Real Madrid
2010 · 2011

Group Management
Report

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Group Management Report for the year ended June 30, 2011

The management report for Real Madrid Club de Fútbol and Subsidiary, including an analysis of its earnings performance in 2010/2011, is presented below.

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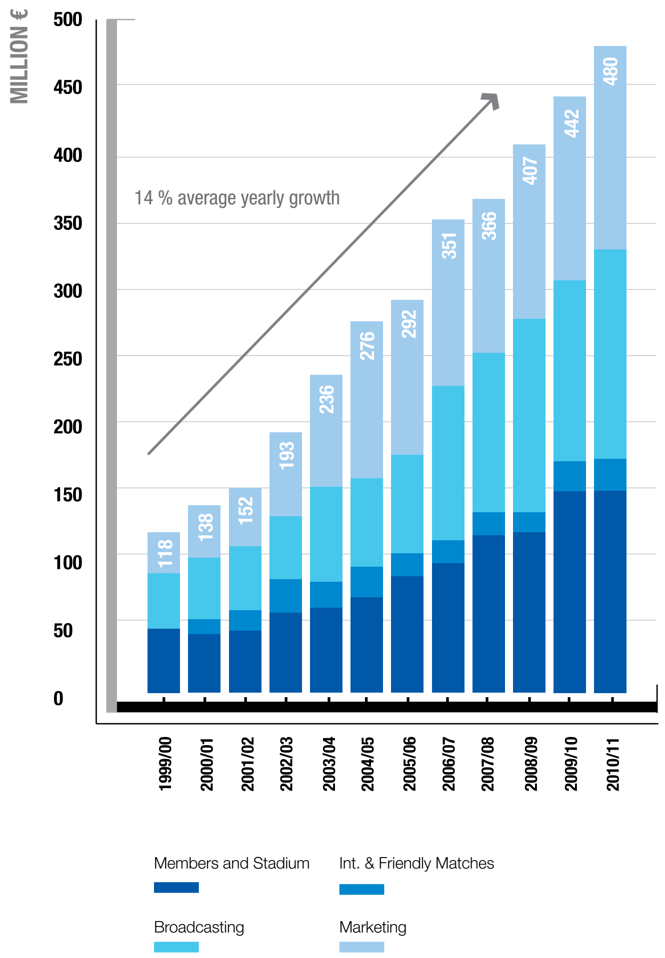


OPERATING INCOME
(PRIOR TO DISPOSALS OF NON-CURRENT ASSETS)

2010/2011 operating income totaled €480 million, a 9% increase over the previous year, and the world's highest figure for sports income.

This income comes from the Club's business lines: the stadium, television, and marketing. The income from player transfers is not included; this is reflected in the income statement under "Gains (losses) on disposals and other gains and losses."

The business lines which contributed most to income growth in 2010/2011 were the stadium and marketing.

Member contributions, from both quotas as well as season passes, represented 9.8% of total income.

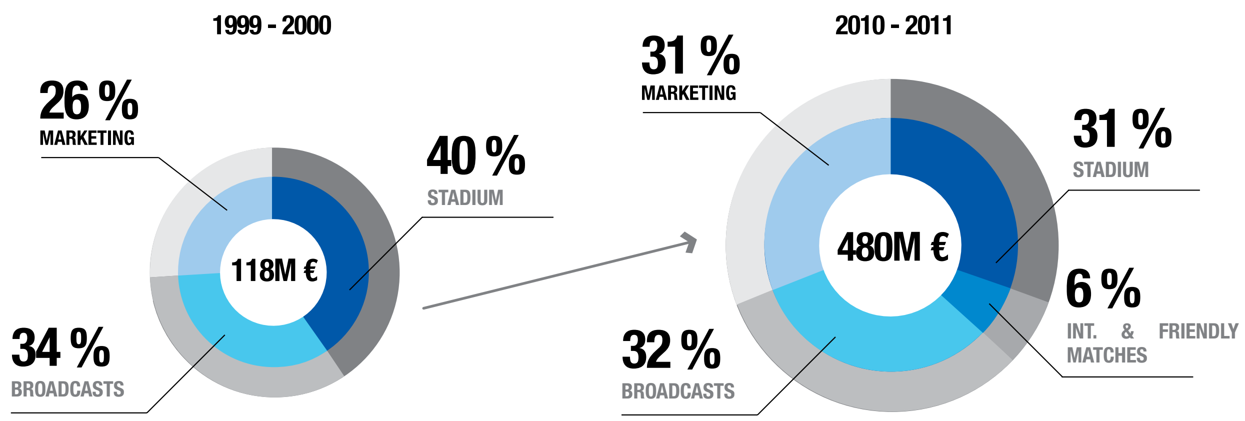
Over the 1999-2011 period, income averaged annual growth of 14%.

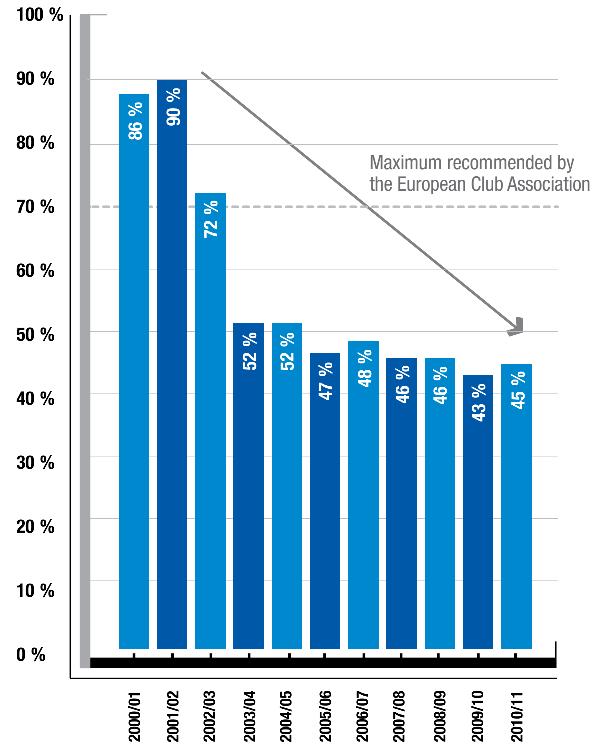
Future projections are based on strengthening the brand by investing in and commercializing great players, and expanding business lines while expanding internationally; these are the Club's main competitive advantages which position it as one of the world's top football clubs.

BREAKDOWN OF OPERATING INCOME
(BEFORE NET GAINS FROM DISPOSALS)

The Club has attained a balanced income structure, with its three main revenue drivers (stadium, broadcasting, and marketing) each contributing around one-third of the total.

The diversification of recurring revenue sources confers financial stability to the Club, cushioning the impact of potential fluctuations in revenue as a result of varying performance on the field and the broader economic backdrop.





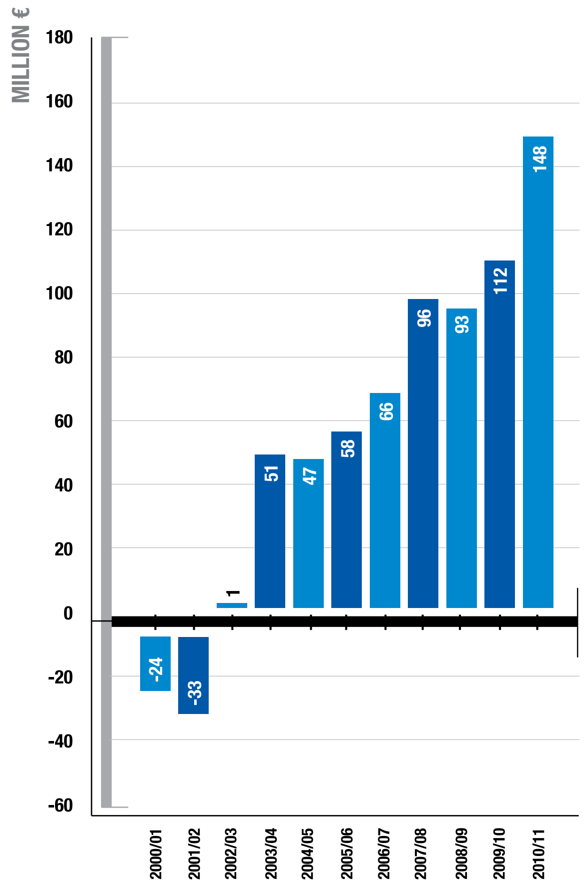
WAGES TO TURNOVER RATIO

This chart depicts the trend in the ratio of the Club's total personnel expenses and operating income (prior to disposals of non-current assets).

This is an internationally-used parameter to measure a football club's operating efficiency, necessary to determine its future viability. The lower the ratio, the more efficiently the Club is performing.

Income growth was accompanied by a concerted effort to contain costs and improve efficiency, reflected in a stable ratio of 45% in 2011.

Real Madrid's ratio is well under the 50% standard considered the excellence threshold, and substantially below 70%, which is the maximum level recommended by the European Club Association (ECA).



OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION AND GAINS (LOSSES) ON DISPOSALS
(EBITDA BEFORE "GAINS (LOSSES) ON DISPOSALS")

EBITDA (before net gains on disposals) is the Club's operating surplus after deducting personnel and other operating expenses from recurring revenue. This is the Club's source of recurring revenue which enables it to invest in the players and facilities set out in its business plan, as well as to meet its financial commitments.

As evident in the reconciliation of this year's income statement to the budget, included in the notes to the 2010/11 consolidated financial statements, EBITDA (before net gains on disposals) was €148 million, representing 33% growth year-on-year. EBITDA of €148 million (before net gains on disposals) represents a margin of 31% on the €480 million of operating income, i.e., for every €100 of income the Club generates a surplus of €31 once covering its expenses.

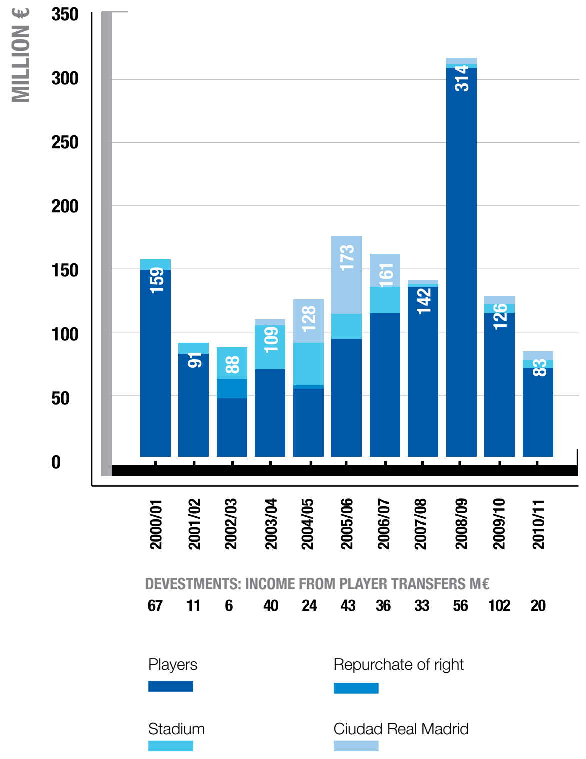
Looking back in time, EBITDA (before net gains on disposals) has trended consistently higher, highlighting the priority focus of the Club's financial management on raising profitability by combining topline growth with cost control.

INCOME STATEMENT

In 2010/2011, operating income at €480 million was up 9% year-on-year. Operating profit before amortization, depreciation and net gains on disposals was €148 million, up 33%. If the gains from player transfers are factored in this gives an EBITDA of €151 million. After deducting amortization/depreciation and finance expenses, this operating surplus represents a pre-tax profit of €47 million, a 51% increase over the prior year.

This outstanding profit growth achieved during a challenging economic climate and the robust profit obtained without any non-recurring gains from the disposal of non-sporting assets are a clear indication of the Club's profitability and economic potential.

Million €	2009/2010	2010/2011
OPERATING INCOME	442	480
Annual growth	9 %	9 %
OPERATING SURPLUS before net gains on disposals (**EBITDA** before net gains on disposals)	112	148
% Income	25 %	31 %
Annual growth	20 %	33 %
EBITDA	146	151
PROFIT BEFORE TAXES	31	47



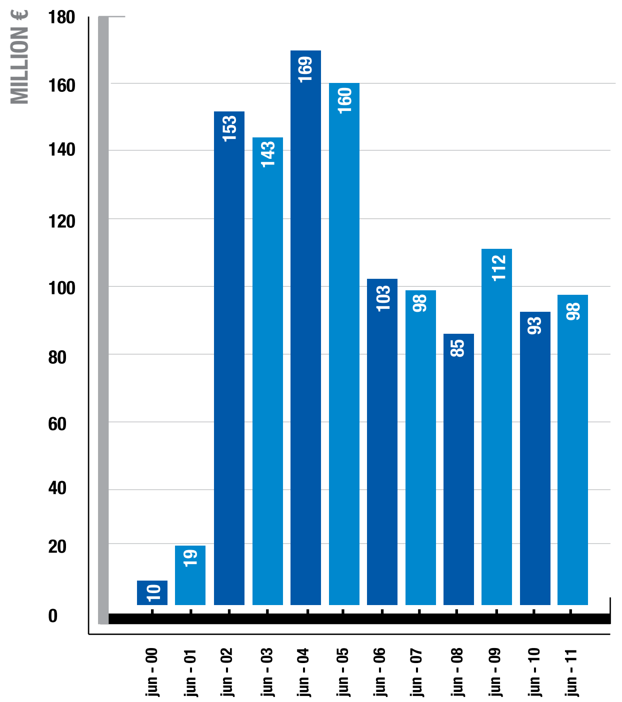
INVESTMENTS

During the 2010/2009 period, the Club invested €83 million: 12 million euros was spent on improving facilities, while 71 million euros were spent on acquiring new players.

The enormous investment made in previous years enabled the Club to continue strengthening its team, while managing to invest €51 million in players (acquisitions-transfers) this year. These achievements were possible thanks to revenue from the sale of players in the year amounting to €20 million.

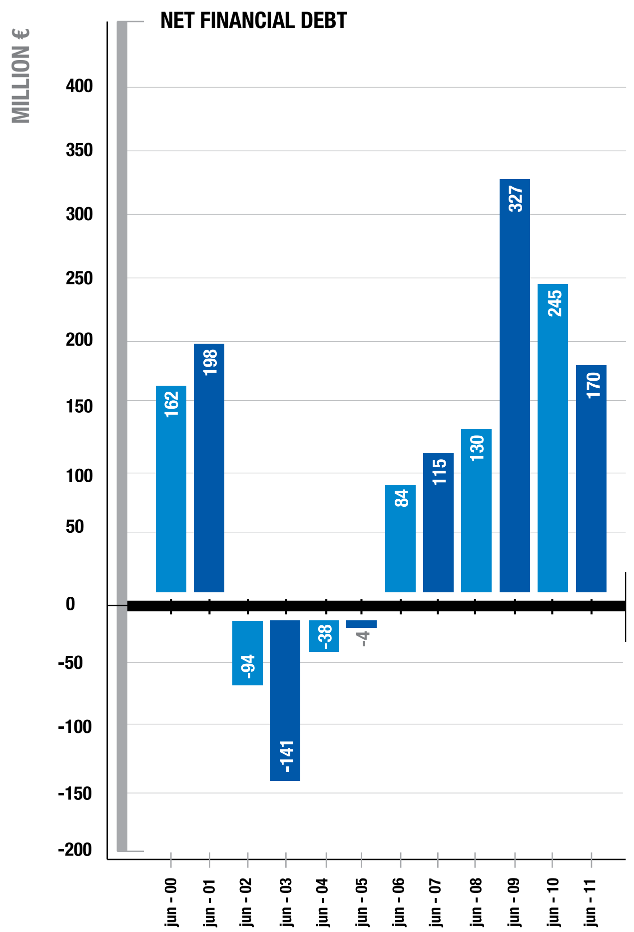
An analysis of the performance of investments between 2000 and 2011 reveals that, apart from investing in players, the Club has also earmarked significant amounts for building and upgrading its facilities:

› €191 million were spent on the stadium to modernize the facilities and improve their quality and user-friendliness for spectators, as well as to equip the media and services facilities to further enhance the stadium's marketing potential, generating a very significant annual return.
› €139 million were invested in the building of the Real Madrid City training complex (Ciudad Real Madrid), currently considered the largest sports complex ever built by a football club. Extending 120 hectares, it is 10 times the size of the former sports complex. Due to its ideal location in one of the fastest developing areas of Madrid with excellent public transportation, the Real Madrid City complex is a strategic enclave for a first rate sports and entertainment center.

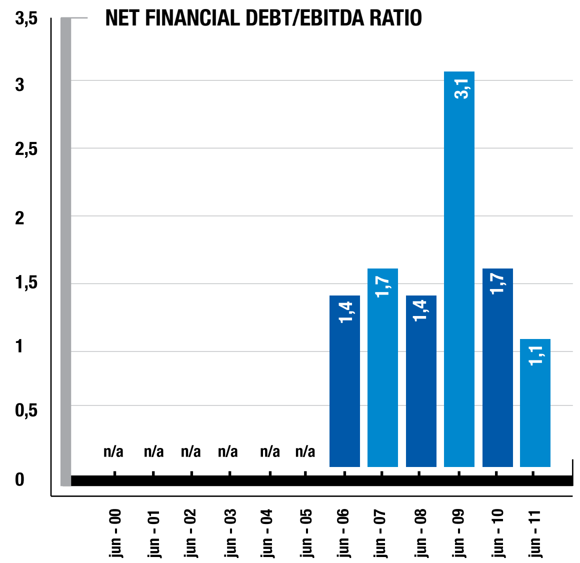


CASH AND CASH EQUIVALENTS

The Club ended the year with a cash balance of €98 million, up 5% over last year. Along with projected 2011/2012 cash flow, this figure will enable the Club to meet its payment commitments comfortably.



Net financial debt: Bank debt + accounts receivable from/payable to asset acquisition/transfers - cash and cash equivalents.
A negative sign represents negative liquidity position.



EBITDA: Operating profit before depreciation and amortization Due to the application of the new Spanish GAAP, impairment losses and gains (losses) on disposal of non-current assets are included as of 2008/09.

NET FINANCIAL DEBT

During the year, the Club's net financial debt decreased €75 million (31%), totaling €170 million at June 30, 2010.

Relating this debt to the Club's financial wherewithal, as measured by ordinary cash flow (EBITDA:€151 million), yields a debt/EBITDA ratio—a commonly-used solvency indicator— at June 30, 2011, of 1.1.a. The reduction of debt, leveraged by the growth of the EBITDA, is reflected in the notable improvement of this ratio, which decreased from 1.7% at the beginning of the year to 1.1% by year end, constituting an excellent credit ranking in the eyes of financial institutions.

