Real Madrid

2012/2013

Group Management Report

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Group Management Report 2012 / 2013

GROUP MANAGEMENT REPORT

For the ended June 30, 2013.

The management report for Real Madrid Club de Fútbol and Subsidiary, including an analysis of its earnings performance in 2012/2013, is presented below.

06

Operating income
(prior to disposals of non-current assets)

Operating income for 2012/2013 amounted to €521 million, which represents an increase of €7 million (1.3%) with respect to the prior year, thereby consolidating revenue greater than €500 million for two consecutive years, a threshold figure which no other sporting entity in the whole world has exceeded.

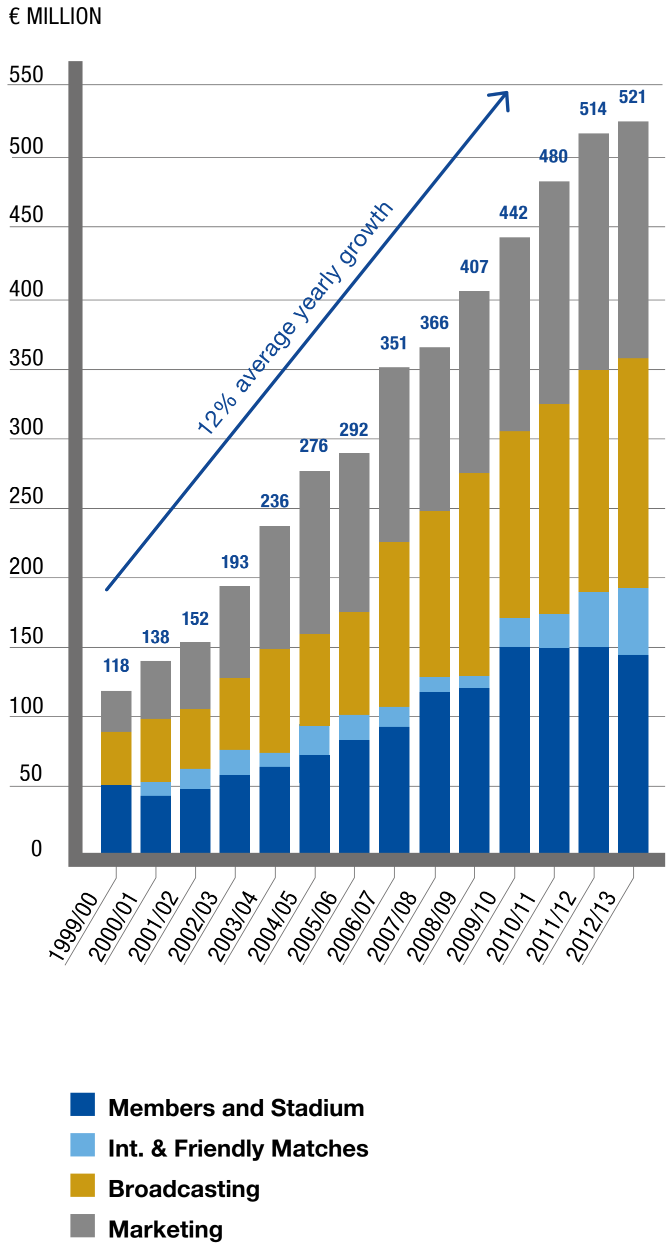
This income comes from the Club's business lines: the stadium, television, and marketing. The income from player transfers is not included; this is reflected in the income statement under "Gains (losses) on disposals and other gains and losses."

The business lines which contributed most to income growth in 2012/2013 were friendly matches and international competitions.

Member contributions, from both quotas as well as season passes, represented 9.5% of total income.

Over the 1999-2013 period, income averaged annual growth of 12%.

