8		1.4	(2.9)				6.3	
NANA	6.9		1.2	(0.9)		3.5		10.7	
SERCO Sodexo Defense Services	1.7		2.1				0.2	4.0	
Catalyst Healthcare (Manchester) Holdings Ltd	1.6		2.9				(0.2)	4.3	
Agecroft Prison Management Ltd		(2.6)	(0.1)				0.2		(2.5)
Catalyst Healthcare (Roehampton) Holdings Ltd		(4.0)	0.2	(0.3)		0.8	0.4		(2.9)
Ashford Prison Services Holdings Ltd		(0.7)	0.1			(1.5)			(2.1)
HpC King's College Hospital (Holdings) Ltd		(2.7)	0.4				0.2		(2.1)
Addiewell Prison (Holdings) Ltd		(0.5)	0.6			(2.1)			(2.0)
Enterprise Healthcare Ltd		(1.0)	0.1						(0.9)
Peterborough Prison Mgt		(0.1)	0.3			(2.1)			(1.9)
Others	8.6	(0.3)	2.1	(1.3)	(0.9)	(1.6)	1.6	8.3	(0.1)
TOTAL	**40.0**	**(11.9)**	**12.6**	**(6.7)**	**(0.9)**	**(3.0)**	**2.9**	**47.5**	**(14.5)**

(1) Including fair value of derivative financial instrument hedges (note 4.16).

The table below provides key financial data for the Group's principal associates *(in millions of euro, based on financial statements adjusted for the purposes of consolidation by the Group; figures are for the associate as a whole, rather than the Group's percentage interest)*:

(in millions of euro)	Country of operations	% interest	Assets	Liabilities	Equity	Revenue	Profit/(loss) for the period
RMPA Holdings Ltd*	UK	14%	723	720	3	29	10
Catalyst Healthcare (Manchester) Holdings Ltd*	UK	25%	593	575	18	45	6
Healthcare Support (North Staffs) Holdings Ltd*	UK	25%	446	441	5	100	4
Catalyst Healthcare (Romford) Holdings Ltd*	UK	25%	330	330	0	39	2
BAS (Chile)*	Chile	33,33%	242	220	22	25	4
HpC King's College Hospital (Holdings) Ltd*	UK	25%	120	129	(9)	20	0
Peterborough Prison Management Holdings Ltd*	UK	33,33%	115	127	(12)	29	1
South Manchester Healthcare (Holdings) Ltd*	UK	25%	112	108	4	23	2
Catalyst Healthcare (Roehampton) Holdings Ltd*	UK	25%	114	135	(21)	11	1
Addiewell Prison (Holdings) Ltd*	UK	33,33%	138	150	(12)	24	1
Mercia Healthcare (Holdings) Ltd*	UK	25%	104	104	(0)	11	2
Ashford Prison Services Holdings Ltd*	UK	33,33%	85	96	(11)	27	0
Enterprise Healthcare Holdings Ltd*	UK	10%	63	76	(13)	18	0
Agecroft Prison Management Ltd*	UK	50%	55	60	(5)	45	0
Pinnacle Schools (Fife) Holdings Ltd*	UK	10%	55	53	2	6	0
Enterprise Education Holdings Conwy Ltd*	UK	10%	49	53	(4)	3	0
NANA (Sodexo, Inc.)	USA	43,6%	70	42	28	132	4
Serco Sodexo Defence Services PTY	Australia	50%	45	29	16	151	6
Enterprise Civic Buildings (Holdings) Ltd*	UK	10%	30	30	0	1	0
Doyon Universal Services JV	USA	49,9%	27	1	26	55	2

* *Project companies established in connection with Public-Private Partnership (PPP) contracts (see note 2.4.2).*

4.9 Impairment of assets

Provision of 20 million euro and 9 million euro was made for impairment of tangible and intangible assets as of August 31, 2010 and 2009 respectively. The charge for the year was 11 million euro (5 million for Fiscal 2009).

Assets with indefinite useful lives were tested for impairment as of August 31, 2010 using the methods described in note 2.9.2.

The main assumptions used rely on the macro-economic outlook for the geographic regions in which the CGUs or Groups of CGUs defined by Sodexo operate. They are as follows:

	2010		2009	
Economic region	**Discount rate (1)**	**Long-term growth rate (2)**	**Discount rate (1)**	**Long-term growth rate (2)**
Continental Europe	8.8%	2.0%	9.2%	2.0%
North America	8.8%	2.5%	9.2%	1.8%
United Kingdom	8.8%	3.3%	9.2%	3.5%
Rest of World (1)	11.8%	3.5% to 5.5%	12.2%	3.0% to 4.0%

(1) The discount rate defined by the Group has been increased for certain regions to allow for greater risk factors affecting certain countries.
(2) The long-term growth rate serves to extrapolate the terminal value based on year-3 data in the management plans.

Sensitivity analysis

Sodexo has analyzed the sensitivity of impairment test results to different long-term growth rates and discount rates.

Assumptions were varied within the following ranges for the purposes of the following sensitivity tests:

- a 1% increase in the discount rate;
- a 0.5% decrease in the long-term growth rate.

This analysis did not modify the conclusions of the impairment tests.

4.10 Financial assets

4.10.1 Non-current financial assets

(in millions of euro)	**August 31, 2010**	**August 31, 2009**
Available-for-sale financial assets		
Investments in non-consolidated companies		
Cost	6	9
Impairment	(1)	(1)
Carrying amount	**5**	**8**
Loans and receivables		
Receivables from investees		
Cost	49	40
Impairment	(1)	(1)
Carrying amount	**48**	**39**
Loans and deposits		
Cost	74	48
Impairment	(17)	(1)
Carrying amount	**57**	**47**
Financial assets at fair value through profit and loss		
Other financial assets at fair value		
TOTAL NON-CURRENT FINANCIAL ASSETS	**110**	**94**
Cost	129	97
Impairment	(19)	(3)
Carrying amount	**110**	**94**

Loans and deposits

The Group has advanced 47 million euro within the framework of its membership in the Metrix consortium, which it joined at the end of January 2009. The Metrix consortium was named preferred bidder for the largest Public Private Partnership under discussion in the United Kingdom, for a project known as the “Defence Training Review”, to design and deploy a program to meet the British armed forces’ training needs for the next 30 years.

On October 18, 2010, the British Government announced to the UK Parliament the termination of the procurement system of this project in its current form, as part of wider spending cuts. Following this announcement, a provision of 15 million euro was recognized on financial assets for Fiscal 2010 for certain expenditures for which recovery is uncertain at this time.

4.10.2 Current financial assets

Current *(in millions of euro)*	**August 31, 2010**	**August 31, 2009**
Available-for-sale financial assets		
Marketable securities with a maturity greater than 3 months		
Cost		
Impairment		
Carrying amount		
Restricted cash and other financial assets: Motivation Solutions activity		
Cost	578	597
Impairment		
Carrying amount	**578**	**597**
Loans and receivables		
Loans and deposits		
Cost	6	7
Impairment		
Carrying amount	**6**	**7**
TOTAL CURRENT FINANCIAL ASSETS	**584**	**604**
Cost	584	604

Impairment		
Carrying amount	**584**	**604**

Restricted cash, included in “Restricted cash and financial assets: Motivation Solutions activity”, amounts to 355 million euro. The main components of this figure are funds set aside to comply with regulations governing the issuance of service vouchers in France (219 million euro), Romania (29 million euro), and India (53 million euro); guarantee funds for affiliates in Mexico (5 million euro); and contractual guarantees given to public-sector clients in Venezuela (20 million euro).

More than 70% of financial assets and restricted cash related to the Motivation Solutions activity are held with financial institutions having a rating of A1 or A2.

4.10.3 Changes in current and non-current financial assets

(Carrying value in millions of euro)	**August 31, 2009**	**Increase/ (decrease) during the period**	**Impairment**	**Change in scope of consolidation**	**Change in fair value**	**Translation adjustment and other items**	**August 31, 2010**
Available-for-sale financial assets	636	(12)				(9)	615
Loans and deposits	93	27				7	127
Financial assets at fair value through profit and loss	0						0
TOTAL	**729**	**15**				**(2)**	**742**

(Carrying value in millions of euro)	**August 31, 2008**	**Increase/(decrease) during the period**	**Impairment**	**Change in scope of consolidation**	**Changes in fair value**	**Translation adjustment and other items**	**August 31, 2009**
Available-for-sale assets	519	127		2	7	(19)	636
Loans and receivables	69	22		5		(3)	93
Financial assets at fair value through profit and loss	3					(3)	0
TOTAL	**591**	**149**		**7**	**7**	**(25)**	**729**

Analysis of increase/decrease in fair value of available for sale financial assets recognized shareholders’ equity (amounts shown are before tax and in millions of euro):

Cumulative increase/decrease in fair value of financial assets held as of September 1, 2008	(7)
Proceeds of disposals during the period recycled through profit and loss for the year	2
Increase/decrease in fair value for the period directly recognized in shareholders’ equity	5
Total increase/decrease recognized in shareholders’ equity	**7**
Cumulative increase/decrease in fair value of financial assets held as of August 31, 2009	**0**
Cumulative increase/decrease in fair value of financial assets held as of September 1, 2009	**0**
Proceeds of disposals during the period recycled through profit and loss for the year	0
Increase/decrease in fair value for the period directly recognized in shareholders’ equity	0
Total increase/decrease recognized in shareholders’ equity	**0**
Cumulative increase/decrease in fair value of financial assets held as of August 31, 2010	**0**

4.10.4 Details of impairment recognized in financial assets

	August 31, 2009	**Impairment**	**Releases**	**Change in scope of consolidation**	**Translation adjustment and other items**	**August 31, 2010**
Available-for-sale financial assets	1					1
Loans and deposits	2	15			1	18
TOTAL	**3**	**15**			**1**	**19**

	August 31, 2008	Impairment	Releases	Change in scope of consolidation	Translation adjustment and other items	August 31, 2009
Available-for-sale financial assets	1					1
Loans and deposits	2					2
TOTAL	3					**3**

4.11 Inventories

(in millions of euro)	August 31, 2009	Increase/ (decrease) during the period	Change in scope of consolidation	Translation adjustment and other items	August 31, 2010
Cost	206	12	2	17	237
Impairment	(2)				(2)
Carrying amount	**204**	**12**	**2**	**17**	**235**

(in millions of euro)	August 31, 2008	Increase/ (decrease) during the period	Change in scope of consolidation	Translation adjustment and other items	August 31, 2009
Cost	204	(1)	7	(4)	206
Impairment	(2)				(2)
Carrying amount	**202**	**(1)**	**7**	**(4)**	**204**

Inventories mainly comprise food and other high-throughput consumables. Changes in inventories are included in cost of sales, sales department costs or general and administrative costs, depending on the nature of the inventory.

No inventories are pledged as collateral for a liability.

4.12 Trade and other receivables

(in millions of euro)	Gross amount as of August 31, 2010	Allowance as of August 31, 2010	Carrying amount as of August 31, 2010
Other non-current assets	14		14
Total other non-current assets	**14**		**14**
Advances to suppliers	17		17
Trade receivables	2,778	(105)	2,673
Other operating receivables	241	(6)	235
Prepaid expenses	99		99
Non-operating receivables	8		8
Assets held for sale	1		1
TOTAL TRADE AND OTHER RECEIVABLES	**3,144**	**(111)**	**3,033**

As of August 31, 2010, the maturities of trade receivables were as follows:

Breakdown of trade receivables due as of August 31, 2010: ***(in millions of euro)***	Gross amount	Allowance
Less than 3 months due	444	(13)
More than 3 months and less than 6 months due	108	(9)
More than 6 months and less than 12 months due	30	(6)
More than 12 months due	77	(51)
TOTAL TRADE RECEIVABLES DUE AS OF AUGUST 31, 2010	**659**	**(79)**
TOTAL TRADE RECEIVABLES NOT YET DUE AS OF AUGUST 31, 2010	**2,119**	**(26)**
TOTAL TRADE RECEIVABLES AS OF AUGUST 31, 2010	**2,778**	**(105)**

During Fiscal 2010, the Group was not affected by any significant change resulting from impacts of client bankruptcies. In addition, given the geographic dispersion of the Group's activities, there is no concentration of risks in individual receivables due but not provisioned.