BALANCE SHEET

ASSETS	Thousand €		EQUITY AND LIABILITIES	Thousand €	
	June 30, 2010	June 30, 2011		June 30, 2010	June 30, 2011
Intangible sporting assets	353.076	315.928	Social fund and reserves	190.023	213.954
Intangible non-sporting assets	7.451	6.297	Profit for the year attributed to the parent company	23.931	31.523
Tangible fixed assets	281.785	282.691	EQUITY	213.954	245.477
Investment property	7.118	6.888	Minority interests	161	201
Player transfer receivables	31.022	21.374	Grants, donations and bequests received	5.573	5.429
Tax receivables	0	0	EQUITY CAPITAL	219.688	251.107
Deferred tax assets	5.860	4.995			
Long term tax credit	0	0			
Other financial assets	676	573	Deferred income	0	0
Pluriannual expenses	0	0	Provisions	12.466	8.326
			Bank borrowings	118.261	138.926
NON-CURRENT ASSETS	686.988	638.746	Player transfer payables	81.504	48.849
			Long term creditors from investments in Stadium and Ciudad Real Madrid	34.546	28.537
			Long term creditors from repurchase of rights	4.555	2.277
			Deferred tax liabilities	32.592	19.505
			Accruals	1.454	0
			NON CURRENT LIABILITIES	285.378	246.420
Non-current assets held for sale	0	0	Provisions	738	755
Inventories	2.481	1.558	Bank borrowings	48.253	6.836
Player transfer receivables	33.875	28.082	Player transfer payables	94.423	76.797
Trade receivables	56.139	69.823	Short term creditors from investments in Stadium and Ciudad Real Madrid	18.371	12.446
Tax credit and prepaid taxes	0	0	Short term creditors from repurchase of rights	2.277	2.278
Current tax assets	4.311	427	Trade and other payables	85.389	81.469
			Current tax liabilities		18.010
Financial investments	0	0	Accrued wages and salaries	55.961	71.218
Cash and cash equivalents	92.731	97.769	Deferred tax	0	0
Accruals	3.079	4.623	Accruals	69.125	73.692
CURRENT ASSETS	192.615	202.282	CURRENT LIABILITIES	374.537	343.501
TOTAL ASSETS	879.603	841.028	TOTAL EQUITY AND LIABILITIES	879.603	841.028

At June 30, 2011, assets/liabilities amounted to €841 million, a decrease of €39 million.

Non-current assets reflect a decline of €48 million, due primarily to the drop in the value of sporting assets (players), since the amount of depreciation charged for these assets exceeded the investment made. Current assets, however, grew by €10 million, due to an increase both in cash and receivables derived from the growth in income.

Liabilities includes a significant decrease in credit balances resulting from outstanding payments on investments, with a total reduced current and non-current balance of 64 million euros; this is the result of a moderation of investment activities during the year as well as payment of a large portion of pending commitments. Total current and non-current borrowings fell €21 million.

Negative working capital (current assets less current liabilities) amounted to a negative €141 million. While still negative, the Club has managed to reduce this year's figure considerably, as last year's figure stood at €182 million. The main factor behind negative working capital is intrinsic to the workings of a football club: significant operations-driven accounts payable (purchases and services received, player transfer payments, upfront collection of membership dues/season passes); in other words, the nature of the business means that they are renewed on a yearly basis. At June 30, 2010, the balance of these recurring accounts payable is 226 million euros (€81 million for purchase/services, €71 million in player signings/other personnel, and €74 million in membership and season passes, others), which is yet another factor determining the amount of negative working capital at year end. These balances will be rolled over, and therefore will reflect similar amounts at year end 2010. At June 30, 2010, current balances payable in 2011/2011 correspond to payables related to investments and bank debt which will be paid using cash available in June as well as surplus cash generated on a monthly basis through the Club's transactions, since current operating income is much higher than current expenses.

At year end, equity stood at 251 million euros, which is 31 million euros higher than the preceding year.

Consolidated financial statements for the year ended June 30, 2011.

The consolidated financial statements of Real Madrid Club de Fútbol and Subsidiary are presented below:

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CONSOLIDATED BALANCE SHEET AT JUNE 30, 2011
(THOUSANDS OF EUROS)

ASSETS	Notes	June 30, 2011	June 30, 2010	EQUITY AND LIABILITIES	Notes	June 30, 2011	June 30, 2010
NON-CURRENT ASSETS		638.746	686.988	EQUITY		251.107	219.688
Intangible sporting assets	4	315.928	353.076	Capital and reserves	11	245.477	213.954
				Social fund		205.036	181.195
Intangible non-sporting assets	5	6.297	7.451	Revaluation reserve (RD 7-96)		8.548	8.548
				Reserves in fully consolidated companies		370	280
Property, plant and equipment	6	282.691	281.785	Profit for the year attributed to the parent company		31.523	23.931
Investment property	7	6.888	7.118	Grants, donations and bequests received	12	5.429	5.573
Financial investments	8.1	21.947	31.698	Minority interests		201	161
Deferred tax assets	16	4.995	5.860	NON-CURRENT LIABILITIES		246.420	285.378
				Provisions	13.1	8.326	12.466
				Financial liabilities	14.1	218.589	238.866
				Bank borrowings		138.926	118.261
				Other financial liabilities		79.663	120.605
				Deferred tax liabilities	16	19.505	32.592
				Accruals	15	-	1.454
CURRENT ASSETS		202.282	192.615	CURRENT LIABILITIES		343.501	374.537
Non-current assets held for sale	4.2	-	-	Provisions	13.2	755	738
Inventories	9	1.558	2.481	Financial liabilities	14.2	98.357	163.324
				Bank borrowings		6.836	48.253
Trade and other receivables	8.2	98.332	94.324	Other financial liabilities		91.521	115.071
Accruals		4.623	3.079	Trade and other payables	14.3	170.697	141.350
Cash and cash equivalents	10	97.769	92.731	Accruals	15	73.692	69.125
TOTAL ASSETS		841.028	879.603	TOTAL EQUITY AND LIABILITIES		841.028	879.603

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2011
(THOUSANDS OF EUROS)

	Notes	2010/2011	2009/2010
CONTINUING OPERATIONS			
Revenue			
Membership dues, ticketing and other stadium revenue		146.663	148.593
Revenue from friendly matches and international competitions		27.545	22.565
Broadcasting		155.968	136.159
Marketing		144.966	122.487
	17.1	475.142	429.804
Goods for consumption			
Consumption of raw materials and other consumables	17.2	(18.263)	(18.025)
Other operating revenues	17.1	4.174	8.618
Player and staff personnel expenses	17.3	(216.099)	(192.263)
Other operating expenses			
Losses on, impairment of and change in trade provisions	8.2	(2.957)	(3.930)
Other operating expenses	17.4	(95.108)	(116.534)
		(98.065)	(120.464)
Depreciation and amortization	4,5,6,7	(104.519)	(101.690)
Grants related to non-financial assets and other grants	12	192	192
Overprovisions	13.1	648	3.692
Impairment losses and gains (losses) on disposal of non-current assets			
Impairment charges and losses	17.5	(224)	85
Gains (losses) on disposals and other gains and losses	17.5	3.550	33.997
		3.326	34.082
OPERATING PROFIT		46.536	43.946
Finance income			
From marketable securities and other financial instruments	17.6	13.248	7.056
Finance cost	17.6	(12.939)	(20.013)
NET FINANCE COST		309	(12.957)
PROFIT BEFORE TAX		46.845	30.989
Income tax	16.1	(15.282)	(7.018)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		31.563	23.971
PROFIT FOR THE PERIOD		31.563	23.971
Attributable to the parent company		31.523	23.931
Attributable to minority interests		40	40

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2011
(THOUSANDS OF EUROS)

a. Consolidated statement of recognized income and expenses for the year ended June 30, 2011.

	Notes	2010/2011	2009/2010
Profit for the period		31.563	23.971
Income and expense recognized directly in equity		-	-
Amounts transferred to income statement			
Grants, donations and bequests received	12	(192)	(192)
Tax effect	12	48	48
Total amounts transferred to income statement		(144)	(144)
Total recognized income and expense		31.419	23.827

b. Consolidated statement of changes in equity for the year ended June 30, 2011.

	Social fund	Revaluation reserve (RD 7/96)	Reserves in consolidated companies	Profit for the year attributed to parent company	Total capital and reserves	Grants, donations and bequests received	Minority interests	Total equity
Balance at June 30, 2009	159.791	8.548	207	21.477	190.023	5.717	121	195.861
Total income and expenses recognized for the year ended 6/30/2010	-	-	-	23.931	23.931	(144)	40	23.827
Appropriation of results at June 30, 2009	21.404	-	73	(21.477)	-	-	-	-
Balance at June 30, 2010	181.195	8.548	280	23.931	213.954	5.573	161	219.688
Total income and expenses recognized for the year ended 6/30/2011	-	-	-	31.523	31.523	(144)	40	31.419
Appropriation of results at June 30, 2010	23.841	-	90	(23.931)	-	-	-	-
Balance at June 30, 2011	205.036	8.548	370	31.523	245.477	5.429	201	251.107

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2011
(THOUSANDS OF EUROS)

	Notes	2010/11	2009/10
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**46.845**	**30.989**
Adjustments to profit		**99.569**	**76.950**
Depreciation and amortization (+)		104.519	101.690
Impairment losses (+)		224	(85)
Changes in provisions (+)	13, 8.2	(1.183)	(3.039)
Grants released to income (-)	12	(192)	(192)
Gains (losses) from derecognition and disposal of non-current assets		(3.550)	(33.997)
Finance income (-)	17.6	(13.248)	(7.056)
Finance cost (+)	17.6	12.939	20.013
Other income and expenses (+/-)		60	(384)
Change in working capital		**(2.827)**	**21.931**
Inventories		914	(971)
Trades and other receivables (+/-)		(13.833)	(17.500)
Other current assets (+/-)		(1.544)	(1.388)
Trade and other payables (+/-)		10.682	34.735
Other current liabilities (+/-)		4.584	10.141
Other non-current assets and liabilities (+/-)		(3.630)	(3.086)
Other cash flows from operating activities		**(6.458)**	**(1.402)**
Interest paid (-)		(9.630)	(6.874)
Interest received (+)		12.149	5.472
Income tax receipts (payments)		(8.977)	-
CASH FLOWS FROM OPERATING ACTIVITIES		**137.129**	**128.468**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments (-)		**(149.422)**	**(201.097)**
Intangible sporting assets		(126.011)	(166.466)
Other intangible assets		(417)	(932)
Property, plant and equipment		(22.757)	(33.364)
Investment property		(237)	(335)
Proceeds from disposals (+)		**37.346**	**43.741**
Intangible sporting assets		37.346	43.620
Other intangible assets			121
CASH FLOW USED IN INVESTING ACTIVITIES		**(112.076)**	**(157.356)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments of financial liabilities		**(20.015)**	**10.000**
Bank borrowings (+)		-	10.000
Return and repayment of bank borrowing		(20.015)	-
CASH FLOWS FROM FINANCING ACTIVITIES		**(20.015)**	**10.000**
NET FOREIGN EXCHANGE DIFFERENCE		**-**	**-**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**5.038**	**(18.888)**
Cash and cash equivalents - opening balance	10	92.731	111.619
Cash and cash equivalents - ending balance	10	97.769	92.731
		5.038	**(18.888)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011 (THOUSANDS OF EUROS)

1. CORPORATE INFORMATION

Real Madrid, Club de Fútbol, hereinafter the Club, was formed in 1902 as a sports entity to engage in, and use its assets for, primarily and principally, the promotion of football at all levels and ages and, in general, the playing of all manner of sports.
Its sporting activities focus currently on the playing and promotion of football and basketball, sports in which it has teams competing at various levels.
The Club is the parent of a Group that comprises Real Madrid Gestión de Derechos, S.L., a subsidiary in which it owns 70% (€4,200).
Real Madrid Gestión de Derechos, S.L. was formed in Madrid on June 10, 2004, and commenced operations on July 1, 2004. The shareholder structure of this Madrid- domiciled company is as follows: Real Madrid Club de Fútbol (70%), Accionariado y Gestión, S.L. (12.5%), Sogecable, S.A. (10%) and Media Cam Producciones Audiovisuales, S.L. (7.5%). It is engaged in the administration of certain assets and rights owned by its shareholders in the joint operation and management of a portion of the merchandising rights, Club and player image rights, and internet and distribution rights.

2. BASIS OF PRESENT ATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Spain's new generally accepted accounting principles (GAAP), approved by Royal Decree 1514/2007 of November 16, and the standards for preparing consolidated financial statements approved by Royal Decree 1159/2010, dated September 17, while upholding the specifics regulated in Spanish GAAP as adapted for sporting corporations and entities in so far as they do not violate the new accounting standards. Given that this is the first year that the new consolidation standards are applicable, these consolidated financial statements are considered first-time financial statements in terms of uniformity and comparability. The accompanying consolidated financial statements cover the year ended June 30, 2011.

The figures shown in these consolidated financial statements are presented in thousands of euros unless otherwise indicated.

2.1. True and fair view

The accompanying consolidated financial statements have been prepared from the auxiliary accounting records of the Club and its subsidiary in accordance with Spanish GAAP and other prevailing accounting legislation, in order to give a true and fair view of the Group's equity, financial position and performance. The consolidated cash flow statement has been prepared to present its readers with a fair basis to assess the ability of the Group to generate cash and cash equivalents and the needs of the Group to utilize those cash flows.

The accompanying consolidated financial statements and management report have been authorized for issue by the Club's Board of Directors.

2.2. Consolidation principles

The subsidiary is fully consolidated as the Club exercises effective control over it by virtue of having power over the majority of the voting rights in its governing and decision-making bodies.

The date of first-time consolidation was deemed to be July 1, 2004, the date on which the parent company assumed effective control and management of the subsidiary. The effect on assets and income in the accompanying consolidated financial statements of fully consolidating this subsidiary was €2,413 and €29,683 thousand, respectively (€155 and €23,546 thousand respectively in 2009).

In the preparation of the accompanying consolidated financial statements all material balances and transactions between the consolidated companies and the resulting gains and losses arising on these transactions were eliminated. The most significant accounting principles and methods used by the subsidiary were standardized to reflect those applied by the Club.

The share of minority interests in the subsidiary's equity and profit for the year is shown in "Minority interests" within equity on the consolidated balance sheet and in "Profit for the year - Attributed to minority interests," in the consolidated income statement, respectively.

2.3. Comparison of information

In compliance with Spanish mercantile law, for comparative purposes the Group presents for each of the headings in the balance sheet, the income statement, the statement of changes in equity, and the cash flow statement, in addition to the figures for the financial year ended June 30, 2010, those of the prior period. The notes to the financial statements also include quantitative information from the previous year, except when an accounting standard specifically establishes this as unnecessary.

These are the first consolidated financial statements in which the members of the Board of Directors are applying the modifications included in Spanish GAAP through Royal Decree 1159/2010 of September 17. By virtue of the stipulations in section a) of Transitional Provision Five of said Royal Decree, the comparative information is presented without adjustments to the new criteria, and consequently the consolidated financial statements are considered first-time financial statements in terms of uniformity and comparability.

These are the first consolidated financial statements in which the Resolution of December 29, 2010, passed by the Institute of Spanish Accounting and Auditors of Accounts ("Instituto de Contabilidad y Auditoría de Cuentas" - ICAC, in Spanish), is applicable to the information concerning late payment to suppliers in commercial transactions, to be included in the Notes to the financial statements . Pursuant to the stipulations in Transitional Provision Two for first-time application, the Group only provides information related to the overdue amounts payable to suppliers which at year end exceed the legal payment deadline. Exclusively for this item, the financial statements are considered first-time financial statements in terms of uniformity and comparability and thus comparative information with respect to this new obligation is not presented.

2.4. Critical issues concerning the assessment of uncertainty

The Club's Board of Directors has prepared the consolidated financial statements using estimates based on historical experience and other factors considered reasonable in light of prevailing circumstances. The carrying amount of assets and liabilities which is not readily apparent from other sources was established on the basis of these estimates. Although the Group continually reviews these estimates, there is a series of risks and uncertainties relating to the ultimate outcome of certain assumptions and considerations described in these notes which could ultimately result in the need in the future to amend the carrying amounts of its assets and liabilities or modify other disclosures contained in these notes.

The key assumptions regarding the future, in addition to other relevant information regarding the estimation of uncertainty at the reporting date (June 30, 2011), which entail a considerable risk that the carrying amounts of assets and liabilities may require significant adjustments in the following financial year, are as follows:

› **Impairment of non-current assets**
When measuring non-current assets estimates must be made to determine their fair value (Notes 3.6) to assess possible impairment. To determine fair value, the Group's directors estimate, as of the date of authorizing the consolidated financial statements, whenever feasible, the expected and probable future cash flows to be generated by the assets, applying an appropriate discount rate to then calculate their present value.

› **Deferred tax assets**
Deferred tax assets are recognized for all unused tax losses and unused tax credits carried forward for which it is probable that future taxable profit will be available against which the unused credits and losses can be utilized. To determine the amount of deferred tax assets that can be recognized, the Group's directors estimate the amounts and dates on which future taxable profits will be obtained and the reversion period of taxable temporary differences.

› **Provisions**
The Group has made judgments and estimates as to the likelihood that risks will materialize that could require that a provision be recognized, as well as the corresponding amounts. Accordingly, a provision is recognized only when the risk is considered probable, estimating the cost that would be generated by the obligating event. On other occasions, the cost is determined after the reporting date and prior to authorization of the consolidated financial statements, once management has obtained additional information and documentation needed to confirm the assessment or estimate of the risk evident at the close.

› **Calculation of fair value, value in use, and present values**
Fair value, value in use, and present values are calculated based on assumptions related to the value of future cash flows and related discount rates. The estimates and assumptions based on historic experience and other factors are considered reasonable under the circumstances.

› **Operating lease commitments – Group as lessee**
The Group has entered into leases to carry out its business. The Group has determined, based on an evaluation of the terms and conditions of some of the arrangements, that the lessor retains all the risks and rewards inherent to ownership of the assets and so accounts for the contracts as operating leases. Operating lease payments are recognized as an expense in the consolidated income statement on a straight-line basis over the lease term.

3. RECOGNITION AND MEASUREMENT CRITERIA

The main recognition and measurement accounting policies applied in the preparation of the consolidated financial statements for the year ended June 30, 2011 are the following:

3.1. Intangible sporting assets

This heading includes primarily player transfer rights and the cost incurred to acquire such rights. These rights are measured at acquisition cost and are amortized from the moment they are acquired on a straight-line basis over the term of each player's contract. The asset is first recognized at the date the acquisition contract enters into force.

After initial recognition, they are carried at cost, net of accumulated amortization and any impairment loss.

The cost of the intermediation services rendered by the players' agents for their work in the acquisition of the player is recognized as a greater acquisition cost and is amortized on a straight line basis over the life of the player's contract.