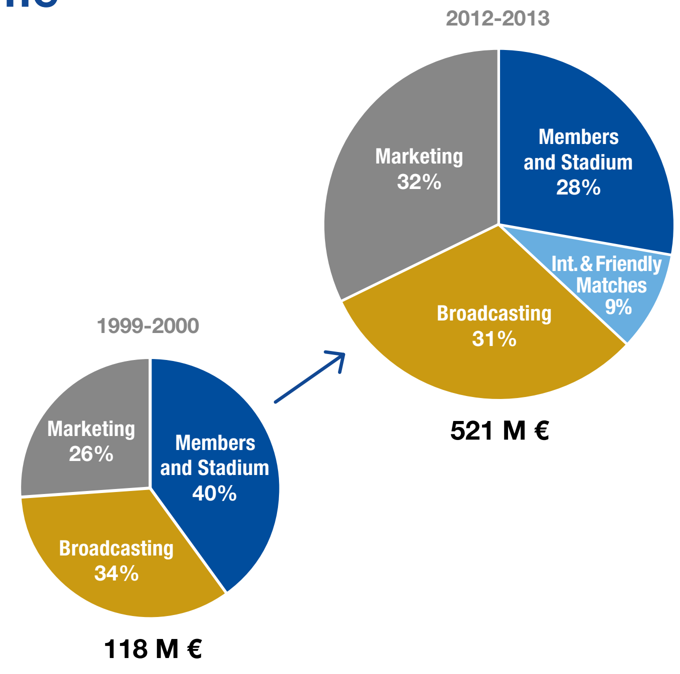
Future projections are based on strengthening the brand by investing in and commercializing great players, and developing business lines while expanding internationally; these are the Club's main competitive advantages which position it as one of the world's top football clubs.



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.



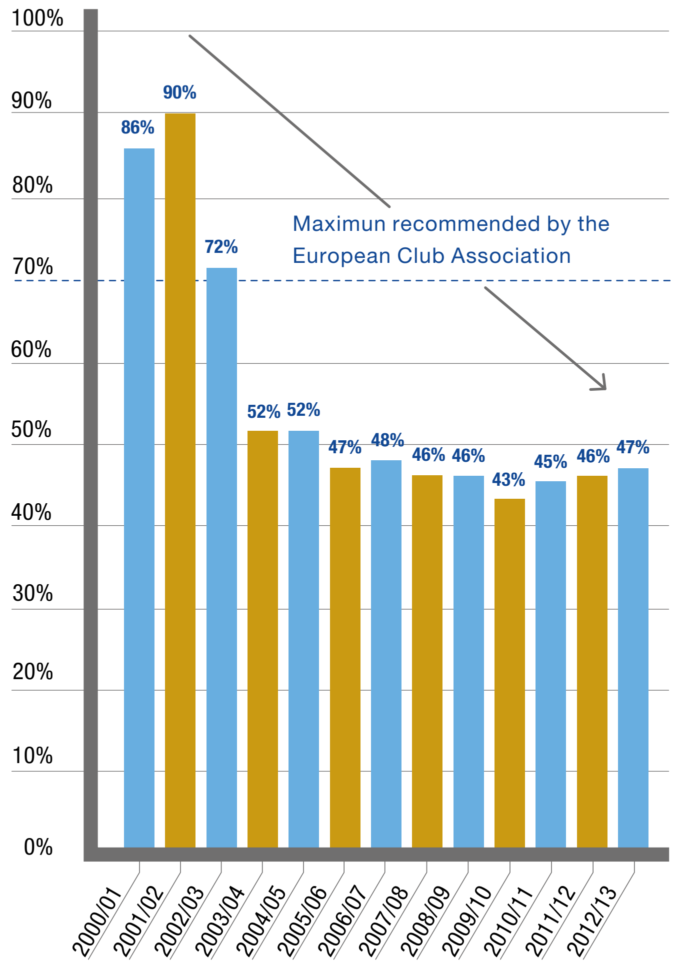
Wages to turnover ratio

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 47% in 2013.

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).