(in millions of euro)	**Gross amount as of August 31, 2009**	**Allowance as of August 31, 2009**	**Carrying amount as of August 31, 2009**
Net plan assets*	1		1
Other non-current assets	10		10
Total other non-current assets	**11**		**11**
Advances to suppliers	8		8
Trade receivables	2,508	(95)	2,413
Other operating receivables	227	(5)	222
Prepaid expenses	80		80
Non-operating receivables	4		4
Assets held for sale	1		1
TOTAL TRADE AND OTHER RECEIVABLES	**2,828**	**(100)**	**2,728**

* *For details of net plan assets, see note 4.17 "Long-term employee benefits".*

As of August 31, 2009, the maturities of trade receivables were as follows (in millions of euro):

Breakdown of trade receivables due as of August 31, 2009:	**Gross amount**	**Allowance**
Less than 3 months due	431	(12)
More than 3 months and less than 6 months due	104	(8)
More than 6 months and less than 12 months due	38	(9)
More than 12 months due	50	(48)
TOTAL TRADE RECEIVABLES DUE AS OF AUGUST 31, 2009	**623**	**(77)**
TOTAL TRADE RECEIVABLES NOT YET DUE AS OF AUGUST 31, 2009	**1,885**	**(18)**
TOTAL TRADE RECEIVABLES AS OF AUGUST 31, 2009	**2,508**	**(95)**

During Fiscal 2009, the Group was not affected by any significant change resulting from impacts of client bankruptcies. In addition, given the geographic dispersion of the Group's activities, there is no concentration of risks in individual receivables due but not provisioned.

4.13 Cash and cash equivalents

(in millions of euro)	**August 31, 2010**	**August 31, 2009**
Marketable securities	449	424
Cash	1,144	804
Sub-total: cash and cash equivalents	**1,593**	**1,228**
Bank overdrafts	(59)	(42)
NET CASH AND CASH EQUIVALENTS	**1,534**	**1,186**

Marketable securities comprised the following:

(in millions of euro)	**August 31, 2010**	**August 31, 2009**
Short-term notes	268	130
Term deposits	118	218
Listed bonds	12	42
Mutual funds and other	51	34
Total marketable securities	**449**	**424**

More than 70% of the Group's cash is held with financial institutions having a rating of A1 or A2.

4.14 Statement of changes in shareholders' equity

Items recognized directly in other comprehensive income (OCI) (Group share) are shown below:

(in millions of euro)	**Available-**	**Cash**	**Actuarial**	**Currency**	**Income taxes**	**Total items**

	for-sale financial assets	flow hedges (1)	adjustments and other	translation adjustments	on other comprehensive income items	recognized in OCI and shareholders' equity
Shareholders' equity as of August 31, 2008	**(2)**	**(3)**	**18**	**(138)**	**(3)**	**(128)**
Items recognized directly in equity	2	(7)	(18) (2)	(21)	6	(38)
Shareholders' equity as of August 31, 2009	**0**	**(10)**	0	**(159)**	**3**	**(166)**
Items recognized directly in equity (1)		(3)	(21)	116	6	98
Shareholders' equity as of August 31, 2010	**0**	**(13)**	**(21)**	**(43)**	**9**	**(68)**

(1) Including the share of the variation in fair value net of taxes related to derivative financial instruments accounted for in equity of companies consolidated by the equity method.

(2) Includes the reversal of the neutralization of the asset surplus related to the retirement plan in the UK. In order to neutralize this surplus the benefit obligation was increased with the offset recognized in shareholders' equity as of August 31, 2008.

4.15 Borrowings

	August 31, 2010		August 31, 2009	
(in millions of euro)	**Current**	**Non-current**	**Current**	**Non-current**
Bond issues				
Euro	43	1,386	42	1,388
Bank borrowings (1)				
US dollar	10	686	9	673
Brazilian real	55	95	6	117
Euro	179	865	15	1,010
Other currencies	6		7	
	250	**1,646**	**37**	**1,800**
Finance lease obligations				
US dollar				
Brazilian real	2	1	2	3
Euro	9	25	10	33
Other currencies	9	24	6	23
	20	**50**	**18**	**59**
Other borrowings (2)				
Euro	3	33	3	38
Other currencies	3	9		7
	6	**42**	**3**	**45**
TOTAL EXCLUDING DERIVATIVE FINANCIAL INSTRUMENTS	**319**	**3,124**	**100**	**3,292**
Net fair value of financial instruments (3)		**24**		**12**
TOTAL INCLUDING DERIVATIVE FINANCIAL INSTRUMENTS	**319**	**3,148**	**100**	**3,304**

(1) Including the proceeds of the USD 500 million private bond placement with US private investors.

(2) Including 35 million euro corresponding to liabilities recognized in connection with the commitments to repurchase the minority interests in certain subsidiaries.

(3) Described in note 4.16.

For borrowings other than bond issues, amortized cost is equivalent to historical cost since no significant transaction costs are incurred.

4.15.1 Bond issues

	August 31, 2009	Increases	Repayments	Discounting effects and other	Translation adjustment	August 31, 2010
2007 bond issue – €500 million						
Principal	500					500
Debt issuance costs	(1)					(1)

Accrued interest	9	1	10
TOTAL	**508**	**1**	**509**
Effective rate	*4.551%*		*4.551%*
2009 bond issue – €880 billion			
Principal	880		880
Debt issuance costs	9	(1)	8
Accrued interest	33	(1)	32
TOTAL	**922**	**(2)**	**920**
Effective rate	5.97%		5.97%
TOTAL	**1,430**	**(1)**	**1,429**

	August 31,2008	**Increases**	**Repayments**	**Discounting effect**	**Translation adjustment**	**August 31,2009**
1999 bond issue - €300 million						
Principal	287		(287)			0
Debt issuance costs						
Accrued interest	6		(6)			0
TOTAL	**293**		**(293)**			**0**
Effective rate	*4.794%*					
2002 bond issue - €1 billion						
Principal	990		(990)			
Debt issuance costs	(1)		1			
Accrued interest	26		(26)			
TOTAL	**1,015**		**(1,015)**			
Effective rate	*6.037%*					
2007 bond issue - €500 million						
Principal	500					500
Debt issuance costs	(1)					(1)
Accrued interest	9					9
TOTAL	**508**					**508**
Effective rate	*4.551%*					4.551%
2009 bond issue - €880 million						
Principal		880				880
Debt issuance costs		9				9
Accrued interest		33				33
TOTAL		**922**				**922**
Effective rate		5.97%				5.97%
TOTAL	**1,816**	**922**	**(1,308)**			**1,430**

500 million euro bond issue

On March 30, 2007, Sodexo issued bonds for 500 million euro, redeemable at par on March 28, 2014. The bonds bear interest at an annual rate of 4.50%, payable annually on March 28.

880 million euro bond issue

On January 30, 2009, Sodexo SA issued new bonds for 650 million euro, redeemable on January 30, 2015. The bonds bear interest at an annual rate of 6.25%. On June 24, 2009, additional bonds for 230 million euro were issued bringing the face value to 880 million euro. After the additional bonds, these bonds bear an average effective interest rate of 5.97%

Neither of these two bond issues is subject to financial covenants.

4.15.2 Other borrowings from financial institutions

Loan agreement with the CNCEP

On June 15, 2004, Bellon SA signed a loan agreement for 413 million euro with the CNCEP. The loan amount has a fixed term through July 4, 2012 and carries annual interest at 4.78%.

Interest payable is as follows:

- An amount of 14 million euro is payable in arrears as of each annual maturity date. This amount is calculated at an interest rate of 3.5%
- Interest related to the difference between the 4.78% and 3.5% rates is capitalized and will be payable at the time of reimbursement of the principal on July 4, 2012.

As of August 31, 2010, Bellon SA's CNCEP borrowings totalled:

- Principal	413
- Capitalized interest	39
- Interest payable	3
TOTAL	455

As of August 31, 2009, Bellon SA's CNCEP borrowings totalled:

- Principal	413
- Capitalized interest	32
- Interest payable	3
TOTAL	448

Loan for 160 million euro with Calyon

On April 12, 2005, Bellon SA signed a loan agreement with Calyon for 160 million euro. This loan matures on April 12, 2011 and carries annual interest at 5.15%.

As of August 31, 2009 and 2010, Bellon SA's Calyon debt totalled 163 million euro, including principal and interest payable.

Loan for 70 million euro with Calyon

On July 23, 2007, Bellon SA signed a loan agreement with Calyon for 70 million euro. This loan matures on July 31, 2014 and carries annual interest at 5.49%.

Equity linked swap

On August 29, 2007, Bellon SA signed a contract with Société Générale for an equity linked swap for 70 million euro. This financing matures on August 31, 2012 and carries interest at the 3 month EURIBOR rate plus a margin of 45 basis points. An interest rate swap was contracted as of the same date. The fixed interest rate is 4.429%.

The various loans contracted by Bellon SA have the following covenants:

The credit agreement signed in 2004 with the Caisse Nationale des Caisses d'Epargne et de Prévoyance (CNCEP), the loan agreements and the loan signed in 2005 with Calyon, as well as the loan agreement signed in 2007 with Calyon, and the Equity Linked Swap agreement signed with Société Générale in 2007 all contain terms that are customary for loans of this nature made to a holding company. These conditions mainly include the following:

- control of the company Bellon SA by Mr. Pierre Bellon and his children, who must hold more than half the capital and voting rights of the company (agreements with CNCEP, Société Générale and Calyon)
- the level of Bellon SA's investment in Sodexo should not be less than 33.34% of voting rights (all bank agreements)
- Bellon SA's assets must comprise:
    - a minimum of 80% of Sodexo shares or shares of subsidiaries controlled by Sodexo or jointly by Sodexo and Bellon SA (CNCEP agreement)
    - 90% Sodexo shares (agreements with Société Générale and Calyon)
- the ratio of net financial debt to total assets (excluding cash) should not exceed 90% (CNCEP)
- the ratio of revaluated assets to net financial debt must be higher than 1.25 as of August 31 and December 31 of each year (Société Générale and Calyon contracts)

- the ratio “dividends to net financial expenses” should be higher than 1 each year (Société Générale and Calyon contracts)
- total borrowings should be lower than 1.1 billion euro at any point in time (Société Générale and Calyon contrats)
- Bellon SA must not propose a tender offer on all or part of its Sodexo shares without exercising its voluntary reimbursement right (CNCEP)
- Sodexo’s rating should not be lower than BBB-

As of August 31, 2010 and 2009, Bellon SA met its commitments.

April 2005 multi-currency revolving credit facility

On April 29, 2005, Sodexo S.A. and Sodexo, Inc. contracted a multi-currency revolving credit facility of up to 460 million euro plus 700 million US dollars. The maturity date of this facility was initially set at April 29, 2010, but may be extended at the request of Sodexo (subject to consent from the lenders), initially to April 29, 2011 and subsequently to April 26, 2012. On March 27, 2006, the lenders agreed to an initial deferral of the facility to April 29, 2011. On April 18, 2007, Sodexo obtained a further deferral of the facility from the lenders, to April 26, 2012.

As of August 31, 2010, the following funds had been drawn on this facility:

On the US dollar tranche:

- 300 million US dollars (237 million euro) used by Sodexo, Inc.;
- 70 million US dollars (55 million euro) used by Sodexo SA.

On the euro tranche:

- 265 million euro used by Sodexo SA.

The funds drawn are subject to floating rate interest indexed on LIBOR and EURIBOR. In compliance with Group policy, Sodexo, Inc. and Sodexo SA have arranged interest swaps to convert the floating interest rate to a fixed rate on 370 million US dollars (292 million euro) of the funds drawn as of August 31, 2010.

As of August 31, 2010, the amount of the unutilized credit line was 455 million euro.

As of August 31, 2009, the following funds had been drawn on this facility:

On the U.S. dollar tranche:

- 300 million U.S. dollars (210 million euro) used by Sodexo, Inc.;
- 160 million U.S. dollars (112 million euro) used by Sodexo SA.

On the euro tranche:

- 250 million euro used by Sodexo SA.

The funds drawn are subject to floating rate interest indexed on LIBOR and EURIBOR. In compliance with Group policy, Sodexo, Inc. and Sodexo SA have arranged interest swaps to convert the floating interest rate to a fixed rate on 370 million U.S. dollars (262 million euro) of the funds drawn as of August 31, 2009.

There are no financial covenants attached to this loan.

500 million US dollar loan

On September 29, 2008, Sodexo SA borrowed 500 million US dollars at a fixed rate of interest from US investors.

This financing is structured in three tranches:

- 140 million US dollars at a fixed rate of 5.69% and redeemable in September 2013;
- 290 million US dollars at a fixed rate of 5.99% and redeemable in September 2015;
- 70 million US dollars at a fixed rate of 6.43% and redeemable in September 2018.

This loan is subject to two covenants that are calculated by reference to the consolidated financial statements of the Group:

- net debt (excluding restricted cash) must not exceed 3.5 times EBITDA (operating profit plus amortization and depreciation) for the past 12 months;
- net assets adjusted for cumulative foreign exchange translation gains or losses since August 31, 2007 must be not less than 1.3 billion euro.

The Group was compliant with these covenants as of August 31, 2009 and 2010.