At year end, these intangible assets are assessed for indications of impairment. If there is objective and clear evidence that the Group's intangible assets are impaired before the date the consolidated financial statements are authorized, the pertinent impairment loss is recognized.

Unexercised purchase options on players at year end are measured at acquisition cost given the difficulties inherent in estimating the options' fair value as there are no active markets or comparable transactions for these assets.

Players are derecognized at the date of disposal, transfer, cancellation of the contract, or expiry of the contractual rights over players. Even though contact may have been initiated with other clubs, agents, or the players themselves, for the purpose of negotiating their leaving the Club, and given the difficulties and uncertainties that arise before signing agreements, the related profit or cost is not recognized until either the sales or transfer contract has been signed, or until the player's contract expires, since up to that moment there is no real transfer of rights and risks inherent to ownership of contractual rights over the player. At the date of preparation of the consolidated financial statements, none of the above circumstances necessary for derecognition of any of the Club's players had arisen.

3.2. Intangible non-sporting assets

Intangible assets are initially recognized at acquisition cost. The cost of intangible assets acquired in a business combination is fair value as of the date of acquisition. Following initial recognition, they are measured at cost, net of accumulated amortization and any impairment loss.

An intangible asset is recognized if, and only if, it is probable that it will generate future benefits for the Group, if it is identifiable, and if its cost can be reliably measured.

The Group assesses the intangible asset's useful life to be either finite or indefinite.

Finite-life intangible assets are amortized on a straight-line basis as a function of their remaining estimated useful lives and residual value. Amortization methods and periods are reviewed at year or period end and adjusted prospectively where applicable. Intangible assets are tested for impairment at least at year or period end and are written down to their recoverable amounts when there is evidence of impairment.

At June 30, 2011 and 2010, the Group had not recognized any indefinite-life intangible assets in the consolidated balance sheet.

› **Service concession arrangements**
This heading includes the costs incurred to obtain the concession for certain of the Club's activities. These arrangements are amortized on a straight-line basis over a period of 7 years.

› **Patents, licenses, trademarks, et al.**
This heading reflects the amounts paid to register the Club's trademark. This balance is being amortized on a straight-line basis over a 10-year period.

› **Software**
Software is amortized on a straight-line basis over three years. The related maintenance costs are expensed as incurred.

› **Other intangible non-sporting assets**
The heading recognizes:

a. **Merchandising rights**
This balance includes a series of rights acquired by the Club on June 26, 1998 for €80,836 thousand including merchandising rights, rights to use the sporting fixtures and adjacent bars and restaurants, audiovisual broadcasting rights for European competitions, and static and dynamic in-game advertising and sponsorship rights in connection with the football and basketball teams. These rights are amortized on a straight-line basis over periods ranging from four to 21 years.
This heading also includes other management and operating rights repurchased by the Club in financial year 2002/2003 over several boxes located in the Santiago Bernabeu stadium. These rights were acquired from Palcos Blancos, S.L. for €9,423 thousand and had been fully amortized at June 30, 2011 and 2010.

b. **Operating rights over stadium boxes acquired in connection with business combinations**
This balance includes the rights acquired in financial year 2002/2003 as a result of the business combination completed by the Club that year with Inversiones Incas 2000, S.L. and Real Madrid Eventos Deportivos, S.L. These two companies operated a number of boxes located in the Santiago Bernabeu stadium that were acquired by the Club that year for €955 and €4,029 thousand, respectively. These rights had been fully amortized at June 30, 2011 and 2010.

3.3. Property, plant and equipment

Items of property, plant, and equipment are initially measured at either acquisition or production cost, and include all costs and expenses directly related to the assets acquired until they are ready for use. In financial year 1996/1997, as permitted under Royal Decree Law 7/1996, of June 7, the Club restated the carrying amount of its property, plant, and equipment, writing it up by €8,548 thousand. The effect on provisions for depreciation in the years ended June 30, 2011 and 2010 amounted to €172 thousand. Following initial recognition, these assets are measured at cost less accumulated depreciation and any recognized impairment loss.

Expenses for repairs which do not prolong the useful life of the assets, as well as maintenance expenses, are taken to the consolidated income statement in the year incurred. Expenses incurred for expansion or improvements which increase the productivity or prolong the useful life of these assets are capitalized as an increase in the carrying amount of the item. Once available for use, property, plant, and equipment are depreciated on a straight- line basis over their estimated useful lives.

The estimated useful lives of property, plant, and equipment are as follows:

Sport stadiums and venues	50
Other buildings	35
Other fixtures, tools and furniture	10 – 38
Other assets	5 – 10

The Group reviews these assets' residual value, useful lives and depreciation methods at year or period end and adjusts them prospectively where applicable.

An item of property, plant, and equipment is derecognized upon disposal or when no longer expected to generate economic benefits. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the consolidated income statement in the year or period in which the asset is derecognized.

3.4. Investment property

The Santiago Bernabeu stadium fixtures leased to third parties are classified as investment property. This heading also reflects assets held with a view to generating rental income or capital gains. Investment property is measured using the same criteria described for property, plant, and equipment.

Investment property is depreciated on a straight-line basis over estimated useful lives ranging from 8 to 35 years.

3.5. Non-current assets held for sale

This Group classifies assets whose carrying amount is expected to be realized through a sale transaction, rather than through continuing use, as "Non-current assets held for sale" when the following criteria are met:

› They are immediately available for sale in their present condition, subject to the normal terms of sale; and subjet to the normal terms of sale.
› The necessary steps have been taken to locate a buyer.
› The sale is expected within 12 months of classifying the asset as held for sale.

Non-current assets held for sale are accounted for at the lower of their carrying amount or fair value, less costs to sell. This criterion is not applied to deferred tax assets, assets arising from employee benefits or financial assets which do not correspond to investments in group companies, jointly controlled companies or associates recognized as non-current assets held for sale; they are instead accounted for according to their own specific measurement criteria. These assets are not depreciated and, where necessary, the corresponding impairment loss is recognized to ensure that the carrying amount does not exceed reasonable value less costs to sell.

Any related liabilities that are liable to be cancelled in conjunction with the asset disposal are classified as "Liabilities associated with non-current assets held for sale."

3.6. Impairment of non-financial assets

The Group assesses at each financial year or period end whether there is any indication or evidence that a non-current asset or, where applicable, a cash-generating unit may be impaired. If there is evidence of impairment, the Group estimates the asset's recoverable amount and recognizes the corresponding impairment loss.

Impairment losses and any subsequent reversals are recognized in the consolidated income statement. Impairment loss is reversed only if the originating circumstances have ceased to exist. The reversal is limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset.

For the purposes of detecting indications of impairment, the Group performs the following analysis:

› **Intangible sporting assets / PP&E earmarked for sporting use**

Intangible sporting assets: Group management considers that the complexity of the negotiations that take place at the time of arranging a player transfer (acquiring an intangible sporting asset) in order to set its market value, combined with the lack of an active and transparent market, the issues entailed in identifying comparable transactions and the significant oscillations in their market value from one day to the next as a function of player performance and/or injuries, the differing economic circumstances of the selling and buyer clubs, and player/agent attitudes, etc., is such that it is not possible to objectively reasonably determine the fair value of these players prior to their effective transfer. Nevertheless, the Group performs detailed analysis (on an individual and collective basis) of the value of its players' potential based on a combination of specific sports and financial parameters to identify any indications that its intangible sporting assets may be impaired. When there are clear indications or evidence of impairment, the Club's management estimates the corresponding recoverable amounts based on the best information available to it at the date of authorizing the consolidated financial statements, duly recognizing the pertinent impairment losses.

Property, plant, and equipment earmarked for sporting use (sports stadiums and venues): it is similarly challenging to determine the fair value of these assets due to the lack of an active and transparent market in which to pinpoint comparable transactions. Accordingly, the criteria used by the Group to determine whether there are any indications that these assets may be impaired is analysis of whether income from these assets is sufficient to cover the related depreciation charges and other operating expenses.

› **Intangible non-sporting assets, other PP&E and investment property**

The recoverable amount is the higher of fair value less costs to sell and value in use. When the carrying amount exceeds its recoverable amount, the asset is considered impaired. Value in use is the present value of expected future cash flows, discounted using risk-free market rates, adjusted by the risks specific to the asset. For those assets that do not generate cash flows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the cash- generating units to which the asset belongs.

3.7. Leases

Leases are classified as finance leases when, based on the economic terms of the arrangement, substantially all the risks and rewards incidental to ownership of the leased item are transferred to the lessee. All other lease arrangements are classified as operating leases.

› **Group as lessee**

Operating lease payments are recognized as expenses in the consolidated income statement as accrued.

› **Group as a lessor**

Rental income from operating leases is recognized in the consolidated income statement as accrued.

3.8. Financial assets

› **Recognition and measurement**

Financial assets are classified as follows: (a) loans and receivables and (b) available-for-sale financial assets.

The Group determines how to classify its financial assets upon initial recognition and re-evaluates this designation at each financial year or period end.

a. Loans and receivables

The Group recognizes in this category trade and non-trade receivables, which include financial assets with fixed or determinable payments not quoted on active markets and for which it expects to recover the full initial investment, except, where applicable, in cases of credit impairment.

Upon initial recognition in the consolidated balance sheet, they are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration paid plus directly attributable transaction costs.

Subsequent to initial recognition, these financial assets are measured at amortized cost. Nevertheless, trade receivables which mature within less than one year which do not carry a contractual interest rate, as wells as advances and employee loans, the amount of which is expected in the short term, are measured initially and subsequently at their nominal amounts, when the effect of not discounting the cash flows is not material.

Security deposits set up in connection with operating leases are measured at the amount given, which does not differ significantly from fair value.

Amounts received or pending collection albeit enforceable in connection with multi-year contracts for the transfer of certain usage rights or with the rendering of services that are deferred in time are recognized in the consolidated balance sheet under "Current liabilities - Accruals" or "Non-current liabilities – Accruals" and are for the most part taken to the consolidated income statement on a straight-line basis over the life of the corresponding contracts.

These balances are classified as current (less than 12 months) or non-current (more than 12 months) depending on the year in which they are scheduled to mature or be settled.

b. Available-for-sale financial assets

Available-for-sale financial assets include equity instruments not included in another financial asset category.

Upon initial recognition in the consolidated balance sheet, they are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration paid plus directly attributable transaction costs.

After initial recognition, these assets are stated at fair value including any transaction costs relating to their sale. Changes in fair value are recognized directly in equity until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously deferred in equity is taken to the income statement. Equity instruments whose fair value cannot be reliably determined are measured at cost, less any cumulative impairment.

› **Derecognition**

Financial assets are derecognized when the contractual rights to the related cash flows have expired or when the assets are transferred, provided that the risks and rewards incidental to ownership are substantially transferred.

If the Group has neither substantially transferred nor retained the risks and rewards incidental to ownership of the financial asset, it is derecognized if control has been given up. If the Group retains control over the asset, it continues to recognize it to the extent to which it is exposed to changes in the value of the transferred asset, i.e. its continuing involvement, recognizing as well the associated liability.

The difference between the consideration received, net of attributable transaction costs, including any new financial asset obtained less any liability assumed, and the carrying amount of the financial asset transferred plus any cumulative gain or loss recognized directly in equity, determines the gain or loss generated upon derecognition, and is included in the consolidated income statement in the year in which it is generated.

3.9. Impairment of financial assets

The carrying amount of financial assets is adjusted against the consolidated income statement when there is objective evidence of actual impairment.

To determine impairment loss on financial assets, the Group assesses potential loss on individual assets as well as groups of assets with similar risk characteristics.

› **Debt instruments**

There is objective evidence that debt instruments (receivables and loans) are impaired when an event has occurred subsequent to initial recognition that has a negative impact on the related cash flow projections.

The Group classifies debt instruments as impaired assets (doubtful exposures) when there is objective evidence of impairment and when circumstances make it reasonable to classify collection of these assets as doubtful; these circumstances refer basically to the existence of past due balances, breaches, refinancings and other data which evidences the possible irrecoverability of total agreed-upon cash flows or potential collection delays.

For financial assets measured at amortized cost, impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate prevailing at the time of initial recognition.

Any reversal of an impairment loss is recognized in the consolidated income statement. Reversals are limited to the carrying amount of the financial asset that would have been recognized on the reversal date had no impairment loss been recognized.

› **Equity instruments**

There is objective evidence that equity instruments are impaired when one or more events have occurred after initial recognition that indicate that the cost of the investment in equity instruments may not be recovered due to a prolonged or significant decline in fair value.

The impairment loss is calculated as the difference between the carrying amount and recoverable amount, which is the higher of fair value less costs to sell and the present value of projected cash flows from the investment. Unless better evidence is available, impairment of this type of asset is estimated based on the subsidiary's equity adjusted for any unrealized capital gains existing on the measurement date. Impairments losses are recognized in the consolidated income statement by directly reducing the carrying amount of the equity instrument.

Any reversal of an impairment loss is recognized in the consolidated income statement. Reversals are limited to the carrying amount of the investment that would have been recognized on the reversal date had no impairment loss been recognized.

3.10. Financial liabilities

› **Recognition and measurement**

The Group determines how to classify its financial liabilities upon initial recognition and re-evaluates this designation at each financial year or period end.

Fore measurement purposes, financial liabilities are classified as follows:

a. Financial liabilities measured at amortized cost

This category includes financial liabilities generated by the purchase of goods and services arising from trade transactions, and non-trade payables that are not derivative instruments.

Upon initial recognition in the consolidated balance sheet, they are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration received, adjusted for directly attributable transaction costs.

Following initial recognition, these financial liabilities are measured at amortized cost. Accrued interest is recognized in the consolidated income statement using the effective interest rate method.

Nevertheless, trade payables which are due within less than one year that do not carry a contractual interest rate, settlement of which is expected in the short term, are carried at the nominal value when the effect of not discounting the cash flows is not material.

b. Financial liabilities held for trading

This category includes derivative instruments that have not been designated as hedging instruments.

These instruments are initially recognized at their fair value at the acquisition date. Subsequent changes in fair value are recognized in the consolidated income statement annually.

› **Derecognition**

The Group derecognizes a financial liability when the related obligation is extinguished.

3.11. Inventories

Inventories are carried at acquisition cost. Acquisition cost includes the amount invoiced after deducting any trade discounts, rebates or similar items, plus all other costs incurred until the goods are ready for sale.

Given that Group's inventories do not need more than one year to ready for sale, finance costs are not capitalized in the acquisition or production cost.

The Group measures inventory at weighted average cost.

When the net realizable value of inventories is less than acquisition cost, the corresponding impairment provision is recognized in the consolidated income statement.

3.12. Cash and cash equivalents

This heading includes cash, current accounts, short-term deposits and purchases of assets under resale agreements which meet the following criteria:

› They are readily convertible to cash.
› They mature within less than three months from the acquisition date.
› The risk of change in value is insignificant.
› They fall under of the Group's standard cash management strategy.

In terms of the consolidated cash flow statement, occasional bank overdrafts used as part of the Group's cash management strategy are recognized as a decrease in cash and cash equivalents.

3.13. Grants

Monetary grants are measured at the fair value of the amount awarded.

Grants are classified as non-repayable once the grant prerequisites have been met. They are recognized directly in equity, net of the corresponding tax effect.

Repayable grants are recognized as Group liabilities until they meet the terms for forgiveness. No income is recognized until they are deemed non-repayable.

Grants received to finance specific expenses are recognized in the consolidated income statement in the year in which the expenses which they are intended to compensate are incurred. Grants received to acquire property, plant, and equipment are released to income in proportion to the related depreciation charges.

3.14. Provisions

Provisions are recognized in the consolidated balance sheet when the Group has a present obligation (derived from a contract through its explicit or implicit terms, legislation or other operation of law) as a result of past events that are known before the reporting date and it is probable that a quantifiable outflow of resources will be required to settle the obligation.

Provisions are measured at the present value of the best possible estimate of the amount needed to cancel the obligation or transfer it to a third party, recognizing the increase in the carrying amount of the provision due to the passage of time as borrowing cost. Provisions due to be settled within twelve months are not discounted where the financial impact of not discounting is not material. Provisions are reviewed at each consolidated balance sheet close and are adjusted to reflect the current best estimate of the expenditure required to settle the obligation at the date of authorizing the consolidated financial statements.

3.15. Provisions for long-term employee benefits

This heading reflects the Group's commitments to its employees in relation to length of service bonuses as well as other commitments assumed under collective bargaining agreements.

Neither the Club employees to which its collective labor agreement is applicable nor management are entitled to any supplementary pension benefits.

The Group has estimated accrued actuarial liabilities at June 30, 2011 and 2010, which are recognized under "Non-current liabilities - Provisions" in the accompanying consolidated balance sheet, at the present value of the outflows expected to arise under these commitments. Changes to estimates of earlier commitments are recognized in the consolidated income statement on an accrual basis.

3.16. Income tax

Income tax expense for the year is calculated as the sum of current tax resulting from applying the corresponding tax rate to taxable profit for the year, less any applicable tax credits, taking into account changes during the year to recognized deferred tax assets and liabilities. The corresponding tax expense is recognized in the consolidated income statement, except when it relates to transactions recognized directly in equity, in which case the corresponding tax expense is likewise recognized in equity.

Deferred taxes are recognized using the liability method on all temporary differences at the consolidated balance sheet date between the tax bases of assets and liabilities and their carrying amounts. The tax base of an asset or liability is the amount attributed to it for tax purposes.

The tax effect of temporary differences is recognized in "Deferred tax assets" or "Deferred tax liabilities" on the consolidated balance sheet, as applicable.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities based on the tax rates prevailing at the consolidated balance sheet date, restated for any tax adjustments from previous years.

Deferred tax liabilities are recognized for all temporary differences, except where disallowed under prevailing tax legislation.

The Group recognizes deferred tax assets for all deductible temporary differences, for the carryforward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable profit will be available against which these assets may be utilized, except where disallowed under prevailing tax legislation.

At each financial year end, the Group assesses the deferred tax assets recognized and those that have not previously been recognized. Based on this analysis, the Group derecognizes any asset recognized previously if it is no longer probable that it will be recovered, and it recognizes any deferred tax asset that had not been recognized previously, provided that it is probable that future taxable profit will be available against which the asset may be utilized.

Deferred tax assets and liabilities are measured at the tax rate expected to apply to the period in which they reverse, as required by enacted tax laws and in the manner in which it reasonably expects to recover the asset's carrying amount or settle the liability.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets and non-current liabilities, respectively.

3.17. Classification of assets and liabilities as current or non-current

Assets and liabilities are classified in the balance sheet as current or non-current. To this end, assets and liabilities are classified as current when they are associated with the Club's operating cycle and it is expected that they will be sold, consumed, realized or settled within the normal course of that cycle; other assets and liabilities that are expected to mature, to be sold or settled within one year; if they are held for trading or are cash and cash equivalents whose use is not restricted for over one year.

