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Bellon S.A.

**Statutory auditors' report on the
consolidated financial statements**

Year ended August 31, 2012
Bellon S.A.
Espace Gaymard - 2, place d'Arvieux - 13002 Marseille
This report contains 62 pages



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This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the Group's management report.

This report should be read in conjunction with, and construed in accordance with, French law and 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

Year ended August 31, 2012

Ladies and Gentlemen,

In compliance with the assignment entrusted to us by your annual general meetings, we hereby report to you, for the year ended August 31, 2012, on:

- the audit of the accompanying consolidated financial statements of Bellon S.A.;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Executive Board. Our role is to express an opinion on these consolidated financial statements based on our audit.

1 Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the

consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at August 31, 2012 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

2 Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- The Company has tested goodwill and other intangible assets with an indefinite useful life for impairment, and has assessed whether assets with a finite useful life presented any indication of impairment, in accordance with the methods set out in notes 2.8 and 4.9 to the consolidated financial statements.

We have reviewed the methods used for these impairment tests, as well as the methodology applied to assess value in use based on the present value of future cash flows after tax. We have also reviewed the related documentation which was prepared in this context and the consistency of the data which was used, in particular the assumptions used in the preparation of the business plans.

- Post-employment benefits and other long-term employee benefits are measured and recognized as described in notes 2.17 and 4.17 to the consolidated financial statements and have for the most part been assessed by independent actuaries. We have reviewed the data and assumptions used by these actuaries as well as their conclusions, and have verified that note 4.17 provides appropriate information.

The aforementioned items are based on estimates and underlying assumptions that are uncertain by nature. As stated in note 2.2 to the consolidated financial statements, actual results may differ materially from such estimates in different conditions.

These assessments were made as part of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.



Olivier Belnet

Bellon S.A.
*Statutory auditors' report on the consolidated
financial statements
January 17, 2013*

3 Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

The statutory auditors

Paris La Défense, January 17, 2013

Marseille, January 17, 2013

French original signed by

French original signed by

KPMG Audit
Department of KPMG S.A.
Jean-Claude Reydel
Partner

Olivier Belnet

Bellon S.A. Consolidated Financial Statements as of August 31, 2012

1. CONSOLIDATED INCOME STATEMENT

<i>(in millions of euro)</i>	Notes	Fiscal 2012	Fiscal 2011
Revenues	3	18,236	16,047
Cost of sales	4.1	(15,396)	(13,529)
Gross profit		2,840	2 518
Sales department costs	4.1	(260)	(242)
General and administrative costs	4.1	(1,560)	(1,411)
Other operating income	4.1	15	10
Other operating costs	4.1	(53)	(25)
Operating profit	3	982	850
Interest income	4.2	65	57
Financing costs	4.2	(283)	(236)
Share of profit of companies consolidated by the equity method	3 and 4.8	18	15
Profit for the period before tax		782	686
Income tax expense	4.3	(286)	(250)
Profit for the year		496	436
Of which:			
Non controlling interests		362	310
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		134	126

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(in millions of euro)</i>	Notes	Fiscal 2011	Fiscal 2010
Profit for the year		496	436
Components of other comprehensive income to be reclassified subsequently to profit or loss			
Change in fair value of available for sale financial assets	4.10.3 and 4.14	1	0
Change in fair value of available for sale financial assets reclassified to profit or loss	4.10.3 and 4.14		
Change in fair value of cash flow hedges	4.16 and 4.14	(21)	
Change in fair value of cash flow hedges reclassified to profit or loss	4.16 and 4.14	13	14
Currency translation differences		287	(314)
Tax on components of other comprehensive income to be reclassified subsequently to profit or loss	4.14	3	(5)
Share of other components of comprehensive income of companies consolidated by the equity method, net of tax	4.14	9	1
Components of other comprehensive income that will not be reclassified subsequently to profit or loss			
Actuarial gain (loss) on defined benefit pension plans and other items	4.17.1 and 4.14	(98)	36
Tax on components of other comprehensive income that will not be reclassified subsequently to profit or loss	4.14	23	(10)
Total other comprehensive income, after tax		199	(278)
Comprehensive income		695	158
Of which:			
Equity holders of the parent		202	31
Non-controlling interests		493	127

3. CONSOLIDATED BALANCE SHEET

ASSETS

<i>(in millions of euro)</i>	Notes	August 31, 2012	August 31, 2011
Non-current assets			
Property, plant and equipment	4.4	574	513
Goodwill	4.5	5,236	4,489
Other intangible assets	4.6	563	492
Client investments	4.7	296	222
Companies consolidated by the equity method	4.8	81	70
Financial assets	4.10	101	82
Derivative financial instrument assets	4.16	26	
Other non-current assets	4.12	15	14
Deferred tax assets	4.20	169	153
TOTAL NON-CURRENT ASSETS		7,061	6,035
Current assets			
Financial assets	4.10	4	9
Derivative financial instruments	4.16	1	2
Inventories	4.11	296	252
Income tax receivable		96	72
Trade and other receivables	4.12	3,446	3,142
Restricted cash and financial assets related to the Benefits and Rewards Services activity	4.10	609	622
Cash and cash equivalents	4.13	1,451	1,465
TOTAL CURRENT ASSETS		5,903	5,564
TOTAL ASSETS		12,964	11,599

LIABILITIES AND EQUITY

<i>(in millions of euro)</i>	Notes	August 31, 2012	August 31, 2011
Shareholders' equity			
Common stock		0	0
Additional paid in capital		397	397
Reserves and retained earnings		259	65
Equity attributable to equity holders of the parent		656	462
Non-controlling interests		1,946	1,612
TOTAL SHAREHOLDERS' EQUITY	4.14	2,602	2,074
Non-current liabilities			
Borrowings	4.15	3,156	2,332
Derivative financial instruments		23	1
Employee benefits	4.17	382	282
Other liabilities	4.19	222	190
Provisions	4.18	105	62
Deferred tax liabilities	4.20	161	150
TOTAL NON-CURRENT LIABILITIES		4,049	3,017
Current liabilities			
Bank overdrafts		18	23
Borrowings	4.15	140	756
Derivative financial instruments	4.16	23	12
Income tax payable		130	120
Provisions	4.18	41	47
Trade and other payables	4.19	3,428	3,129
Vouchers payable		2,533	2,421
TOTAL CURRENT LIABILITIES		6,313	6,508
TOTAL LIABILITIES AND EQUITY		12,964	11,599

4. CONSOLIDATED CASH FLOW STATEMENT

<i>(in millions of euro)</i>	Notes	Fiscal 2012	Fiscal 2011
Operating activities			
Operating profit		981	850
Elimination of non-cash and non-operating items			
Depreciation and amortization		353	244
Provisions		(9)	(9)
Loss on disposal and other		12	15
Dividends received from companies consolidated by the equity method		16	13
Change in working capital from operating activities		56	101
Change in inventories	4.12	(7)	(32)
Change in accounts receivable		(87)	(235)
Change in trade and other payables		(10)	262
Change in vouchers payable		157	170
Change in financial assets related to the Benefits and Rewards Services activity		3	(64)
Interest paid		(238)	(176)
Interest received		21	14
Income tax paid		(253)	(233)
NET CASH PROVIDED BY OPERATING ACTIVITIES		939	819
Investing activities			
Acquisitions of property, plant and equipment and intangible assets		(308)	(242)
Disposals of property, plant and equipment and intangible assets		28	22
Change in client investments	4.7	(39)	(22)
Change in financial assets		20	12
Acquisitions of subsidiaries	4.23	(586)	(2)
Dispositions of subsidiaries		(3)	-
NET CASH USED IN INVESTING ACTIVITIES		(882)	(232)
Financing activities			
Dividends paid to parent company shareholders		(8)	(7)
Dividends paid to non-controlling shareholders of consolidated companies		(160)	(149)
Purchases of treasury shares			
Disposition of treasury shares			
Increase in capital		1	2
Decrease in capital			
Acquisition of non-controlling interests		(109)	(226)
Disposition of equity investments without loss of control		64	57
Proceeds from borrowings		775	499
Repayment of borrowings		(684)	(770)
NET CASH USED IN FINANCING ACTIVITIES		(121)	(594)
CHANGE IN NET CASH AND CASH EQUIVALENTS		(64)	(7)
Net effect of exchange rates and other effects on cash		56	(86)
Net cash and cash equivalents, beginning of period		1,441	1,534
NET CASH AND CASH EQUIVALENTS, END OF PERIOD	4.13	1,433	1,441

5. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(in millions of euro)</i>	Shares outstanding	Share capital	Share premium	Reserves and comprehensive income	Translation adjustments	Total shareholders' equity		
						Attributable to holders of the parent	Non-controlling Interests	Total
Notes				4.14				
Shareholders' equity as of August 31, 2010	25,710		397	138	(64)	471	1,740	2,211
Profit for the period				126		126	310	436
Other comprehensive income, net of tax				12	(107)	(95)	(183)	(278)
Comprehensive income				138	(107)	31	127	158
Dividends paid				(8)		(8)	(147)	(155)
Other				(32)		(32)	(108)	(140)
Shareholders' equity as of August 31, 2011	25,710		397	236	(171)	462	1,612	2,074
Profit for the period				134		134	362	496
Other comprehensive income, net of tax				(30)	98	68	131	199
Comprehensive income				104	98	202	493	695
Dividends paid				(8)		(8)	(160)	(168)
Other							1	1
Shareholders' equity as of August 31, 2012	25,710		397	332	(73)	656	1,946	2,602

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. together with the Sodexo group, 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 submitted to its Supervisory Board on December 10, 2012. They will be submitted to the Annual Shareholder’s Meeting on May 14, 2013.

1. SIGNIFICANT EVENTS

During Fiscal 2012, Bellon SA renegotiated a portion of its debt maturing during Fiscal 2012 as follows:

- The Equity Linked Swap (forward sale of Sodexo shares combined with an exchange of interest rate terms against changes in the share price) contracted with CACIB on April 12, 2011 for an amount of 70 million euro, which was due to mature on February 15, 2012
- The loan and capitalized interest contracted with CNCEP on July 4, 2004 in the amount of 467.3 million euro, which matured on July 4, 2012
- The Equity Linked Swap contracted with Société Générale on August 31, 2007 in the amount of 70 million euro, which matured on August 31, 2012.

In order to make these reimbursements, on November 15, 2011, Bellon SA signed two Equity Linked Swaps totalling 300 million euro. These two Equity Linked Swaps for an amount of 150 million euro were in place as from July 4, 2012 and will mature on July 4, 2015 and July 4, 2017.

On June 26, 2012, Bellon SA signed a private placement agreement with 11 U.S. investors in an amount of 165 million U.S. dollars and the equivalent in euro of 50 million U.S. dollars, maturing in February 2022 with the reimbursement of principal starting in February 2016.

In order to complete its financing, on August 30, 2012, Bellon SA signed an Equity Linked Swap agreement with CACIB for an amount of 70 million euro maturing on August 4, 2016.

The main acquisitions by the Group in Fiscal 2012 were as follows:

- on September 6, 2011, Sodexo acquired 100% of Puras do Brasil, number two On-Site Services operator in Brazil with revenues of approximately 500 million euro and 22,000 employees working at over 1,300 sites across the country. The acquisition has enabled Sodexo to become a leading operator in Brazil, one of the world’s largest on-site services markets, and is in line with the Group’s strategy to consolidate its position in high-potential emerging economies;
- on September 22, 2011, Sodexo SA acquired substantially 100% of Lenôtre. The acquisition of this French company will allow Sodexo to grow its portfolio of Prestige activities in France and internationally, and to develop its *savoir faire* in luxury gastronomy, thereby strengthening its customer offering. Lenôtre has revenues of around 100 million euro;
- on November 30, 2011, Sodexo acquired 100% of Roth Bros., a building services specialist operating throughout the United States. Founded in 1923, Roth Bros. offers complete HVAC Service, Roof. Management, Energy Management, Electrical Services, Roofing, HVAC Construction and Performance Contracting solutions. It has revenues of approximately 100 million U.S. dollars.

The main effects of these acquisitions on the Group’s consolidated financial statements are described in note 4.23.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of the financial statements

2.1.1 Basis of preparation of financial information for Fiscal 2011

Pursuant to European Regulation 1606/2002 of July 19, 2002, 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 the Group'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 applicable accounting standards and interpretations

The new standards, interpretations and amendments whose application was mandatory effective for the fiscal year beginning September 1, 2011 had no material impact on the Group's financial statements for Fiscal 2012:

- IAS 24 revised "Related Party Disclosures", the amendment to IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" and the amendment to IFRS 7 "Transfers of Financial Assets" had no impact on the Group's financial statements.
- The amendments to IAS 1 "Presentation of Financial Statements," IFRS 7 "Financial Instruments: Disclosures" and IFRIC 13 "Customer Loyalty Programs," resulting from the 2010 annual improvements to IFRSs adopted by the European Union in February 2011 and including amendments applicable in the fiscal year ended August 31, 2012, had no material impact on the Group's financial statements.

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 2012, except for the amendment to IAS 1 "Presentation of Financial Statements," which requires the separate presentation in the Statement of Comprehensive Income of components of other comprehensive income that will be reclassified subsequently to profit or loss and components that will not be reclassified.

IAS 19 revised "Employee Benefits," which will be applicable for Fiscal 2014, requires in particular that the expected return on plan assets be measured using the discount rate applied to measure the benefit obligation. Application of this revised standard will have a negative impact on the interest expense recorded in the Group's income statement. If it had been applied in Fiscal 2012, the negative impact on interest expense would have been approximately 9 million euro. In addition, under the revised standard, the past service cost arising from a plan amendment will be recognized as an expense for the period when the amendment occurs. Under the revised standard, the corridor method will no longer be allowed, but this will have no impact on the Group financial statements, as actuarial gains and losses are already recognized in full in other comprehensive income.

The other new and amended standards, including IFRS 10 "Consolidated Financial Statements," IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities," and the amendments to IAS 27 "Separate Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures," should have only a limited impact on the Group's financial statements. However, the practical consequences of these new rules and the impact of their application on the Group's financial statements are being examined in order to confirm this assessment.