Borrowings in Brazilian real

In order to finance its acquisition of the VR Group in Brazil in 2008, Sodexo SA contracted two fixed rate loans in Brazilian real for an amount of 318 million real (142 million euro), to be reimbursed over five years, with maturity in April 2013. These two loans are not subject to any financial covenants.

Interest rate

In order to comply with Group financing policy, substantially all borrowings are at fixed rates of interest. Where acquisition financing is arranged in a currency other than that of the acquired entity, the debt is hedged by the use of currency swaps.

As of August 31, 2010, 90% of the Group’s borrowings were at fixed rate and the average rate of interest as of the same date was 5.2%. As of August 31, 2009, 89% of the Group’s borrowings were at fixed rate and the average rate of interest as of the same date was 5.1%.

The bond issues and borrowings from financial institutions described above include customary clauses for early reimbursement that, as of the close of the fiscal year, do not present any significant risk of being exercised. These early reimbursement clauses include cross-default change-in-control clauses which apply to all of the borrowings.

4.15.3 Maturity of borrowings

August 31, 2010 Carrying amounts	**Less than 3 months**	**More than 3 months and less than 6 months**	**More than 6 months and less than 1 year**	**1 – 5 years**	**More than 5 years**	**Total**
Bond issues		32	11	1,386		1,429
Bank borrowings*	51	3	196	1,357	289	1,896
Finance lease obligations	2	2	16	44	6	70
Other borrowings	3		3	41	1	48
TOTAL	**56**	**37**	**226**	**2,828**	**296**	**3,443**

* *Excluding the impact of swaps described in 4.16.*

* *For borrowings expressed in a foreign currency, amounts are translated at the year-end closing rate.*

* *Maturities include interest incurred as of the balance sheet date.*

* *Credit facility renewal rights are taken into account in setting maturities.*

August 31, 2010 Undiscounted contractual maturities, including payment of future interest not yet due	**Less than 3 months**	**More than 3 months and less than 6 months**	**More than 6 months and less than 1 year**	**1 – 5 years**	**More than 5 years**	**Total**
Bond issues		54	23	1,674		1,751
Bank borrowings	58	6	217	1,536	301	2,118
Finance lease obligations	3	3	17	50	7	80
Other borrowings	3		6	50	1	60
Impact of hedging swaps excluding those related to the PPP companies (note 4.16)			3	5		8
TOTAL	**64**	**63**	**266**	**3,315**	**309**	**4,017**

August 31, 2009 Carrying amounts	**Less than 3 months**	**More than 3 months and less than 6 months**	**More than 6 months and less than 1 year**	**1 – 5 years**	**More than 5 years**	**Total**
Bond issues		32	10	499	889	1,430
Bank borrowings*	20	1	16	1,542	258	1,837
Finance lease obligations	2	2	14	51	8	77
Other borrowings	1	1	1	45		48
TOTAL	**23**	**36**	**41**	**2,137**	**1,155**	**3,392**

* *Excluding the impact of swaps described in 4.16.*

* *For borrowings expressed in a foreign currency, amounts are translated at the year-end closing rate.*

* *Maturities include interest incurred as of the balance sheet date.*

* *Credit facility renewal rights are taken into account in setting maturities.*

August 31, 2009 Undiscounted contractual maturities, including payment of future interest not yet due	Less than 3 months	More than 3 months and less than 6 months	More than 6 months and less than 1 year	1 – 5 years	More than 5 years	Total
Bond issues		55	22	810	935	1,822
Bank borrowings	21	3	26	1,779	298	2,127
Finance lease obligations	3	3	18	63	11	98
Other borrowings			4	56		60
Impact of hedging swaps excluding those related to the PPP companies (note 4.16)	1	2	4	10		17
TOTAL	**25**	**63**	**74**	**2,718**	**1,244**	**4,124**

4.16 Financial instruments

		August 31, 2010			August 31, 2009		
Derivative financial instruments *(en millions d'euros)*	**IFRS classification**	**Fair value**	**Notional amount**	**Face value**	**Fair value**	**Notional amount**	**Face value**
Derivative financial instruments – asset position		**6**			**4**		
Currency instruments	*Trading*	*6*		*15*	*4*		*19*
Interest rate instruments	*Cash Flow Hedge*						
Derivative financial instruments – liability position		**30**			**16**		
Currency instruments	*Trading*	*10*		*43*			
Currency instruments	*Cash Flow Hedge*	*1*		*(23)*			
Interest rate instruments	*Trading*	*5*	*70*		*5*	*70*	
Interest rate instruments	*Cash Flow Hedge*	*14*	*292*		*11*	*259*	
Net derivative financial instruments		**(24)**	**(362)**	**(5)**	**(12)**	**(329)**	**19**

The notional amount of interest rate derivative instruments is the face value of financial instruments traded with counterparties.

The face value represents the nominal value of currency hedging instruments, including amounts related to forward agreements. Foreign currency amounts are translated at year-end closing rates.

Currency hedging derivative financial instruments

Contractual nominal maturities:

August 31, 2010 *(in millions of euro)*	**< 1 year**	**1 to 5 years**	**> 5 years**	**Total**
Financial liabilities in foreign currencies				
UK Sterling (GBP)		(42)		(42)
Brazilian Real (BRL)		(38)		(38)
Czech Crown (CZK)		(25)		(25)
Others	(31)	(20)		(51)
TOTAL	**(31)**	**(125)**		**(156)**
Financial assets in foreign currencies				
UK Sterling (GBP)		43		43
Brazilian Real (BRL)		32		32
Czech Crown (CZK)		26		26
Others	30	20		50
TOTAL	**30**	**121**		**151**
Currency hedging derivative financial instruments				
UK Sterling (GBP)		1		1

Brazilian Real (BRL)		(6)		(6)
Czech Crown (CZK)		1		1
Others	(1)	-		(1)
TOTAL	**(1)**	**(4)**		**(5)**

August 31, 2009 *(in millions of euro)*	**< 1 year**	**1 to 5 years**	**> 5 years**	**Total**
Financial liabilities in foreign currencies				
U.S. Dollars	(67)			(67)
UK Sterling (GBP)		(96)		(96)
Brazilian Real (BRL)		(32)		(32)
Others		(40)		(40)
TOTAL	**(67)**	**(168)**		**(235)**
Financial assets in foreign currencies				
U.S. Dollars	67			67
UK Sterling (GBP)		96		96
Brazilian Real (BRL)		34		34
Others		42		42
TOTAL	**67**	**172**		**239**
Currency hedging derivative financial instruments				
Brazilian Real (BRL)		2		2
Others		2		2
TOTAL		4		**4**

Interest rate swaps

In order to hedge its exposure to variations in the 3 month EURIBOR rate applied to reimbursements on the equity linked swap on 70 million euro with the Société Générale, Bellon S.A. has contracted a swap to fix the interest rate at 4.429%. This derivative financial interest is recognized in the balance sheet at fair value with changes in value during the period recognized in the statement of profit and loss. As of August 31, 2009 and 2010, the fair value of this swap was 5 million euro.

In order to hedge its exposure to variations in the LIBOR rate applied to reimbursements on the multi-currency confirmed line of credit (see note 4.15), the Sodexo Group has contracted a series of swaps to fix the interest rate on a portion of its outstanding borrowings. These swaps mature in February 2012 and their fair value as of August 31, 2009 and 2010 was (11) million euro and (14) million euro, respectively.

For accounting purposes these swaps are classified as cash flow hedges. During the year, 6 million euro (5 million euro in Fiscal 2009) was recycled from shareholders' equity to financial expense. No ineffectiveness has been recognized in financial income or expense.

Changes in fair value of cash flow hedging instruments, recognized in shareholders' equity (in millions of euro):

Opening balance	**(10)**
Change in fair value for the period	(3)
Change in fair value of associates [1]	(4)
Fair value items recognized in financial income or expense	2
Total changes recognized in shareholders' equity	**(5)**
Cumulative changes in fair value of financial assets on instruments designated as hedges as of August 31, 2010	**(15)**

(1) Certain associates accounted for under the equity method have hedged their variable rate debt. The impacts on the measurement of these instruments on the Group interest in the income and shareholders' equity of these entities is reflected in the above table.

Opening balance	**(2)**
Change in fair value for the period	(6)
Change in fair value of associates [1]	(3)
Fair value items recognized in financial income or expense	1
Total changes recognized in shareholders' equity	**(8)**

Cumulative changes in fair value of financial assets on instruments designated as hedges as of August 31, 2009	**(10)**

(1) Certain associates accounted for under the equity method have hedged their variable rate debt. The impacts on the measurement of these instruments on the Group interest in the income and shareholders' equity of these entities is reflected in the above table.

Impact of hedging instruments on Sodexo gross borrowings (1)

Currency hedges:

Sodexo gross borrowings *(in millions of euro)*	**August 31, 2010**				**August 31, 2009**			
	Excluding hedging transactions		**After hedging transactions**		**Excluding hedging transactions**		**After hedging transactions**	
Euro (EUR)	2,548	74%	2,549	73%	2,543	75%	2,541	75%
US Dollars (USD)	710	21%	710	21%	693	20%	625	18%
Brazilian Real (BRL)	153	4%	191	6%	128	4%	160	5%
UK Sterling (GBP)	4	n/s	47	1%	1	n/s	98	3%
Other currencies	46	1%	(32)	(1%)	42	1%	(21)	(1)%
Sub-total	**3,461**	**100%**	**3,465**	**100%**	**3,407**	**100%**	**3,403**	**100%**
Fair value of derivative financial instruments	5	n/s			(4)	n/s		
TOTAL	**3,466**	**100%**	**3,465**	**100%**	**3,403**	**100%**	**3,403**	**100%**

(1) Including the net fair value of derivative financial instruments and excluding bank overdrafts.

Interest rate swaps:

August 31, 2010 *(in millions of euro)*	**Less than 1 year**		**1-5 years**		**More than 5 years**		**Total**	
	Fixed	**Variable**	**Fixed**	**Variable**	**Fixed**	**Variable**	**Fixed**	**Variable**
Gross borrowings before hedges	294	25	2,169	659	292	4	2,755	688
Hedges			362	(362)			362	(362)
Fair value of derivative financial instruments				24				24
Gross borrowings after hedges	**294**	**25**	**2,531**	**321**	**292**	**4**	**3,117**	**350**

August 31, 2009 *(in millions of euro)*	**Less than 1 year**		**1-5 years**		**More than 5 years**		**Total**	
	Fixed	**Variable**	**Fixed**	**Variable**	**Fixed**	**Variable**	**Fixed**	**Variable**
Gross borrowings before hedges	84	16	1 477	660	1,148	7	2,709	683
Hedges			329	(329)			329	(329)
Fair value of derivative financial instruments				12				12
Gross borrowings after hedges	**84**	**16**	**1 806**	**343**	**1,148**	7	**3,038**	**366**

As of August 31, 2010, the average rate of interest before hedging was 4.8%, versus 5.2% after effects of hedges using derivative financial instruments.

As of August 31, 2009, the average rate of interest before hedging was 4.8%, versus 5.1% after effects of hedges using derivative financial instruments.

The impacts of derivative financial instruments on other items in the financial statements are described in note 5.1.

4.17 Long-term employee benefits

(in millions of euro)	**August 31, 2010**	**August 31, 2009**
Net plan assets*	**0**	**(1)**
Defined-benefit plans	213	148
Other long-term employee benefits	136	110
Employee benefits	**349**	**258**

* *Reported in "Other non-current assets" in the balance sheet.*

4.17.1 Post-employment benefits

Defined-contribution plans

Under a defined-contribution plan, periodic contributions are made to a separate entity that is responsible for the administrative and financial management of the plan. Under such a plan, the employer is relieved of any future liability, as the external entity is responsible for paying benefits to employees as they fall due.

Contributions to defined-contribution plans for Fiscal 2010 were recognized in operating expenses for 260 million euro (263 million euro for Fiscal 2009).

Contributions made by the Group are expensed in the period to which they relate.

Defined-benefit plans

The characteristics of the Group's principal defined-benefit plans are described below:

- in France, the obligation primarily represents lump-sum benefits payable on retirement if the employee is still with the company at retirement age. These obligations are covered by specific provisions in the balance sheet;
- in the United Kingdom, Sodexo's obligation relates to a complementary retirement plan including coverage by externally-held assets, and calculated on the basis of:
  - for managers working in the private sector, a percentage of final base salary,
  - for managers working on public sector contracts, benefits comparable to those offered in the public sector,
  - this plan was closed to new employees effective July 1, 2003 and the level of contributions was increased in order to cover the shortfall in the fund.

In Continental Europe other than France, the main defined-benefit plans are as follows:

- in the Netherlands, certain employees are entitled to complementary retirement or early retirement benefits;
- in Italy, there is a legal obligation to pay a lump-sum retirement benefit ("TFR"). Until August 31, 2006, fully vested employee rights were valued and discounted as specified by law, and recognized in full as a liability.