3.18. Revenue and expense recognition

In accordance with the accruals principle, revenue and expenses are recognized when the goods or services represented by them take place, regardless of when actual payment or collection occurs.

Revenue is recognized when it is probable that the profit or economic benefits embodied by the transaction will flow to the Group and the amount of income and costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, less any discounts, rebates, or similar terms granted by the Group. The following specific recognition criteria must also be met before revenue is recognized:

- Membership dues, ticketing and stadium revenue: recognized in the season in which they are accrued.
- Revenue from friendly matches and international competitions, broadcasting and marketing: recognized in the season in which they are accrued.
- Interest income: revenue is recognized as the interest accrues.

3.19. Foreign currency transactions

The Group's functional and presentation currency is the euro.

Transactions in currencies other than the euro are initially translated at the spot rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are translated at the spot rate prevailing at the consolidated balance sheet date.

The exchange gains and losses arising from this translation process, and those arising on settlement of these monetary balance sheet items are recognized in the consolidated income statement when realized.

3.20. Environmental assets and liabilities

Expenses relating to decontamination and restoration work in contaminated areas, as well as the elimination of waste and other expenses incurred to comply with environmental protection legislation are expensed in the year to which they relate, unless they correspond to purchases of qualifying Group assets to be used over an extended period, in which case they are capitalized in the corresponding property, plant, and equipment heading and are depreciated using the same criteria described in note 3.3 above.

At June 30, 2011 and 2010, the Group had not recognized any such environmental expenditure nor had it capitalized any environmental assets.

3.21. Related-party transactions

Transactions with related parties are measured in accordance with the measurement rules described above.

The Group regards the subsidiary's minority shareholders, the members of the Club's Board, its key managers and the Real Madrid Foundation as its related parties.

4. INTANGIBLE SPORTING ASSETS

The breakdown and the movement in this heading is as follows:

2010/2011

	Thousands of euros				
Player transfer rights	Opening balance	Additions and allowances	Derecognitions	Transfers	Closing balance
Cost	521.670	71.229	(61.718)	-	531.181
Accumulated amortization	(165.304)	(92.194)	42.469	-	(215.029)
Impairment allowances	(3.290)	(224)	3.290	-	(224)
CARRYING AMOUNT	**353.076**	**(21.189)**	**(15.959)**	**-**	**315.928**

2009/2010

	Thousands of euros				
Player transfer rights	Opening balance	Additions and allowances	Derecognitions	Transfers	Closing balance
Cost	498.059	112.435	(88.824)	-	521.670
Accumulated amortization	(126.044)	(89.565)	50.305	-	(165.304)
Impairment allowances	(3.375)	-	85	-	(3.290)
CARRYING AMOUNT	**368.640**	**22.870**	**(38.434)**	**-**	**353.076**

4.1. Description of the main changes during the period

The additions recognized in the periods 2010/2011 and 2009/2010 relate to investments in new players for the professional football and basketball squads; these balances include the transfer fees and other acquisition costs incurred in connection with the related transactions.

As indicated in Note 3.6 above, the Club recognize the opportune impairment charges as a function of the clear indications and evidence of impairment identity in respect of its intangible sporting assets at the date of authorizing the annual consolidated financial statements.

2010/2011

During the financial year ended June 30, 2011, the Club obtained net income of €19,721 thousand from the transfer of rights over several players to other clubs. The net profit from all disposals after deducting the net carrying amount totaled €3,762 thousand (Note 17.5).

2009/2010

Additions include €46,199 thousand corresponding to the cost of new players contracted prior to year end who have joined their respective squads for the first time during the 2010/11 season.

During the year ended June 30, 2010, the Club obtained €101,531 thousand of net income due to the transfer of rights over various players to other clubs, including those who were classified as non-current assets held for sale at June 30, 2009. The net gains of all derecognitions after deducting the net carrying amount (€38,519 thousand for rights classified as intangible sporting assets and €29,015 thousand for non-current assets held for sale) amounted to €33,997 thousand, recognized under "Gains (losses) on disposals and other gains and losses" in the income statement.

4.2. Other disclosures

At June 30, 2011, the Club had €200 thousand of fully amortized player acquisition rights (June 30, 2010: €4,269 thousand).

At June 30, 2010, the Club had purchase options on players amounting to € 1,600 thousand. These options expired in June 30, 2011 without being exercised. Therefore, they have been canceled and the corresponding loss recognized for the aforementioned amount.

At June 30, 2011, agreements have been signed to acquire players for the 2011/12 season totaling €33,950 thousand (2009/2010: €10,166 thousand). These acquisitions are recognized as additions to property, plant and equipment at the beginning of the following season in accordance with the Club's accounting policies.

It is Real Madrid Club policy to arrange whatever insurance policies are necessary to cover any eventuality related to the members of its professional football and basketball squads.

5. INTANGIBLE NON-SPORTING ASSETS

The breakdown and the movement in this heading is as follows:

2010/2011

	Thousands of euros				
	Opening balance	Additions and allowances	Derecognitions	Transfers	Closing balance
Cost:					
Service concession arrangements	2.103	-	-	-	2.103
Patents, licenses, trademarks, et al.	811	-	-	-	811
Software	4.067	83	-	461	4.611
Other intangible assets	95.437	-	-	-	95.437
Advances	714	191	-	(461)	444
Total cost	103.132	274	-	-	103.406
Accumulated amortization:					
Service concession arrangements	(2.103)	-	-	-	(2.103)
Patents, licenses, trademarks, et al.	(594)	(61)	-	-	(655)
Software	(3.338)	(498)	-	-	(3.836)
Other intangible assets	(89.601)	(869)	-	-	(90.470)
Total amortization	(95.636)	(1.428)	-	-	(97.064)
Impairment allowances:					
Software	(45)	-	-	-	(45)
CARRYING AMOUNT	**7.451**	**(1.154)**	**-**	**-**	**6.297**

2009/2010

	Thousands of euros				
	Opening balance	Additions and allowances	Derecognitions	Transfers	Closing balance
Cost:					
Service concession arrangements	2.103	-	-	-	2.103
Patents, licenses, trademarks, et al.	811	-	-	-	811
Software	3.797	39	-	231	4.067
Other intangible assets	95.437	-	-	-	95.437
Advances	331	614	-	(231)	714
Total cost	102.479	653	-	-	103.132
Accumulated amortization:					
Service concession arrangements	(2.103)	-	-	-	(2.103)
Patents, licenses, trademarks, et al.	(530)	(64)	-	-	(594)
Software	(2.985)	(353)	-	-	(3.338)
Other intangible assets	(88.733)	(868)	-	-	(89.601)
Total amortization	(94.351)	(1.285)	-	-	(95.636)
Impairment allowances:					
Software	(45)	-	-	-	(45)
CARRYING AMOUNT	**8.083**	**(632)**	**-**	**-**	**7.451**

Note 3.2 describing the measurement rules followed for "Intangible non-sporting assets" details the most significant operating rights held by the Club at June 30,2011 and 2010.

5.1 Other disclosures

The table below depicts a summary of the cost of items of intangible non-sporting assets that were fully amortized at :

	Thousands of euros	
	June 30, 2011	June 30, 2010
Service concession arrangements	2.103	2.103
Patents, licenses, trademarks, et al.	205	182
Software	3.384	2.703
Other intangible assets	80.965	80.010
TOTAL	**86.657**	**84.998**

6. PROPERTY, PLANT AND EQUIPMENT

The breakdown and the movement in this heading is as follows:

2010/2011

	Thousands of euros				
	Opening balance	Additions and allowances	Derecognitions	Transfers	Closing balance
Cost:					
Sport stadiums and venues	276.814	42	(230)	6.248	282.874
Land and buildings	22.549	1	-	373	22.923
Plant and other PP&E items	48.749	713	-	1.745	51.207
PP&E under construction and prepayments	12.010	10.792	-	(8.366)	14.436
Total cost	360.122	11.548	(230)	-	371.440
Accumulated depreciation:					
Sport stadiums and venues	(45.735)	(5.735)	18	-	(51.452)
Buildings	(2.315)	(536)	-	-	(2.851)
Plant and other PP&E items	(29.297)	(4.159)	-	-	(33.456)
Total accumulated depreciation	(77.347)	(10.430)	18	-	(87.759)
Impairment allowances					
Buildings and other PP&E items	(990)	-	-	-	(990)
CARRYING AMOUNT	**281.785**	**1.118**	**(212)**	**-**	**282.691**

2009/2010

	Thousands of euros				
	Opening balance	Additions and allowances	Derecognitions	Transfers	Closing balance
Cost:					
Sport stadiums and venues	274.300	-	-	2.514	276.814
Land and buildings	22.549	-	-	-	22.549
Plant and other PP&E items	45.217	1.090	(168)	2.610	48.749
PP&E under construction and prepayments	5.845	11.289	-	(5.124)	12.010
Total cost	347.911	12.379	(168)	-	360.122
Accumulated depreciation:					
Sport stadiums and venues	(40.099)	(5.636)	-	-	(45.735)
Buildings	(1.779)	(536)	-	-	(2.315)
Plant and other PP&E items	(25.142)	(4.202)	47	-	(29.297)
Total accumulated depreciation	(67.020)	(10.374)	47	-	(77.347)
Impairment allowances					
Buildings and other PP&E items	(990)	-	-	-	(990)
CARRYING AMOUNT	**279.901**	**2.005**	**(121)**	**-**	**281.785**

6.1. Description of the main changes during the period

2010/2011

Additions in the period relate principally to investments made in the Santiago Bernabéu Stadium.

2009/2010

The additions in the period correspond to different investments made in Ciudad Real Madrid de Valdebebas and in the Santiago Bernabéu Stadium, including those related to hosting the Champions League final which took place in May 2010.

6.2. Development rights

The Club has acquired transferable development units or rights on the existing plots falling under the scope the current applicable town planning proposal. These units were inscribed in the respective property registers as an annotation in the original property inscription.

These development rights are to all intents and purposes equivalent to the land contributed to the reparceling process, as these units are ultimately what generate the right to obtain a plot adjudication as a result of the redistributive planning proposal. In fact, both the purchase deeds and the registry inscriptions establish that these units will be applied to the resulting plot earmarked for private sporting usage in the amount of 16,401.6 units and approximately 1,200,000 m2 of land under the reparceling proposal.

Real Madrid Club de Fútbol presented these development rights to the Compensation Commitee of “Parque de Valdebebas”, with the result that on November 25, 2009 Madrid City Council definitively approved (subject to administrative appeals) the reparceling project, by virtue of which Real Madrid has won the replacement plot.

Following the definitive approval of the reparceling project, the Madrid Tax Authorities issued payment notices to the former owners for capital gains tax arising from the increase in the value of the related urban land. These payment notices were appealed, since both the corresponding former owners and the Club disagree, given that the Club assumed the obligation to pay or put up surety for this tax in the purchase deeds.

6.3. Operating leases

› **Group as lessee**

At June 30, 2011 and 2010, the Club has arranged operating leases on certain items of property, plant, and equipment, primarily, properties, technical fixtures and computer hardware. These leases have terms ranging from 1 to 8 years, depending on the nature of the asset leased. In most instances, the leases are updated as a function of annual CPI. The Club is in no way encumbered by virtue of these leases.

The expenses related to these leases for the year ended June 30, 2011 amounted to €2,966 thousand (Note 17.4) (June 30, 2010: €2,913 thousand).

The future minimum operating lease payments were the following:

	Thousands of euros	
	June 30, 2011	June 30, 2010
Within one year	2.714	2.595
Between one and five years	4.559	6.471
More than 5 years	129	622
TOTAL	7.402	9.688

6.4. Other disclosures

At June 30, 2011, fully depreciated property, plant, and equipment, mainly technical fixtures amounted to €12,400 thousand (June 30, 2010: €8,878 thousand).

At June 30, 2011, the Group had commitments to its suppliers for ongoing investments in connection with the Ciudad Deportiva (a new training and sports complex) and the Santiago Bernabéu Stadium, amounting to €3,4 million (June 30, 2010: €4,6 million).

It is Group policy to take out any insurance policies necessary to cover potential risks relating to its property, plant, and equipment.

Prior to this year, the Club began construction of Ciudad Deportiva de Valdebebas, based on a provisional construction permit granted for the development coded 4.00.01 “Ciudad Aeroportuaria Parque de Valdebebas” under the general town development plan (PGOU for its initials in Spanish).

Prior to this year, the Club received a grant amounting to €9,607 thousand to finance the acquisition of fixed assets. The breakdown of these assets is as follows:

2010/2011

	Thousands of euros		
	Cost	Accumulated depreciation	Carrying amount
Buildings	9.607	(2.369)	7.238

2009/2010

	Thousands of euros		
	Cost	Accumulated depreciation	Carrying amount
Buildings	9.607	(2.176)	7.431

On June 30, 2011, this grant is recognized in equity and deferred tax liabilities for the respective amounts of €5,429 thousand (Note 12) and €1,810 thousand (Note 16.2) (June 30, 2010: €5,573 thousand and €1,858 thousand respectively).

7. INVESTMENT PROPERTY

The breakdown and the movement in this heading is as follows:

2010/2011

	Thousands of euros		
	Opening balance	Additions and allowances	Closing balance
Cost			
Land	488	-	488
Buildings	13.853	222	14.075
Facilities	37	15	52
Building in progress	1.885	-	1.885
Total cost	16.263	237	16.500
Accumulated depreciation			
Buildings	(7.577)	(462)	(8.039)
Facilities	(18)	(5)	(23)
Total accumulated depreciation	(7.595)	(467)	(8.062)
Impairment allowances			
Building in progress	(1.550)	-	(1.550)
CARRYING AMOUNT	7.118	(230)	6.888

2009/2010

	Thousands of euros		
	Opening balance	Additions and allowances	Closing balance
Cost			
Land	488	-	488
Buildings	13.853	-	13.853
Facilities	37	-	37
Building in progress	1.550	335	1.885
Total cost	15.928	335	16.263
Accumulated depreciation			
Buildings	(7.115)	(462)	(7.577)
Facilities	(14)	(4)	(18)
Total accumulated depreciation	(7.129)	(466)	(7.595)
Impairment allowances			
Building in progress	(1.550)	-	(1.550)
CARRYING AMOUNT	**7.249**	**(131)**	**7.118**

The "Land" sub-heading includes the plot in the Las Tablas district in Madrid, owned by the Club as a result of a land swap arrangement concluded with the Madrid town council prior to this year. This land is not in use nor has it been earmarked for a specific permitted usage.

The "Buildings" subheading includes the following fixtures and facilities attaching to the Santiago Bernabeu stadium:

› Investments totaling €13,539 thousand in connection with the "La Esquina del Bernabeu" shopping center. This property comprises a series of premises and a car park. It is leased out to a third party under a 20-year operating concession agreement executed in 1992. This agreement generated revenue totaling approximately €1,030 thousand at June 30, 2011 (June 30, 2010: €1,030 thousand).

› Investments amounting to €314 thousand in restaurants, including capital expenditure by the Club to equip these facilities for hospitality and catering usage. There are three premises located within the Club's installations that are operated by a third party which pays the Club a royalty. The direct royalty revenue generated by this activity in the year ended June 30, 2011 totaled €1,136 thousand (June 30, 2010: €1,256 thousand).

"Building in progress" mainly reflects the costs of conducting research and other expenses incurred prior to building an underground car park. At June 30, 2011 and 2010, the corresponding impairment charge had been recognized to reflect the fact that the construction work was paralyzed prior to this year.

During the 2010/2011 period, alternative sites for the car park were being considered.

Future minimum operating lease receipts were the following:

	Thousands of euros	
	June 30, 2011	June 30, 2010
Within one year	1.765	1.507
Between one and five years	4.857	4.287
More than 5 years	3.200	2.027
TOTAL	**9.822**	**7.821**

8. FINANCIAL ASSETS

The breakdown of "Financial assets" is as follows:

2010/2011

	Thousands of euros		
	Equity instruments	Loans and other financial assets	Total
NON-CURRENT FINANCIAL ASSETS			
Non-current financial assets			
Loans and receivables:			
Investments	-	21.613	21.613
Available-for-sale financial assets:			
Investments	334	-	334
	334	21.613	21.947
CURRENT FINANCIAL ASSETS			
Current financial assets			
Loans and receivables			
Trade and other receivables	-	98.332	98.332
	-	98.332	98.332
TOTAL FINANCIAL ASSETS	**334**	**119.945**	**120.279**

2009/2010

	Thousands of euros		
	Equity instruments	Loans and other financial assets	Total
NON-CURRENT FINANCIAL ASSETS			
Non-current financial assets			
Loans and receivables:			
Investments	-	31.364	31.364
Available-for-sale financial assets:			
Investments	334	-	334
	334	31.364	31.698
CURRENT FINANCIAL ASSETS			
Current financial assets			
Loans and receivables			
Trade and other receivables	-	94.324	94.324
	-	94.324	94.324
TOTAL FINANCIAL ASSETS	**334**	**125.688**	**126.022**

8.1. Non-current investments

The breakdown and the movement in this heading is as follows:

2010/2011

	Thousands of euros				
	Opening balance	Additions	Derecognitions	Transfers to current	Closing balance
Equity instruments	334	-	-	-	334
Non-current receivables from sporting entities	31.022	10.551	(2.750)	(17.450)	21.373
Other financial assets	342	-	-	(102)	240
TOTAL	**31.698**	**10.551**	**(2.750)**	**(17.552)**	**21.947**

2009/2010

	Thousands of euros				
	Opening balance	Additions	Derecognitions	Transfers to current	Closing balance
Equity instruments	254	80	-	-	334
Non-current receivables from sporting entities	4.505	45.020	(5.320)	(13.183)	31.022
Other financial assets	643	-	-	(301)	342
TOTAL	**5.402**	**45.100**	**(5.320)**	**(13.484)**	**31.698**

› "Equity instruments" recognizes the Club's shareholdings in several unlisted entities that organize competitions in which its professional basketball team participates and over which the Club exercises neither control nor significant influence. The Club has recognized these investments at cost rather than at fair value as there is not enough information to reliably determine this parameter.

› "Non-current receivables from sporting entities" recognizes the balances pending collection from a number of sports entities, primarily relating to the sale of rights over professional players. These balances do not accrue explicit interest. The payment schedule is as follows:

	Thousands of euros	
	June 30, 2011	June 30, 2010
2011	-	15.295
2012	5.830	9.141
2013	7.543	4.920
2014	8.000	1.666
TOTAL	**21.373**	**31.022**

› The aforementioned amounts are recognized using the amortized cost method. Accrued finance income during the year ended June 30, 2011 amounted to €1,099 thousand (June 30, 2010: €1,584 thousand).
The change in this balance during the year corresponds to the sale of players by the Club and the transfer to current receivables of those balances falling due within twelve months of the consolidated balance sheet date.

› "Other financial assets" includes guarantees set up in connection with certain operating leases (Note 6.3).