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/index_en.htm.

2.2 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:

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

2.3 Principles and methods of consolidation

2.3.1 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.

2.3.2 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 and potential voting rights that are currently exercisable or convertible are considered. 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 has 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 or joint control based on the criteria in IAS 27, as amended, IAS 28 and the interpretation SIC 12. Based on this analysis, when the Group has significant influence or joint control, 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, 2012 is provided in note 6.

2.3.3 Foreign currency translation

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

2.3.3.1 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 the Group are reported in consolidated shareholders' equity until the disposal or liquidation of the investment.

2.3.3.2 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). 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, with effect from the fiscal year-ended August 31, 2010, the Group has applied the specific accounting requirements of this standard to the transactions of its subsidiaries operating in this country in the preparation of the consolidated financial statements.

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 rate published by the Venezuelan government, namely USD 1 = 4.3 bolivar. The financial statements of subsidiaries operating in Venezuela have consequently been translated at the rate obtained for the most recent transactions during the fiscal year. These rates were 1 U.S. dollar = 9.39 bolivars or 1 euro = 13.57 bolivars for the year ended August 31, 2011 and 1 U.S. dollar = 10.20 bolivars or 1 euro = 12.86 bolivars for the year ended August 31, 2012.

The Group considers these to be the most appropriate rates, for the following reasons:

- to better reflect the economic parity between the euro and the Bolivar 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 impact on the Group's financial statements is provided below:

	Fiscal 2012			Fiscal 2011		
	Amounts at the rate used by the Group €1 = 12.86 VEF	Proforma amounts at official rate €1 = 5.42 VEF	Impact of choice on published financial statements	Amounts used by the Group €1 = 13.57 VEF	Proforma amounts at official rate €1 = 6.21 VEF	Impact of choice on published financial statements
<i>(in millions of euro)</i>						
Revenue of Venezuelan subsidiaries	55	131	(76)	51	111	(60)
Operating income of Venezuelan subsidiaries	26	61	(35)	19	41	(22)
Net earnings of Venezuelan subsidiaries	8	19	(11)	6	13	(7)
Shareholders' equity of Venezuelan subsidiaries	27	64	(37)	14	31	(17)

2.4 Business combinations and goodwill

The purchase method is used to account for acquisitions of subsidiaries by the Group. Fair value of 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. Costs directly related to the acquisition are expensed as incurred in the income statement.

On initial 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 is the correction of an error), including recognition of deferred tax assets which are recognized in the income statement as a tax benefit if more than one year after the acquisition date. Goodwill arising on the acquisition of associates is included in the value of the equity method investment.

2.4.1 Goodwill

2.4.1.1 Acquisitions made since September 1, 2009

Any residual difference between the fair value of the consideration transferred (for example the amount paid), increased by the amount of the non-controlling equity interest in the acquired company (measured either at fair value or its share in the fair value of the identifiable assets acquired) and the fair value as of the date of acquisition of the acquired assets or liabilities assumed, is recognized as goodwill in the consolidated balance sheet.

The Group measures non-controlling equity interests on a case-by-case basis for each business combination either at fair value or based on their percentage interest in the fair value of identifiable assets acquired.

2.4.1.2 Acquisitions made between September 1, 2004 and August 31, 2009

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 has been recognized as goodwill in the balance sheet. Costs incurred and directly related to the acquisition were included in the acquisition cost and therefore in goodwill.

Goodwill is not amortized, but is subject to impairment tests immediately if there are indicators of impairment, and at least once per year. Impairment test procedures are described in note 2.8. Goodwill impairment losses recognized in the income statement are irreversible.

2.4.2 Negative goodwill

Negative goodwill represents the excess of the fair value of the assets, liabilities and contingent liabilities of the acquired entity at the acquisition date over the consideration transferred (for example the acquisition cost), increased by the amount of any non-controlling interest.

After reviewing the procedures for the 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.

2.4.3 Transactions in non-controlling interests

Changes in non-controlling interests, in the absence of either assumption or loss of control, are recognized in shareholders' equity. In particular, when additional shares in an entity already controlled by the Group are acquired, the difference between the acquisition cost of the shares and the share of net assets acquired is recognized in Equity attributable to equity holders of the parent. The consolidated value of the assets and liabilities of the subsidiary (including goodwill) remains unchanged.

Prior to September 1, 2009, goodwill was recognized as of the date of acquisition of non-controlling interests, representing the excess of the cost of acquisition of the shares over their carrying value as of the transaction date.

2.4.4. Adjustments and/or earn-outs

Since September 1, 2009, earn-outs related to business combinations are recognized at their fair value as of the date of acquisition even if they are considered to be not probable. After the date of acquisition, changes in estimates of the fair value of price adjustments are adjusted to goodwill only if they occur within the time period allowed (a maximum of one year as of the date of acquisition) and if they result from facts and circumstances that existed at the acquisition date. In all other cases, the change is recognized in profit and loss or in equity in accordance with the applicable IFRS standard.

2.4.5 Step acquisitions

In a step acquisition, the fair value of Group's previous interest in the acquired entity is measured at the date that control is obtained and is recognized in profit and loss. In determining the amount of goodwill recognized, the fair value of the consideration transferred (for example the price paid) is increased by the fair value of the interest previously held by the Group.

2.5 Intangible assets

Separately acquired intangible assets are initially measured at cost. Intangible assets acquired in connection with a business combination and which (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	3-7 years
Other software	3-4 years
Patents and licenses	2-10 years
Client relationships	3-20 years
Other intangible assets	3-20 years

Acquired trademarks with a finite useful life are generally amortized over a period of less than ten years. Trademarks that the Group considers as having an indefinite useful life are not amortized.

In view of the legal characteristics of French commercial leases, lease rights are considered as having an indefinite useful life and are not amortized.

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.

2.6 Property, plant and equipment

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.

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.

2.7 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.

2.8 Impairment of assets

2.8.1 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.

2.8.2 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.

2.8.2.1 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 performed at the level of the CGU or group of CGUs corresponding to the lowest level at which goodwill is monitored by the Group. This level generally corresponds to one of the Group's two main operating segments, with the On-site Services activity further segmented into geographic regions. Goodwill is not tested for impairment at a higher level than the operating segment (see note 3).

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.

2.8.2.2 Indications of impairment

The main indicators that a CGU may be impaired are a significant decrease in revenues and operating profit of the CGU or material changes in market trends.

2.8.2.3 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) by the Group 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 operating 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 calculated for the Group. For certain CGUs or groups of CGUs a premium is added to the average cost of capital in order to reflect the greater risk factors affecting certain countries.

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.

2.8.3 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.

2.9 Client investments

Some client contracts provide for a financial contribution by Sodexo. For example, the Group may participate in financing the purchase of equipment or fixtures on the client site that are necessary to fulfill service obligations, or it may make a financial contribution that will be recovered over the life of the contract. These assets are generally amortized over a period of less than 10 years, but may be amortized over a longer period depending on the contract duration. The amortization is recognized as a reduction to revenues over the life of the contract.

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

2.10 Inventories

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

2.11 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.

2.12 Financial instruments

Financial assets and liabilities are recognized in the statement of financial position on the transaction date, which is the date 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.

2.12.1 Financial assets

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 in other comprehensive income. When an available-for-sale financial asset is sold or impaired, the cumulative fair value adjustment recognized in other comprehensive income is transferred to the income statement. For securities listed on an active market, fair value is considered to equal market value. If no active market exists, fair value is generally determined based on appropriate financial criteria for the specific security. 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 recognized in the balance sheet at fair value and subsequently 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.

2.12.2 Derivative financial instruments

Group's policy is to finance the majority of acquisition costs insofar as possible in the currency of the acquired entity, generally at fixed rates of interest.

Most 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.

These derivative financial instruments are initially recognized in the balance sheet at fair value, as 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.

For Cash Flow Hedges, the necessary documentation is prepared at inception and updated at each period end. Gains or losses arising on the effective portion of the hedge are recognized in other comprehensive income, 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.

2.12.3 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 made prior to September 1, 2009 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.

2.12.4 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.

2.13 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.

2.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying non-current asset are included in the cost of that asset. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying non-current asset are recognized as an expense using the effective interest method.

2.15 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 their 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.

2.16 Provisions

A provision is recognized if (i) the Group 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 (excluding income taxes) arising in the course of operating activities, and are measured 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.

2.17 Employee benefits

2.17.1 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.

2.17.2 Post-employment benefits

The Group measures and recognizes post-employment benefits as follows:

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

The Group 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 other comprehensive income, 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 defined benefit-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.

2.17.3 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 and past service costs related to an amendment to an existing plan or to the creation of a new plan are recognized immediately in the income statement.

2.18 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.

2.19 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, the Group 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.

2.20 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 or in other comprehensive income are recognized in shareholders' equity or in other comprehensive income and not in the income statement.

Residual deferred tax assets on temporary differences and 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.

2.21 Trade and other payables

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

2.22 Income statement

2.22.1 Income statement by function

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.

Other operating income and expenses include amortization and impairment losses on client relationships and trademarks, impairment losses on goodwill, and gains and losses on disposals of property, plant and equipment, intangible assets and consolidated subsidiaries.

2.22.2 Revenues

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 Services (previously, 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;
- Benefits and Rewards Services (previously, 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.

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 income is recognized if there is significant uncertainty about recoverability of the costs incurred or to be incurred in meeting the service obligation.

Foodservices and other on-site services revenues are recognized when the service is rendered.

Commissions received from clients in the Benefits and Rewards Services activity are recognized when the vouchers are issued and sent to the client or the cards are credited. Commissions received from affiliates are recognized when the vouchers are reimbursed or the cards are used. Profits from unreimbursed vouchers and cards are recognized based on their expiration date and the deadline for presentation for reimbursement by the affiliate.

2.22.3 Income tax expense

In connection with the 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 to recognize in income tax expense the portion of the CET related to the *Cotisation sur la Valeur Ajoutée des Entreprises* (tax on corporate value added tax paid).

2.23 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

The Group's activities monitored by the chief operating decision maker as follows: On-site Services (previously On-site Service Solutions) and Benefits and Rewards Services (previously Motivation Solutions). The On-site Services activity is further segmented by geographic region.

Operating segments with similar economic characteristics, including similar long-term average gross margins, are aggregated in a single operating segment.

On-site Services activities in South America, Asia and Australia, Africa, the Middle East and China are aggregated within the On-site Services – Rest of the World operating segment, as they operate in emerging economies and therefore have certain shared economic characteristics. In addition, none of these countries or regions meets the quantitative threshold for separate reporting under paragraph 13 of IFRS 8.

The Group's operating segments are as follows:

- On-site Services operating segments:
 - North America,
 - Continental Europe,
 - United Kingdom & Ireland,
 - Rest of the World;
- Benefits and Rewards Services.

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

3.1 By operating activity

Fiscal 2012 <i>(in millions of euro)</i>	On-site Services				Total	Benefits and Rewards Services	Corporate expenses	Eliminations	Total
	North America	Continental Europe	United Kingdom and Ireland	Rest of the World					
Revenues (third-party)	6,730	5,646	1,543	3,577	17,496	740			18,236
Inter-segment sales (Group)						16		(16)	0
TOTAL	6,730	5,646	1,543	3,577	17,496	756		(16)	18,236
Segment operating profit	346	215	106	126	793	290	(85)	(16)	982
Share of profit of associates	1	3	3	11	18				18
Net financing costs									(218)
Income tax expense									(286)
Non-controlling interests									362
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT									134
Depreciation/amortization of tangible and intangible assets	62	106	83	53	304	27	22		353
Other non-cash items	6	3	1	2	12	2	5		19

Fiscal 2011 <i>(in millions of euro)</i>	On-site Services				Total	Benefits and Rewards Services	Corporate expenses	Elimination	Total
	North America	Continental Europe	United Kingdom and Ireland	Rest of the World					
Revenues (third-party)	6,005	5,473	1,245	2,624	15,347	700			16,047
Inter-segment sales (Group)						17		(17)	0
TOTAL	6,005	5,473	1,245	2,624	15,347	717		(17)	16,047
Segment operating profit	304	247	59	84	694	262	(89)	(17)	850
Share of profit of associates	1	2	3	9	15				15
Net financing costs									(179)
Income tax expense									(250)
Non-controlling interests									310
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT									126
Depreciation/amortization of tangible and intangible assets	48	101	26	33	208	25	14		247
Other non-cash items	6	3	1	2	12	1	4		17

3.2 By significant country

The Group's operations are spread across 80 countries, three of which have significant revenues: France (the 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, 2012 <i>(in millions of euro)</i>	France	United States	Others	Total
Revenues (third-party)	2,775	6,366	9,095	18,236
Non-current assets ⁽¹⁾	924	2,785	2,960	6,669

As of and for the year ended August 31, 2011 <i>(in millions of euro)</i>	France	United States	Others	Total
Revenues (third-party)	2,684	5,676	7,687	16,047
Non-current assets ⁽¹⁾	842	2,375	2,498	5,715

3.3 By type of service

Revenues by type of service are as follows:

<i>(in millions of euro)</i>	Fiscal 2012	Fiscal 2011
Food services	12,756	11,275
Facilities Management services	4,740	4,072
Total On-site Services revenues	17,496	15,347
Benefits and Rewards Services	756	717
Eliminations	(16)	(17)
TOTAL CONSOLIDATED REVENUES	18,236	16,047

4. NOTES TO THE FINANCIAL STATEMENTS AS OF AUGUST 31, 2011

4.1 Operating expenses by nature

<i>(in millions of euro)</i>	Fiscal 2012	Fiscal 2011
Depreciation, amortization and impairment losses	(357)	(229)
Employee costs		
• Wages and salaries	(6,449)	(5,745)
• Other employee costs ⁽¹⁾	(1,905)	(1,681)
Purchases of consumables and change in inventory	(5,734)	(5,106)
Other operating expenses ⁽²⁾	(2,809)	(2,436)
TOTAL	(17,254)	(15,197)

(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 (370 million euro for Fiscal 2012 and 331 million euro for Fiscal 2011), fees, other purchases of consumables, other sub-contracting costs and travel expenses.