At the end of December 2006, the Italian parliament approved a reform of the TFR system, implemented in 2007, which transformed this retirement benefit plan into a defined contribution plan. For the period from January 1, 2007 through June 30, 2007, staff employed as of December 31, 2006 were required to choose between various defined-contribution plans, in connection with the employee rights acquired on or after January 1, 2007. The prior obligations remain on the balance sheet.

The Group also contributes to multi-employer plans, mainly in Sweden and the United States. These plans are accounted for as defined-contribution plans.

Amounts shown in the balance sheet for defined-benefit plans are as follows:

(in millions of euro)	**August 31, 2010**	**August 31, 2009**
Net plan assets*	(0)	(1)
Defined-benefit plans**	213	148

* *Reported in "Other non-current assets" in the balance sheet.*

** *Reported as a liability in the balance sheet under "Employee benefits".*

These amounts are detailed below:

(in millions of euro)	**August 31, 2010**	**August 31, 2009**
Present value of funded obligations	690	533
Fair value of plan assets	(588)	(485)
Present value of partially funded obligations	**102**	**48**
Present value of unfunded obligations	113	101
Unrecognized past service cost	(2)	(2)
Other unrecognized amounts		
NET OBLIGATION IN THE BALANCE SHEET	**213**	**147**

As described in note 2.18.2., the Group recognizes actuarial gains and losses arising during the period to be recognized net of deferred tax in the statement of comprehensive income.

Cumulative actuarial gains and losses reported in the statement of comprehensive income as of August 31, 2010 represented a net actuarial loss of 61 million euro. Cumulative actuarial gains and losses recognized in equity as of August 31, 2009 represented a net actuarial gain of 1 million euro. This increase in actuarial losses resulted primarily from the decline in interest rates in the countries where the obligation is held, notably in the United Kingdom.

Defined benefit plan assets comprise:

(in millions of euro)	**August 31, 2010**	**August 31, 2009**
Equities	102	87
Government bonds	61	49
Corporate bonds	0	0
Insurance policies	383	310
Real estate	25	24
Cash	17	15
TOTAL	**588**	**485**

The amount reported in the income statement for defined-benefit plans comprises:

(in millions of euro)	**August 31, 2010**	**August 31, 2009**
Current service cost	21	18
Interest cost	36	34
Expected return on plan assets	(34)	(33)
Curtailments and settlements	(3)	(1)
Amortization of unrecognized past service cost & other	2	0
NET EXPENSE	**22**	**18**

This net expense is recorded on the following lines:

- 11 million euro (10 million euro in Fiscal 2009) in cost of sales;
- 0 million euro (1 million euro in Fiscal 2009) in selling costs;
- 9 million euro (6 million euro in Fiscal 2009) in administrative costs;
- the remaining charge (financing cost and expected return on plan assets) in financial income or expense (see note 4.2).

Changes in the present value of the defined-benefit plan obligation since the Group's adoption of IFRS are shown below:

(in millions of euro)	**2010**	**2009**
Obligation as of September 1,	**634**	**569**
Current service cost	21	18
Interest cost	36	34
Actuarial (gains)/losses	84	55
Past service cost	0	2
Effect of curtailments and settlements	(4)	(1)
Contributions made by plan members	6	5
Benefits paid from plan assets	(14)	(14)
Benefits paid other than from plan assets	(11)	(10)
Business combinations	3	2
Translation differences	37	(37)
Other	10	11
OBLIGATION AS OF AUGUST 31,	**802**	**634**

Of the 84 million euro of net actuarial losses arising in Fiscal 2010, a loss of 13 million euro resulted from experience adjustments related to the obligation.

Of the 55 million euro of net actuarial losses arising in Fiscal 2009, a loss of 18 million euro resulted from experience adjustments related to the obligation.

Changes in the fair value of plan assets since the Group's adoption of IFRS are shown below:

	2010	2009
Fair value of assets as of September 1,	**485**	**520**
Expected return on assets	34	33
Employer's contributions	19	16
Actuarial (gains)/losses	22	(37)
Effect of curtailments and settlements	(1)	0
Contributions made by plan members	6	5
Benefits paid from plan assets	(14)	(14)
Business combinations	1	0
Translation differences	29	(38)
Other	7	0
FAIR VALUE OF ASSETS AS OF AUGUST 31,	**588**	**485**

The following assumptions were used for actuarial valuations for the principal countries as of August 31, 2010 and 2009:

As of August 31, 2010	France	The Netherlands	United Kingdom	Italy
Discount rate*	3.15% – 4.50%	4.30% – 4.50%	4.80%	3.15%
Salary inflation rate**	2% – 3%	2.5%	3.30%	N/A
General inflation rate	2.00%	2.00%	3.30%	2.00%
Rate of return on plan assets	4.50%	5.40%	7.00%	N/A
Amount of obligation in balance sheet *(in millions of euro)*	42	9	66	33

* *Discount rates in each country have been adapted to reflect the term of the plans. Sodexo uses the indexes provided by iBoxx.*

** *The salary inflation rate disclosed includes general inflation.*

As of August 31, 2009	France	The Netherlands	United Kingdom	Italy
Discount rate*	5.50%	5.50%	5.75%	5.50%
Salary inflation rate**	2.5%	2.5%	3.95%	N/A
General inflation rate	2.0%	2.0%	3.45%	2.0%
Rate of return on plan assets	4%-5%	5.3%	7.0%	N/A
Amount of obligation in balance sheet *(in millions of euro)*	32	1	34	38

* *Discount rates in each country have been adapted to reflect the term of the plans.*

** *The salary inflation rate disclosed includes general inflation.*

The expected rates of return on plan assets were determined by reference to market expectations of returns for each asset class over the life of the related obligation. For each fund, the expected rate of return is weighted to reflect the proportion of each asset class held by the relevant fund.

With respect to the assumptions provided in the above table, a reduction of 1% in the discount rate, combined with an increase of 0.5% in the inflation rate, would bring the gross obligation to 987 million euro (compared to 802 million euro with the assumptions used as of August 31, 2010). The Group has elected to recognize actuarial gains and losses directly in shareholders' equity, as permitted by the amendment to IAS 19.

The actual return on plan assets in Fiscal 2010 was 56 million euro, compared with an expected return of 34 million euro.

With respect to the assumptions provided in the above table, a reduction of 1% in the discount rate, combined with an increase of 0.5% in the inflation rate, would bring the gross obligation to 781 million euro (compared to 631 million euro with the assumptions used as of August 31, 2009). The Group has elected to recognize actuarial gains and losses directly in shareholders' equity, as permitted by the amendment to IAS 19.

The actual return on plan assets in Fiscal 2009 was (4) million euro, compared with an expected return of 33 million euro.

Based on estimates derived from reasonable assumptions, Sodexo will pay 19 million euro into defined-benefit plans in Fiscal 2011.

In the United Kingdom, Sodexo is required by law to conduct a formal review by the plan's actuary every three years, and to administer any shortfall identified at that time by mutual agreement between the plan's trustees and Sodexo UK. The most recent review was conducted on April 5, 2009 and an agreement was reached in August under which Sodexo UK made an exceptional contribution of GBP 2.25 million (2.6 million euro) into the plan in September 2010. The next review is scheduled to take place on April 5, 2012, unless the trustees and the company agree to bring it forward.

4.17.2 Other employee benefits

Other employee benefits mainly comprise a liability related to a deferred compensation program in the United States and obligations relating to long-service awards.

Amounts reported in the balance sheet for other long-term employee benefits

(in millions of euro)	**August 31, 2010**	**August 31, 2009**
Other long-term employee benefits	136	110

The total expense recognized with respect to these benefits in Fiscal 2010 was 23 million euro. This figure includes 2.4 million euro for a deferred compensation program in the United States, reported in financial expense. The total expense recognized with respect to these benefits in Fiscal 2009 was 13 million euro. This figure includes 2.4 million euro for a deferred compensation program in the United States, reported in financial expense.

4.18 Provisions

(in millions of euro)	**August 31, 2009**	**Increases/ charges**	**Reversals with utilization**	**Reversals without utilization**	**Translation adjustment and other items**	**Changes in scope of consolidation**	**Discounting impact on long-term provisions**	**August 31, 2010**
Tax and social security exposures	24	14	(3)	(4)	(1)			30
Employee claims and litigation	20	15	(7)	(3)	2			27
Contract termination and loss-making contracts	23	11	(11)	(4)	1			21
Client/supplier claims and litigation	9	6	(2)	(2)	3			14
Negative net assets of associates*	15				9			23
Other provisions	8	7	(2)	(1)	(1)			11
TOTAL	**99**	**53**	**(25)**	**(14)**	**13**			**126**

* *Negative net assets of associates (see note 4.8).*

Provisions for exposures and litigation are determined on a case by case basis and rely on management's best estimate of the outflows deemed likely to satisfy legal or implicit obligations to which the Group is exposed as of the end of the year.

Current and non-current provisions are as follows:

	August 31, 2010		**August 31, 2009**	
(in millions of euro)	**Current provisions**	**Non-current provisions**	**Current provisions**	**Non-current provisions**
Tax and social security exposures	17	13	13	11
Employee claims and litigation	16	11	15	5
Contract termination and loss-making contracts	14	7	16	7
Client/supplier claims and litigation	8	6	6	3
Negative net assets of associates*		23		15
Other provisions	7	4	3	5
TOTAL	**62**	**64**	**53**	**46**

* *Negative net assets of associates (see note 4.8).*

4.19 Trade and other payables

(in millions of euro)	**August 31, 2010**	**August 31, 2009**
Other non-current liabilities	243	106
TOTAL OTHER NON-CURRENT LIABILITIES	**243**	**106**
Advances from clients	241	264
Trade payables	1,444	1,271
Employee-related liabilities	908	807
Tax liabilities	218	183
Other operating liabilities	87	85
Deferred revenues	51	42
Other non-operating liabilities	40	41
TOTAL TRADE AND OTHER CURRENT PAYABLES	**2,989**	**2,693**
TOTAL TRADE AND OTHER PAYABLES	**3,232**	**2,799**

Employee-related liabilities include mainly short-term employee benefits.

Maturities of trade and other payables *(in millions of euro)*	**Carrying value**	**Undiscounted contractual value**
Less than three months	2,430	2,429
More than three months and less than six months	314	315
More than six months and less than twelve months	229	229
More than one year and less than five years	156	168
More than five years	103	141
TOTAL TRADE AND OTHER PAYABLES	**3,232**	**3,282**

4.20 Deferred taxes

(in millions of euro)	**August 31, 2010**	**August 31, 2009**
Deferred tax assets	162	93
Deferred tax liabilities	(122)	(99)
DEFERRED TAX ASSETS (NET)	**40**	**(6)**
Including the effect of the deferred tax liabilities described in note 4.14.		

Deferred tax assets not recognized because their recovery is not considered probable totalled 150 million euro (153 million euro as of August 31, 2009), including 5 million euro generated by subsidiaries prior to their acquisition (8 million euro as of August 31, 2009).

Deferred taxes comprise:

(in millions of euro)	**August 31, 2010**	**August 31, 2009**
• Employee-related liabilities	177	131
• Fair value of financial instruments	5	3
• Other temporary differences	(183)	(153)
• Tax loss carry-forwards	41	13
NET DEFERRED TAX ASSETS (LIABILITIES)	**40**	**(6)**
Including the effect of the deferred tax liabilities described in note 4.14.		

Temporary differences on employee-related liabilities relate primarily to post-employment benefits.

The principal other temporary differences resulted from the recognition of intangible assets in connection with acquisitions, together with temporary differences arising from the amortization of the tax deductible portion of goodwill in certain countries.

The change in net deferred tax liabilities recognized directly in shareholders' equity as of August 31, 2009 and 2010 was 6 million euro.

4.21 Financial instruments

Categories of financial instruments, carrying value, and fair value, by balance sheet item.

Financial assets (in millions of euro)	Category	Note	August 31, 2010 Carrying value	August 31, 2010 Fair value	August 31, 2009 Carrying value	August 31, 2009 Fair value
Cash and cash equivalents	Financial assets at fair value through profit and loss, including:	4.13	1,593	1,593	1,228	1,228
	Level 1		63	63	76	76
	Level 2		1,530	1,530	1,152	1,152
Restricted cash and financial assets related to the Motivation Solutions activity	Available-for-sale financial assets, including:	4.10	578	578	597	597
	Level 1		143	143	153	153
	Level 2		435	435	444	444
Clients and other receivables	Loans and receivables at amortized cost	4.12	3,033	3,033	2,728	2,728
Other financial assets	Available-for-sale financial assets	4.10	37	37	39	39
	Loans and receivables at amortized cost	4.10	111	111	93	93
	Financial assets at fair value through profit and loss	4.10				
Derivative financial instruments, assets	Level 2	4.16	6	6	4	4

The levels used for the classification of financial instruments are as follows:

Level 1: Instruments traded on an active market.