8.2. Trade and other receivables

The breakdown of "Trade and other receivables" is as follows:

	Thousands of euros	
	June 30, 2011	June 30, 2010
Trade receivables		
Stadium receivables	2.305	3.966
Broadcasting receivables	4.358	753
Marketing receivables	33.403	27.330
	40.066	32.049
Current accounts receivable from sporting entities	39.654	48.515
Other receivables	7	16
Receivable from employees	944	390
Current income tax and other assets (Note 16)	427	4.293
Other receivables from public administrations (Note 16)	17.234	9.061
TOTAL	**98.332**	**94.324**

› Trade receivables

The “Trade receivables” balance is shown net of impairment loss provisions, which recorded the following movements during the year:

	Thousands of euros	
	June 30, 2011	June 30, 2010
Initial impairment allowances	26.335	22.206
Additions in the year	1.674	3.159
Applications in the year	(5.472)	-
Impairment reversal in the year	(710)	(460)
Transfers in the year	63	1.430
FINAL IMPAIRMENT LOSS ALLOWANCES	21.890	26.335

2010/2011

The €5,472 thousand impairment loss provision applied in the period relates primarily to the collection of 30% of the debt for which creditor protection was filed by the former sponsor BenQ Mobile GmBH & Co, as explained in Note 13.3, and which was provided for in the 2006/07 season.

The reversal of €710 thousand corresponds to the derecognition of receivable balances covered by impairment loss allowances due having been collected by the Group during the year.

2009/2010

The €1,430 thousand transfer mainly corresponds to the provision for contingencies and charges set aside for the 2008/09 period totaling €1,399 thousand to cover the risk of future payments as a result of Begar Construcciones y Contratas, S.A.’s bankruptcy.
The Club had hired Begar Construcciones y Contratas, S.A. to build a residence for the Club’s youth players within the Real Madrid sporting complex. The Club assumed Begar’s debt obligations this season with respect to amounts owed to their subcontractors, subject to prior payment of all amounts pending collection from the subcontractors. At June 30, 2010, there was uncertainty as to whether the Club would recover the amounts owed and consequently the related impairment loss allowance was maintained.

The breakdown of balances in foreign currencies at June 30, 2011 included in “Trade receivables” is as follows:

	Thousands of euros	
	Foreign currency balance	Foreign currency balance
US dollars (USD)	1.491	1.032
Pounds sterling	18	20
TOTAL		1.052

The breakdown of balances in foreign currencies at June 30, 2010 included in “Trade receivables” is as follows:

	Thousands of euros	
	Foreign currency balance	Foreign currency balance
US dollars (USD)	962	796
Pounds sterling	25	31
TOTAL		827

› Current accounts receivable from sporting entities

The “Current accounts receivable from sporting entities” is shown net of impairment loss provisions, which recorded the following movements during the year:

	Thousands of euros	
	June 30, 2011	June 30, 2010
Initial impairment allowances	3.934	2.743
Additions in the year	2.387	1.283
Applications in the year	-	(86)
Impairment reversal in the year	(403)	(6)
FINAL IMPAIRMENT ALLOWANCES	5.918	3.934

At June 30, 2011, this account includes a balance of €351 thousand with the Professional Football League (June 30, 2010: €784 thousand), which has been confirmed by the entity in question.

This account did not contain any foreign currency denominated balances at June 30, 2011 and 2010.

The breakdown of “Losses on, impairment of, and change in trade provisions” is as follows:

	Thousands of euros	
	June 30, 2011	June 30, 2010
Impairment recognized in the year to “Trade receivables”	1.674	3.159
Impairment reversal in the year to “Trade receivables”	(710)	(460)
Impairment recognized in the year to “Current accounts receivable from sporting entities”	2.387	1.283
Impairment reversal in the year to “Current accounts receivable from sporting entities”	(403)	(6)
Net change in the year to “Inventories” (Note 9)	9	(46)
TOTAL	2.957	3.930

9. INVENTORIES

The €1,558 thousand carrying amount in "Inventories" at June 30,2011 (June 30, 2010: €2,481 thousand) includes an impairment loss allowance of €25 thousand (June 30, 2010: €16 thousand).

The movement in the impairment loss allowance was the following:

	Thousands of euros	
	June 30, 2011	June 30, 2010
Initial impairment of inventories	16	62
Additions in the year	9	-
Impairment reversal in the year	-	(46)
Final impairment of inventories	**25**	**16**

10. CASH AND CASH EQUIVALENTS

The breakdown of "Cash and cash equivalents" is as follows:

	Thousands of euros	
	June 30, 2011	June 30, 2010
Acquisition of assets under repurchase agreements	35.100	61.210
Cash	13	8
Current accounts	62.656	31.513
TOTAL	**97.769**	**92.731**

"Acquisition of assets under repurchase agreements" includes investments in euro deposits and various deposits placed at different financial entities carrying interest linked to Euribor at maturity.

There are restrictions on the availability of balances in current accounts amounting to €17.2 million at June 30, 2011 (June 30, 2010: €27,7 million). These amounts are earmarked for amortization of the loans.

11. EQUITY – CAPITAL AND RESERVES

The breakdown and movements in the items composing "Capital and reserves" during the year then ended are shown in the consolidated statement of changes in equity.

The "Social fund" consists mainly of the initial endowment plus subsequent contributions in connection with distributions of retained earnings. In addition, the effects of transition to new Spanish GAAP were recognized under this heading, as required by the new standards which state that these effects must be recognized in unrestricted reserve accounts.

The revaluation reserve recognized by the Club in financial year 1996/1997 may be used to offset tax losses, to increase the social fund or transferred to unrestricted reserves once the restated assets have been fully depreciated or derecognized.

12. EQUITY - GRANTS, DONATIONS, AND BEQUESTS RECEIVED

The movements in non-repayable grants included in the consolidated statement of changes in equity are as follows:

2010/2011

	Miles de euros					
	Opening balance	Additions	Tax effect of additions	Amounts transferred to income statement	Tax effect of transfers	Closing balance
Grants, donations and bequests receiver - non-repayable grants	5.573	-	-	(192)	48	5.429

2009/2010

	Miles de euros					
	Opening balance	Additions	Tax effect of additions	Amounts transferred to income statement	Tax effect of transfers	Closing balance
Grants, donations and bequests receiver - non-repayable grants	5.717	-	-	(192)	48	5.573

These grants relate mainly to capital grants awarded by sports bodies, primarily the Professional Football League, in conjunction with certain capital expenditure made by the Club during the 1996/1997 season (note 6.4).

The Club's Board believes it has fulfilled all the conditions attaching to the grants for forgiveness.

13. PROVISIONS AND CONTINGENCIES

13.1. Non-currentprovisions

The breakdown and the movement in this heading is as follows:

2010/2011

	Thousands of euros				
	Opening balance	Additions	Derecogni-tions	Transfers	Closing balance
Provisions for employee benefits	2.960	-	(2.425)	-	535
Other provisions	9.506	1.345	(2.347)	(713)	7.791
TOTAL NON-CURRENT PROVISIONS	12.466	1.345	(4.772)	(713)	8.326

2009/2010

	Thousands of euros				
	Opening balance	Additions	Derecogni-tions	Transfers	Closing balance
Provisions for employee benefits	2.930	296	(266)	-	2.960
Other provisions	16.504	2.108	(8.411)	(695)	9.506
TOTAL NON-CURRENT PROVISIONS	19.434	2.404	(8.677)	(695)	12.466

› **Provisions for employee benefits**
In prior years the Club undertook to compensate certain employees for length of service. It also assumed certain employee commitments by virtue of changes in the collective labor agreement applicable in prior years. In the 2010/11 season, the provision for actuarial liabilities was derecognized since the commitment from prior seasons no longer exists.

› **Other provisions**
During the 2010/2011 financial year, the Group applied provisions set aside in prior years amounting to €1,699 thousand (June 30, 2010: €4,719 thousand), maintaining those related to future payments that have been assessed as probable at June 30, 2011.

In addition, the Group released provisions totaling €648 miles thousand (June 30, 2010: €3,692 thousand) since the circumstances for which they were set aside no longer exist. The corresponding income has been taken to “Overprovisions” on the consolidated income statement.

13.2. Current provisions

The breakdown and the movement in this heading is as follows:

2010/2011

	Thousands of euros				
	Opening balance	Additions	Derecogni-tions	Transfers	Closing balance
Provisions for current liabilities and charges	738	54	(750)	713	755

2009/2010

	Thousands of euros				
	Opening balance	Additions	Derecogni-tions	Transfers	Closing balance
Provisions for current liabilities and charges	10.143	71	(10.171)	695	738

The Group applied €750 thousand (June 30, 2010: € 10,171 thousand) in provisions recognized in prior years for their original purpose.

13.3. Commitments, guarantees and sureties

› **Guarantees and sureties extended**

The Group granted guarantees and sureties to third parties for several items, the most significant of which relate to the acquisition of intangible assets (sporting and non- sporting). The breakdown of these guarantees is as follows:

	Thousands of euros	
	June 30, 2011	June 30, 2010
Indefinite	2.218	2.314
2010/2011	-	7.120
2011/2012	11.970	6.650
2012/2013	8.650	3.800
2013/2014	2.750	7.000
TOTAL	25.588	26.884

In addition, in order to guarantee payment obligations to different financial entities and other creditors, the Club has pledged the contract transferring its audiovisual rights, its membership fees covering the period from June 2010 to June 2015, as well as the revenue obtained from remote sales channels for national football competition matches for the period from July 2009 to June 2012.

› **Main commitments in effect**

1. On November 20, 2006, Real Madrid Club de Fútbol signed a contract with Mediaproducción, S.L. by virtue of which certain audiovisual rights of its first team and of Real Madrid Castilla were ceded for the period covering the 2009/10 season to the 2013/14 season. The signing of this contract, updated in 2010/2011, together with those already in force to date, guarantees that the Club's revenues from broadcasting rights will exceed €1,100 billion euros between 2006/2007 and the following six seasons. The revenues from these rights are accrued annually on the basis of the sports broadcasts aired each season. The annual receipts are secured by first demand bank guarantees issued by a sound financial entity domiciled in Spain. Even though this company is subject to bankruptcy proceedings, it has punctually met all of the installments corresponding the 2010/11 season, and provided the required bank guarantees in connection with the first payment of coming season.
In addition, in the first half of the 2010/11 season, an agreement was signed with the Group company Mediapro, ceding the advertising management rights as well as the commercial operation rights of Reamadrid TV channel in for the 2010/11 and 2011/12 seasons, as well as audiovisual broadcasting for the 2010/11 to 2013/14 seasons.

2. In addition, an agreement was signed with Adidas in the year ended June 30, 2004 to extend and improve sportswear sponsorship rights. This agreement will expire during the 2011/2012 season.

3. In 2005/2006 a contract was signed with Siemens AG which was then assumed by BenQ Mobile GmbH & Co. This company declared bankruptcy in the 2006/2007 season, and consequently the debt was fully provisioned for at the time. In the 2008/09 season, 35% of the debt filed for creditor protection was collected, and the provision recognized by the Club was partially reversed in the corresponding amount
During 2010/2011, a report was received from the bankruptcy trustee notifying the Group that the status of proceedings were such that a new payment on account would be made, the principal of which would be a maximum additional 30%. This amount was collected subsequent to June 30, 2011.

4. In prior years the Club signed a sponsorship agreement with Bwin, Internacional Ltd. A new contract, amending and improving the initial agreement, was signed with this company in April 2009 and ratified in August 2009. This new agreement establishes greater revenue from sponsorship rights for the 2010/11, 2011/12, and 2012/12 seasons than in the previous agreement. The annual receipts are secured by first demand bank guarantees issued by a sound financial entity domiciled in Spain.

5. The Club has recognized bonus payment obligations with several players, clubs, and player agents that calculated on the basis of certain sporting objectives achieved during the season. The expense accrued in connection with these obligations during the year ended June 30, 2010 was €2,630 thousand (June 30, 2009: €2,773 thousand).
Conversely, the Club collects bonuses from certain clubs and in relation to image rights and sponsorship agreements upon achievement of specific sporting objectives. During the year ended June 30, 2011, the corresponding revenue collected by the Club amounted to €2,470 thousand (June 30, 2010: €7,850 thousand).
In addition, although at June 30, 2011, no payment obligations have accrued, there are potential liabilities derived from agreements with sporting entities in the event certain objectives are achieved in future seasons. In the unlikely event that all the objectives were to be met, the maximum amount to be paid over the term of all the agreements up until their expiration would amount to €28,500 thousand (June 30; 2010: €26,500 thousand). If this payment is made, the amount would be more than compensated by increased revenue from sporting competitions especially the Champions League.

Likewise, there are potential assets related to sponsorship agreements that are contingent upon fulfillment of established sporting objectives in future seasons. In the unlikely event that all the objectives were to be met, the maximum amount to be collected over the term of the aforementioned agreements up until their expiration would amount to €10,060 thousand (June 30; 2010: €15,700 thousand).

6. In May 2009, Court of Instruction number 32 of Madrid initiated preliminary proceedings which involved the submission of evidence of expert opinion regarding accounting analysis of certain aspects of the financial statements for the year ended June 30, 2008. The Club provided all the information requested by the legal expert witness appointed by the court but has not been notified of any related ruling to date.

7. The Club has an agreement with the majority of clubs belong to the Professional Football League (PFL) by virtue of which clubs demoted to lower leagues due to loss of revenue from league and cup audiovisual rights are compensated. The fundamental terms and principles are governed by regulations which establish the parameters for calculating compensation as well as the terms for assigning such compensation that must be proposed by the governing body and approved by the clubs having signed the agreement. This proposal has yet to be made at year end.

14. FINANCIAL LIABILITIES

The breakdown of financial liabilities is as follows:

2010/2011

	Thousands of euros		
	Bank borrowings	Other financial liabilities	Total
NON-CURRENT FINANCIAL LIABILITIES			
Non-currentfinancialliabilities			
Financial liabilities measured at amortized cost:			
Borrowings	138.926	79.663	218.589
	138.926	79.663	218.589
CURRENT FINANCIAL LIABILITIES			
Current financial liabilities			
Financial liabilities measured at amortized cost:			
Borrowings	6.836	91.521	98.357
Trade and other payables	-	170.697	170.697
	6.836	262.218	269.054
TOTAL FINANCIAL LIABILITIES	**145.762**	**341.881**	**487.643**

2009/2010

	Thousands of euros		
	Bank borrowings	Other financial liabilities	Total
NON-CURRENT FINANCIAL LIABILITIES			
Non-current financial liabilities			
Financial liabilities measured at amortized cost:			
Borrowings	118.261	120.605	238.866
	118.261	120.605	238.866
CURRENT FINANCIAL LIABILITIES			
Current financial liabilities			
Financial liabilities measured at amortized cost:			
Borrowings	48.253	115.071	163.324
Trade and other payables	-	141.350	141.350
	48.253	256.421	304.674
TOTAL FINANCIAL LIABILITIES	166.514	377.026	543.540

14.1. Non-current financial liabilities

The breakdown of "Non-current liabilities – Financial liabilities" is as follows:

	Thousands of euros	
	June 30, 2011	June 30, 2010
Bank borrowings	138.926	118.261
Other financial liabilities		
Amounts owed to suppliers of fixed assets	42.760	44.125
Player transfer accounts payable	34.626	71.925
Broadcasting accounts payable	2.277	4.555
	79.663	120.605
TOTAL	218.589	238.866

› **Bank borrowings**

At June 30, 2011, the Group has three loans from 3 financial entities with an aggregate outstanding principal of €141,485 thousand (June 30, 2010: €161,500 thousand), carrying interest at Euribor plus a market spread. The loans are repayable over this and next four financial years. One of these loans, one was restructured in 2010/2011, extending maturity an additional three years beyond the initially arranged repayment date. Given the long-term nature of this financing arrangement, the Group has arranged hedges to mitigate a potential increase in Euribor over and above a specific limit. Changes in the fair value of these instruments are recognized in the income statement. Except for the aforementioned amendment, the remaining terms and conditions, as well as the applicable interest rates, have remained practically unaltered.

The repayment schedule for these borrowings is as follows:

June 30, 2011

	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	Total
Bank borrowings	3.350	37.968	34.667	25.500	40.000	141.485

June 30, 2010

	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	Total
Bank borrowings	45.015	20.015	45.470	25.500	25.500	161.500

› **Other financial liabilities**

The amount of debt recognized in this heading decreased substantially with respect to year end 2010, since the Club invested less in sporting intangible assets in the 2010/2011 season and a portion of the debt has been paid down.

The breakdown of "Other financial liabilities" by maturity (in thousand of euros) is as follows:

June 30, 2011

	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	Posteriores	Total
Amounts owed to suppliers of fixed assets	11.863	10.321	10.161	7.367	3.006	42	42.760
Player transfer accounts payable	27.128	7.479	19	-	-	-	34.626
Broadcasting accounts payable	2.277	-	-	-	-	-	2.277
TOTAL	41.268	17.800	10.180	7.367	3.006	42	79.663

June 30, 2010

	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	Total
Amounts owed to suppliers of fixed assets	10.795	8.279	7.915	8.006	6.173	2.915	42	44.125
Player transfer accounts payable	64.180	-	7.745	-	-	-	-	71.925
Broadcasting accounts payable	2.278	2.277	-	-	-	-	-	4.555
TOTAL	77.253	10.556	15.660	8.006	6.173	2.915	42	120.605

The above amounts do not bear explicit interest with the exception of certain amounts owed to suppliers of fixed assets which accrue interest annually at a rate linked to Euribor.

The aforementioned amounts have been recognized at amortized cost. They accrued finance cost of €3,865 thousand during the year ended June 30, 2011 (€5,526 thousand during the year ended June 30, 2010).

This account did not include any foreign currency denominated balances at June 30, 2011 and 2010.

14.2. Current financial liabilities

The breakdown of "Current liabilities – Financial liabilities" is as follows:

	Thousands of euros	
	June 30, 2011	June 30, 2010
Bank borrowings	6.836	48.253
Other financial liabilities		
Payable to suppliers of fixed assets	26.091	28.412
Player transfer accounts payable	65.430	86.659
	91.521	115.071
TOTAL CURRENT BORROWINGS	98.357	163.324

The decrease in "Bank borrowings" under "Current liabilities" is due primarily to the restructuring of a bank loan described in Note 14.1.

In addition, the decrease in "Current accounts payable to sporting entities" is due to the fact that the Club has invested less in sporting intangible assets.

At June 30, 2011, the Group had €26,000 thousand (June 30, 2010: €34,000 thousand) of unmatured, undrawn credit lines, carrying interest at Euribor-linked rates.