	Fiscal 2012	Fiscal 2011
By function		
Cost of sales	(15,396)	(13,529)
Sales department costs	(260)	(242)
General and administrative costs	(1,560)	(1,411)
Other operating income	15	10
Other operating expenses ⁽¹⁾	(53)	(25)
TOTAL	(17,254)	(15,197)

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

4.2 Finance income and expense

<i>(in millions of euro)</i>	Fiscal 2012	Fiscal 2011
Gross borrowing cost ⁽¹⁾	(225)	(175)
Interest income from short-term bank deposits and equivalent	9	12
Net borrowing cost	(216)	(163)
Interest income from loans and receivables at amortized cost	6	5
Other interest income	3	
Other interest expense	(7)	(5)
Net foreign exchange (losses)/gains	(7)	(4)
Net impairment (losses)/reversals		1
Expected return on defined-benefit plan assets	42	39
Interest cost on defined-benefit plan obligation	(39)	(35)
Foreign-exchange adjustment for hyperinflation	(4)	(5)
Change in fair value of derivative financial instruments not qualified for hedge accounting	(1)	(6)
Other	(5)	(6)
Net financing costs	(218)	(179)
Interest income component	65	57
Financial expense component	(283)	(236)

(1) Gross borrowing cost represents interest expense on financial liabilities reflected at amortized cost and interest expense on hedging instruments.

4.3 Income tax expense

4.3.1 Income tax rate reconciliation

<i>(in millions of euro)</i>	Fiscal 2012	Fiscal 2011
Profit for the period before tax	781	686
Share of profit of companies consolidated by the equity method	(18)	(15)
Accounting profit before tax	763	671
Tax rate applicable to the Group	36.10%	34.43%
Theoretical income tax expense ⁽¹⁾	275	(231)
Effect of jurisdictional tax rate differences	39	25
Permanently non-deductible expenses or non-taxable income	16	(3)
Other tax repayments/(charges), net	(24)	(17)
Tax loss carry-forwards used or recognized during the period but not recognized as a deferred tax asset in prior periods	3	6
Tax loss carry-forwards arising during the period but not recognized as a deferred tax asset	(14)	(19)
Actual income tax expense	(275)	(239)
Withholding taxes	(11)	(11)
TOTAL INCOME TAX EXPENSE	(286)	(250)

(1) Tax rate of 36.10% takes into account the exceptional contribution, instated in December 2011, for period ending as of August 31, 2012 and 2013, for companies with revenues (or revenues of the group integrating the company) above 250 millions euros.

4.3.2 Components of income tax expense

<i>(in millions of euro)</i>	Fiscal 2012	Fiscal 2011
Current income taxes	(266)	(243)
Adjustments to current income tax payable in respect of prior periods	2	(1)
Provision for tax exposures	(5)	4
Utilization of tax credits, tax losses and temporary difference carry-forwards	29	15
Sub-total: current income taxes	(240)	(225)
Deferred taxes on temporary differences arising or reversing during the period	(53)	(21)
Deferred taxes on changes in tax rates or liability for taxes at new rates	(1)	(1)
Utilization of tax credits, tax losses and tax loss carry-forwards	17	8
Sub-total: deferred taxes	(35)	(14)
ACTUAL INCOME TAX EXPENSE	(275)	(239)

Accruals for withholding taxes on dividends receivable recognized by the Group in Fiscal 2012 amounted to 1 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, decreased from 35.4% for Fiscal 2011 to 34.9% for Fiscal 2012.

4.4 Property, plant and equipment

4.4.1 Analysis of property, plant and equipment

The tables below include assets held under finance leases.

<i>(in millions of euro)</i>	Land and Buildings	Plant and equipment	Construction in progress and other	Total
Carrying amount – August 31, 2010	69	371	91	531
Increases during the fiscal year	9	177	8	194
Decreases during the fiscal year	(1)	(16)	(1)	(18)
Assets classified as held for sale				
Newly consolidated companies				
Newly deconsolidated companies				
Depreciation expense	(9)	(150)	(14)	(173)
Impairment losses recognized in profit or loss	(1)	(1)	(2)	(4)
Impairment losses reversed in profit or loss		2		2
Translation adjustment	(1)	(12)	(5)	(18)
Other	3	4	(8)	(1)
Carrying amount – August 31, 2011	69	375	69	513
Increases during the fiscal year	3	174	30	207
Decreases during the fiscal year	(7)	(12)	(2)	(21)
Assets classified as held for sale				
Newly consolidated companies	21	27	1	49
Newly deconsolidated companies				
Depreciation expense	(16)	(162)	(21)	(199)
Impairment losses recognized in profit or loss				
Impairment losses reversed in profit or loss	1			1
Translation adjustment	4	18	4	26
Other	21	(7)	(16)	(2)
Carrying amount – August 31, 2012	96	413	(65)	(574)

<i>(in millions of euro)</i>	August 31, 2012	August 31, 2011
Cost	1,728	1,483
Accumulated depreciation and impairment	(1,154)	(970)
Carrying amount	574	513

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.

<i>(in millions of euro)</i>	Buildings	Plant and equipment	Construction in progress and other	Total
Carrying amount				
August 31, 2010	11	53	4	68
August 31, 2011	8	45	2	55
August 31, 2012	6	46	1	53

<i>(in millions of euro)</i>	August 31, 2012	August 31, 2011
Cost	143	159
Accumulated depreciation and impairment	(90)	(104)
Carrying amount	53	55

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

4.5 Goodwill

<i>(in millions of euro)</i>		August 31, 2011	Additions during the period	Dispositions during the period	Translation adjustment	Other	August 31, 2012
On-site Services North America	Gross	1,997	33		296		2,326
	Impairment						
On-site Services United Kingdom and Ireland	Gross	523	12		61		596
	Impairment						
On-site Services Continental Europe	Gross	954	21		13		988
	Impairment						
On-site Services Rest of the World	Gross	210	390		(36)		564
	Impairment						
Benefits and Rewards Services	Gross	599			(42)		557
	Impairment	(2)					(2)
Sodexo	Gross	206					206
	Impairment						
Other	Gross	2					2
	Impairment						
	GROSS	4,491	456		292		5,239
TOTAL	IMPAIRMENT	(2)					(2)

Goodwill recognized in Fiscal 2012 on acquisitions made during the year related to Puras do Brasil in Brazil (390 million euro), Lenôtre in France (15 million euro), Roth Bros. in the United States (33 million euro), Atkins Facilities Management Limited (renamed Sodexo Property Solutions Limited) in the United Kingdom (12 million euro) and RI.CO.S.RL. in Italy (6 million euro).

<i>(in millions of euro)</i>		August 31, 2010	Additions during the period	Dispositions during the period	Translation adjustment	Other	August 31, 2011
On-site Services North America	Gross	2,275			(278)		1,997
	Impairment						
On-site Services United Kingdom and Ireland	Gross	561			(38)		523
	Impairment						
On-site Services Continental Europe	Gross	952			3	(1)	954
	Impairment						
On-site Services Rest of the World	Gross	226			(16)		210
	Impairment						
Benefits and Rewards Services	Gross	620			(21)		599
	Impairment	(2)					(2)
Sodexo	Gross	206					206
	Impairment						
Other	Gross	2					2
	Impairment						
	GROSS	4,842			(350)	(1)	4,491
TOTAL	IMPAIRMENT	(2)					(2)

No significant acquisition was made in Fiscal 2011.

4.6 Intangible assets

The tables below show movements in intangible assets during Fiscal 2011 and Fiscal 2012.

<i>(in millions of euro)</i>	Licenses and software	Other intangible assets	Total
Carrying amount – August 31, 2010	94	433	527
Increases during the fiscal year	34	27	61
Decreases during the fiscal year	0	(2)	(2)
Newly consolidated companies			
Newly deconsolidated companies			
Assets classified as held for sale			
Amortization expense	(33)	(36)	(69)
Impairment losses recognized in profit or loss		(5)	(5)
Impairment losses reversed in profit or loss		5	5
Translation adjustment	(4)	(21)	(25)
Other	1	(1)	0
Carrying amount – August 31, 2011	92	400	492
Increases during the fiscal year	47	12	59
Decreases during the fiscal year	4		(4)
Assets classified as held for sale			
Newly consolidated companies	2	163	165
Newly deconsolidated companies			
Amortization expense	(38)	(99)	(137)
Impairment losses recognized in profit or loss		(18)	(18)
Impairment losses reversed in profit or loss			
Translation adjustment	3	3	6
Other	3	(3)	0
Carrying amount – August 31, 2012	105	458⁽¹⁾	563

(1) Including trademarks and lease rights with an indefinite useful life for 48 million euro at August 31, 2012.

<i>(in millions of euro)</i>	August 31, 2012	August 31, 2011
Cost	975	812
Accumulated amortization and impairment	(412)	(320)
Carrying amount	563	492

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

<i>(in millions of euro)</i>	Fiscal 2012	Fiscal 2011
Carrying amount – September 1	222	228
Increases during the period	95	69
Decreases during the period	(56)	(48)
Translation adjustment	34	(27)
Other	1	
Carrying amount – August 31	296	222

4.8 Companies consolidated by the equity method

When the Group is legally obligated to pay on behalf of companies consolidated by the equity method, provision is made under liabilities in the balance sheet for its share in the negative shareholders' equity of the said companies (see note 4.18). Changes in the Group's share of the net assets of its associates in Fiscal 2012 and Fiscal 2011 are shown below:

<i>(in millions of euro)</i>	August 31, 2011		Profit/(loss)		Changes in scope of consolidation	Other movements ⁽¹⁾	Translation adjustment	August 31, 2012	
	Positive amounts	Negative amounts	for the period	Dividend paid for the period				Positive amounts	Negative amounts
Doyon Universal Services	14.2		1.2	(0.9)			2.1	16.6	
Groupe Crèches Attitude	14.1		1.7	(0.7)				15.1	
NANA	11.1		1.4	(1.5)		0.8	1.6	13.4	
BAS	7.8		2.7	(1.7)			1.1	9.9	
SERCO Sodexo Defense Services PTY LTD	9.6		7.1	(8.3)			1.0	9.4	
Zehnacker	4.4		0.9	(0.7)				4.6	
Catalyst Healthcare (Manchester) Holdings Ltd	2.1		0.6				0.4	3.1	
South Manchester Healthcare (Holdings) Ltd	2.2		0.8	(1.0)		0.5	0.3	2.8	
Catalyst Healthcare (Roehampton) Holdings Ltd		(4.9)	0.3			(1.7)	(0.6)		(6.9)
Addiewell Prison (Holdings) Ltd		(3.5)	0.8	(0.7)		(2.7)	(0.5)		(6.6)
Peterborough Prison Management (Holdings) Ltd		(3.3)	0.4	(0.1)		(2.2)	(0.5)		(5.7)
Ashford Prison Services Holdings Ltd		(3.0)	0.2	(0.1)		(1.5)	(0.4)		(4.8)
Agecroft Prison Management Ltd		(2.5)	0.1				(0.3)		(2.7)
HpC King's College Hospital (Holdings) Ltd		(1.5)	(0.2)				(0.1)		(1.8)
Enterprise Healthcare (Holdings) Ltd		(1.2)	0.1	(0.1)		(0.4)	(0.2)		(1.8)
Other	4.9	(1.4)	(0.1)	(0.4)	0.7 ⁽²⁾	(0.1)	0.2	6.3	(2.5)
TOTAL	70.4	(21.3)	18.0	(16.2)	0.7	(7.3)	4.1	81.2	(32.8)

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

(2) Corresponding to the disposal of the Group participation in the company PPP Catalyst Romford Havering au Royaume-Uni.

<i>(in millions of euro)</i>	August 31, 2010		Profit/(loss) for the period	Dividend paid for the period	Changes in scope of consolidation	Other movements ⁽¹⁾	Translation adjustment	August 31, 2011	
	Positive amounts	Negative amounts						Positive amounts	Negative amounts
Doyon Universal Services	16.0		1.0	(0.8)			(2.0)	14.2	
Groupe Crèches Attitude	13.7		0.7	(0.5)		0.2		14.1	
NANA	12.4		1.1	(1.5)		0.6	(1.5)	11.1	
SERCO Sodexo Defense Services PTY LTD	8.2		5.0	(4.1)			0.5	9.6	
BAS	7.2		3.0	(2.0)			(0.4)	7.8	
Zehnacker	4.3		1.1	(1.2)		0.2		4.4	
South Manchester Healthcare (Holdings) Ltd	1.0		1.2	(0.4)		0.5	(0.1)	2.2	
Catalyst Healthcare (Manchester) Holdings Ltd	3.9		(0.3)	(1.2)			(0.3)	2.1	
Catalyst Healthcare (Roehampton) Holdings Ltd		(5.2)	0.3			(0.4)	0.4		(4.9)
Addiewell Prison (Holdings) Ltd		(4.0)	0.5	(0.6)		0.3	0.3		(3.5)
Peterborough Prison Management (Holdings) Ltd		(3.9)	0.3	(0.2)		0.2	0.3		(3.3)
Ashford Prison Services Holdings Ltd		(3.6)	0.2			0.2	0.2		(3.0)
Agecroft Prison Management Ltd		(2.7)	0.1				0.1		(2.5)
HpC King's College Hospital (Holdings) Ltd		(2.3)	0.7				0.1		(1.5)
Enterprise Healthcare (Holdings) Ltd		(1.3)	0.1			(0.1)	0.1		(1.2)
Other	4.6	(0.5)	0.2	(0.6)			(0.2)	4.9	(1.4)
TOTAL	71.3	(23.5)	15.2	(13.1)		1.7	(2.5)	70.4	(21.3)

(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%	736	738	(2)	32	1
Catalyst Healthcare (Manchester) Holdings Ltd*	UK	25%	613	595	18	56	2
Healthcare Support (North Staffs) Holdings Ltd*	UK	25%	530	525	5	37	(1)
BAS (Chili)*	Chile	33.33%	142	112	30	29	8
Addiewell Prison (Holdings) Ltd	UK	33.33%	141	161	(20)	28	2
HpC King's College Hospital (Holdings) Ltd*	UK	25%	120	133	(13)	26	(1)
Peterborough Prison Management (Holdings) Ltd*	UK	33.33%	118	135	(17)	34	1
Catalyst Healthcare (Roehampton) Holdings Ltd*	UK	25%	117	145	(28)	14	2
South Manchester Healthcare (Holdings) Ltd*	UK	25%	110	98	11	33	3
Mercia Healthcare (Holdings) Ltd*	UK	25%	109	105	4	15	3
Ashford Prison Services Holdings Ltd*	UK	33.33%	88	102	(15)	28	1
Enterprise Healthcare (Holdings) Ltd*	UK	10%	63	81	(18)	15	1
NANA (Sodexo, Inc.)*	USA	43.60%	59	27	31	155	5
Serco Sodexo Defence Services PTY LTD	Australia	50%	58	39	19	229	14
Pinnacle Schools (Fife) Holdings Ltd*	UK	10%	56	52	4	4	1
Agecroft Prison Management Ltd	UK	50%	53	58	(5)	38	0
Enterprise Education (Holdings) Conwy Ltd*	UK	10%	50	56	(6)	4	0

* Project companies established in connection with Public-Private Partnership (PPP) contracts (see note 2.3.2.).