Level 2: Instruments measured through inputs other than quoted prices included within Level 1 and that are observable.

Level 3: All other instruments.

Financial liabilities (in millions of euro)	Category	Note	August 31, 2010 Carrying value	August 31, 2010 Fair value	August 31, 2009 Carrying value	August 31, 2009 Fair value
Bond issues (1)	Financial liabilities at amortized cost	4.15	1,429	1,612	1,430	1,549
Bank borrowings	Financial liabilities at amortized cost	4.15	1,896	1,896	1,838	1,838
Other borrowings and financial debts	Financial liabilities at amortized cost	4.15	118	118	124	124
Bank overdrafts	Financial liabilities at amortized cost		59	59	42	42
Trade and other payables	Financial liabilities at amortized cost	4.19	2,989	2,989	2,693	2,693
Vouchers payable	Financial liabilities at amortized cost		2,307	2,307	2,077	2,077
Derivative instruments, liabilities	Level 2	4.16	30	30	16	16

(1) Fair value is calculated on the basis of listed bond prices as of August 31, 2010.

4.22 Share-based payment

The Sodexo Board of Directors has granted payment to Sodexo Group employees in the form of Sodexo shares under a number of stock option plans.

4.22.1 Principal features of stock option plans

Rules governing stock option plans are as follows:

- contractual life of options: 6-7 years;
- options vest over a four-year period, in 25% tranches for most plans, or in 12.5% tranches for performance-based plans;
- exercise of options is subject to employment by the Sodexo Group.

For the 2008 and subsequent year plans, 50% of the options granted were subject to the attainment of a certain level of Sodexo Group net income.

4.22.2 Measurement model applied and assumptions used

Estimation of fair value at date of grant

The fair value of options granted and settled by delivery of equity instruments is estimated at the date of grant using a binomial model, which takes into consideration the terms and conditions of grant and assumptions about exercise behavior.

In addition to the exercise price of the stock option plans described in note 4.22.3, the table below shows the data used in the valuation model for each plan measured under IFRS 2.

Date of grant	Expected volatility *(%)*	Contractual life *(years)*	Risk-free interest rate*(%)*	Expected dividend yield *(%)*	Expected life *(years)*
January 18, 2005	33.57%	6	3.35%	3.18%	5
June 16, 2005	32.20%	6	3.33%	4.10%	5
January 10, 2006	31.64%	6	3.33%	3.03%	5
January 17, 2007	29.42%	6	4.18%	2.81%	5
January 17, 2007	29.42%	7	4.18%	2.81%	5
April 24, 2007	28.23%	6	4.37%	2.79%	5
April 24, 2007	28.23%	7	4.37%	2.79%	5
September 11, 2007	28.54%	6	4.04%	2.75%	5
January 7, 2008	28.85%	7	4.01%	2.75%	6
January 7, 2008	28.85%	6	3.95%	2.75%	5
September 9, 2008	29.48%	7	4.15%	2.75%	6
September 9, 2008	29.48%	6	4.11%	2.75%	5
January 19, 2009	37.16%	7	3.28%	3.00%	6
January 19, 2009	37.16%	6	2.90%	3.00%	5
January 11, 2010	28.50%	7	2.97%	3.00%	6
January 11, 2010	28.50%	6	2.45%	3.00%	5

The expected life of the options is based on historical data, and is not necessarily indicative of future exercises.

The expected volatility is based on the assumption that volatility calculated using regression analysis of daily returns over the five- or six-year period (the expected life of the options) prior to the date of grant, excluding the share price fluctuations of September 2002, is an indicator of future trends.

The expected volatility of 2008 plans is based on a weighted average of the historical volatility of the shares observed over five years and the implicit volatility.

The risk-free interest rate is the rate on Government bonds for a maturity similar to the life of the options.

The assumptions with respect to the exercise behavior of grantees used in determining the fair value of the options are also based on historical data, which may not be indicative of future exercise behavior, and are as follows:

- grantees resident in France for tax purposes:
  - 50% of grantees exercise once the share price exceeds 20% of the exercise price,
  - 50% of grantees exercise once the share price exceeds 40% of the exercise price;
- grantees not resident in France for tax purposes:
  - 30% of grantees exercise once the share price exceeds 20% of the exercise price,
  - 30% of grantees exercise once the share price exceeds 40% of the exercise price,
  - 30% of grantees exercise once the share price exceeds 70% of the exercise price,
  - 10% of grantees exercise once the share price exceeds 100% of the exercise price.

4.22.3 Initial charge and movements during Fiscal 2010

The stock option expense recognized in the Fiscal 2010 income statement was 9.3 million euro, compared with 12.2 million euro in Fiscal 2009.

The table below provides the quantity, weighted average exercise price (WAP) and movements of stock options during the period.

	August 31, 2010		August 31, 2009	
	Number	**WAP** *(in euro)*	**Number**	**WAP** *(in euro)*
Outstanding at the beginning of the period	**5,959,157**	**39.44**	**5,191,236** [(2)]	**37.40**
Granted during the period	1,699,700	39.88	1,668,900	39.57
Forfeited during the period	(166,450)	42.20	(220,171)	39.66
Exercised during the period	(784,463) [(1)]	27.97	(644,231) [(3)]	24.15
Expired during the period	(4,301)	24.48	(36,577)	23.98
Outstanding at the end of the period	**6,703,643**	**40.83**	**5,959,157** [(4)]	**39.44**
Exercisable at the end of the period	**2,223,047**	**40.59**	**2,120,052**	**35.42**

(1) The weighted average share price at the exercise date of options exercised in the period was 43.40 euro.

(2) Including 107,266 options not accounted for in accordance with IFRS 2 because either (i) they were granted before November 7, 2002 or (ii) they were granted after November 7, 2002 but vested prior to January 1, 2005.

(3) The weighted average share price at the exercise date of options exercised in the period was 38.65 euro.

(4) The number of options not recognized in accordance with IFRS 2 because either (i) they were granted before November 7, 2002 or (ii) they were granted after November 7, 2002 but vested prior to January 1, 2005 is nil.

The weighted average residual life of options outstanding as of August 31, 2010 was 4.00 years (August 31, 2009: 4.06 years).

The weighted average fair value of options granted during the period was 9.41 euro (during Fiscal 2009: 10.83 euro).

The table below gives the exercise prices and exercise period for options outstanding as of August 31, 2010:

Date of grant	Start date of exercise period	Expiration date of exercise period	Exercise price	Number of options outstanding as of August 31, 2010
January 2005	January 2006	January 2011	23.08 euro	236,789
June 2005	June 2006	June 2011	26.02 euro	5,004
January 2006	January 2007	January 2012	34.83 euro	517,717
January 2007	January 2008	January 2013	47.82 euro	731,620
January 2007	January 2008	January 2014	47.82 euro	457,047
April 2007	April 2008	April 2013	55.36 euro	1,602
April 2007	April 2008	April 2014	55.36 euro	20,014
September 2007	September 2008	September 2013	47.17 euro	40,028
January 2008	January 2009	January 2015	42.27 euro	554,074
January 2008	January 2009	January 2014	42.27 euro	889,847
September 2008	September 2009	September 2015	45.56 euro	30,000
September 2008	September 2009	September 2014	45.56 euro	15,000
January 2009	January 2010	January 2016	39.40 euro	603,387
January 2009	January 2010	January 2015	39.40 euro	923,014
January 2010	January 2011	January 2017	39,88 euro	635,950
January 2010	January 2011	January 2016	39,88 euro	1,042,550
TOTAL				**6,703,643**

4.22.4 Plans awarded following the acquisition of Sodexho Marriott Services

The Group committed to delivering 3,044,394 Sodexho Alliance SA shares to Sodexho, Inc. employees at an average price of 29.01 US dollars per share under stock option plans assumed in connection with the June 2001 acquisition of 53% of the capital of Sodexho Marriott Services, Inc. As of August 31, 2010, 81,895 of these shares were still deliverable.

As of August 31, 2010, all of these remaining options were exercisable prior to November 2012.

These option plans were not recognized under IFRS 2 because they were granted prior to the effective date of IFRS 2 in November 2002 and because the rights under the plans vested prior to January 1, 2005.

The table below provides the quantity, weighted average exercise price (WAP) and movements of these stock options during the year.

	August 31, 2010		August 31, 2009	
	Number	**WAP** *($)*	**Number**	**WAP** *($)*
Outstanding at the beginning of the period	**213,669**	**26.31**	**323,147**	**25.36**
Granted during the period				
Forfeited during the period	1,244	33.41	(5,983)	24.79
Exercised during the period	(129,102) (1)	24.81	(103,495) (2)	23.42
Expired during the period	(3,916)	22.32		
Outstanding at the end of the period	81,895	28.98	213,669	26.31
Exercisable at the end of the period	**81,895**	**28.98**	**213,669**	**26.31**

(1) The weighted average share price at the exercise date of options exercised in the period was USD 58.65.
(2) The weighted average share price at the exercise date of options exercised in the period was USD 52.68.

The table below gives the exercise price of options outstanding as of August 31, 2010:

Date of grant	**Exercise price** *(USD)*	**Number of options outstanding as of August 31, 2010**
November 6, 1997	29.99	16,816
December 15, 2000	28.14	61,768
April 2, 2001	39.68	3,311
TOTAL		**81,895**

4.23 Business combinations

There were no material acquisitions in Fiscal 2010.

The impact of the acquisitions made in the prior year on the Group's balance sheet as of August 31, 2009 is summarized in the table below.

(in millions of euro)	**Net carrying value at acquisition date**	**Adjustments to fair value and to conform accounting principles**	**Fair value amount**
Other intangible assets	1	133	134
Property, plant and equipment	28		28
Financial assets	7		7
Short-term receivables	197		197
Cash	24		24
Financial borrowings and other long-term debt	(73)	(11)	(84)
Provisions contingencies	(10)		(10)
Deferred taxes	5	(45)	(40)
Short-term debt	(196)		(196)
Net assets acquired	**(17)**	**77**	**60**
Goodwill			**455**
Cost of principal acquisitions in the period*			**(515)**
Cost of other acquisitions			**(37)**
Cash acquired			**24**
Impact on statement of cash flows			**(528)**

* *Including 15 million euro of acquisition costs and 20 million euro of minority interests.*

Intangible assets primarily include customer relationships, brands and franchise agreements. Amortization lives for these intangible assets were determined by management to range from 5 to 20 years based on estimated attrition rates for customer relationships and franchise agreements and over the estimated useful life for brands. Goodwill corresponds to the residual amount, after allocation of the acquisition price to the fair value of identified assets and liabilities, and represents the value of the human capital, market shares and earnings capacity of the acquired companies.

4.24 Commitments and contingencies

4.24.1 Sureties

Commitments arising from surety arrangements (pledges, charges secured against plant and equipment, and real estate mortgages) contracted by Bellon SA and its subsidiaries in connection with operating activities during Fiscal 2010 are immaterial.

As of August 31, 2009, 12,411,483 Sodexo shares were pledged to the benefit of Caisse Nationale des Caisses d'Epargne et de Prévoyance, 2,685,299 Sodexo shares were pledged to the benefit of Société Générale, and 10,241,127 Sodexo shares are pledged to the benefit of Calyon.

As of August 31, 2010, 9,506,076 Sodexo shares were pledged to the benefit of Caisse Nationale des Caisses d'Epargne et de Prévoyance, 2,186,524 Sodexo shares were pledged to the benefit of Société Générale, and 6,945,643 Sodexo shares are pledged to the benefit of Calyon.

4.24.2 Operating lease commitments

Outstanding commitments over the residual term of operating leases totaled 484 million euro as of August 31, 2010 with the following maturities:

- less than 1 year: 123 million euro;
- 1 to 3 years: 164 million euro;
- 3 to 5 years: 87 million euro;
- more than 5 years: 109 million euro.

These commitments arise under a large number of contracts worldwide, the terms of which are negotiated locally. They relate primarily to:

- equipment on sites, office equipment and vehicles for 120 million euro;
- the rent for office premises of 337 million euro. The 12-year leases signed on October 19, 2006 in connection with the relocation of the Sodexo S.A. headquarters to Issy-les-Moulineaux in 2008 increased operating lease commitments for office premises by 50.2 million euro. The leases and lease renewals signed by Sodexo France and Sodexo, Inc. for their office premises represent operating lease commitments of 38.5 million euro and 34.2 million euro respectively.