The breakdown of foreign currency denominated balances included in "Current liabilities – Financial liabilities" at June 30 is as follows:

June 30, 2011

	Thousands of euros	
	Foreign currency balance	Foreign currency balance
US dollars (USD)	532	368
Pound sterling	60	66
SEK	5	1
TOTAL		435

June 30, 2010

	Thousands of euros	
	Foreign currency balance	Foreign currency balance
US dollars (USD)	96	79
Pound sterling	16	20
Yen	-	-
CHF	175	132
Norwegian Krone	249	31
TOTAL		262

14.3. Trade and other payables

The breakdown of "Trade and other payables" is as follows:

	Thousands of euros	
	June 30, 2011	June 30, 2010
Trade payables	62.529	72.202
Accounts payable to sporting entities for services rendered	4.820	2.248
Employee benefits payable	71.219	55.962
Other payables to public administrations (Note 16)	14.525	10.938
Current income tax liabilities (Note 16)	17.604	-
TOTAL	170.697	141.350

"Employee benefits payable" correspond mainly to compensation payable under agreements with the players in the A football squad.

14.4. Working capital

The shortfall in working capital is the deficit between current assets and current liabilities on the balance sheet.

At June 30, 2011, working capital stands at €-141 million (June 30, 2010: €-182 million). Negative working capital improved substantially with respect to 2010, having decreased by €41 million.

Negative working capital is attributable primarily to the high levels of investment over the last few years in property, plant, and equipment, and especially in intangible sporting assets.

The effect of these investments is in addition to the principal factor driving negative working capital: the intrinsic workings of a football club with significant and annually recurring operations-driven accounts payable (purchases and services, player signings, upfront collection of membership dues/season passes).

At June 30, 2011, short-term recurring payable balances amounted to €226 million (purchases and services: €81 million; signings/other personnel: €71 million; upfront membership dues/season passes: €74 million), whereas at June June 30, 2010, this item amounted to €210 million (purchases and services: €85 million; signings/other personnel: €56 million; upfront membership dues/season passes: €69 million). These short-term recurring payables contribute significantly to the existence of negative goodwill at year end.

These balances will be rolled over, and therefore will reflect similar amounts at each year end. In the case of signing players, the payment is made in two six-monthly installments: in January and July. Membership fees are collected on June 30 of the following year. This generates a recurring negative balance, which will be canceled over the entire year; however, cancellation will not represent any payment since it will be covered by income from the following year. Although box seating and VIP area season tickets, as well as amounts from certain sponsors, were collected prior to the close of the season, they are allocated to income over the course of the entire next season, and thus the creditor balance also diminishes over the same period.

The remaining current trade payables at June 30, 2011 relate to amounts owed for investments and bank borrowings, which will be paid using available cash generated on a monthly basis through the Club's transactions.

All things considered, and this is tantamount, this year and next the Club expects to generate very significant operating profits, i.e., current operating income is higher than operating expenses. As a result, after meeting its payment commitments, the Club generates significant surplus cash to cover its investment commitments. In addition, the Group has embarked upon a containment strategy, measured on an average annual basis over four-year cycles, whereby operating expenses are being reduced and investments tapered through material self-financing. This is achieved by virtue of transfers in the case of players, and by completion of the major investments in the case of its sporting installations.

Considering the above and taking into account the forecast cash balances based on conservative hypotheses for the coming seasons, and the availability of undrawn credit lines at June 30, 2011 of €26 million (June 30, 2010: €30 million), together with the new credit facilities contracted in July for €5 million, the uncertainties that may arise in terms of potential liquidity risk and the Club's financial position due to negative working capital are mitigated.

15. CURRENT AND NON-CURRENT ACCRUALS

The breakdown of these headings at is as follows:

	Thousands of euros	
	June 30, 2011	June 30, 2010
Non-current liabilities - Accruals		
Advances received for services rendered	-	1.454
	-	1.454
Current liabilities - Accruals		
Broadcasting revenue	124	315
Stadium revenue	57.531	60.985
Marketing revenue	9.331	7.825
Competition revenue	6.706	-
	73.692	**69.125**

› **Advances received for services rendered**

This includes upfront cash and in-kind amounts received in 1992 for the transfer for 20 years (until June 30, 2012) of the right to use and operate the commercial premises and car parking facilities known as the "Esquina del Bernabeu" to Centro Comercial Concha Espina, S.A. These amounts are being recognized as revenue over the life of the contract with the shopping mall operator. The amount pending recognition at June 30, 2011 was 423 thousand euros (The amount pending recognition at June 30, 2010 was 1,454 thousand euros).

› **Deferred income**

a. Broadcasting revenue

The balance of this heading corresponds to the amounts collected or invoiced by the Club under business agreements on audiovisual rights for the 2011/2012 season.

b. Stadium revenue

This balance comprises primarily the amounts collected by the Club in respect of membership fees and stadium season tickets for the 2011/2012 season, and to a lesser extent invoices issued or amounts collected for the use of stadium boxes.

c. Marketing revenue

This balance corresponds to the amounts collected or invoiced by the Group under business agreements covering the 2011/2012 season.

d. Competition revenue

This balance corresponds to advance payments, primarily as guarantees, for friendly matches arranged for the 2011/2012 season.

16. TAX MATTERS

The breakdown of tax assets is as follows:

	Thousands of euros	
	June 30, 2011	June 30, 2010
VAT receivable from the tax authorities	827	518
Tax refunds receivable from the tax authorities	16.407	8.543
Other receivables from public administrations (Note 8.2)	17.234	9.061
Refunds on withholdings and payments on account	427	4.293
Current income tax assets (Note 8.2)	427	4.293
Deferred tax assets for deductible temporary differences	4.995	5.860
Unused tax credits	-	-
Deferred tax assets (non-current assets)	4.995	5.860

The breakdown of tax liabilities is as follows:

	Thousands of euros	
	June 30, 2011	June 30, 2010
Taxes payable to the tax authorities	14.023	10.430
Social security taxes payable	502	508
Other payables to public administrations (Note 14.3)	14.525	10.938
Current tax liabilities (Note 14.3)	17.604	-
Deferred tax liabilities for deducible temporary differences	19.505	32.592
Deferred tax liabilities (no-current liabilities)	19.505	32.592

Under prevailing tax regulations, tax returns may not be considered final until they have either been inspected by the tax authorities or until the four-year inspection period has prescribed.

On July 5, 2010 the Group received notification from the Tax Authorities with regard to the verification and inspection of the following taxes and periods in connection with the Real Madrid Club de Fútbol:

	Periods
Income tax withholdings and payments on account corresponding to employees and independent professionals	07/2006 to 12/2008
Value added tax	07/2006 to 12/2008
Withholdings on account Taxes for non-residents	07/2006 to 12/2008
Corporate income tax	07/2005 to 06/2008

On June 16, 2011, tax assessments were signed in agreement for the following:

	Amount	Fines	Interest
Payment on account of amounts withheld from employees and independent professionals	0	0	0
Value added tax	148	0	31
Taxes withheld on account from non-residents	421	0	96
Corporate income tax	0	0	0

Moreover, regarding the tax assessments signed in agreement related to corporate income tax, the authorities offset unused tax loss carryforwards from previous years, thereby reducing them by €13,665 thousand. Additional adjustments were made which reduced deductions by €418 thousand. Consequently, income tax expense for the year rose €4,269 thousand, which was recognized under "Payables to the Treasury" (Note 16.1).

In February 2009 the Tax Authorities began verifying and inspecting subsidiary Real Madrid Gestión de Derechos S.L.'s VAT returns for 2005 and 2006, as well as its corporate income tax returns for financial years 2005/2006 and 2006/2007. These inspections were finalized satisfactorily in December 2009 without any payments to the Tax Authorities.

The Club's Board of Directors considers that the tax inspections underway, or any potential additional inspections, will not give rise to significant tax contingencies as a result of varying interpretations of the tax legislation applicable to the Group's operations.

16.1. Income tax

Determined in keeping with prevailing tax legislation, the Club's taxable profits are subject to a 25% tax rate while those of the Group's subsidiary are levied at 30%, yielding an effective tax rate of 25.03%. Nevertheless, the resulting taxable income may be reduced by certain deductions.

The reconciliation of income and expenses with taxable income for income tax calculation purposes is as follows:

2010/2011

	Thousands of euros	
	Income statement	Income and expense recognized directly in equity
Income and expenses for the financial year		
Continuing operations	31.563	-
Income tax expense		
Continuing operations	15.282	-
Income and expenses for the financial year before tax	46.845	-
Permanent differences	3.470	-
Temporary differences		
Arising in 2010/2011	(4.743)	-
Arising in prior years	53.833	-
	49.090	-
Taxable income	99.405	-

2009/2010

	Thousands of euros	
	Income statement	Income and expense recognized directly in equity
Income and expenses for the financial year		
Continuing operations	23.971	-
Income tax expense		
Continuing operations	7.018	-
Income and expenses for the financial year before tax	30.989	-
Permanent differences	1.042	-
Temporary differences		
Arising in 2009/2010	(28.165)	-
Arising in prior years	39.912	-
	-	
	11.747	-
Taxable income		
Base imponible (resultado fiscal)	43.778	-

The reconciliation between tax expense and the product of total recognized income and expense multiplied by the effective tax rate, derived by differentiating the sources of accounting profit in the consolidated income statement, is as follows:

2010/2011

	Thousands of euros	
	Income statement	Income and expense recognized directly in equity
Income and expenses for the financial year before tax	46.845	-
Permanent differences	3.470	-
	50.315	-
Effective tax rate	25,02%	-
Theoretical tax expense	12.589	-
Tax credits	(1.576)	-
Adjustment related to tax assessments (Note 16)	4.269	-
Effective tax expense	15.282	-

2009/2010

	Thousands of euros	
	Income statement	Income and expense recognized directly in equity
Income and expenses for the financial year before tax	30.989	-
Permanent differences	1.042	-
	32.031	-
Effective tax rate	25,03%	-
Theoretical tax expense	8.017	-
Tax credits	(999)	-
Effective tax expense	7.018	-

The breakdown of income tax expense is as follows:

2010/2011

	Thousands of euros	
	Income statement	Income and expense recognized directly in equity
Current income tax	27.642	-
Changes in deferred taxes		
Capitalized tax loss carryforwards	-	-
Unused tax credits	-	-
Changes in deferred tax assets for deductible temporary differences	865	-
Changes in deferred tax liabilities for deductible temporary differences	(13.039)	-
Grants, donations and bequests received	-	(48)
Others	(186)	-
Efective tax expense	15.282	(48)

2009/2010

	Thousands of euros	
	Income statement	Income and expense recognized directly in equity
Current income tax	1.302	-
Changes in deferred taxes	-	-
Capitalized tax loss carryforwards	-	-
Unused tax credits	8.652	-
Changes in deferred tax assets for deductible temporary differences	2.446	-
Changes in deferred tax liabilities for deductible temporary differences	(5.382)	-
Grants, donations and bequests received	-	(48)
Efective tax expense	7.018	(48)

Each of the Group companies files an individual tax return; therefore, at the consolidated level, current tax assets and tax liabilities may coexist. Income tax payable was calculated as follows:

	Thousands of euros	
	June 30, 2011	June 30, 2010
Current income tax	(27.642)	(1.302)
Withholdings and payments on account	10.408	5.510
Deductions generated and applied in the year	57	85
Current income tax and other tax assets	427	4.293
Deferred tax liabilities	(17.604)	-

16.2. Deferred tax assets and liabilities

The breakdown at year end and movements in the various headings comprising deferred tax assets and deferred tax liabilities are as follows:

2010/2011

	Thousands of euros			
		Changes recognized in		
	Opening balance	Income statement	Equity	Closing balance
DEFERRED TAX ASSETS				
Unused tax credits	-	-	-	-
Deferred tax assets for deductible temporary differences				
Provisions	5.517	(865)	-	4.652
Tax effects of transition to new Spanish GAAP	343	-	-	343
Unused tax loss carryforwards	-	-	-	-
	5.860	(865)	-	4.995
DEFERRED TAX LIABILITIES				
Deferred tax liabilities for deductible temporary differences				
Deferred reinvestments	23.023	(12.368)	-	10.655
Deferred capital gains due to deferred payment	7.711	(934)	-	6.777
Grants (Note 6.4)	1.858	-	(48)	1.810
Others	-	263	-	263
	32.592	(13.039)	(48)	19.505

2009/2010

	Thousands of euros			
		Changes recognized in		
	Opening balance	Income statement	Equity	Closing balance
DEFERRED TAX ASSETS				
Unused tax credits	8.652	(8.652)	-	-
Deferred tax assets for deductible temporary differences				
Provisions	7.963	(2.446)	-	5.517
Tax effects of transition to new Spanish GAAP	343	-	-	343
Unused tax loss carryforwards	-	-	-	-
	16.958	(11.098)	-	5.860
DEFERRED TAX LIABILITIES				
Deferred tax liabilities for deductible temporary differences				
Deferred reinvestments	36.116	(13.093)	-	23.023
Deferred capital gains due to deferred payment	-	7.711	-	7.711
Grants (Note 6.4)	1.906	-	(48)	1.858
Others				
	38.022	(5.382)	(48)	32.592

› Deferred tax assets - Unused tax credits

The movements in “Unused tax credits and rebates” are as follows:

2010/2011

	Thousands of euros			
	Beginning Balance	Increases	Decreases	Closing balance
Investment tax credits	-	1.184	(1.184)	-
Other deductions	-	392	(392)	-
TOTAL NON-CURRENT PROVISIONS	-	1.576	(1.576)	-

2009/2010

	Thousands of euros			
	Beginning Balance	Increases	Decreases	Closing balance
Investment tax credits	7.901	633	(8.534)	-
Other deductions	751	366	(1.117)	-
TOTAL NON-CURRENT PROVISIONS	8.652	999	(9.651)	-

The Group recognizes tax credits and rebates in so far as it is probable there will be sufficient future profits to apply them.

In 2002/2003 applicable tax legislation was modified with respect to capital gains obtained from the sale of certain assets, as per article 36.ter of the Corporate Income Tax Law, establishing a deduction from tax payable on such capital gains in the year in which the credit is utilized, up to a limit of 10 years from when it is generated. This deduction was 10% for capital gains generated through financial year 2006/2007, falling to 7% thereafter. Accordingly, the Club recognizes the tax credit corresponding to capital gains which have been reinvested at the end of each fiscal year.

“Other deductions” mainly includes deductions for donations and training.

The breakdown of deductions generated by year is as follows:

Period	Capital gains	Investment tax credits				Unused tax credit
		Deduction generated	Deduction applied 08/09	Deduction applied 09/10	Deduction applied 10/11	
2002/2003	132.954	13.295	13.295	-	-	-
2003/2004	28.134	2.813	2.813	-	-	-
2004/2005	23.008	2.301	1.623	678	-	-
2005/2006	15.501	1.550	-	1.550	-	-
2006/2007	17.436	1.744	-	1.744	-	-
2007/2008	21.252	1.487	-	1.487	-	-
2008/2009	34.889	2.442	-	2.442		-
2009/2010	9.036	633	-	633	-	-
2010/2011	16.916	1.184	-	-	1.184	-
TOTAL	299.126	27.449	17.731	8.534	1.184	-

	Other deductions					
	Deduction generated			Deduction applied		Total unused tax credit
	2008/2009	2009/2010	2010/2011	2009/2010	2010/2011	
Donations	737	349	391	1.086	391	-
Training expenses	46	11	1	19	1	-
Other	71	6	-	12	-	-
						-
TOTAL	854	366	392	1.117	392	-

› **Deferred tax liabilities – deferred reinvestments**

These liabilities result from the tax treatment applicable to capital gains on certain transfers of players' federative rights, as well as on merchandising, internet, image and distribution rights transferred and on a portion of the land at the Club's former sporting complex, whose recognition in taxable income has been deferred.

The aforementioned tax treatment has consisted of applying the tax credit for reinvestment of extraordinary gains provided for in article 21 of the Corporate Income Tax Law (Law 43/1995, of December 27) to the gains generated between financial year 1996/1997 and 2001/2002 on the disposal of certain assets, thereby committing to reinvest the full sale proceeds at some point within the period elapsing between the year prior to the sale and the three years following it. These gains have been reinvested in player federative rights, other intangible assets and items of property, plant, and equipment, as well as financial investments.

The total amount of gains deferred in accordance with article 21 of the Corporate Income Tax Law, the recognition schedule method and the amounts already reinvested and pending reinvestment are set out in the following table (thousands of euros):

2010/2011

Financial year	Assets sold	Deferred gain	Amount to be reinvested	Amount reinvested at 06/30/10	Gain included in the tax credit	Gain pending inclusion	Last FY for including gains	Schedule/ method for including gains
1996/1997	Payer federative rights	8.084	11.239	11.239	8.084	-	2006/2007	7 parts
1997/1998	Payer federative rights	3.865	5.421	5.421	3.865	-	2007/2008	7 parts
1998/1999	Payer federative rights	14.135	17.159	17.159	14.135	-	2008/2009	7 parts
1999/2000	Payer federative rights	20.358	25.142	25.142	20.358	-	2009/2010	7 parts
2000/2001	Other rights	115.995	117.197	117.197	115.995	-	2010/2011	7 parts
2000/2001	Payer federative rights	24.523	25.243	25.243	24.523	-	2010/2011	7 parts
2001/2002	Land	203.443	204.142	204.142	174.382	29.061	2011/2012	7 parts
2001/2002	Land	15.714	15.768	15.768	2.155	13.559	2011/2051	As function of depreciation of assets bought from proceeds
TOTAL		406.117	421.311	421.311	363.497	42.620		
Deferred tax (25%)						10.655		

2009/2010

Financial year	Assets sold	Deferred gain	Amount to be reinvested	Amount reinvested at 06/30/10	Gain included in the tax credit	Gain pending inclusion	Last FY for including gains	Schedule/ method for including gains
1996/1997	Payer federative rights	8.084	11.239	11.239	8.084	-	2006/2007	7 parts
1997/1998	Payer federative rights	3.865	5.421	5.421	3.865	-	2007/2008	7 parts
1998/1999	Payer federative rights	14.135	17.159	17.159	14.135	-	2008/2009	7 parts
1999/2000	Payer federative rights	20.358	25.142	25.142	20.358	-	2009/2010	7 parts
2000/2001	Other rights	115.995	117.197	117.197	99.424	16.571	2010/2011	7 parts
2000/2001	Payer federative rights	24.523	25.243	25.243	21.019	3.504	2010/2011	7 parts
2001/2002	Land	203.443	204.142	204.142	145.317	58.126	2011/2012	7 parts
2001/2002	Land	15.714	15.768	15.768	1.825	13.889	2011/2051	As function of depreciation of assets bought from proceeds
TOTAL		406.117	421.311	421.311	314.027	92.090		
Deferred tax (25%)						23.023		

These gains have been included in taxable income as a general rule in seven equal parts from year three, except where the proceeds were reinvested in fixed assets, in which case the income is included in taxable income as function of the depreciation schedules of the corresponding assets.