4.9 Impairment of assets

Impairments of 39 million euro were recognized on tangible and intangible assets as of August 31, 2012 (22 million euro as of August 31, 2011). The net charge for the year was 17 million euro (2 million euro for Fiscal 2011).

Assets with indefinite useful lives were tested for impairment as of August 31, 2012 using the methods described in note 2.8.2.

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 (impairments are recognized in other operating charges):

Economic region	2012		2011	
	Discount rate ⁽¹⁾	Long-term growth rate ⁽²⁾	Discount rate ⁽¹⁾	Long-term growth rate ⁽²⁾
Continental Europe ⁽¹⁾	8.5% to 11%	2%	9.3% to 11.3%	2.0%
North America	8.5%	2.5%	9.3%	2.5%
United Kingdom and Ireland	8.5%	2.5%	9.3%	3.3%
Rest of World ⁽¹⁾	9.5% to 11%	3.3% to 4.2%	11.8%	3.5% to 5.5%
Benefits and Rewards Services	11%	3.6%	11.8%	3.2%

(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.

The results of this sensitivity analysis indicated no probable scenario where a change in the discount rate or long-term growth rate would result in the recoverable amount of a CGU becoming less than its carrying amount. In fact, the results of the impairment testing demonstrate that even an increase of 2 percentage points in the discount rate or a reduction of 2 percentage points in the long term growth rate would not result in an impairment of the assets tested.

The Group also performed a sensitivity analysis in order to determine whether a 5% decrease in projected net cash flows for the period 2013-2015 and in terminal value would result in the recognition of an impairment loss in the Group's consolidated financial statements at August 31, 2012. The results of this analysis indicated no risk of impairment for any of the CGUs.

4.10 Financial assets

4.10.1 Non-current financial assets

<i>(in millions of euro)</i>	August 31, 2012	August 31, 2011
Available-for-sale financial assets		
<i>Investments in non-consolidated companies</i>		
Cost	6	5
Impairment	(2)	(1)
Carrying amount	4	4
Loans and receivables		
<i>Receivables from investees</i>		
Cost	55	46
Impairment	(1)	(1)
Carrying amount	54	45
<i>Loans and deposits</i>		
Cost	43	33
Impairment		0
Carrying amount	43	33
TOTAL NON-CURRENT FINANCIAL ASSETS	101	82
Cost	104	84
Impairment	(3)	(2)
Carrying amount	101	82

4.10.2 Current financial assets

<i>Current (in millions of euro)</i>	August 31, 2012	August 31, 2011
Available-for-sale financial assets		
<i>Restricted cash and other financial assets: Motivation Solutions activity</i>		
Cost	609	622
Impairment		
Carrying amount	609	622
Loans and receivables		
<i>Loans and deposits</i>		
Cost	5	10
Impairment	(1)	(1)
Carrying amount	4	9
TOTAL CURRENT FINANCIAL ASSETS	613	631
Cost	614	632
Impairment	(1)	(1)
Carrying amount	613	631

Restricted cash of 386 million euro included in "Restricted cash and financial assets: Benefits and Rewards Services activity," primarily includes funds set aside to comply with regulations governing the issuance of service vouchers in France (244 million euro), India (59 million euro) and Romania (29 million euro), and contractual guarantees given to public-sector clients in Venezuela (19 million euro). The funds remain the property of Sodexo but are subject to restrictions on their use – they may not be used for any purpose other than to reimburse affiliates and must be kept separate from the Group's unrestricted cash. Restricted cash is invested in interest-bearing instruments.

4.10.3 Changes in current and non-current financial assets

<i>(Carrying value in millions of euro)</i>	August 31, 2011	Increase/ (decrease) during the period	Impairment	Change in scope of consolidation	Change in fair value	Translation adjustment and other items	August 31, 2012
Available-for-sale financial assets	626	(3)	(1)		1	(11)	612
Loans and deposits	87	(9)		15		8	101
TOTAL	713	(12)	(1)	15	1	(3)	713

<i>(Carrying value in millions of euro)</i>	August 31, 2010	Increase/(decrease) during the period	Impairment	Change in scope of consolidation	Change in fair value	Translation adjustment and other items	August 31, 2011
Available-for-sale financial assets	582	64				(20)	626
Loans and deposits	112	(20)	2			(7)	87
TOTAL	694	44	2			(27)	713

Changes in fair value of available-for-sale financial assets were recognized in other comprehensive income during Fiscal 2012 and Fiscal 2011 and the amounts were negligible.

4.10.4 Details of impairment recognized in financial assets

	August 31, 2011	Impairment	Releases	Change in scope of consolidation	Translation adjustment and other items	August 31, 2012
Available-for-sale financial assets	1	1				2
Loans and deposits	2					2
TOTAL	3	1				4

	August 31, 2010	Impairment	Releases	Change in scope of consolidation	Translation adjustment and other items	August 31, 2011
Available-for-sale financial assets	1					1
Loans and deposits	18		(2)		(14)	2
TOTAL	19		(2)		(14)	3

4.11 Inventories

<i>(in millions of euro)</i>	August 31, 2011	Increase/(decrease) during the period	Change in scope of consolidation	Translation adjustment and other items	August 31, 2012
Cost	255		7	20	298
Impairment	(3)			1	(2)
Carrying amount	252		7	20	296

<i>(in millions of euro)</i>	August 31, 2010	Increase/(decrease) during the period	Change in scope of consolidation	Translation adjustment and other items	August 31, 2011
Cost	237		33	(1)	255
Impairment	(2)		(1)		(3)
Carrying amount	235		32	(1)	252

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

<i>(in millions of euro)</i>	Gross amount as of August 31, 2012	Allowance as of August 31, 2012	Carrying amount as of August 31, 2012	Gross amount as of August 31, 2011	Allowance as of August 31, 2011	Carrying amount as of August 31, 2011
Other non-current assets	15	0	15	14	0	14
Total other non-current assets	15	0	15	14	0	14
Advances to suppliers	5	0	5	5	0	5
Trade receivables	3,150	(102)	3,048	2,868	(89)	2,779
Other operating receivables	277	(5)	272	223	(6)	217
Prepaid expenses	114	0	114	133	0	133
Non-operating receivables	6	0	6	7	0	7
Assets held for sale	0	0	0	1	0	1
TOTAL TRADE AND OTHER RECEIVABLES	3,552	(107)	3,445	3,237	(95)	3,142

The maturities of trade receivables as of August 31, 2012 and August 31, 2011 respectively were as follows:

	2012		2011	
	Gross amount	Allowance	Gross amount	Allowance
Breakdown of trade receivables due as of August 31:				
Less than 3 months due	462	(6)	482	(5)
More than 3 months and less than 6 months due	150	(25)	131	(10)
More than 6 months and less than 12 months due	24	(6)	35	(7)
More than 12 months due	75	(60)	72	(46)
TOTAL TRADE RECEIVABLES DUE as of August 31	711	(97)	720	(68)
TOTAL TRADE RECEIVABLES NOT YET DUE as of August 31	2,439	(5)	2,148	(21)
TOTAL TRADE RECEIVABLES as of August 31	3,150	(102)	2,868	(89)

During the fiscal years presented, 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 depreciated.

4.13 Cash and cash equivalents

<i>(in millions of euro)</i>	August 31, 2012	August 31, 2011
Marketable securities	537	447
Cash	914	1,018
Sub-total: cash and cash equivalents	1,451	1,465
Bank overdrafts	(18)	(23)
NET CASH AND CASH EQUIVALENTS	1,433	1,442

Marketable securities, totaling 537 million euro at August 31, 2012 (447 million euro as of August 31, 2011), comprised:

<i>(in millions of euro)</i>	August 31, 2012	August 31, 2011
Short-term notes	362	323
Term deposits	108	98
Listed bonds	11	6
Mutual funds and other	56	20
Total marketable securities	537	447

Around 78% of the Group's cash, together with the restricted cash and financial assets of the Benefits & Rewards Services activity, is held with A1 or A2-rated financial institutions.

Cash and cash equivalents at the period end were not subject to any restrictions.

4.14 Statement of changes in shareholders' equity

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

<i>(in millions of euro)</i>	Available-for-sale financial assets	Cash Flow Hedges	Actuarial adjustments and other	Currency translation adjustments	Total other items recognized in OCI (Group share)
Shareholders' equity as of August 31, 2010	0	(10)	(15)	(43)	(68)
Increase (decrease) during the year, pre-tax		5	12	(107)	(90)
Income tax benefit (expense)		(2)	(3)		(5)
Increase (decrease) during the year, net of tax		3	9	(107)	(95)
Shareholders' equity as of August 31, 2011	0	(7)	(6)	(150)	(163)
Increase (decrease) during the year, pre-tax		(7)	(34)	99	58
Income tax benefit (expense)		2	8		10
Increase (decrease) during the year, net of tax		(5)	(26)	99	68
Shareholders' equity as of August 31, 2012	0	(12)	(32)	(51)	(95)

(1) Including deferred tax related to hedging instruments recognized in other comprehensive income for equity method companies and presented in the line item "Share of other components of comprehensive income of companies consolidated by the equity method, net of tax" in the consolidated Statement of Comprehensive Income.

4.15 Borrowings

<i>(in millions of euro)</i>	August 31, 2012		August 31, 2011	
	Current	Non-current	Current	Non-current
Bond issues				
Euro	43	1,383	43	1,385
Bank borrowings ⁽¹⁾				
US dollar	21	1,002	17	760
Brazilian real	44	0	51	46
Euro	3	713	605	73
Other currencies	1	0	3	0
	69	1,715	676	879
Finance lease obligations				
US dollar	0	1	0	0
Brazilian real	0	0	1	0
Euro	6	13	7	18
Other currencies	14	18	11	21
	20	32	19	39
Other borrowings ⁽²⁾				
Euro	2	24	12	24
Other currencies	6	2	6	5
	8	26	18	29
TOTAL EXCLUDING DERIVATIVE FINANCIAL INSTRUMENTS	140	3,156	756	2,332
Net fair value of financial instruments ⁽³⁾	22	(3)	10	1
TOTAL INCLUDING DERIVATIVE FINANCIAL INSTRUMENTS	161	3,154	766	2,333

(1) Including the proceeds of the two private bond placements with U.S. private investors (respectively USD 500 million and USD 600 million).

(2) Including 20 million euro as of August 31, 2012 (34 million euro as of August 31, 2011) corresponding to liabilities recognized in connection with the commitments to repurchase the non-controlling interests in certain subsidiaries.

(3) Described in note 4.16.

For borrowings other than bond issues, amortized cost is equivalent to historical cost (nominal amount) insofar as no significant transaction costs are incurred.

4.15.1 Bond issues

	August 31, 2011	Increases	Repayments	Discounting effects and other	Translation adjustment	August 31, 2012
2007 bond issue – €500 million						
Principal	500					500
Debt issuance costs	(1)					(1)
Accrued interest	10					10
TOTAL	509					509
<i>Effective rate</i>	<i>4.55%</i>					<i>4.55%</i>
2009 bond issue – €880 million						
Principal	880					880
Debt issuance costs and issue premium	7			(2)		5
Accrued interest	32					32
TOTAL	919			(2)		917
<i>Effective rate</i>	<i>5.97%</i>					<i>5.97%</i>
TOTAL	1,428			(2)		1,426

	August 31,2010	Increases	Repayments	Discounting effects and other	Translation adjustment	August 31,2011
2007 bond issue – €500 million						
Principal	500					500
Debt issuance costs	(1)					(1)
Accrued interest	10					10
TOTAL	509					509
<i>Effective rate</i>	<i>4.55 %</i>					<i>4.55 %</i>
2009 bond issue - €880 million						
Principal	880					880
Debt issuance costs and issue premium	8			(1)		7
Accrued interest	32					32
TOTAL	920			(1)		919
<i>Effective rate</i>	<i>5.97 %</i>					<i>5.97 %</i>
TOTAL	1,429			(1)		1,428

4.15.1.1 500 million euro bond issue

On March 30, 2007, Sodexo SA 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.

4.15.1.2 880 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

4.15.2.1 Loan agreement with the CNCEP

On June 15, 2004, Bellon SA entered into a loan agreement for 413 million euro with the CNCEP. The loan had a fixed term through July 4, 2012 and paid interest annually at a rate of 4.78%. This loan was reimbursed on July 4, 2012.

4.15.2.2 Loan for 70 million euro with Calyon

On July 23, 2007, Bellon SA entered into a loan agreement with Calyon for 70 million euro.

This loan matures on July 31, 2014 and pays interest annually at a rate of 5.49%.