4.24.3 Other commitments given

	August 31, 2010					August 31, 2009
(in millions of euro)	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total	Total
Financial guarantees to third parties	1	8	0	0	9	8
Site management commitments	11	13	9	7	40	51
Performance bonds given to clients	4	0	0	139	143	123
Other commitments	1	18	0	1	20	3
TOTAL	**17**	**39**	**9**	**147**	**212**	**185**

Financial guarantees to third parties mainly comprise bank subordinated debt commitments under public private partnership (PPP) contracts (see note 2.4.2.) totaling 8 million euro.

Performance bonds given to clients are subject to regular review by the management at operating entity level. A provision is recorded as soon as payment under a performance bond becomes probable.

The Group also has performance obligations to clients, but regards these as having the essential features of a performance bond rather than an insurance contract designed to compensate the client in the event of non-fulfillment of the service obligation (compensation is generally due only where the Group is unable to provide alternative or additional resources to fulfill the obligation to the client).

In practice, given its size and geographical reach, the Group considers itself capable of providing the additional resources needed to avoid paying compensation to clients protected by such clauses.

At this time, no provision has been recorded in the balance sheet with respect to these guarantees.

The Group has commitments to provide training hours to its employees in France, known as Individual Training Rights. In the absence of guidance from regulatory authorities on the accounting treatment for these rights, the Group has opted to present these rights as a commitment. Based on available information, the number of hours to be provided to employees of French subsidiaries is estimated to be approximately 2,000,000 hours.

4.25 Related parties

4.25.1 Compensation, loans, post-employment benefits and other employee benefits granted to members of the Executive and Supervisory Boards of Bellon S.A.

(in euro)	August 31, 2010	August 31, 2009
Compensation paid by Bellon S.A. to members of the Executive and Supervisory Boards	746,188	711,515
Directors' fees paid by Sodexo to members of its Board of Directors who are also members of Bellon S.A.'s Executive and Supervisory Boards	263,050	275,920
Compensation paid by Sodexo subsidiaries	219,015	205,050
TOTAL	1,228,253	1,192,485

These benefits include directors' fees, and all forms of compensation and benefits paid (or earned during the period for offices held) by Bellon SA, Sodexo SA and/or other Sodexo Group companies.

4.25.2 Related companies

Subsidiaries

During Fiscal 2010, Bellon SA invoiced Sodexo SA a total of 5.6 million euro (6.8 million euro during Fiscal 2009) for assistance and advisory services under a contract between the two companies.

Sodexo SA provides management and co-ordination services for the entire Sodexo Group.

In connection with these services, Sodexo SA received fees totaling 187 million euro from its subsidiaries during Fiscal 2010 (178 million euro during Fiscal 2009).

Other companies

Transactions with other related companies comprise loans advanced, commercial transactions, and off balance sheet commitments involving associates and non-consolidated companies.

Loans	**Gross value as of August 31, 2010**	**Impairment as of August 31, 2010**	**Carrying amount as of August 31, 2010**	**Carrying amount as of August 31, 2009**
Companies consolidated by the equity method	89	0	89	75
Non-consolidated companies	1	(1)	0	0

Off balance sheet commitments	**August 31, 2010**	**August 31, 2009**
Commitments to third parties		
Companies consolidated by the equity method	8	8
Non-consolidated companies		
Performance bonds given to clients		
Companies consolidated by the equity method	64	59
Non-consolidated companies		

Revenues generated	**Fiscal 2010**	**Fiscal 2009**
Companies consolidated by the equity method	282	280
Non-consolidated companies	0	0

Operating expenses recognized	**Fiscal 2010**	**Fiscal 2009**
Companies consolidated by the equity method	1	1
Non-consolidated companies	0	0

Net financing costs	**Fiscal 2010**	**Fiscal 2009**
Companies consolidated by the equity method	5	6
Non-consolidated companies	0	0

4.26 Group employees

As of August 31, 2010, Group employees comprised:

	August 31, 2010
Executives, middle management, site managers and supervisory staff	46,548
Front-line service staff and other employees	332,597
TOTAL	**379,145**

Group employees by activity and region were as follows:

	On-site Service Solutions							
	North America	Continental Europe	United Kingdom and Ireland	Rest of the world	Total	Motivation Solutions	Holding Companies	Total
TOTAL	**122,406**	**101,219**	**34,764**	**116,885**	**375,274**	**3,466**	**405**	**379,145**

4.27 Litigation

To the best of Bellon S.A.'s knowledge, there have been no other governmental, judicial or arbitral proceedings (including any such proceedings which are pending or threatened of which Sodexo is aware) which may have, or have had in the past 12 months, significant effects on Sodexo and/or the Group's financial position or profitability.

4.28 Subsequent events

At the end of January 2009, the Group joined the Metrix consortium, named preferred bidder for the British Ministry of Defense tender for the design and implementation of the "Defence Training Review," a program to meet the British armed forces' training needs for the next 30 years. On 18 October 2010, as part of wider spending cuts, the British Government terminated the exclusive procurement system of this project in its current form. Pursuant to this announcement, an impairment of financial assets of 15 million euro was recognized in order to cover certain expenditures incurred by the Group for which recovery is not certain at this time (see note 4.10).

On March 29, 2011, Sodexo SA concluded a private placement transaction to borrow USD 600 million at a fixed rate from U.S. investors.

This new financing includes three tranches:

- USD 250 million at a fixed rate of 4.24% and reimbursable in March 2018
- USD 225 million at a fixed rate of 4.85% and reimbursable in March 2021
- USD 125 million at a fixed rate of 4.95% and reimbursable in March 2023

This borrowing includes the same financial covenants as those required for the private placement realized in 2008, which are calculated by reference to the Group's consolidated financial statements:

- Net debt (excluding restricted cash from total cash and cash equivalents) should not be higher than 3.5 times EBITDA (operating profit plus depreciation and amortization expenses) during the last 12 months.
- Net assets adjusted for cumulative translation effects should not be less than 1.3 billion euro.

On April 12, 2011, Bellon S.A. reimbursed the 160 million loan with Calyon, which had matured. In order to do so, Bellon S.A. used its available cash plus a 70 million euro equity linked swap contract on Sodexo shares with CACIB (Crédit Agricole Corporate and Investment Bank). This financing has an 8-month maturity but can be terminated at any time. It carries interest at the 3-month EURIBOR rate plus 0.55%.

On May 19, 2011, Sodexo concluded an agreement to purchase as a single block from Fonds Stratégique d'Investissement ("the FSI") its entire shareholding of 2,048,687 shares in Sodexo (approximately 1.3% of the share capital), for an amount of about 108.5 million euro (i.e., 52.97 euro per share representing the closing price on May 18, 2011). This transaction is carried out pursuant to Sodexo's share repurchase program, as approved by its shareholders. The purchased shares will be used to cover stock option plans that Sodexo has put in place for its employees. This transaction will not change the shareholding structure, because the purchased shares will not be cancelled.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY

5.1 Exposure to foreign exchange and interest rate risk

Because Sodexo has operations in 80 countries, all components of the financial statements are influenced by foreign currency translation effects, and in particular by fluctuations in the US dollar. However, exchange rate fluctuations do not generate any operational risk, because each of the Group's subsidiaries invoices its revenues and incurs its expenses in the same currency.

The Group uses derivative instruments to manage the Group's exposure to interest rate and foreign exchange rate risk.

The Group's policies are designed to prevent speculative positions. Further, under these policies:

- substantially all borrowings must be at fixed rates of interest, or converted to fixed-rate using hedging instruments;
- in the context of financing policy, foreign exchange risk on loans to subsidiaries must be hedged;
- the maturity of hedging instruments must not exceed the maturity of the borrowings they hedge.

5.1.1 Analysis of sensitivity to interest rates

August 31, 2010 *(in millions of euro)*	**Note**	**< 3 months**	**> 3 months and < 6 months**	**> 6 months and > 1 year**	**1 – 5 years**	**> 5 years**	**Total**
Financial liabilities excluding hedging effects	**4.15**	**56**	**37**	**226**	**2,828**	**296**	**3,443**
Fixed rate liabilities (excluding hedging effects)		46	35	213	2,169	292	2,755
Variable rate liabilities (excluding hedging effects)		10	2	13	659	4	688
Hedging effects	**4.16**				24		24
On fixed rate liabilities					362		362
On variable rate liabilities		0			(338)		(338)
Financial liabilities including hedging effects	**4.16**	56	37	226	2,852	296	3,467
Of which fixed rate liabilities (including hedging effects)		46	35	213	2,531	292	3,117
Of which variable rate liabilities (including hedging effects)		10	2	13	321	4	350

(in millions of euro)	**Impact on income before tax**	**Impact on shareholders' equity before tax**
Impact of a 50 basis point increase in interest rates	(2)	2
Impact of a 50 basis point decrease in interest rates	2	(2)

August 31, 2009 *(in millions of euro)*	**Note**	**< 1 year**	**1 – 5 years**	**> 5 years**	**Total**
Financial liabilities excluding hedging effects	**4.15**	**100**	**2,137**	**1,155**	**3,392**
Fixed rate liabilities (excluding hedging effects)		84	1,477	1,148	2,709
Variable rate liabilities (excluding hedging effects)		16	660	7	683
Hedging effects	**4.16**		12		12
On fixed rate liabilities			329		362
On variable rate liabilities			(317)		(317)
Financial liabilities including hedging effects	**4.16**	100	2,149	1,155	3,404
Of which fixed rate liabilities (including hedging effects)		84	1,806	1,148	3,038
Of which variable rate liabilities (including hedging effects)		16	343	7	366

(in millions of euro)	**Impact on income before tax**	**Impact on shareholders' equity before tax**
Impact of a 50 basis point increase in interest rates	(2)	2
Impact of a 50 basis point decrease in interest rates	2	(2)

5.1.2 Estimate of risk of loss on the net foreign currency position in the event of a uniform unfavorable movement of 0.01 euro against all currencies listed

Currency risk hedging as of August 31, 2010

Before currency hedging *(in millions of euro)*	**Dollar** **USD**	**Real** **BRL**	**Sterling** **GBP**	**Bolivar Fuerte** **VEF**
Closing rate as of August 31, 2010	*0.789*	*0.447*	*1.212*	*0.096*
Monetary assets				
Working capital and other receivables	684	311	189	4
Deferred tax assets	97	17	22	2
Cash and cash equivalents	299	348	85	82
TOTAL MONETARY ASSETS	**1,080**	**676**	**296**	**88**
Monetary liabilities				
Financial liabilities	713	153	4	
Working capital items and other liabilities	1,160	588	320	69
Deferred tax liabilities	45	51		
TOTAL MONETARY LIABILITIES	**1,918**	**792**	**324**	**69**
Net position	**838**	**116**	**28**	**(19)**
Net income before tax	166	73	68	19

After currency hedging *(in millions of euro)*	**Dollar** **USD**	**Real** **BRL**	**Sterling** **GBP**	**Bolivar Fuerte** **VEF**
Closing rate as of August 31, 2010	*0.789*	*0.447*	*1.212*	*0.096*
Monetary assets				
Working capital and other receivables	684	311	189	4
Deferred tax assets	97	17	22	2
Cash and cash equivalents	299	348	85	82
TOTAL MONETARY ASSETS	**1,080**	**676**	**296**	**88**
Monetary liabilities				
Financial liabilities	713	191	46	
Working capital items and other liabilities	1,160	588	320	69
Deferred tax liabilities	45	51		
TOTAL MONETARY LIABILITIES	**1,910**	**830**	**366**	**69**
Net position	**830**	**154**	**28**	**(19)**
Net income before tax	166	73	68	19

Sensitivity of Fiscal 2010 profit for the year to exchange rates

Impact of a 1% appreciation of the exchange rate of the following currencies against the euro August 31, 2010 *(in million euro)*	**Impact on revenues**	**Impact on operating profit**	**Impact on income before tax**
Dollar USD	56	3	2
Réal BRL	6	1	1
Sterling GBP	12	1	0
TOTAL	**74**	**5**	**3**

A change of 1% in currency exchange rates has no effect on shareholders' equity.