In its 2001/2002 corporate tax return, the Club initially availed itself of the option to defer a portion, namely €219,157 thousand, of the total capital gain generated, and accordingly, committed to reinvesting a proportional amount (€219,910 thousand), determined on the basis of plans for capital expenditure up to the reinvestment deadline established in article 21 the Corporate Income Tax Law. In 2003/2004, the Club noted that the investments were higher than those projected and requested authorization from the tax authorities to amend the amount of the capital gains deferred (to €255,721 thousand), bringing the proportional amount to be reinvested to €256,599 thousand. Since the Club did not receive authorization from the tax authorities to amend the amount of capital gains deferred by the Club in relation to financial year 2001/2002, the Club decided in 2007/2008 to derecognize the corresponding adjustment to the tax credit and not to apply it in its tax return that year. Notwithstanding the foregoing, the Club has appealed the tax authorities decision to deny this authorization and is confident that a decision will ultimately be handed down in the interests of the Club.

› **Deferred tax liabilities- Deferred capital gains due to deferred payment**

In the 2009/2010 financial year, and in accordance with article 19.4 of Legislative Royal Decree 4/2004 of the Revised Text of the Spanish Corporation Tax Law (TRLIS in Spanish), the Club decided to charge capital gains from asset transfers in transactions involving deferred payment based on the collections carried out. This generated deferred tax liabilities amounting to €1,805 thousand during the 2010/11 period (2009/10: €7,711 thousand) related to the deferred capital gains during the year, and the cancellation of €2,739 thousand from collection of deferred capital gains from the previous season.

Likewise, the deduction for reinvestment of profits is applied to the extent that revenue is included in the tax base, and provided the pertinent requisites are met, such as the reinvestment being made within the legally stipulated timeframes. The deduction for reinvestment generated in the present period amounts to €1,184 thousand, (2009/10: €633 thousand) as shown on the table in the previous section.

16.3. Other tax disclosures

› **Prior year tax assessments**

The tax inspection authorities have handed down assessments that have been signed under protest by Real Madrid Club de Fútbol. The related tax concepts and years are detailed below:

	Assessment				
Tax	1990-1993	1996/1999	Total	Payments made	Pending
Personal income tax withholdings	7.984	16.270	24.254	24.254	-
VAT	4.541	31.021	35.562	35.562	-
Non-residents income tax (real property obligation)	-	1.639	1.639	1.639	-
TOTAL	12.525	48.930	61.455	61.455	-

Settlement of the tax assessments covering 1990–1993 was provisioned during the year ended June 30, 2003, including all late payment interest accrued. These assessments were settled in full, including interest, in the financial year 2003/2004. In December 2009, the Supreme Court partially accepted the appeal filed by Real Madrid Club de Fútbol; notification was received of the definitive resolution to refund €3.9 million euros of VAT to the Club (this figure includes interest), as well as income tax withholdings amounting to €4.8 million returned (plus interest).

Settlement of the tax assessments covering 1996-1999 was provisioned during the year ended June 30, 2008, including all late payment interest accrued as well as the portion charged to expenses due to the fact that an appeal is not possible. These assessments were settled in full, including interest, in the financial year 2003/2004. In January 2011, the Supreme Court partially accepted the appeal filed by Real Madrid Club de Fútbol, and at June 30, 2011, the order to execute the sentences still had not been handed down. The Club's tax advisors estimate that the VAT will amount to €9.3 million, including interest), and personal income tax payable should amount to €2.1 million (this figure includes interest).

Fines levied for the tax assessments for personal income tax from 1996-1999 initially amounted to €2 million, and were then reduced as a result of difference sentences handed down to €216 thousand; this was appealed by the Public Prosecutor, and dismissed by the Supreme Court in December 2010.

› **Prior year business combinations**

Real Madrid Multimedia, S.L was dissolved in financial year 2004/2005 and all assets and liabilities were transferred to Real Madrid Club de Fútbol in conformity with the special tax regime established in Chapter VII of the Corporate Income Tax Law (Law 43/95 of December 27). The pertinent disclosures relating to this transaction were made in the notes to the 2004/2005 consolidated financial statements.

17. INCOME AND EXPENSES

17.1. Operating income

The accompanying consolidated income statement includes the following items of income:

	Thousands of euros	
	June 30, 2011	June 30, 2010
Revenue	475.142	429.804
Other operating revenues	4.174	8.618
Grants related to non-financial assets and other grants (Note 12)	192	192
Overprovisions (Note 13.1)	648	3.692
Total operating income before net gains on disposals	480.156	442.306
Gains (losses) on disposals and other gains and losses (Note 17.5)	3.550	33.997
TOTAL OPERATING INCOME	483.706	476.303

› **Revenue**

The breakdown of Group revenue from continuing operations by business and geographic segments is as follows:

	Thousands of euros	
	June 30, 2011	June 30, 2010
By business segment		
Membership dues, ticketing and stadium revenue	146.663	148.593
Revenue from friendly matches and international competitions	27.545	22.565
Broadcasting revenue	155.968	136.159
Marketing revenue	144.966	122.487
	475.142	429.804
By geographical market segment		
Spain	400.748	366.709
International	74.394	63.095
	475.142	429.804

17.2. Consumption of raw materials and other consumables

The breakdown is as follows:

	Thousands of euros	
	June 30, 2011	June 30, 2010
Consumption of raw materials and other consumables		
Purchases in Spain	17.063	18.653
EU purchases	286	343
Changes in raw materials and other consumables	914	(971)
TOTAL	18.263	18.025

17.3. Player and staff personnel expenses

The breakdown of personnel benefits expense, which includes primarily wages and salaries, bonuses, image rights and social security benefit payments, is as follows:

	Thousands of euros	
	June 30, 2011	June 30, 2010
Wages, salaries, et al		
Football	182.586	157.523
Basketball	19.001	19.907
Staff	8.297	8.416
	209.884	185.846
Employee welfare expenses		
Social security	4.763	4.831
Other employee welfare expenses	1.452	1.586
	6.215	6.417
TOTAL	216.099	192.263

17.4. Other operating expenses

"Other operating expenses" break down as follows:

	Thousands of euros	
	June 30, 2011	June 30, 2010
Asset leases (Note 6.3)	2.966	2.913
Other leases and royalties	30.122	24.943
Repairs and maintenance	13.294	15.484
Professional services	11.947	27.829
Insurance premiums	3.921	4.439
Publicity, advertising and public relations	1.397	1.360
Utilities	1.573	1.576
Levies other than income tax	1.306	3.251
Other services	28.582	34.739
TOTAL	95.108	116.534

The breakdown of "Other services" in the operating expense table above is as follows:

	Thousands of euros	
	June 30, 2011	June 30, 2010
Real Madrid TV and radio expense	446	9.112
Catering, hospitality staff and events	10.047	8.685
Editing, handling and dispatch of publications	3.282	5.242
Other services	14.807	11.700
TOTAL	28.582	34.739

Fees paid for audit and other services rendered to the Club by its auditor and related parties break down as follows:

	Thousands of euros	
	June 30, 2011	June 30, 2010
Audit	157	158
Review and verification work	49	31
Other	18	36
TOTAL	224	225

17.5. Impairment losses and gains (losses) on disposal of non-current assets

"Impairment losses and gains (losses) on disposal of non-current assets and other exceptional gains and losses" includes the following:

	Thousands of euros	
	June 30, 2011	June 30, 2010
Impairment of intangible sporting assets (Note 4)	(224)	85
Total impairment losses and losses	(224)	85
Gains on disposals of intangible sporting assets (Note 4)	3.762	33.997
Losses on disposal of property, plant and equipment (Note 6)	(212)	-
Gains (losses) on disposals and other gains and losses	3.550	33.997
TOTAL IMPAIRMENT AND GAINS (LOSSES) ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT AND OTHER EXCEPTIONAL GAINS AND LOSSES	3.326	34.082

17.6. Finance in come and cost

The breakdown of finance income and cost is as follows:

	Thousands of euros	
	June 30, 2011	June 30, 2010
Finance income		
Interest on term and other deposits	157	216
Exchange gains	142	183
Other finance income	11.850	5.073
Interest income from financial assets measured at amortized (Note 8.1)	1.099	1.584
	13.248	7.056
Finance cost		
Bank fees	344	292
Other finance cost	8.730	14.195
Interest expense on financial liabilities measured at amortized cost (Note 14.1)	3.865	5.526
	12.939	20.013

17.7. Foreign currency transactions

Transactions carried out in currencies other than the euro are as follows:

2010/2011

Thousands of euros					
Purchases property, plant, and equipment		Sales		Services received	
Currency	Euro amount	Currency	Euro amount	Currency	Euro amount
USD	-	USD	5.692	USD	374
Pound sterling	180	Pound sterling	92	Pound sterling	14
Yen	-	Yen	66	Yen	-
CHF	-	CHF	-	CHF	-
				NOK	-
TOTAL	180		5.850		388

2009/2010

Thousands of euros					
Purchases property, plant, and equipment		Sales		Services received	
Currency	Euro amount	Currency	Euro amount	Currency	Euro amount
USD	-	USD	6.831	USD	400
Pound sterling	-	Pound sterling	394	Pound sterling	15
Yen	-	Yen	57	Yen	-
CHF	-	CHF	-	CHF	147
				NOK	31
TOTAL	-		7.282		593

17.8. Breakdown of consolidated profit by Group company

Each entity's contribution to consolidated Group profit is as follows:

	Thousands of euros	
	June 30, 2011	June 30, 2010
Real Madrid Club de Fútbol	31.431	23.841
Real Madrid Gestión de Derechos, S.L.	132	130
TOTAL	31.563	23.971

30% of the subsidiary's profit is attributable to minority interests (see the consolidated statement of changes in equity).

18. RELATED PARTY DISCLOSURES

During the year ended June 30, 2011 and 2010, the Group carried out transactions with the related parties listed in the table below, which additionally indicates the nature of the relationship:

	Nature of the relationship
Minority shareholders of Real Madrid Gestión de Derechos, S.L.	Minority interests
Board of Directors	Management
Senior executives	Management
Real Madrid Foundation	Management common to the Foundation and the Club

18.1. Balances and transactions with minority shareholders of Real Madrid Gestión de Derechos, S.L.

The balances receivable from and payable to minority interests were the following:

2010/2011

	Thousands of euros	
	Trade accounts receivable	Trade accounts payable
Accionariado y Gestión, S.L.	519	3.538
Prisa Televisión, S.A (Sogecable, S.A.)	415	3.002
Media Cam Producciones Audiovisuales, S.L.	138	2.603
TOTAL	1.072	9.143

2009/2010

	Thousands of euros	
	Trade accounts receivable	Trade accounts payable
Accionariado y Gestión, S.L.	609	1.910
Prisa Televisión, S.A (Sogecable, S.A.)	298	1.486
Media Cam Producciones Audiovisuales, S.L.	365	6.396
TOTAL	1.272	9.792

The transactions carried out in the year between the Group and its minority shareholders, all on an arm's length basis, were the following:

	Thousands of euros	
	June 30, 2011	June 30, 2010
Operating income	6.510	6.228
Operating expenses	31.747	23.366

18.2. The Club's Board of Directors and senior management

The members of the Board of Directors and those holding other management positions at the Group, including the team serving at the date of preparation of the accompanying consolidated interim financial statements and earlier teams, did not undertake any transactions other than in connection with the ordinary course of the Group's activities.

› **Board pay:**

Los miembros de la Junta Directiva no han devengado remuneración alguna por su condición de directivos.

Al 30 de junio de 2011 y al 30 de junio de 2010 el Grupo no tiene obligaciones contraídas en materia de pensiones y de seguros de vida respecto a los miembros anteriores o actuales de la Junta Directiva, ni tiene obligaciones asumidas por cuenta de ellos a título de garantía.

› **Identification of senior management and total compensation paid**

During the period ended June 30, 2011, there were 36 executives in senior management (2009/2010: 39), of whom 32 were on the payroll at June 30, 2011 (June 30, 2010: 36).

Total compensation for these executives during the period ended June 30, 2011, including indemnification payments, totaled €12,685 thousand (June 30, 2010: €10,599 thousand).

The members of the Board of Directors at June 30, 2011 were:

Chairman
Mr. Florentino Pérez Rodríguez
1st Vice-Chairman
Mr. Fernando Fernández Tapias
2nd Vice-Chairman
Mr. Eduardo Fernández de Blas
3rd Vice-Chairman
Mr. Pedro López Jiménez
Secretary
Mr. Enrique Sánchez González
Board members
Mr. Santiago Aguado García
Mr. Luis Blasco Bosqued
Mr. Manuel Cerezo Velázquez
Mr. Jerónimo Farré Muncharaz
Mr. Luis Gómez-Montejano y Arroyo
Mr. Angel Luis Heras Aguado
Mr. Nicolás Martín-Sanz García
Mr. José Manuel Otero Lastres
Mr. Enrique Pérez Rodríguez
Mr. Raúl Ronda Ortiz
Mr. José Sánchez Bernal
Mr. Gumersindo Santamaría Gil

The members of the Board have provided notification that there are no situations representing a conflict for the Club.

18.3. RealMadrid Foundation

The Real Madrid Foundation's governing body is its Board of Trustees. According to the Foundation's bylaws, the Foundation's trustees include, among others, the members of the Board of Directors of Real Madrid Club de Fútbol.

The members of the Board of Trustees do not earn any compensation for serving in this post.

The Foundation is committed to making financial contributions to maintaining and carrying out its activities.

19. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Real Madrid Group has established a series of procedures and controls designed to identify, measure and manage the risks deriving from its dealings in financial instruments.

Specifically, financial instrument activity exposes the Group to credit, market and liquidity risk.

19.1. Credit risk

Credit risk is the potential loss arising from a breach of contractual obligations by the Group's counterparties, i.e. the possibility that financial assets will not be recovered at their carrying amount within the established timeframe.

The maximum credit risk exposure is as follows:

	Thousands of euros	
	June 30, 2011	June 30, 2010
Non-current investments		
Non-current accounts receivable from sporting entities (Note 8.1)	21.373	31.022
Other financial assets (Note 8.1.)	574	676
Trade and other receivables		
Trade receivables (Note 8.2)	40.066	32.049
Current accounts receivable from sporting entities (Note 8.2)	39.654	48.515
Other (Note 8.2.)	18.612	13.760
Cash and cash equivalents (Note 10)	97.769	92.731
TOTAL	218.048	218.753

For the purposes of credit risk management the Group differentiates between financial assets arising from operating activities and those arising from investing activities.

› **Operating activities**

The Group has put in place a procedure to measure, manage and monitor the risks deriving from each of its loans. The procedure covers risk analysis and the initial authorization, ongoing monitoring of the exposure and subsequent controls.

Initial analysis and authorization is based on a hierarchical credit limit authorization system. Subsequent monitoring is an automated procedure comprising a periodic warning system managed by the Group's IT system and adequately supervised at the corresponding management levels.

The breakdown, by counterparty, of credit risk concentration within current and non- current "Accounts receivable from sporting entities" and "Trade receivables" is as follows:

2010/2011

	No of debtors	Thousands of euros
With a balance of more than €1,000 thousand	22	108.652
With a balance between €1,000 thousand and €500 thousand	7	3.896
With a balance between €500 thousand and €200 thousand	31	9.014
With a balance between €200 thousand and €100 thousand	30	4.129
With a balance of less than €100 thousand	610	3.210
Impairment allowances		(27.808)
TOTAL	700	101.093

2009/2010

	No of debtors	Thousands of euros
With a balance of more than €1,000 thousand	20	124.917
With a balance between €1,000 thousand and €500 thousand	7	4.550
With a balance between €500 thousand and €200 thousand	22	6.565
With a balance between €200 thousand and €100 thousand	19	2.517
With a balance of less than €100 thousand	1.077	3.306
Impairment allowances		(30.269)
TOTAL	1.145	111.586

The breakdown of these balances by age is the following:

	Thousands of euros	
	June 30, 2011	June 30, 2010
Not due	84.012	81.136
Past due, not impaired		
Less than 30 days	11.602	25.143
30 – 60 days	1.874	1.133
60 – 90 days	733	391
90 - 120 days	280	196
More than 120 days	2.592	3.587
	17.081	30.450
Doubtful receivables	27.808	30.269
Impairment allowances	(27.808)	(30.269)
TOTAL	101.093	111.586

The various implicated departments analyze and monitor these exposures on a monthly basis with a view to pinpointing risky situations and collection delays and to take the necessary precautions, including legal measures if warranted, to enable recovery of amounts past due as quickly as possible. In addition, in order to guarantee collection of receivables, the Group often demands suitable collateral and guarantees.

› **Investing activities**

The Group's investment policies allow the Group's Finance and Administration Department to make investments under the following guidelines:

a. They must be arranged with financial institutions domiciled in Spain and of renowned solvency and liquidity.

b. Acceptable investment products include bank deposits, repos, promissory notes issued by highly solvent financial institutions, interest-bearing accounts and other similar financial products. Investment in speculative financial products or those in which the counterparty is not clearly and explicitly identified are expressly prohibited.

c. Investments should be diversified to ensure that the risk is not significantly concentrated in any one institution.

d. Investments in current financial assets are made in liquid assets with an original maturity of less than three months, or with a repurchase commitment or a secondary market to guarantee their immediate convertibility to cash if necessary.

e. The Group's power of attorney policy dictates the parameters for the use of joint and several signatures based on amount.

19.2. Market risk

Interest rate risk is the potential loss triggered by fluctuations in the fair value or future cash flows from assets or liabilities as well as due to changes in the discount rates used to determine the carrying amount of its assets, particularly player valuations, due to changes in market interest rates.

In relation to the estimation of its players' value in use, the Group performs the analysis and considers the circumstances outlined in Note 3.6 when assessing potential impairment losses.

As explained in Note 14.1, the Group has three loans from 3 financial entities with an aggregate outstanding principal of €141.485 thousand (June 30, 2010: €161,500 thousand), carrying interest at Euribor plus a market spread. The loans are repayable over the next four financial years. One of these loans, one was restructured in 2010/2011, extending maturity an additional three years beyond the initially arranged repayment date. Given the long-term nature of this financing arrangement, the Group has put in place hedges to mitigate a potential increase in Euribor over and above a specific limit.

19.3. Liquidity risk

Liquidity risk is the possibility that the Group will have insufficient funds or lack access to sufficient funds at an acceptable cost to meet its payment obligations at all times. The Group's objective is to maintain sufficient available funds. Group policies establish the minimum liquidity levels required at all times.

The undiscounted contractual maturity schedule for its financial liabilities were as follows:

2010/2011

	Thousands of euros				
	Up to 3 months	3 months - 1 year	One to five years	Subsequent years	Total
Other financial liabilities					
Amounts owed to suppliers of fixed assets	23.059	3.032	42.718	42	68.851
Player transfer accounts payable	62.156	3.274	34.626	-	100.056
Broadcasting accounts payable	-	-	2.277	-	2.277
Trade and other payables	147.622	23.075	-	-	170.697
TOTAL	232.837	29.381	79.621	42	341.881

2009/2010

	Thousands of euros				
	Up to 3 months	3 months - 1 year	One to five years	Subsequent years	Total
Other financial liabilities					
Amounts owed to suppliers of fixed assets	26.547	1.865	41.168	2.957	72.537
Player transfer accounts payable	82.278	4.381	71.925	-	158.584
Broadcasting accounts payable	-	-	4.555	-	4.555
Trade and other payables	135.304	6.046	-	-	141.350
TOTAL	244.129	12.292	117.648	2.957	377.026

Maturities of the loans referred to in Note 14 are short-term for €6,836 thousand (June 30, 2010: €48,253 thousand) and long-term for €138,926 thousand (June 30, 2010: €118,261 thousand).