4.15.2.3 Equity linked swap with Société Générale

On August 29, 2007, Bellon SA entered into a contract with Société Générale for an equity linked swap for a notional amount of 70 million euro. This financing matured on August 31, 2012 and paid interest based on the 3 month EURIBOR rate plus a margin of 45 basis points. An interest rate swap was entered into as of the same date. The fixed interest rate was 4.429%. This loan was reimbursed on August 31, 2012.

4.15.2.4 Equity linked swap with CACIB

On April 12, 2011, Bellon SA entered into with CACIB an Equity Linked Swap (ELS) agreement (forward sale of Sodexo shares with a swap exchanging changes in interest rates for changes in Sodexo share prices) for an initial amount of 40 million euro with a maturity date of June 30, 2011. On this date, the financing amount was increased to 70 million euro with a maturity date of December 31, 2011. This financing paid interest at the 3 month EURIBOR rate plus a margin of between 55 basis points and 85 basis points. This loan was reimbursed on February 25, 2012.

4.15.2.5 Equity linked swap with Natixis

On November 15, 2011, Bellon SA signed two Equity Linked Swaps with Natixis for a total amount of 300 million euro. These two ELS, each in the amount of 150 million euro had a start date of July 4, 2012 and mature on July 4, 2015 and July 4, 2017, respectively. An interest rate swap agreement was also put into place which set the interest rates at 3.875% for the 3-year ELS and 4.89% for the 5-year ELS.

4.15.2.6 Equity linked swap with CACIB

On August 30, 2012, Bellon SA signed an Equity Linked Swap agreement (forward sale of Sodexo shares with a swap exchanging changes in interest rates for changes in Sodexo share prices) for an amount of 70 million euro with a maturity date of August 4, 2016. The interest rate is equal to the 3-month Euribor plus 240 basis points. At the end of November 2012 an interest rate swap was put in place bringing the interest rate to 2.965% for the term of the loan.

4.15.2.7 Loans for 165 million U.S. dollars and the equivalent in euro of 50 million U.S. dollars

On June 26, 2012, Bellon SA borrowed 165 million U.S. dollars in a U.S. Private Placement transaction with U.S. investors (U.S.P.P.). This financing was made at a U.S. dollar interest rate of 5.20% and matures in full in February 2022 with amortization of the principal starting in February 2016.

A currency swap was arranged with three banks (CACIB, Natixis and Société Générale) as follows:

- A tranche of 82.5 million U.S. dollars with CACIB at a rate of 4.93%;
- A tranche of 49.5 million U.S. dollars with Natixis at a rate of 4.985%;
- A tranche of 33 million U.S. dollars with Société Générale at a rate of 5.00%.

On June 26, 2012, Bellon SA borrowed the euro equivalent of 50 million U.S. dollars in a U.S. Private Placement transaction with U.S. investors (U.S.P.P.). This financing was made at a euro interest rate of 5.525% and matures in full in February 2022 with amortization of the principal starting in February 2016.

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

The loan agreement signed in 2007 with Calyon, the November 2011 ELS with Natixis, the August 2012 ELS with CACIB, as well as the U.S.P.P. financings and the currency swap arrangements all contain terms that are customary for loans of this nature made to a holding company. These conditions mainly include the following:

- the ratio of revalued assets to revalued net financial debt must be greater than 2 for the U.S.P.P. borrowings and 1.25 for the Calyon contract
- the ratio of dividends to net financial expense must be greater than 1.1 for the U.S.P.P. borrowings and the banks having participated in the currency swaps, and greater than 1 for the Calyon contract

- total borrowings must be lower than 1 billion euro at any point in time
- Bellon SA's assets must include 90% Sodexo shares
- Sodexo's rating should not be lower than BBB-

As of August 31, 2012, Bellon SA was in compliance with its covenants.

4.15.2.8 July 2011 multicurrency confirmed credit facility

On July 18, 2011, Sodexo SA contracted a multicurrency credit facility for a maximum of 600 million euro plus 800 million U.S. dollars. This facility originally matured on July 18, 2016, this maturity being extendable on application by Sodexo SA and subject to lenders' consent until July 2017, and then until July 2018. In June 2012, the lenders agreed to extend the maturity to July 18, 2017 for 188 million euro of the euro tranche and 253 million U.S. dollars of the dollar tranche, with the balance of each tranche maturing on July 18, 2016 as originally agreed. Amounts drawn on this facility carry floating interest indexed on the LIBOR and EURIBOR rates. This credit facility is not subject to any covenants.

As of August 31, 2011, no amounts had been used on this facility, which therefore remained available in its entirety.

As of August 31, 2012, the euro tranche had been utilized in the amount of 235 million euro.

4.15.2.9 Loans for 500 million U.S. dollars and 600 million U.S. dollars

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

This financing was structured in three tranches:

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

On March 29, 2011, Sodexo SA borrowed 600 million U.S. dollars at a fixed rate of interest from U.S. investors.

This financing is structured in three tranches:

- 250 million U.S. dollars at a fixed rate of 4.24% and redeemable in March 2018;
- 225 million U.S. dollars at a fixed rate of 4.85% and redeemable in March 2021;
- 125 million U.S. dollars at a fixed rate of 4.95% and redeemable in March 2023.

These two loans are subject to two financial covenants that are calculated by reference to the consolidated financial statements of the Sodexo 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.

If the covenants are not met, the lenders may, with a qualified majority, require early reimbursement of these borrowings.

The Group was compliant with these covenants as of August 31, 2012, February 29, 2012 and August 31, 2011.

4.15.2.10 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, to be reimbursed over five years, with a final maturity in April 2013. Given the repayments made during the period, these loans amounted to 106 million reals (41 million euro) as of August 31, 2012. These two loans are not subject to any financial covenants.

4.15.2.11 Interest rate

In order to comply with the Group's 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, 2012, 98% of Sodexo's borrowings were at fixed rate. The average rate of interest as of the same date was 5.9%.

As of August 31, 2011, 98% of Sodexo's borrowings were at fixed rate. The average rate of interest as of the same date was 5.7%.

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 and change-in-control clauses which apply to all of the borrowings.

4.15.3 Maturity of borrowings

August 31, 2012 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 – More than 5 years	More than 5 years	Total
Bond issues	0	32	11	1,383		1,426
Bank borrowings*	39	0	30	1,044	672	1,785
Finance lease obligations	2	1	17	29	3	52
Other borrowings	3	0	5	26	0	34
TOTAL	44	33	63	2,482	675	3,297

- * Excluding the impact of derivative financial instruments 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, 2012 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 – More than 5 years	More than 5 years	Total
Bond issues	0	55	24	1,516	0	1,595
Bank borrowings	45	8	72	1,287	751	2,163
Finance lease obligations	3	2	18	33	3	59
Other borrowings	3	0	7	29	0	39
Impact of derivative financial instruments excluding those related to the PPP companies (note 4.16)	22	1	15	89	(4)	123
TOTAL	73	66	136	2,954	750	3,979

August 31, 2011 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 – More than 5 years	More than 5 years	Total
Bond issues	0	32	11	1,385	0	1,428
Bank borrowings*	49	70	557	414	465	1,555
Finance lease obligations	2	1	16	35	4	58
Other borrowings	3	1	14	28	1	47
TOTAL	54	104	598	1,862	470	3,088

- * Excluding the impact of derivative financial instruments described in note 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, 2011 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 – More than 5 years	More than 5 years	Total
Bond issues	0	55	24	1,595	0	1,674
Bank borrowings	55	70	584	569	553	1,831
Finance lease obligations	3	2	17	40	4	66
Other borrowings	3	1	16	32	1	53
Impact of derivative financial instruments excluding those related to the PPP companies (note 4.16)	3	3	2	3	0	11
TOTAL	64	131	643	2,239	558	3,635

4.16 Financial instruments

Financial instruments (in millions of euro)	August 31, 2012			August 31, 2011		
	Fair value	Notional amount	Face value	Fair value	Notional amount	Face value
Currency instruments				(5)		
Assets	Trading	(2)		2		6
Liabilities	Cash Flow Hedge			(1)		6
Liabilities	Trading	(2)	(13)	(6)		(21)
Interest rate instruments⁽¹⁾				(4)		
Assets	Cash Flow Hedge					
Liabilities	Trading	(16)	(300)	(4)	(256)	
Liabilities	Cash Flow Hedge					
Cross-currency swaps⁽²⁾		(17)				
Assets	Cash Flow Hedge	19	215			
Assets	Trading	8	96			
Liabilities	Cash Flow Hedge	(16)				
Liabilities	Trading	(12)	(130)			
Net derivative financial instruments		(19)	(119)	(13)	(9)	(256)
			(13)			(9)

(1) Relates to two equity-linked swaps put in place with Natexis and described in note 4.15.2.5.

(2) Relates to three cross-currency euro-BRL swaps with notional value of 710 million BRL for which accrued interest of 23 million euro is recognized as a liability, and three cross-currency euro-USD swaps with a notional value of 165 million U.S. dollars.

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.

4.16.1 Currency derivative financial instruments

Contractual nominal maturities:

August 31, 2012 (in millions of euro)	< 1 year	1 to 5 years	> 5 years	Total
Financial liabilities in foreign currencies				
UK Sterling (GBP)	(45)			(45)
Brazilian Real (BRL)	(57)	(284)		(341)
Czech Crown (CZK)	(48)	(6)		(54)
U.S. dollar (USD)			(135)	(135)
Others	(13)	(6)	(1)	(20)
TOTAL	(163)	(296)	(136)	(595)
Financial assets in foreign currencies				
UK Sterling (GBP)	45			45
Brazilian Real (BRL)	33	311		344
Czech Crown (CZK)	48	6		54
U.S. dollar (USD)			130	130
Others	13	5	1	19
TOTAL	139	322	131	592
Currency derivative financial instruments				
UK Sterling (GBP)				
Brazilian Real (BRL)	(24)	27		3
Czech Crown (CZK)				
U.S. dollar (USD)			(5)	(5)
Others		(1)		(1)
TOTAL	(24)	26	(5)	(3)

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 in the amount of 300 million euro with Natixis, Bellon S.A. entered into a swap to fix the interest rate at 3.875% for the ELS maturing in July 2015 and at 4.89% for the ELS maturing in July 2017. These derivative financial instruments are 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, 2012, the fair value of these swaps was -5.6 million euro and -10 million euro, respectively.

In order to hedge its exposure to variations in the LIBOR rate applied to reimbursements on the 2005 multi-currency confirmed line of credit, which has terminated in July 2011, the Group entered into a series of swaps to fix the interest rate on a portion of its outstanding borrowings. These swaps matured in February 2012 and their fair value as of August 31, 2011 was 4 million euro.

During Fiscal 2012, an amount of 13 million euro (14 million euro in Fiscal 2011) was recycled from other comprehensive income to financial expense.

Changes in fair value of cash flow hedging instruments, recognized in other comprehensive income, were as follows (in millions of euro):

Cumulative changes in fair value of financial assets on instruments designated as hedges as of August 31, 2010	(46)
Change in fair value for the period	0
Share in the change in fair value of derivative instruments held by companies consolidated by the equity method ⁽¹⁾	1
Fair value items recognized in financial income or expense	14
Total changes recognized in other comprehensive income	15
Translation adjustments and other	
Cumulative changes in fair value of financial assets on instruments designated as hedges as of August 31, 2011	(31)
Change in fair value for the period	(21)
Share in the change in fair value of derivative instruments held by companies consolidated by the equity method ⁽¹⁾	(12)
Fair value items recognized in financial income or expense	13
Total changes recognized in other comprehensive income	(20)
Translation adjustments and other	
Cumulative changes in fair value of financial assets on instruments designated as hedges as of August 31, 2012	(51)

(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.

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

4.17 Long-term employee benefits

<i>(in millions of euro)</i>	August 31, 2012	August 31, 2011
Net plan assets*	(0)	(0)
Defined-benefit plans	228	155
Other long-term employee benefits	154	127
Employee benefits	382	282

* Included in other non-current assets in the balance sheet.

4.17.1 Post-employment benefits

4.17.1.1 Defined-contribution plans

Under a defined-contribution plan, periodic contributions are made to an external entity that is responsible for the administrative and financial management of the plan. Under such a plan, the employer is relieved of any future obligation (the external entity is responsible for paying benefits to employees as they become due and the employer is not required to make additional payments related to prior or current years if the entity does not have sufficient funds).

Contributions to defined-contribution plans recognized in operating expenses were 343 million euro for Fiscal 2012 compared to 268 million euro for Fiscal 2011.

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

4.17.1.2 **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 liabilities 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.

Following the introduction of new regulations in the United Kingdom, in October 2011 the Group elected to calculate future indexation adjustments to the benefits payable by Sodexo UK to certain members of its pension plan based on the consumer price index (CPI) instead of the retail price index (RPI) applied previously. Retrospective application of the CPI to the vested rights of plan members concerned by the change led to a 26 million euro reduction in the projected benefit obligation that was recorded in operating income in Fiscal 2012.

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 fully recognized 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 consolidated statement of financial position.

Sodexo 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 consolidated statement of financial position for defined-benefit plans are as follows:

<i>(in millions of euro)</i>	August 31, 2012	August 31, 2011
Net plan assets*	(0)	(0)
Net defined-benefit plan liabilities**	228	155

* Reported in "Other non-current assets" in the consolidated statement of financial position

** Reported as a liability in the consolidated statement of financial position under "Employee benefits".

These amounts are detailed below:

<i>(in millions of euro)</i>	August 31, 2012	August 31, 2011
Present value of funded obligations	834	655
Fair value of plan assets	(732)	(606)
Present value of partially funded obligations	102	49
Present value of unfunded obligations	130	111
Unrecognized past service cost	(4)	(5)
Other unrecognized amounts		
NET OBLIGATION IN THE BALANCE SHEET	228	155

As described in note 2.17.2, the Group recognizes actuarial gains and losses arising during the period, net of deferred taxes, in the statement of comprehensive income.