Currency risk hedging as of August 31, 2009

Before currency hedging *(in millions of euro)*	**Dollar USD**	**Real BRL**	**Sterling GBP**
Closing rate as of August 31, 2009	*0.701*	*0.369*	*1.135*
Monetary assets			
Working capital and other receivables	218	112	84
Deferred tax assets	61	5	13
Cash and cash equivalents	211	121	84
TOTAL MONETARY ASSETS	**490**	**238**	**181**
Monetary liabilities			
Financial liabilities	682	129	1
Working capital items and other liabilities	967	384	282
Deferred tax liabilities	35	20	1
TOTAL MONETARY LIABILITIES	**1,684**	**533**	**284**
Net position	**(1,194)**	**(295)**	**(103)**
Net income before tax	181	64	65

After currency hedging *(in millions of euro)*	**Dollar USD**	**Real BRL**	**Sterling GBP**
Closing rate as of August 31, 2009	*0.701*	*0.369*	*1.135*
Monetary assets			
Working capital and other receivables	218	112	84
Deferred tax assets	61	5	13
Cash and cash equivalents	211	121	84
TOTAL MONETARY ASSETS	**490**	**238**	**181**
Monetary liabilities			
Financial liabilities	615	161	107
Working capital items and other liabilities	967	384	282
Deferred tax liabilities	35	20	1
TOTAL MONETARY LIABILITIES	**1,617**	**565**	**390**
Net position	**(1,127)**	**(327)**	**(209)**
Net income before tax	181	64	65

Sensitivity of Fiscal 2009 profit for the year to exchange rates

Impact of a 1% appreciation of the exchange rate of the following currencies against the euro August 31, 2010 *(in million euro)*	**Impact on revenues**	**Impact on operating profit**	**Impact on income before tax**
Dollar USD	56	3	2
Réal BRL	4	1	1
Sterling GBP	13	0	1
TOTAL	**73**	**4**	**4**

A change of 1% in currency exchange rates would have had no effect on shareholders' equity.

5.2 Exposure to liquidity risk

The characteristics of the Group's borrowings and bond issuances as of August 31, 2010 are described in detail in note 4.15 of the consolidated financial statements.

The Group's financial policies require that all external financing be approved by the Chief Financial Officer, the Chief Executive Officer, or the Board of Directors, depending on the nature and amount. Further, under these policies:

- substantially all borrowings must be at fixed rates of interest, or converted to fixed-rate using hedging instruments;
- in the context of financing policy, foreign exchange risk on loans to subsidiaries must be hedged.

In addition, the Group's financial policies have been designed to avoid speculative positions and any risk related to financing, treasury management and the choice of financial counterparty.

5.3 Exposure to counterparty risk

Sodexo seeks to manage and spread its counterparty risk as a matter of policy. Each transaction with a bank is required to be based on a master contract modeled on the standard contract issued by the French Bankers' Association (AFB) or equivalent international contract.

Counterparty risk relating to customer accounts receivable is immaterial. Due to the Group's geographic and segment spread, there is no concentration of risks concerning individual receivables falling due and on which impairment has not been recognized. Moreover, the Group has not observed any significant change in impacts relating to customer default in the course of the period.

The main counterparty risk concerns the banks. The Group has limited its exposure to counterparty risk by diversifying its investments and limiting the concentration of risk in the hands of each of its counterparties. Transactions are conducted with highly creditworthy counterparties having due regard to country risk. The Group has instituted a regular reporting of the risk spread between counterparties and of their quality.

To reduce this risk further, at year end the Group has instituted a cash pooling mechanism between its main subsidiaries thus reducing the amount of liquidity held by third parties.

The maximum counterparty is 10% of the Group's operating cash (including restricted cash and financial assets of the Motivation Solutions activity) with an international banking group with a rating of A1.

6. SCOPE OF CONSOLIDATION

The table below lists the principal companies included consolidated by Sodexo as of August 31, 2010, which has not materially changed since August 31, 2009.

The first column shows the percentage interest held by the Group, and the second column the percentage of voting rights held by the Group. Percentage interests and percentages of voting rights are only shown if less than 97%.

Companies newly consolidated during Fiscal 2010 are indicated by the letter “N”.

Associates (companies accounted for by the equity method) are indicated by the letters “EM”. All other companies are fully consolidated.

		% interest	% voting rights	Principal activity	Country
France					
	Société Française de Restauration (consolidated)			On-site	France
	Altys Multiservice			On-site	France
	Société Française de Services			On-site	France
	Société Française de Restauration et Services (consolidated)			On-site	France
	Sodexo Formation			On-site	France
	EXCEL			On-site	France
	Lido SEGSMHI			On-site	France
	SIR			On-site	France
	CIR			On-site	France
	Comrest			On-site	France
	Siges			On-site	France
	La Normande SA			On-site	France
	RGC Restauration			On-site	France
	Sagere			On-site	France
	Saveurs et vie	51%	51%	On-site	France
N	Sodexo Bien-être à Domicile				
	Sogeres (consolidated)			On-site	France
	Yachts de Paris			On-site	France
	Compagnie d’Armateur Fluvial et Maritime	73%	73%	On-site	France
	L’Affiche			On-site	France
EM	Troyes Logipole Services	20%	20%	On-site	France
	Gedex			On-site	France
	Société Française de Propreté			On-site	France
	Millénia	60%	60%	On-site	France
EM	Altima	40%	40%	On-site	France
	Bateaux Parisiens (consolidated)			On-site	France
	Société des Thermes de Neyrac-les-Bains			On-site	France
	Score Services			On-site	France
	Caro d’As			On-site	France
	Score Consultants			On-site	France
	Sofires			On-site	France
	Score Groupe			On-site	France
	Sherpas			On-site	France
	Émis			On-site	France
	Altys International			On-site	France
	Sodexho Solutions de Motivation France S.A.			Motivation	France
	One SAS			HOL	France
	Sodexo Pass International			HOL	France
EM	SSIM	25%	25%	Motivation	France

		% interest	% voting rights	Principal activity	Country
N	Indigo			Motivation	France
N	Sodexo Solutions de Service sur Site			On-site	France
	One SCA			HOL	France
	Vivaboxes France			Motivation	France
	Tir Groupé			Motivation	France
	Média Cadeaux	60%	60%	Motivation	France
	Cartes Cadeaux Distribution Services	51%	51%	On-site	France
	West Born			On-site	France
N, EM	Cat SAS	35%	35%	On-site	France
N, EM	Creches Attitude	35%	35%	On-site	France
N, EM	Defi JV	18%	50%	On-site	France
N, EM	Defi Creche Combo	18%	35%	On-site	France
N, EM	AMD	35%	35%	On-site	France
N, EM	Pro'Formance	35%	35%	On-site	France
	Sodexo Remote Sites Caribbean			On-site	France
	Sodexo France SAS			HOL	France
	Sodexo Amecaa			HOL	France
	Sofinsod			HOL	France
	Sodexo Etinbis			HOL	France
	Etin			HOL	France
	Gardner Merchant Groupe			HOL	France
	Sodexo Facilities Management			HOL	France
	Holding Sogeres			HOL	France
	One Attitude			HOL	France
	Sodexo Management			HOL	France
	Sodexo Europe			HOL	France
	Sodexo Asie Océanie			HOL	France
	Sodexo Grande Chine			HOL	France
	Sodexo IS & T			HOL	France
	Siges Guyane			On-site	France
	Société Hôtelière et de Tourisme de Guyane			On-site	France
	Sodex'Net			On-site	France
	Sodexo Guyane			On-site	France
	Société Guyanaise de Protection et Gardiennage			On-site	France

		% interest	% voting rights	Principal activity	Country
Americas					
	Sodexo, Inc. (consolidated)			On-site	United States
	Sodexo Canada (consolidated)			On-site	Canada
	Jathy Inc.			On-site	Canada
N	Sodexo Holdings Inc.			On-site	United States
N	Sodexo Home Care			On-site	United States
	Delta Catering Management			On-site	United States
	Sodexo Remote Sites (USA) Inc.			HOL	United States
	Sodexo Remote Sites Partnership			On-site	United States
	Sodexo Services Enterprises LLC			HOL	United States
	Energy Catering Services LLC			On-site	United States
	Universal Sodexho Empresa de servicios y Campamentos			On-site	Venezuela
	Universal Sodexho Services de Venezuela			On-site	Venezuela
	Universal Services do Brasil Ltda			On-site	Brazil

		% interest	% voting rights	Principal activity	Country
	Sodexho do Brasil Comercial Ltda			On-site	Brazil
	Sodexho Argentina			On-site	Argentina
	Sodexo Colombia	65%	65%	On-site	Colombia
	Sodexho Venezuela Alimentaciõn y Servicios	70%	70%	On-site	Venezuela
	Sodexho Costa Rica			On-site	Costa Rica
	Sodexo Mexico			On-site	Mexico
EM	Doyon Universal Services (consolidated)	50%	50%	On-site	United States
	Sodexo Perú			On-site	Peru
EM	Sociedad Concesionaria BAS	33%	33%	On-site	Chile
	Siges Chile			On-site	Chile
	Sodexo Chile (consolidated)			On-site	Chile
	Sodexho Mexico Servicios de Personal			On-site	Mexico
	Comfort Keepers			Motivation	United States
	Vivaboxes US			Motivation	United States
	Circle Company Associates Inc.			On-site	United States
	Sodexo Rose Holding Company Inc.			HOL	United States
	Sodexo Concierge Services LLC			HOL	United States
	Sodexo Pass USA Inc.			Motivation	United States
	Sodexo Pass do Brazil Servicos e Commercio			Motivation	Brazil
	Sodexho Servicios de Gestion SA			On-site	Chile
N	Siges Chile SA			On-site	Chile
	Sodexho Entrega Comercial			On-site	Brazil
	Sodexho Pass Chile			Motivation	Chile
	Sodexho Pass Venezuela	64%	64%	Motivation	Venezuela
	Sodexho Pass de Colombia	51%	51%	Motivation	Colombia
	SPI Latin America Consultoria Empresarial			Motivation	Brazil
	Sodexo Pass do Brazil Servicos de Inovacao Ltda			Motivation	Brazil
	Sodexho Pass Perou			Motivation	Peru
	Sodexho Pass SA			Motivation	Argentina
	Sodexho Pass Corporate Services SA			Motivation	Uruguay
	Sodexo Motivation Solutions Mexico			Motivation	Mexico
	Sodexho Servicios Operativos			Motivation	Mexico

		% interest	% voting rights	Principal activity	Country
Africa					
	Sodexo Afrique			On-site	France
	Sodexo Nigeria			On-site	Nigeria
	Sodexo Gabon	90%	90%	On-site	Gabon
	Sodexho (Angola)			On-site	Angola
	SABA			On-site	Tunisia
	Sodexho Bénin			On-site	Benin
	Sodexho Tchad			On-site	Tchad
	Universal Sodexho Ghana	90%	90%	On-site	Ghana
	Sodexho Pass Tunisie	82%	82%	Motivation	Tunisia
	Sodexo Maroc			On-site	Morocco
	Universal Sodexho Guinea Ecuatorial	70%	70%	On-site	Eq. Guinea
	Sodexo Cameroun	70%	70%	On-site	Cameroon
	Sodexo Congo			On-site	Congo
	Sodexo Guinée			On-site	Eq. Guinea
	Sodexo Africa			On-site	South Africa

	Sodexo Southern Africa (consolidated)			On-site	South Africa
	Sodexo Investments Ltd			HOL	South Africa
	Wadi Ezzain	75%	75%	On-site	Libya
	Sodexo Madagascar			On-site	Madagascar
	Sodexo Tanzania			On-site	Tanzania

		% interest	% voting rights	Principal activity	Country
Europe					
	Sodexo Belgium (consolidated)			On-site	Belgium
	Special Event			Motivation	Belgium
N	Circles Benelux			On-site	Belgium
	12Link			Motivation	Belgium
	Educadomo			Motivation	Belgium
	Groupe Cheque-List Groep			Motivation	Belgium
	Imagor Services & Cie SNC			Motivation	Belgium
	Vivaboxes International NV			Motivation	Belgium
	Sogeres Monaco			On-site	Monaco
	Sodexo Suisse			On-site	Switzerland
	Sodexo Luxembourg (consolidated)			On-site	Luxemburg
	Sodexo Italia (consolidated)			On-site	Italy
EM	Fast Point	33%	33%	Motivation	Italy
	Sodexo Prehrana in Storitve			On-site	Slovenia
	Sodexo Oy			On-site	Finland
EM	Arandur Oy	33%	33%	On-site	Finland
	Sodexo AB			On-site	Sweden
	Carlstad Conference Centre AB			On-site	Sweden
	Sodexo Traffic Oy			On-site	Finland
	Sodexo AS			On-site	Norway
	Sodexo AS			On-site	Denmark
	Sodexo Scandinavian Holding AB			On-site	Sweden
	Sodexo España (consolidated)			On-site	Spain
	Sodexo Facilities Management SA	79%	79%	On-site	Spain
	Sodexo Portugal Restauracao e Servicos			On-site	Portugal
	Sodexo Services GmbH (consolidated)	93.5%		On-site	Germany
	Sodexho Scs GmbH (consolidated)	93.5%		On-site	Germany
	Känne Catering-Service GmbH	93.5%		On-site	Germany
	Gastro-Kanne	93.5%		On-site	Germany
	Sodexo Beteiligungsgesellschaft BV & Co KG	90%	90%	On-site	Germany
	Zehnacker Group GmbH	94%		On-site	Germany
	Ga tec	89%	95%	On-site	Germany
	Sodexo Germany BV	90%	90%	On-site	Germany
	Sodexo GmbH	94%		On-site	Germany
	Zehnacker Solutions Austria Subconso	91%		On-site	Austria
	Zehnacker AG, Schweiz	93%		On-site	Switzerland
	Aspen Res. Sp.z.o.o.	81%	87%	On-site	Poland
N	Sodexo Romania SRL			On-site	Romania
	Sodexo Ao			On-site	Russia
	Sodexo Euroasia			On-site	Russia
	Sodexho Pass CIS			Motivation	Russia
	Sodexo Pass Motivation Services Srl	75%	75%	Motivation	Moldavia
	Sodexo S.R.O.			On-site	Czech Republic
	Sodexho – Zarizeni Skolniho Stravovani Sro			On-site	Czech Republic
	Sodexo SRO			On-site	Slovakia
	Sodexo Magyarorszag KFT			On-site	Hungary
	Zona Vendeglato KFT			On-site	Hungary
	Sodexo Entegre Hizmet Yonetimi AS			On-site	Turkey
	Sodexo Polska			On-site	Poland