In determining liquidity risk, however, the relevant indicator would be the net balance between receivables and payables.

To this end, the table below provides contractual maturity schedule for the Group's financial assets:

2010/2011

	Thousands of euros			
	Up to 3 months	3 months - 1 year	One to five years	Total
Trade receivables	40.066	-	-	40.066
Accounts receivable from sporting entities	30.294	9.360	21.373	61.027
Tax receivables	951	-	574	1.525
Other receivables	17.661	-	-	17.661
TOTAL TRADE AND OTHER ACCOUNTS RECEIVABLE	88.972	9.360	21.947	120.279

2009/2010

	Thousands of euros			
	Up to 3 months	3 months - 1 year	One to five years	Total
Trade receivables	32.049	-	-	32.049
Accounts receivable from sporting entities	37.931	10.584	31.022	79.537
Tax receivables	406	-	676	1.082
Other receivables	13.354	-	-	13.354
TOTAL TRADE AND OTHER ACCOUNTS RECEIVABLE	83.740	10.584	31.698	126.022

As indicated in Note 14.4, "Working capital," a significant portion of the balances comprising "Trade and other accounts payable" is recurring, i.e. they are renewed from one year to the next due to the intrinsic nature of the Group's business operations.

Payment commitments to suppliers of property, plant, and equipment and to sporting entities in relation to player transfers are amply covered by operating income to be collected in upcoming years, as well as available cash and credit lines discussed in Note 14.

20. OTHER DISCLOSURES

20.1. Workforce structure

The Group's headcount by professional category is as follows:

2010/2011

	Headcount at June 30, 2011			
	Men	Women	Total	Average headcount during the year
Senior managers	30	2	32	34
Middle managers	11	5	16	16
Players and coaching staff	347	1	348	363
General staff	97	93	190	193
Laborers	42	12	54	57
Fixed term employees	72	11	83	87
TOTAL	599	124	723	750

2009/2010

	Headcount at June 30, 2011			
	Men	Women	Total	Average headcount during the year
Senior managers	34	2	36	33
Middle managers	10	5	15	16
Players and coaching staff	378	-	378	374
General staff	102	93	195	195
Laborers	46	14	60	61
Fixed term employees	77	13	90	91
TOTAL	647	127	774	770

20.2. Environmental disclosures

Given the activities in which Group companies engage, they have no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its equity, financial situation or consolidated results. Consequently, the notes to the accompanying consolidated financial statements do not include specific environmental disclosures.

20.3. Information on late payments to suppliers in commercial transactions

With respect to Law 15/2020 of July 5, modifying Law 3/2004 of December 29, which establishes measures to be taken in combating arrears in commercial transactions, at June 30, there are no overdue balances payable to suppliers which significantly exceed the legal payment deadline.

21. EVENTS AFTER THE BALANCE SHEET DATE

The most significant events between year end and approval of the accompanying consolidated financial statements are as follows:

- Collection was made on the first installment of the contract with Mediaproducciones S.L. related to its 2011/2012 operating license, and on a bank guarantee corresponding to the second installment of the 2011/2012 season.
- A new player was signed to the first team for €30 million.
- Approximately €8 million revenue came from the transfer of federation rights.

At the date of preparation of these consolidated financial statements, no event has occurred which might modify the financial statements or warrant the inclusion of additional disclosures.

22. INCOME STATEMENT BY ANALYTICAL SEGMENT

	Football	Basketball	General	Total
Membership dues, ticketing and stadium revenue	128.819	2.591	15.253	146.663
Revenues from friendly matches and international competitions	27.532	13	-	27.545
Broadcasting	154.339	1.629	-	155.968
Marketing	-	4.009	145.971	149.980
TOTAL OPERATING INCOME (BEFORE NET GAINS ON DISPOSALS)	310.690	8.242	161.224	480.156
Goods for consumption	(2.481)	(367)	(15.415)	(18.263)
Player and staff personnel expenses	(186.737)	(19.670)	(9.692)	(216.099)
Other operating expenses	(35.761)	(4.209)	(53.793)	(93.763)
Losses on, impairment of and change in trade provisions	(1.987)	-	(2.315)	(4.302)
OPERATING PROFIT BEFORE DEPRECIATION, AMORTIZATION AND NET GAINS ON DISPOSALS	83.724	(16.004)	80.009	147.729
Gains (losses) on disposals and other gains and losses	5.004	(1.454)	-	3.550
Impairment charges and losses	-	(224)	-	(224)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	88.728	(17.682)	80.009	151.055
Depreciation and amortization	(88.265)	(4.137)	(12.117)	(104.519)
OPERATING PROFIT (EBIT)	463	(21.819)	67.892	46.536
NET FINANCE COST				309
Finance income				13.248
Finance cost				(12.939)
ORDINARY PROFIT				46.845
PROFIT BEFORE TAX				46.845

In terms of the allocation of assets and liabilities by operating segments, the bulk correspond to the football business.

23. PERFORMANCE RELATIVE TO BUDGET IN 2010/2011

Deviation column legend:
Positive figure: higher income or lower expense. Negative figure: lower income or higher expense

	Budget	Actual	Deviation
Membership dues, ticketing and stadium revenue	137.391	146.663	9.272
Revenues from friendly matches and international competitions	16.698	27.545	10.847
Broadcasting	158.090	155.968	(2.122)
Marketing	137.837	149.980	12.143
TOTAL OPERATING INCOME (BEFORE NET GAINS ON DISPOSALS)	450.018	480.156	30.138
Goods for consumption	(15.826)	(18.263)	(2.437)
Player and staff personnel expenses	(208.109)	(216.099)	(7.990)
Other operating expenses	(91.450)	(93.763)	(2.313)
Losses on, impairment of and change in trade provisions	-	(4.302)	(4.302)
TOTAL OPERATING EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	(315.385)	(332.427)	(17.042)
OPERATING PROFIT BEFORE DEPRECIATION, AMORTIZATION AND NET GAINS ON DISPOSALS	134.632	147.729	13.097
Gains (losses) on disposals and other gains and losses	6.924	3.550	(3.374)
Impairment charges and losses	-	(224)	(224)
IMPAIRMENT LOSSES AND GAINS (LOSSES) ON DISPOSAL OF NON-CURRENT ASSETS	6.924	3.326	(3.598)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	141.556	151.055	9.499
Depreciation and amortization	(108.708)	(104.519)	4.189
OPERATING PROFIT (EBIT)	32.848	46.536	13.688
Finance income	1.452	13.248	11.796
Finance cost	(15.218)	(12.939)	2.279
NET FINANCE COST	(13.766)	309	14.075
ORDINARY PROFIT	19.082	46.845	27.763
PROFIT BEFORE TAX	19.082	46.845	27.763
TOTAL INCOME (OPERATING + FINANCE + GAINS ON DISPOSALS)	458.393	496.954	38.561
TOTAL EXPENSES (OPERATING + FINANCE + D&A + IMPAIRMENT + LOSSES ON DISPOSALS)	(439.311)	(450.109)	(10.798)
PROFIT BEFORE TAX	19.082	46.845	27.763

Reconciliation of the 2010/11 income statement with projected income gives profit before tax of €47 million, €27.8 million more than the projected profit.

Total income came in at €497 million, €38.6 million more than expected.

The main factors that contributed to this increased income were greater income from the Champions League and the King's Cup, increased sponsorship revenue and merchandise sales, as well as higher financial revenue from tax settlements paid to the Club.

Total expenses were €450 million, €10.8 million over projections.

These greater than expected expenses are mainly attributable to the increased expenses resulting from greater income from the stadium as well as commercial competitions, and titles won; amortization and financial expenses were below budget.

Almost €4 million have been provisioned to cover contingencies and risks that may arise due to the current economy.

Approval of the consolidated financial statements and accompanying notes

In a meeting held on July 21, 2011, the members of the Board of Directors of Real Madrid, Club de Fútbol hereby approve the consolidated financial statements and Group management report for the financial year ended June 30, 2011, which consist of the documents attached to this witnessed page.

Mr. Florentino Pérez Rodríguez

Mr. Fernando Fernández Tapias

Mr. Eduardo Fernández de Blas

Mr. Pedro López Jiménez

Mr. Enrique Sánchez González

Mr. Santiago Aguado García

Mr. Luis Blasco Bosqued

Mr. Manuel Cerezo Velázquez

Mr. Jerónimo Farré Muncharaz

Mr. Luis Gómez-Montejano y Arroyo

Mr. Angel Luis Heras Aguado

Mr. Nicolás Martín-Sanz García

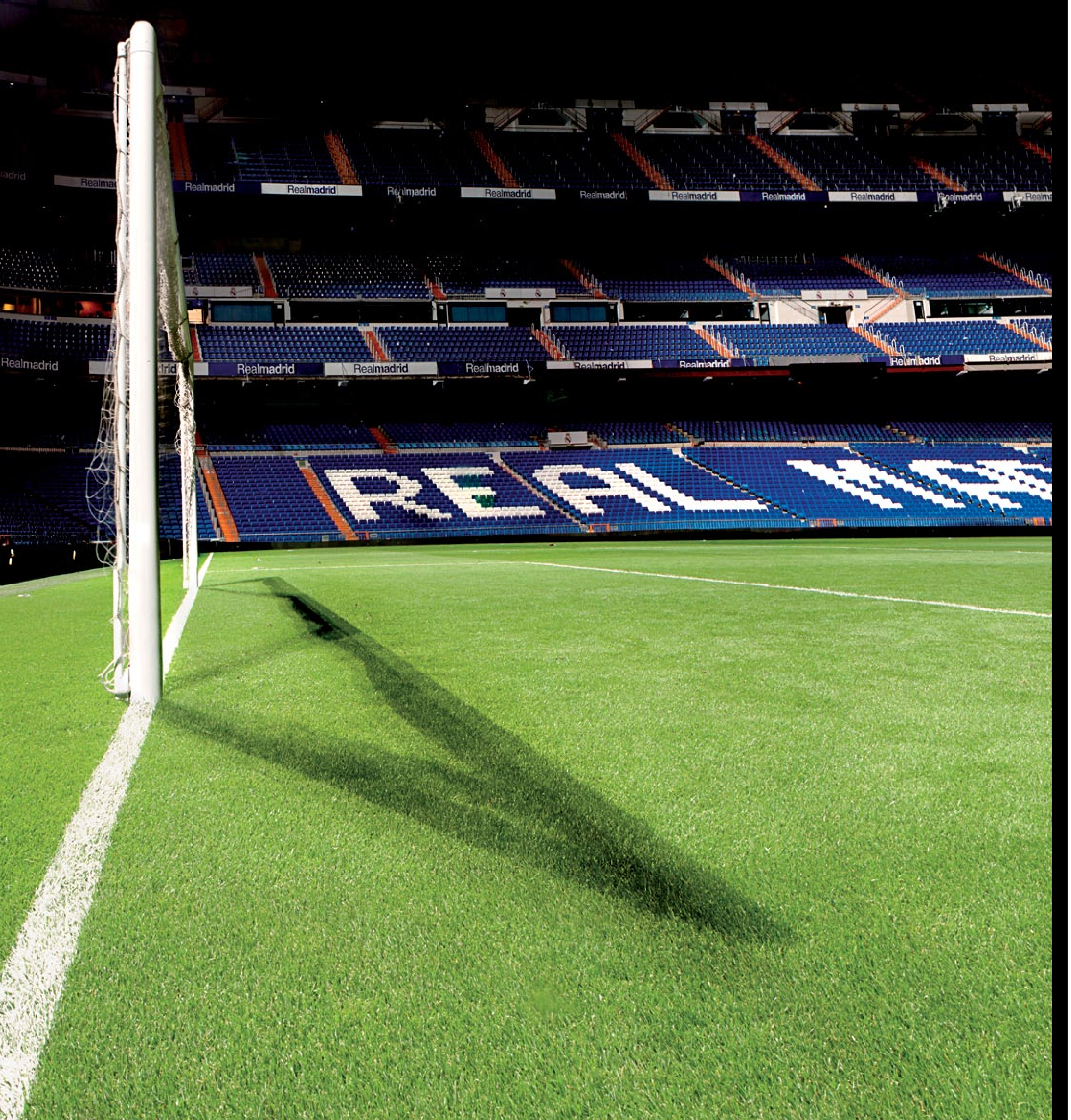
Mr. José Manuel Otero Lastres

Mr. Enrique Pérez Rodríguez

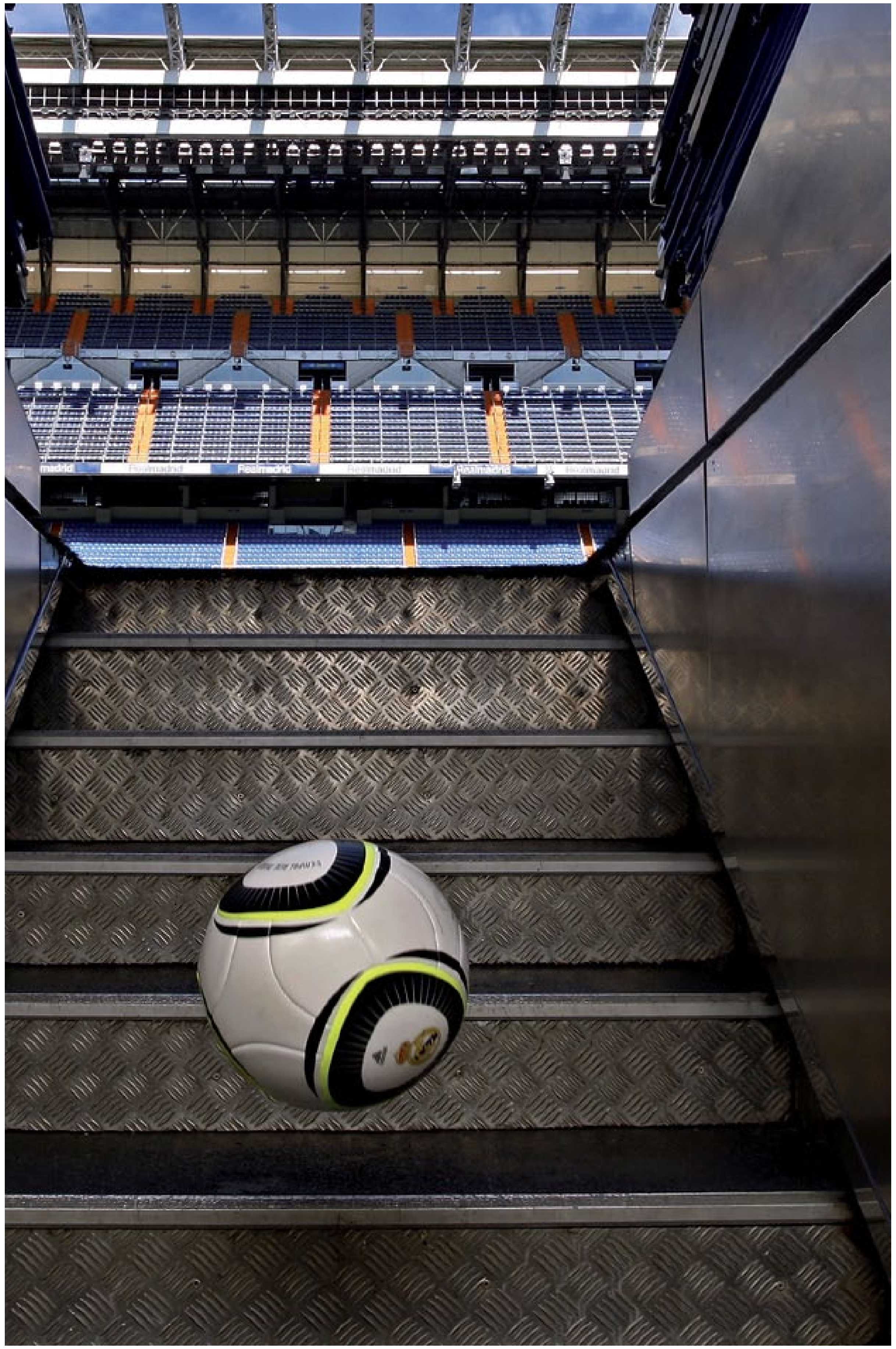
Mr. Raúl Ronda Ortiz

Mr. José Sánchez Bernal

Mr. Gumersindo Santamaría Gil



Audit Report on the Consolidated Financial Statement



AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Translation of the audit report and consolidated financial statements originally issued in Spanish.
In the event of discrepancy, the Spanish-language version prevails

To the General Assembly of Delegate Members of Real Madrid, Club de Fútbol:

We have audited the consolidated financial statements of Real Madrid, Club de Fútbol and its subsidiary, which comprise the consolidated balance sheet at June 30, 2011, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto for the year then ended. The Company's directors are responsible for the preparation of the financial statements in accordance with the regulatory framework for financial information applicable to the entity in Spain (identified in Note 2 to the accompanying consolidated financial statements), and specifically in accordance with the accounting principles and criteria contained therein. Our responsibility is to express an opinion on the aforementioned consolidated financial statements taken as a whole, based upon work performed in accordance with the regulatory audit standards prevailing in Spain, which require the examination, through the performance of selective tests, of the evidence supporting the financial statements, and the evaluation of whether their presentation, the accounting principles and criteria applied and the estimates made are in agreement with the applicable regulatory framework for financial information.
In our opinion, the accompanying consolidated financial statements for the year ended June 30, 2011 give a true and fair view, in all material respects, of the consolidated equity and the consolidated financial position of Real Madrid, Club de Fútbol and its subsidiary at June 30, 2011, and the consolidated results of operations and consolidated cash flow for the year then ended, in conformity with the applicable regulatory framework for financial information in Spain, and specifically the accounting principles and criteria contained therein.
The accompanying consolidated management report for the year ended June 30, 2011 contains such explanations as the directors consider appropriate concerning the situation of Real Madrid Club de Fútbol and its subsidiary, the evolution of its business and other matters; however, it is not an integral part of the consolidated financial statements. We have checked that the accounting information included in the aforementioned consolidated management report agrees with the consolidated financial statements for the year ended June 30, 2011. Our work as auditors is limited to verifying the consolidated management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from Real Madrid Club de Fútbol and its subsidiary accounting records.

ERNST & YOUNG, S.L.
(Signed on the original)

July 22, 2011

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Manuel Martínez Pedraza

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