Cumulative actuarial gains and losses reported in the statement of comprehensive income as of August 31, 2012 represented a net actuarial loss of 123 million euro. Cumulative actuarial gains and losses recognized in other comprehensive income as of August 31, 2011 represented a net actuarial loss of 25 million euro. This change in actuarial losses, which led to a 117 million euro increase in the projected benefit obligation, resulted primarily from the decline in interest rates in the United Kingdom, where most of the obligation is held, partially offset by actuarial gains arising from changes in other assumptions such as the rate of inflation, which led to a 44 million euro reduction in the projected benefit obligation in the United Kingdom.

Defined benefit plan assets comprise:

<i>(in millions of euro)</i>	August 31, 2012	August 31, 2011
Equities	134	105
Bonds	106	76
Insurance and other	453	379
Real estate	30	32
Cash	9	14
TOTAL	732	606

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

<i>(in millions of euro)</i>	August 31, 2012	August 31, 2011
Current service cost	23	24
Interest cost	39	35
Expected return on plan assets	(42)	(39)
Curtailments and settlements	(1)	(3)
Amortization of unrecognized past service cost and other	(25)	0
NET EXPENSE	(6)	17

Amortization of unrecognized past service cost primarily includes the impact in the United Kingdom of applying the Consumer Price Index (CPI) to calculate pension benefit increases instead of the Retail Price Index (RPI) used previously, for 26 million euro. This amount is reported in operating income.

The net gain of 6 million euro in Fiscal 2012 (net expense of 17 million euro in Fiscal 2011) is recorded on the following lines:

- net gain of 1 million euro (net expense of 9 million euro in Fiscal 2011) in cost of sales;
- net gain of 2 million euro (net expense of 12 million euro in Fiscal 2011) in general and administrative costs;
- the balance of 3 million euro (the effect of discounting the obligation 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 and fair value of the plan's assets are shown below:

<i>(in millions of euro)</i>	Fiscal 2012	Fiscal 2011
Obligation as of September 1	766	802
Current service cost	23	24
Interest cost	39	35
Actuarial (gains)/losses	118	(30)
Past service cost	(26)	3
Effect of curtailments and settlements	(1)	(7)
Contributions made by plan members	5	5
Benefits paid from plan assets	(20)	(17)
Benefits paid other than from plan assets	(8)	(9)
Business combinations	4	0
Translation differences	65	(40)
Other	(1)	
OBLIGATION AS OF AUGUST 31	964	766

The fair value of plan assets has evolved as follows:

	Fiscal 2012	Fiscal 2011
Fair value of assets as of September 1	606	588
Expected return on assets	42	39
Employer's contributions	21	22
Actuarial (gains)/losses	20	6
Effect of curtailments and settlements	0	(4)
Contributions made by plan members	5	5
Benefits paid from plan assets	(20)	(17)
Business combinations	0	0
Translation differences	58	(33)
Other	0	0
FAIR VALUE OF ASSETS AS OF AUGUST 31	732	606

	Fiscal 2012	Fiscal 2011
Net present value of bonds	964	766
Fair value of plan assets	732	606
DEFICIT (SURPLUS)	232	160
Experience adjustments on liabilities	1	1
Experience adjustments on assets	20	6

The following assumptions were used for actuarial valuations for the principal countries as of August 31, 2012 and 2011:

As of August 31, 2012	France	The Netherlands	United Kingdom	Italy
Discount rate*	2.5% - 3.5%	3%	4.5% 1.75% - 2.25%	
Salary inflation rate**	2.5% - 3%	2%	2.1% - 3.1%	N/A
General inflation rate	2%	2%	2.1% - 3.1% ⁽³⁾	2%
Rate of return on plan assets	2.5% - 3.5%	3.6%	5%	N/A
Amount of obligation in balance sheet (in millions of euro)	55	21	42	32
<i>(1) Discount rates in each country have been adapted to reflect the term of the plans.</i>				
<i>(2) The salary inflation rate disclosed includes general inflation.</i>				
<i>(3) Retail price index (RPI): 3.1%; Consumer Price Index (CPI): 2.1%</i>				

As of August 31, 2011	France	The Netherlands	United Kingdom	Italy
Discount rate*	3.75% - 4.5%	4.5%	5.4% 2.50% - 3.50%	
Salary inflation rate**	3%	2.5%	3.5%	N/A
General inflation rate	2%	2%	3.5%	2%
Rate of return on plan assets	4.5%	5%	7%	N/A
Amount of obligation in balance sheet (in millions of euro)	37	9	17	32
<i>(1) Discount rates in each country have been adapted to reflect the term of the plans.</i>				
<i>(2) The salary inflation rate disclosed includes general inflation.</i>				

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 would bring the gross obligation to 1,174 million euro (compared to 963 million euro with the assumptions used as of August 31, 2012), while an increase of 0.5% in the long-term inflation rate would increase the gross obligation to 1,031 million euro. The Group has elected to recognize actuarial gains and losses directly in other comprehensive income.

The actual return on plan assets in Fiscal 2012 was 62 million euro, compared with an expected return of 42 million euro.

Based on estimates derived from reasonable assumptions, Sodexo will pay 25 million euro into defined-benefit plans in Fiscal 2013.

The United Kingdom plan is regularly evaluated by the plan's actuary in compliance with UK law. A formal actuarial evaluation by the plan's actuary is required to be conducted every three years, and any shortfall identified at that time must be addressed through mutual agreement between the plan's trustees and Sodexo UK. At the end of 2011, Sodexo UK consulted the members of its pension plan in order to freeze benefit accruals for certain members. The consultation process led to the signature, in October 2012, of an agreement between the plan's trustees and Sodexo UK whereby from November 1, 2012 the plan would remain open only to employees who transferred to Sodexo UK from the public sector, as Sodexo UK has a legal obligation to pay them certain benefits. Sodexo UK also agreed to pay annual contributions of 10 million pounds over the five years from January 1, 2013 as part of the 12-year plan to address the funding shortfall. Over the same period, it is expected that the regular contributions made by Sodexo will decrease given that only public sector members will be able to obtain new benefits under the terms of the agreement. Lastly, in October 2012, Sodexo SA issued a parent company guarantee to the Trustee in order to cover Sodexo UK's obligations in connection with the plan. This guarantee is for up to 100 million pounds sterling for a duration of 12 years.

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

<i>(in millions of euro)</i>	August 31, 2011	August 31, 2011
Other long-term employee benefits	154	127

The total expense recognized with respect to these benefits in Fiscal 2012 was 23 million euro (20 million euro for Fiscal 2011), of which 1.6 million euro (2.2 million euro for Fiscal 2011) relates to a deferred compensation program in the United States, reported in financial expense.

4.18 Provisions

<i>(in millions of euro)</i>	August 31, 2011	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, 2012
Tax and social security exposures	31	13	(3)	(4)		15		52
Employee claims and litigation	28	12	(11)	(4)	1	4		30
Contract termination and loss-making contracts	6	4	(4)		1	4		11
Client/supplier claims and litigation	14	3	(5)	(1)		1		12
Negative net assets of associates*	21				12			33
Other provisions	9	2	(2)	(2)	1			8
TOTAL PROVISIONS	109	34	(25)	(11)	15	24	0	146

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

<i>(in millions of euro)</i>	August 31, 2010	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, 2011
Tax and social security exposures	30	10	(3)	(7)	1			31
Employee claims and litigation	27	16	(15)	(3)	3			28
Contract termination and loss-making contracts	21	5	(14)	(3)	(3)			6
Client/supplier claims and litigation	14	7	(5)	(1)	(1)			14
Negative net assets of associates*	23	0	0	0	(2)			21
Other provisions	11	4	(4)	0	(2)			9

TOTAL PROVISIONS	126	42	(41)	(14)	(4)	109
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* 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:

<i>(in millions of euro)</i>	August 31, 2012		August 31, 2011	
	Current	Non-current	Current	Non-current
Tax and social security exposures	8	44	14	17
Employee claims and litigation	18	12	17	11
Contract termination and loss-making contracts	6	5	4	2
Client/supplier claims and litigation	7	5	9	5
Negative net assets of associates*	0	33	0	21
Other provisions	2	6	3	6
TOTAL	41	105	47	62

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

4.19 Trade and other payables

<i>(in millions of euro)</i>	August 31, 2012	August 31, 2011
Other non-current liabilities	222	190
TOTAL OTHER NON-CURRENT LIABILITIES	222	190
Advances from clients	237	286
Trade payables	1,792	1,526
Employee-related liabilities	1,014	906
Tax liabilities	228	218
Other operating liabilities	72	68
Deferred revenues	59	62
Other non-operating liabilities	26	63
TOTAL TRADE AND OTHER CURRENT PAYABLES	3,428	3,129
TOTAL TRADE AND OTHER PAYABLES	3,650	3,319

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

<i>(in millions of euro)</i>	Carrying value	Undiscounted contractual value
Maturities of trade and other payables		
Less than three months	2,570	2,570
More than three months and less than six months	227	227
More than six months and less than twelve months	535	535
More than one year and less than five years	266	279
More than five years	52	71
TOTAL TRADE AND OTHER PAYABLES	3,650	3,682

4.20 Deferred taxes

<i>(in millions of euro)</i>	August 31, 2012	August 31, 2011
Deferred tax assets	169	153
Deferred tax liabilities	(161)	(150)
DEFERRED TAX ASSETS (NET)	8	3

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 totaled 48 million euro (37 million euro as of August 31, 2011), including 6 million euro generated by subsidiaries prior to their acquisition (5 million euro as of August 31, 2011).

Deferred taxes comprise:

<i>(in millions of euro)</i>	August 31, 2011	Deferred tax benefit/(expense)	Deferred tax	August 31, 2012
			recognized in other comprehensive income	
• Employee-related liabilities	157	(6)	23	174
• Fair value of financial instruments	1	(8)	3	9
• Other temporary differences	(193)	(42)	7	(228)
• Tax loss carry-forwards	38	21	(6)	53
NET DEFERRED TAX ASSETS (LIABILITIES)	3	(35)	26	8

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.

4.21 Financial instruments

The table below presents the categories of financial instruments, their carrying value, and their fair value, by balance sheet item.

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.

<i>(in millions of euros)</i>	Category	Note	August 31, 2012		Level for instruments at fair value			
			Carrying value	Fair value	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	Financial assets at fair value through profit and loss	4.13	537	537	67	470		537
Restricted cash and financial assets related to the Motivation Solutions activity	Available-for-sale financial assets	4.10	609	609	78	531		609
Clients and other receivables	Loans and receivables at amortized cost	4.12	3,445	3,445				
Other financial assets	Available for sale financial assets	4.10	4	N/A				
	Loans and receivables at amortized cost	4.10	101	101				
Derivative financial instruments, assets	Financial assets at fair value through profit and loss	4.10						
		4.16	27	27		27		27

<i>(in millions of euros)</i>	Category	Note	August 31, 2012		Level for instruments at fair value			
			Carrying value	Fair value	Level 1	Level 2	Level 3	Total
Bond issues ⁽¹⁾	Financial liabilities at amortized cost	4.15	1,426	1,560				
Bank borrowings	Financial liabilities at amortized cost	4.15	1,785	1,899				
Other borrowings and financial debts	Financial liabilities at amortized cost	4.15	86	86				
Bank overdrafts	Financial liabilities at amortized cost		18	18				
Trade and other payables	Financial liabilities at amortized cost	4.19	3,427	3,427				

Vouchers payable	Financial liabilities at amortized cost		2,533	2,533				
Derivative instruments, liabilities		4.16	46	46		46		46

(1) Fair value is calculated on the basis of listed bond prices as of August 31, 2012.

Financial assets (in millions of euro)	Category	Note	August 31, 2011		Level for instruments at fair value			Total
			Carrying value	Fair value	Level 1	Level 2	Level 3	
Cash and cash equivalents	Financial assets at fair value through profit and loss	4.13	447	447	26	421		447
Restricted cash and financial assets related to the Motivation Solutions activity	Available-for-sale financial assets	4.10	622	622	93	529		622
Clients and other receivables	Loans and receivables at amortized cost	4.12	3,142	3,142				
Other financial assets	Available for sale financial assets	4.10	4	4				
	Loans and receivables at amortized cost	4.10	87	87				
	Financial assets at fair value through profit and loss	4.10	0	0				
Derivative financial instruments, assets		4.16	2	2		2		2

Financial liabilities (in millions of euro)	Category	Note	August 31, 2011		Level for instruments at fair value			Total
			Carrying value	Carrying value	Level 1	Level 2	Level 3	
Bond issues ⁽¹⁾	Financial liabilities at amortized cost	4.15	1,428	1,543				
Bank borrowings	Financial liabilities at amortized cost	4.15	1,555	1,555				
Other borrowings and financial debts	Financial liabilities at amortized cost	4.15	105	105				
Bank overdrafts	Financial liabilities at amortized cost		23	23				
Trade and other payables	Financial liabilities at amortized cost	4.19	3,129	3,129				
Vouchers payable	Financial liabilities at amortized cost		2,421	2,421				
Derivative instruments, liabilities		4.16	13	13		13		13

(1) Fair value is calculated on the basis of listed bond prices as of August 31, 2011.

There was no transfer between the different levels between Fiscal 2011 and 2012.

4.22 Share-based payment

The Sodexo Board of Directors has granted payment to 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:

- stock options are generally granted at the same time of the year and their exercise price has no discount;
- contractual life of options: 6-7 years;
- vesting of options is conditional on employment by the Sodexo Group and, for plans after 2007, on an average annual growth rate in Sodexo Group net income of at least 6% at constant exchange rates over a period of three years. However, this performance condition applies only to a portion (varying between 0 and 50%) of the stock options granted to each beneficiary, with the exception of the Sodexo Chief Executive Officer, whose entire grant is conditional on performance, with the remaining options vesting in equal tranches over a period of four years.

4.22.2 Measurement model applied and assumptions used

Estimation of fair value at the grant date

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.