		% interest	% voting rights	Principal activity	Country
	Sodexo Catering & Facilty Services GmbH	93.5%		On-site	Austria
EM	Agecroft Prison Management Ltd	50%	50%	On-site	United Kingdom
N	Prestige Ticketing Ltd	80%	80%	On-site	United Kingdom
N	Sodexo Defence Training Services Ltd			On-site	United Kingdom
	Sodexo Services Group			HOL	United Kingdom
EM	HpC King's College Hospital (Holdings) Ltd	25%	25%	On-site	United Kingdom
	Sodexo Ltd			On-site	United Kingdom
	Sodexo Prestige Ltd (consolidated)			On-site	United Kingdom
	Sodexo Remote Sites Scotland Ltd			On-site	United Kingdom
	Harmondsworth Detention Services	51%	51%	On-site	United Kingdom
	Kalyx			On-site	United Kingdom
EM	Catalyst Healthcare (Romford) Ltd	25%	25%	On-site	United Kingdom
EM	Catalyst Healthcare (Roehampton) Holdings Ltd	25%	25%	On-site	United Kingdom
	Tillery Valley Foods			On-site	United Kingdom
	Rugby Travel & Hospitality Ltd	80%	80%	On-site	United Kingdom
	Sodexo Defence Services			On-site	United Kingdom
	Sodexo Land Technology			On-site	United Kingdom
	Sodexo Investment Services			On-site	United Kingdom
EM	Peterborough Prison Management Ltd	33%	33%	On-site	United Kingdom
EM	Ashford Prison Services Holdings Ltd	33%	33%	On-site	United Kingdom
	Sodexo Cyprus			On-site	Cyprus
	Sodexo Holdings Ltd			HOL	United Kingdom
	Sodexo Education Services			On-site	United Kingdom
	Sodexo Management Services (consolidated)			On-site	United Kingdom
	Sodexo Healthcare Services Ltd			On-site	United Kingdom
	Sodexo Remote Sites Support Services Ltd			HOL	United Kingdom
	Sodexo Remote Sites Holdings Ltd			HOL	United Kingdom
EM	Catalyst Healthcare (Manchester) Holdings Ltd	25%	25%	On-site	United Kingdom
	Sodexo Remote Sites Europe Ltd			HOL	United Kingdom
EM	Mercia Healthcare (Holdings) Ltd	25%	25%	On-site	United Kingdom
EM	South Manchester Healthcare (Holdings) Ltd	25%	25%	On-site	United Kingdom
EM	RMPA Holdings Ltd	14%	14%	On-site	United Kingdom
EM	Pinnacle Schools (Fife) Holdings Ltd	10%	10%	On-site	United Kingdom
EM	Enterprise Civic Buildings (Holdings) Ltd	10%	10%	On-site	United Kingdom
EM	Enterprise Education Holdings Conwy Ltd	10%	10%	On-site	United Kingdom
EM	Enterprise Healthcare Holdings Ltd	10%	10%	On-site	United Kingdom
EM	ES 2005 Ltd	50%	50%	On-site	United Kingdom
EM	Addiewell Prison (Holdings) Ltd	33%	33%	On-site	United Kingdom
EM	Healthcare support (North Staffs) Holding Ltd	25%	25%	On-site	United Kingdom
N, EM	Integrated Pathology Partnership		49%	On-site	United Kingdom
N, EM	Rugby Hospitality & Travel 2015 & 2019 Ltd		50%	On-site	United Kingdom
	Vivaboxes UK			Motivation	United Kingdom
N	Circles Concierge UK Ltd			On-site	United Kingdom
	Sodexo Holdings Ireland Ltd			On-site	Ireland
	Sodexo Ireland Ltd			On-site	Ireland
	Sodexo Remote Sites Norway AS			On-site	Norway
	Sodexo Remote Sites The Nederlands BV			On-site	Netherlands
	Universal Sodexho Kazakhstan Ltd			On-site	United Kingdom
	Sodexo Nederland BV (consolidated)			On-site	Netherlands
	Sodexo Altys BV			On-site	Netherlands
	Sodexo Pass Luxembourg			Motivation	Luxemburg
	Sodexo Pass Belgium (consolidated)			Motivation	Belgium

		% interest	% voting rights	Principal activity	Country
	Sodexho Pass GmbH			Motivation	Germany
	Sodexho Pass SRL (consolidated)			Motivation	Italy
	Vivaboxes Italy			Motivation	Italy
	Sodexo Soluciones de Motivation España SAU			Motivation	Spain
	Sodexho Motivation Solutions Austria Gmbh			Motivation	Austria
	James Concepts AB			Motivation	Sweden
	Sodexo Motivation Solutions UK Limited			Motivation	United Kingdom
	Sodexo Pass Hungaria			Motivation	Hungary
	Sodexho Pass Bulgaria EOOD			Motivation	Bulgaria
	Sodexo Pass Ceska Republika			Motivation	Czech Republic
	Sodexo Pass Slovak Republik			Motivation	Slovakia
	Vouchers Acquisition Corporate Holding BV			Motivation	Netherlands
	Sodexo Pass Polska			Motivation	Poland
	Sodexo Motivasyon Cozumleri A.S.			Motivation	Turkey
	Network Servisleri	50%	50%	Motivation	Turkey
	Sodexo Pass Romania			Motivation	Romania
	Bluticket Romania			Motivation	Romania
	Catamaran Cruisers			On-site	United Kingdom
	Compagnie Financière Aurore International			HOL	Belgium

		% interest	% voting rights	Principal activity	Country
Asia, Pacific, Middle East					
	Kelvin Catering Services (Emirates) Ltd	49%	49%	On-site	United Arab Emirates
N, EM	Hestia Facility Management Ltd	49%	49%	On-site	United Arab Emirates
	Teyseer Services Company	49%	49%	On-site	Qatar
N	Sodexo Kazakhstan LLP			On-site	Kazakhstan
	Restauration Française (Nouvelle-Calédonie)	60%	60%	On-site	France
	Sodexo Nouvelle-Calédonie	51%	51%	On-site	France
	Société de Catering du Nord	60%		On-site	France
	Sodexo Réunion			On-site	France
	Sodexo Singapore			On-site	Singapore
	Sodexo Malaysia			On-site	Malaysia
N	Sodexo Malaysia Cafeteria Services	50%	50%	On-site	Malaysia
	Sodexo Hong Kong			On-site	Hong Kong
N	Sodexo Japan KK			On-site	Japan
EM	Sodexo Healthcare Support Services (Thaïland)	26%	26%	On-site	Thailand
	Sodexo Korea Co Ltd			On-site	Korea
	Universal Sodexho Eurasia			On-site	United Kingdom
	Aims Corporation			On-site	Australia
	Sodexo Australia (FM) Pty Ltd			On-site	Australia
	Sodexo Asia Pacific PTE Ltd (consolidated)			On-site	Singapore
N	SPI Asia			HOL	Singapore
	Sodexo Facilities Management Services PTY			On-site	Singapore
	PT Sodexo Indonesia Llc	90%	90%	On-site	Indonesia
	Sodexo Australia (consolidated)			On-site	Australia
EM	Serco Sodexo Defence Services	50%	50%	On-site	Australia
	Sodexo Venues Australia			On-site	Australia
	Sodexo Total Support Services NZ			On-site	New Zealand

		% interest	% voting rights	Principal activity	Country
	Rugby Travel & Hospitality NZ	80%		On-site	New Zealand
	Sodexo Remote Sites Australia Pty			On-site	Australia
N	Luyjan			On-site	China
	Sodexho Tianjin Service Management Company Ltd			On-site	China
	Sodexo Shanghaï Management Services			On-site	China
	Sodexo Management Company Ltd Shanghaï			On-site	China
EM	Shanghaï SAIC Sodexho Services	49%	49%	On-site	China
	Beijing Sodexho Service Company Ltd	95%	95%	On-site	China
	Sodexo (Guangzhou)Management Services Ltd			On-site	China
	Wuhan Innovation Sodexho Services	70%	70%	On-site	China
	Shanghaï Sodexho Pass Service Ltd			Motivation	China
EM	Changchun Faw Industry Sodexo Management Services Co. Ltd	50%	50%	On-site	China
	Sodexo Amarit (Thaïland Ltd)	49%	49%	On-site	Thailand
	Sodexo Support Services (Thailand) Ltd	61%	74%	On-site	Thailand
	Sodexo Thailand Ltd	49%	49%	On-site	Thailand
	Sodexo Project Management Services India Private Ltd			On-site	India
	Sodexo Food Services India Private Ltd			On-site	India
	Sodexho FM Services India Private Ltd			On-site	India
	Universal Remote Sites Services India Pty Ltd			On-site	India
	Sodexo SVC India Private Ltd			Motivation, On-site	India
	Unisol Infraservices Private Ltd			On-site	India
	RKHS Food and Allied Services Private Ltd			On-site	India
	Sodexo Food Solutions India Private Ltd			On-site	India
	Skyline Caterers Pvt Ltd			On-site	India
	Sodexho Pass, Inc.	60%	60%	Motivation	Philippines
	Sodexo Services Liban	60%	60%	On-site	Lebanon
	Sodexo Laos Pvt Ltd			On-site	Laos
	PT Sodexo Motivation Solutions Indonesia			Motivation	Indonesia
	Sodexo International UAE			On-site	United Arab Emirates
	Tariq Alghanim	50%	50%	On-site	Kuwait
	Rogozinsky	49.5%		On-site	Israel
	Chefa Ltd	49.5%	49.5%	On-site	Israel
	Sakhalin Support Services	95%	95%	On-site	Russia
	Allied Support			On-site	Russia

KPMG S.A.
Bureau de Marseille
480 avenue du Prado
BP 303
13269 MARSEILLE CEDEX 08
France

Olivier Belnet
19, boulevard Arthur Michaud
13015 Marseille

BELLON S.A.

Statutory Auditor's report on the consolidated financial statements

Years ended August 31, 2009 and August 31, 2010
BELLON S.A.
Espace Gaymard - 2, place d'Arvieux - 13002 Marseille
This report contains 67 pages

KPMG

KPMG S.A.
Bureau de Marseille
480 avenue du Prado
BP 303
13269 MARSEILLE CEDEX 08
France

Olivier Belnet
19, boulevard Arthur Michaud
13015 Marseille

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, professional auditing standards applicable in France.

BELLON S.A.

Registered office : Espace Gaymard – 2, place d'Arvieux – 13002 Marseille
Share capital : €. 411 360

Statutory Auditors' report on the consolidated financial statements

For the years ended August 31, 2009 and August 31, 2010

To the Management Board,

In our capacity as Statutory Auditors of Bellon S.A. and in application of the (EC) ruling n° 809/2004 in the context of the planned issuance of bonds on the Luxemburg stock market, we have audited the accompanying consolidated financial statements, of Bellon S.A. for the years ended August 31, 2009 and August 31, 2010.

The Management Board is responsible for the preparation and fair presentation of these consolidated financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures, on a test basis or by other means of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements prepared for inclusion in the prospectus present fairly, in all material respects, the financial position and assets and liabilities of Bellon S.A. as of August 31, 2009 and August 31, 2010, and of the results of its operations for the years then ended in accordance with the International Financial Reporting Standards as adopted in the European Union.

Without qualifying our opinion, we draw your attention to the matter set out in Note 2.2 to the financial statements regarding the correction of the error relating to the method of accounting for Sodexo in the consolidated financial statements of Bellon S.A. for the year ended August 31, 2010 and the impact of this correction in the comparative financial information.

Marseille, July 6, 2011

KPMG S.A.

Joëlle Bouchard　　Thierry Borel　　Olivier Belnet