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)	Maturity (years)	Risk-free interest rate(%)	Expected dividend yield (%)	Expected life (years)
January 17, 2007	47.82 euro	29.42%	6	4.18%	2.81%	5
January 17, 2007	47.82 euro	29.42%	7	4.18%	2.81%	5
April 24, 2007	55.36 euro	28.23%	6	4.37%	2.79%	5
April 24, 2007	55.36 euro	28.23%	7	4.37%	2.79%	5
September 11, 2007	47.17 euro	28.54%	6	4.04%	2.75%	5
January 7, 2008	42.27 euro	28.85%	7	4.01%	2.75%	6
January 7, 2008	42.27 euro	28.85%	6	3.95%	2.75%	5
September 9, 2008	45.56 euro	29.48%	7	4.15%	2.75%	6
September 9, 2008	45.56 euro	29.48%	6	4.11%	2.75%	5
January 19, 2009	39.40 euro	37.16%	7	3.28%	3.00%	6
January 19, 2009	39.40 euro	37.16%	6	2.90%	3.00%	5
January 11, 2010	39.88 euro	28.50%	7	2.97%	3.00%	6
January 11, 2010	39.88 euro	28.50%	6	2.45%	3.00%	5
December 13, 2010	48.37 euro	25.00%	7	3.27%	3.00%	6
December 13, 2010	48.37 euro	25.00%	6	2.63%	3.00%	5
December 13, 2011	51.40 euro	24.00%	7	3.48%	3.00%	6
December 13, 2011	51.40 euro	24.00%	6	2.85%	3.00%	5

The expected life of the options is incorporated into the binomial model based on beneficiary behavior expected over the contractual life of the options and 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.

Effective for plans granted in 2008, the expected volatility is based on a weighted average of the historical volatility of the shares observed over the life of the option and the implicit volatility expected in the marketplace.

The risk-free interest rate is the rate on Government bonds (with reference to Iboxx rates in the euro zone) 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 will exercise their options once the Sodexo share price exceeds 20% of the exercise price,
 - 50% of grantees will exercise their options once the Sodexo share price exceeds 40% of the exercise price;
- grantees not resident in France for tax purposes:
 - 30% of grantees will exercise their options once the Sodexo share price exceeds 20% of the exercise price,
 - 30% of grantees will exercise their options once the Sodexo share price exceeds 40% of the exercise price,
 - 30% of grantees will exercise their options once the Sodexo share price exceeds 70% of the exercise price,
 - 10% of grantees will exercise their options once the Sodexo share price exceeds 100% of the exercise price.

4.22.3 Initial charge and movements during Fiscal 2012

The stock option expense recognized in the Fiscal 2012 income statement was 19 million euro, compared to 17 million euro in Fiscal 2011.

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

	August 31, 2012		August 31, 2011	
	Number	WAP (in euro)	Number	WAP (in euro)
Outstanding at the beginning of the period	6,439,038	43.17	6,703,643	40.83
Granted during the period	2,046,950	51.40	1,734,700	48.37
Forfeited during the period	(170,057)	46.39	(852,501) ⁽²⁾	42.36
Exercised during the period	(1,499,392) ⁽¹⁾	42.48	(1,143,248) ⁽³⁾	38.04
Expired during the period			(3,556)	23.08
Outstanding at the end of the period	6,816,539	45.71	6,439,038	43.17
Exercisable at the end of the period	2,013,706	42.38	1,944,228	43.26

(1) The weighted average share price at the exercise date of options exercised in the period was 56.81 euro.

(2) Including options cancelled due to non-satisfaction of performance conditions for 2008 plans.

(3) The weighted average share price at the exercise date of options exercised in the period was 51.15 euro.

The weighted average residual life of options outstanding as of August 31, 2012 was 4.2 years (August 31, 2011: 4.1 years).

The weighted average fair value of options granted during the year was 10.43 euro per share (Fiscal 2011: 11.21 euro).

The exercise prices and exercise period for options outstanding as of August 31, 2012 are provided in the table below:

Date of grant	Start date of exercise period	Expiration date of exercise period	Exercise price	Number of options outstanding as of August 31, 2011
January 2007	January 2008	January 2013	47.82 euro	109,174
January 2007	January 2008	January 2014	47.82 euro	254,870
April 2007	April 2008	April 2013	55.36 euro	1,602
April 2007	April 2008	April 2014	55.36 euro	0
September 2007	September 2008	September 2013	47.17 euro	0
January 2008	January 2009	January 2015	42.27 euro	173,168
January 2008	January 2009	January 2014	42.27 euro	147,331
September 2008	September 2009	September 2015	45.56 euro	15,000
September 2008	September 2009	September 2014	45.56 euro	1,875
January 2009	January 2010	January 2016	39.40 euro	581,188
January 2009	January 2010	January 2015	39.40 euro	459,057
January 2010	January 2011	January 2017	39.88 euro	620,013
January 2010	January 2011	January 2016	39.88 euro	866,810
December 2010	December 2011	December 2017	48.37 euro	672,400
December 2010	December 2011	December 2016	48.37 euro	933,401
December 2011	December 2012	December 2018	51.40 euro	821,850
December 2011	December 2012	December 2017	51.40 euro	1,158,800
TOTAL				6,816,539

4.22.4 Plans awarded following the acquisition of Sodexo Marriott Services

The Group committed to delivering 3,044,394 Sodexo Alliance shares to Sodexo, Inc. employees at an average price of 29.01 U.S. dollars per share under stock option plans assumed in connection with the June 2001 acquisition of 53% of the capital of Sodexo Marriott Services, Inc. As of August 31, 2012, 2,897 of these shares were still deliverable.

All of these remaining options are exercisable prior to November 2012.

These option plans are 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, 2012		August 31, 2011	
	Number	WAP (in \$)	Number	WAP (in \$)
Outstanding at the beginning of the period	11,415	29.99	81,895	28.98
Granted during the period				
Forfeited during the period			(520)	28.14
Exercised during the period	(8,518) ⁽¹⁾	29.99	(69,960) ⁽²⁾	28.82
Expired during the period				
Outstanding at the end of the period	2,897	29.99	11,415	29.99
Exercisable at the end of the period	2,897	29.99	11,415	29.99

(1) The weighted average share price at the exercise date of options exercised in the period was 74.80 U.S. dollars.

(2) The weighted average share price at the exercise date of options exercised in the period was 65.32 U.S. dollars.

The table below gives the exercise price of options outstanding as of August 31, 2012:

Date of grant	Exercise price (in \$)	Number of options outstanding as of August 31, 2012
November 6, 1997	29.99	2,897

4.23 Business combinations

The main acquisitions for the year are described in note 1 – Significant Events. The following table shows the values of the acquired assets and assumed liabilities at the acquisition date, based on the preliminary allocation as of August 31, 2012:

(in millions of euro)	Provisional fair value
Intangible assets	165
Property, plant and equipment	49
Other non-current assets	15
Trade receivables ⁽¹⁾	94
Other current assets	38
Cash and cash equivalents	28
Long-term borrowings	(13)
Other non-current liabilities	(41)
Deferred taxes, net	(4)
Short-term borrowings	(49)
Other current liabilities	(117)
Total identifiable net assets	165
Goodwill	456
Consideration transferred⁽²⁾	(621)
Cash acquired	28
Change in contingent consideration	7
IMPACT ON THE CASH FLOW STATEMENT	(586)

(1) Corresponding to a gross amount of 101 million euro.

(2) Price paid or payable in cash, including contingent consideration estimated at 6 million euro.

These companies' contribution to consolidated revenue for the period was 714 million euro and their contribution to consolidated profit was not material.

Intangible assets mainly comprise client relationships, trademarks and favorable leases. The amortization period for these assets has been determined to be between 3 and 15 years, depending on the estimated attrition rate for client contracts and the probable useful life of trademarks, except for trademarks considered as having an indefinite useful life. The excess of the acquisition price over the total fair value of the identifiable net assets acquired is recognized as goodwill.

Goodwill recognized during the year primarily relates to Puras do Brasil in Brazil, Roth Bros. in the United States, and Lenôtre in France.

Goodwill mainly reflects the premium paid for the acquired company's expertise and skilled workforce as well as its future earnings stream.

No material acquisitions were made in the prior year.

4.24 Commitments and contingencies

4.24.1 Sureties

As of August 31, 2012:

- 9,974,234 Sodexo shares were pledged to Natixis,
- 1,976,404 Sodexo shares were pledged to Société Générale
- 1,565,495 Sodexo shares were pledged to Calyon
- 2,237,494 Sodexo shares were pledged to CACIB
- 4,181,753 Sodexo shares were pledged to the U.S. Investors in connection with the USD notes
- 1,284,105 Sodexo shares were pledged to the U.S. Investors in connection with the euro notes
- 70,374 Sodexo shares were pledged to CACIB (USD swap notes)
- 33,534 Sodexo shares were pledged to Société Générale(USD swap notes)
- 45,802 Sodexo shares were pledged to Natixis (USD swap notes)

As such, a total of 21,369,195 of the 59,252,063 Sodexo shares held by Bellon SA were pledged.

Commitments arising from surety arrangements (pledges, guarantees on plant and equipment, and real estate mortgages) contracted by Bellon SA and its subsidiaries in connection with operating activities during Fiscal 2012 are immaterial.

4.24.2 Operating lease commitments

Outstanding commitments arising in respect of operating leases are as follows:

<i>(in millions of euro)</i>	August 31, 2012	August 31, 2011
Less than 1 year	132	127
1 to 5 years	258	268
More than 5 years	79	104
TOTAL	469	499

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 150 million euro, compared to 138 million euro for Fiscal 2011;
- the rent for office premises of 298 million euro, compared to 340 million euro for Fiscal 2011. The 12-year leases signed on October 19, 2006 in connection with the relocation of the corporate headquarters to Issy-les-Moulineaux in 2008 increased operating lease commitments for office premises by 40 million euro. The leases and lease renewals signed by Sodexo France and Sodexo, Inc. for their office premises represent operating lease commitments of 35 million euro and 5 million euro respectively.

4.24.3 Other commitments given

<i>(in millions of euro)</i>	August 31, 2012			August 31, 2011	
	Less than 1 year	1 to 5 years	More than 5 years	Total	Total
Financial guarantees to third parties		9		9	8
Site management commitments	11	32		43	51
Performance bonds given to clients		44	129	173	136
Other commitments	15	1		16	19
TOTAL	26	86	129	241	214

Financial guarantees to third parties mainly comprise bank subordinated debt commitments under public private partnership (PPP) contracts (see note 2.3.2.) totaling 9 million euro.

The performance bonds given to clients relate to around twenty sub-contracting contracts where the Group considers that it may be exposed to indemnity payments if it is unable to fulfill the service obligation. These bonds are subject to regular review by the management of the business unit and a provision is recorded as soon as payment under a bond becomes probable. For all other contracts with a performance bond, Sodexo considers that it would be capable of deploying the additional resources needed to avoid paying compensation under the bond.

The Group also has performance obligations to clients, but regards these as having the essential features of a performance guarantee 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 Sodexo is unable to provide alternative or additional resources to fulfill the obligation to the client).

In practice, given its size and geographical reach, Sodexo 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 consolidated statement of financial position 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 2,600,000 hours.

In October 2012, the Group issued a guarantee for a maximum amount of 100 million pounds sterling for a duration of 12 years, in order to cover pension plan obligations of Sodexo UK subsidiaries. This guarantee was issued subsequent to year end to the trustee administrator of the plan retirement.

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.

<i>(in euro)</i>	August 31, 2012	August 31, 2011
Compensation paid by Bellon S.A. to members of its Executive and Supervisory Boards	562,860	562,860
Directors' fees paid by Bellon S.A. to members of its Executive and Supervisory Boards	210,000	210,000
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	248,300	245,560
Compensation and benefits paid by Sodexo subsidiaries to members of Sodexo's Board of Directors who are also members of Bellon S.A.'s Executive and Supervisory Boards	300,038	261,235
TOTAL	1,321,198	1,279,655

The total amount paid to related parties includes 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 Unconsolidated companies

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

<i>(in millions of euro)</i>	Gross value as of August 31, 2012	Impairment as of August 31, 2012	Carrying amount as of August 31, 2012	Carrying amount as of August 31, 2011
Loans	76	0	76	64
Off balance sheet commitments				
Financial guarantees to third parties			9	8
Performance bonds given to clients			171	134

Transactions	Fiscal 2012	Fiscal 2011
Revenues	310	273
Operating expenses	0	0
Financial income and expense, net	6	5

4.26 Group employees

The following table shows the breakdown of Group employees:

	August 31, 2012	August 31, 2011
Executives, middle management, site managers and supervisory staff	50,219	47,666
Front-line service staff and other employees	371,180	343,490
TOTAL	421,399	391,156

Group employees by activity and region were as follows:

	On-site Service Solutions					Motivation Solutions	Holding Companies	Total
	North America	Continental Europe	United Kingdom and Ireland	Rest of the world	Total			
August 31, 2012	123,673	101,503	37,956	154,171	417,303	3,638	458	421,399
August 31, 2011	124,896	100,108	34,846	127,364	387,214	3,508	434	391,156

4.27 Litigation

The Group is involved in litigation arising from its ordinary activities. The Group does not believe that liabilities relating to such litigation will in aggregate be material to its activities or to its consolidated financial position.

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 the Company is aware) which may have, or have had in the past 12 months, material effects on the Group's financial position or profitability.

4.28 Subsequent events

On November 2, 2012, Sodexo completed the acquisition of Servi-Bonos, SA de CV in Mexico. Servi-Bonos will be consolidated by Sodexo for ten months in Fiscal 2013. Servi-Bonos is a leading provider of food and meal vouchers and cards, serving close to 5,000 clients in Mexico through its nationwide network. In 2011, Servi-Bonos generated issue volume (the face value of vouchers and cards multiplied by the number of vouchers and cards issued) of close to 300 million euro.

This acquisition reinforces Sodexo's international leadership in Quality of Life Services in the buoyant Mexican growth economy.

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 the impact of foreign currency translation, 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

<i>(in millions of euro)</i>	Note	August 31, 2012	August 31, 2011
Financial liabilities excluding hedging effects	4.15	3,297	3,088
Fixed rate liabilities (excluding hedging effects)		3,014	2,917
Variable rate liabilities (excluding hedging effects)		283	171
Hedging effects	4.16	19	11
On fixed rate liabilities		216	74
On variable rate liabilities		(197)	(63)
Financial liabilities including hedging effects	4.16	3,316	3,099
Fixed rate liabilities (including hedging effects)		3,230	2,991
Variable rate liabilities (including hedging effects)		86	108

As of August 31, 2012 and 2011, a 0.5% increase or decrease in interest rates would have had no material impact on net income before tax or on shareholders' equity as substantially all liabilities at those dates were at a fixed rate of interest.

The Group held no interest rate hedging instruments as of August 31, 2012.

5.1.2 Analysis of sensitivity to foreign exchange rates and exchange rate exposures on main currencies

Exposure to currency risk

	As of August 31, 2012				As of August 31, 2011			
	Dollar USD	Real BRL	Sterling GBP	Bolivar Fuerte VEF	Dollar USD	Real BRL	Sterling GBP	Bolivar Fuerte VEF
Before currency derivatives <i>(in millions of euro)</i>								
<i>Closing rate as of August 31</i>	0.793	0.388	1.257	0.078	0.692	0.432	1.129	0.074
Monetary assets								
Working capital and other receivables	753	429	216	4	664	332	168	4
Deferred tax assets	67	37	16	1	77	25	11	
Cash and cash equivalents	573	468	146	110	267	10	135	16
TOTAL MONETARY ASSETS	1,393	934	378	115	1,008	367	314	20
Monetary liabilities								
Financial liabilities	1,021	44	5		780	98	4	
Working capital items and other liabilities	1,252	753	374	90	1,093	625	356	69
Deferred tax liabilities	34	89	1		25	74	1	
TOTAL MONETARY LIABILITIES	2,307	886	380	90	1,898	796	361	69
Net position	(914)	48	(2)	25	890	(429)	(47)	(49)

	As of August 31, 2012				As of August 31, 2011			
	Dollar USD	Real BRL	Sterling GBP	Bolivar Fuerte VEF	Dollar USD	Real BRL	Sterling GBP	Bolivar Fuerte VEF
After currency derivatives <i>(in millions of euro)</i>								
<i>Closing rate as of August 31</i>	0.793	0.388	1.257	0.078	0.692	0.432	1.129	0.074
Monetary assets								
Working capital and other receivables	753	429	216	4	664	332	168	4
Deferred tax assets	67	37	16	1	77	25	11	
Cash and cash equivalents	573	468	146	110	267	10	135	10
TOTAL MONETARY ASSETS	1,393	934	378	115	1,008	367	314	11
Monetary liabilities								
Financial liabilities	891	374	43		780	136	32	
Working capital items and other liabilities	1,252	753	374	90	1,093	625	356	69
Deferred tax liabilities	34	89	1		25	74	1	
TOTAL MONETARY LIABILITIES	2,177	1,216	418	90	1,898	835	389	69
Net position	(914)	(282)	(40)	25	(890)	(468)	(75)	(49)

Sensitivity to exchange rates

Impact of a 10% appreciation of the exchange rate of the following currencies against the euro <i>(in millions of euro)</i>	August 31, 2012				August 31, 2011			
	Impact on revenues	Impact on operating profit	Impact on income before tax	Impact on shareholders' equity	Impact on revenues	Impact on operating profit	Impact on income before tax	Impact on shareholders' equity
Dollar USD	654	34	25	199	581	30	15	170
Real BRL	124	19	13	63	71	16	11	46
Sterling GBP	148	10	11	65	121	6	6	58
TOTAL	926	63	49	327	773	52	32	274

5.2 Exposure to liquidity risk

The nature of the Group's borrowings and bond issuances as of August 31, 2012 is described in detail in note 4.15 of the consolidated financial statements.

As of August 31, 2012, more than 85% of the Group's consolidated borrowings was borrowed on capital markets and bank financing was less than 15% of the Group's needs. As of August 31, 2011, more than 90% of the Group's consolidated borrowings was borrowed on capital markets and bank financing was less than 10% of the Group's financing needs. The reimbursement maturity dates of the main borrowings range between Fiscal 2014 and Fiscal 2024. The Group has a confirmed multi-currency line of credit for 600 million euro plus 800 million U.S. dollars. This line of credit had been utilized in the amount of 235 million euro as of August 31, 2012 and was unutilized as of August 31, 2011.

5.3 Exposure to counterparty risk

Exposure to counterparty risk is limited to the carrying value of financial assets.

Group policy is to manage and spread counterparty risk. 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 the International Swaps and Derivatives Association (ISDA).

Counterparty risk relating to customer accounts receivable is immaterial. Due to the Group's geographic and segment spread, there is no concentration of risk on past due individual receivables for which no provision has been recorded. Moreover, the Group has not observed any significant change in impacts relating to customer default during the year.

The main counterparty risk is bank-related. The Group has limited its exposure to counterparty risk by diversifying its investments and limiting the concentration of risk held by each of its counterparties. Transactions are conducted with highly creditworthy counterparties taking into consideration country risk. The Group has instituted a regular reporting of the risk spread between counterparties and of their quality.

To reduce this risk further, in Fiscal 2011 the Group implemented an international cash pooling mechanism between its main subsidiaries, reducing the amount of liquidity held by third parties by concentrating it in the Group's financial holding companies.

The maximum counterparty is approximately 10% (18% as of August 31, 2011) of the Group's operating cash (including restricted cash and financial assets of the Benefits and Rewards Services activity) with a banking group whose rating is A1.

6. SCOPE OF CONSOLIDATION

The main companies consolidated as of August 31, 2012 and presented in the table below together represent more than 90% of consolidated revenues. The various other entities represent individually less than 0.5% of each of revenues, operating profit and the Group share of net income and of shareholders' equity.

The main acquisitions are described in note 1 – Highlights.

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 the year are indicated by the letter "N".

Companies newly deconsolidated during the year are indicated by the letter "S".

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				
			On-site	France
Sodexo Entreprises (consolidated)			On-site	France
Sodexo Santé Médico Social			On-site	France
Société Française de Restauration et Services (consolidated)			On-site	France
SEGSMHI			On-site	France
Sodexo Justice Services			On-site	France
Sogeres (consolidated)			On-site	France
N Lenôtre (consolidated)			On-site	France
L'Affiche			On-site	France
Bateaux Parisiens (consolidated)			On-site	France
Score			On-site	France
Score Groupe			On-site	France
			Benefits and Rewards	France
Sodexo Solutions de Motivation France SA			Holding	France
One SAS			Holding	France
Sodexo Pass International			Holding	France
One SCA			Holding	France
Groupe Crèche Attitude (consolidated)	35%	35%	On-site	France
Sodexo en France			Holding	France
Sodexo Amecaa			Holding	France
Sofinsod			Holding	France
Etin			Holding	France
Sodexo Europe			Holding	France
Sodexo GC SAS			Holding	France
Sodexo IS & T			Holding	France

		% interest	% voting rights	Principal activity	Country
Americas					
N	Sodexo do Brasil Comercial Ltda (consolidated including Puras)			On-site	Brazil
	Sodexo Pass do Brasil Serviços e Comercio			Benefits and Rewards	Brazil
	Sodexo Pass do Brasil Serviços de Inovacao Ltda			Benefits and Rewards	Brazil
	Sodexo Canada (consolidated)			On-site	Canada
ME	Sociedad Concesionaria Bas	33%	33%	On-site	Chile
	Sodexo Chile (consolidated)			On-site	Chile
	Sodexo Inversiones SA			On-site	Chile
	Sodexo Pass Chile			Benefits and Rewards	Chile
	Sodexo Colombia	65%	65%	On-site	Colombia
	Sodexo, Inc. (consolidated)			On-site	United States
N	Roth Bros. Inc. (consolidated)			On-site	United States
	Sodexo Holdings Inc.			Holding	United States
	Sodexo Remote Sites (USA) Inc.			Holding	United States
	Sodexo Remote Sites Partnership			On-site	United States
ME	Doyon Universal Services (consolidated)	50%	50%	On-site	United States
	Comfort Keepers			On-site	United States
	Circle Company Associates, Inc.			On-site	United States
	Sodexo Rose Holding Company Inc.			Holding	United States
	Sodexo Peru SAC			On-site	Peru
	Sodexo Pass Venezuela	64%	64%	Benefits and Rewards	Venezuela

		% interest	% voting rights	Principal activity	Country
Europe					
	Sodexo Services GmbH (consolidated)	96%		On-site	Germany
	Sodexo Scs GmbH (consolidated)	96%		On-site	Germany
	Gastro-Kanne	96%		On-site	Germany
	Sodexo Beteiligungsgesellschaft BV & Co. KG	94%	94%	On-site	Germany
	Zehnacker GmbH (consolidated)	96%		On-site	Germany
	Zehnacker Catering GmbH	96%		On-site	Germany
	Gatec	96%		On-site	Germany
	Sodexo Germany BV	94%	94%	On-site	Germany
	Sodexo GmbH	96%		On-site	Germany
	Sodexo Service Solutions Austria	95%		On-site	Austria
	Sodexo Belgium (consolidated)			On-site	Belgium
	Imagor Services &Cie SNC			Benefits and Rewards	Belgium
	Sodexo Pass Belgium (consolidated)			Benefits and Rewards	Belgium
	CompagnieFinancièreAurore International			Holding	Belgium
	Sodexo (Cyprus) Ltd			On-site	Cyprus
	Sodexo España (consolidated)			On-site	Spain
	Sodexo Soluciones de Motivación España SAU			Benefits and Rewards	Spain
	Sodexo Oy			On-site	Finland
	Sodexo Magyarorszag KFT			On-site	Hungary
	Sodexo Ireland Ltd			On-site	Ireland
	Sodexo Italia (consolidated)			On-site	Italy
	Sodexo Luxembourg (consolidated)			On-site	Luxembourg
	Sodexo Remote Sites Norway AS			On-site	Norway
	Sodexo Nederland BV (consolidated)			On-site	Netherlands
	Sodexo Altys BV			On-site	Netherlands
	Sodexo Pass CeskaRepublika AS			Benefits and Rewards	Czech Republic
	Sodexo Pass Romania			Benefits and Rewards	Romania
N	Sodexo Property Solutions Ltd			On-site	United Kingdom
ME	Agecroft Prison Management Ltd	50%	50%	On-site	United Kingdom
	Prestige Ticketing Ltd	80%	80%	On-site	United Kingdom
	Sodexo Services Group Ltd			Holding	United Kingdom
ME	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
	Kalyx Ltd			On-site	United Kingdom
ME	Catalyst Healthcare (Roehampton) Holdings Ltd	25%	25%	On-site	United Kingdom
	Tillery Valley Foods			On-site	United Kingdom
	RTH 2011 Ltd	80%	80%	On-site	United Kingdom
	Sodexo Defence Services			On-site	United Kingdom
	Sodexo Investment Services			On-site	United Kingdom
ME	Peterborough Prison Management Ltd	33%	33%	On-site	United Kingdom
ME	Ashford Prison Services Ltd	33%	33%	On-site	United Kingdom
	Sodexo Holdings Ltd			Holding	United Kingdom
	Sodexo Education Services			On-site	United Kingdom
	Sodexo Management Services			On-site	United Kingdom
	Sodexo Healthcare Services Ltd			On-site	United Kingdom

		% interest	% voting rights	Principal activity	Country
Europe					
ME	Catalyst Healthcare (Manchester) Holdings Ltd	25%	25%	On-site	United Kingdom
ME	Mercia Healthcare (Holdings) Ltd	25%	25%	On-site	United Kingdom
ME	South Manchester Healthcare (Holdings) Ltd	25%	25%	On-site	United Kingdom
ME	RMPA Holdings Ltd	14%	14%	On-site	United Kingdom
ME	Pinnacle Schools (Fife) Holdings Ltd	10%	10%	On-site	United Kingdom
ME	Enterprise Civic Buildings (Holdings) Ltd	10%	10%	On-site	United Kingdom
ME	Enterprise Education Holdings Conwy Ltd	10%	10%	On-site	United Kingdom
ME	Enterprise Healthcare Holdings Ltd	10%	10%	On-site	United Kingdom
ME	Addiewell Prison (Holdings) Ltd	33%	33%	On-site	United Kingdom
ME	Healthcare support (North Staffs) Holding Ltd	25%	25%	On-site	United Kingdom
ME	Integrated Pathology Partnership	49%	49%	On-site	United Kingdom
	Rugby Travel & Hospitality Ltd	60%	60%	On-site	United Kingdom
ME	Catalyst Healthcare (Romford) Holdings Ltd	25%	25%	On-site	United Kingdom
S,ME	Catalyst Healthcare (Romford) Ltd	25%	25%	On-site	United Kingdom
	Sodexo Euroasia			On-site	Russia
	Sodexo Facilities Services AB			On-site	Sweden
	Sodexo Scandinavian Holding AB			On-site	Sweden
	Sodexo AB			On-site	Sweden
	Sodexo Suisse SA			On-site	Switzerland
	Sodexo EntegreHizmetYonetimi AS			On-site	Turkey
	Sodexo MotivasyonCozumleri A.S.			Benefits and Rewards	Turkey
Asia, Pacific, Middle East					
	National Company for Management and Services Ltd	50%	50%	On-site	Saudi Arabia
	Sodexo Australia (consolidated)			On-site	Australia
ME	Serco Sodexo Defence Services PTY LTD	50%	50%	On-site	Australia
	Sodexo Remote Sites Australia Pty			On-site	Australia
	Sodexo Shanghai Management Services			On-site	China
	Kelvin Catering Services (Emirates) Llc	49%	49%	On-site	United Arab Emirates
	Sodexo International FZE			On-site	United Arab Emirates
	Sodexo SVC India Private Ltd			Benefits and Rewards	India
	Sodexo Food Solutions India Private Ltd			On-site	India
	Tariq Alghanim	50%	50%	On-site	Kuwait
	Rugby Travel & Hospitality NZ	80%		On-site	New Zealand
	Teyseer Services Company	49%	49%	On-site	Qatar