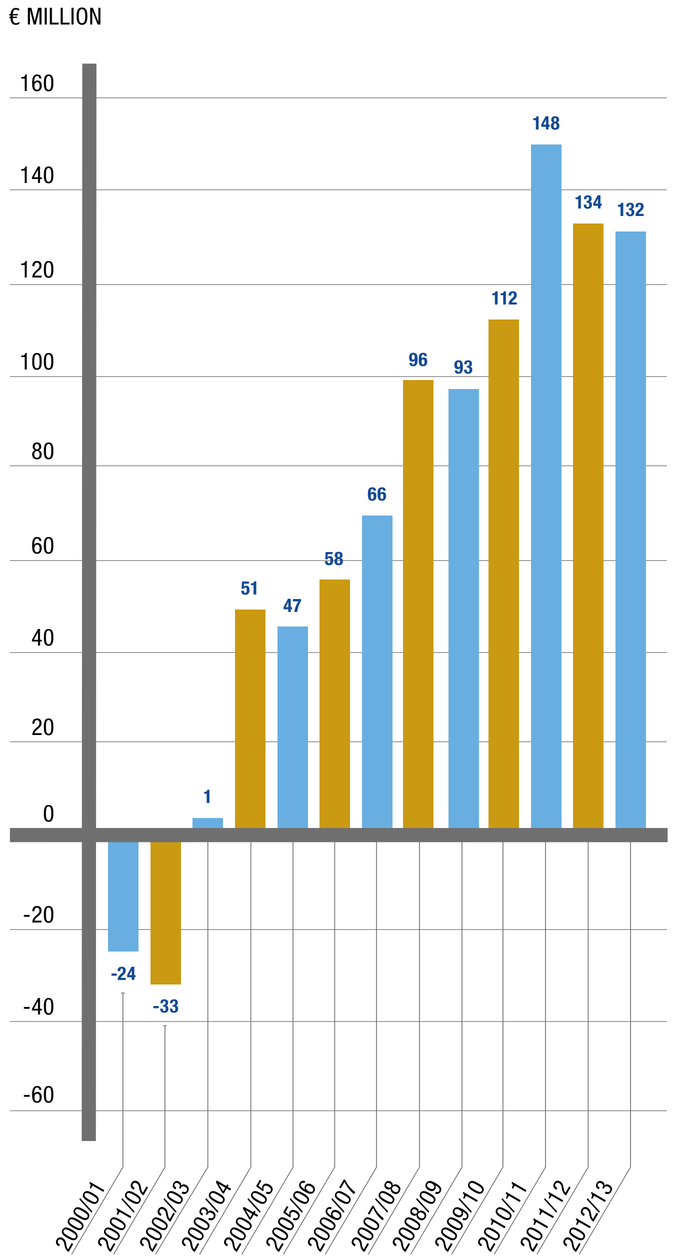
Operating profit before depreciation and amortization and gains (losses) on disposals

(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 is evident in the reconciliation of this year's income statement to the budget, included in the notes to the 2012/13 consolidated financial statements, EBITDA (before net gains on disposals) totaled €132 million, representing a slight year-on-year decrease. Income growth and increased efficiency in operating expenses, achieved within a difficult economic environment, was used to strengthen the football and basketball squads, which resulted in increased sporting staff expenses, further penalized for another year due to changes in tax regulations that went into effect in 2012. The reported EBITDA figure of €132 million (before net gains on disposals) represents 25% of the €521 million recognized for operating income, i.e., for every €100 generated in income, a surplus of €25 is obtained after covering expenses.

Looking back in time, EBITDA (before net gains on disposals) has trended consistently higher, which, in spite of the impact of the general economic situation, highlights the focus of the Club's financial management on raising profitability by combining income growth with cost control.



Income Statement

The 2012/2013 financial year saw operating revenue of €521 million, a €7 million year-on-year increase (1.3%), and €132 million in operating profit before amortization/depreciation and disposals of assets, €2million less than the previous year.

This result, after including the results from transfers of players, gave rise to an EBIDTA of €150 million, €4 million less than in the prior year. Income obtained in 2012/2013 from transfers of players was much greater than that obtained in the prior year, though said year also included non-recurring gains from the sale/disposal of assets.

This operating surplus represents €48 million of profit before taxes and after deducting amortization/depreciation and financing expenses, €15 million more than in the previous year. In order to understand this change, it is necessary to consider, on the one hand, the decrease in amortization expenses for players as a result of reducing investments, transfers carried out, and the remaining useful life of player contracts; and on the other hand, the decrease in financial expenses as a result of reducing the balance of bank borrowings and reducing finance costs.

The robust profit obtained in such a challenging economic climate is a clear indication of the Club's profitability and economic potential.

€ Million	2011/2012	2012/2013
OPERATING INCOME	**514**	**521**
Annual growth	7 %	1 %
OPERATING SURPLUS before net gains on disposals (**EBITDA** before net gains on disposals)	**134**	**132**
% s/Income	26 %	25 %
OPERATING INCOME before depreciation and amortization **(EBITDA)**	**154**	**150**
PROFIT BEFORE TAXES	**32**	**48**

Investments

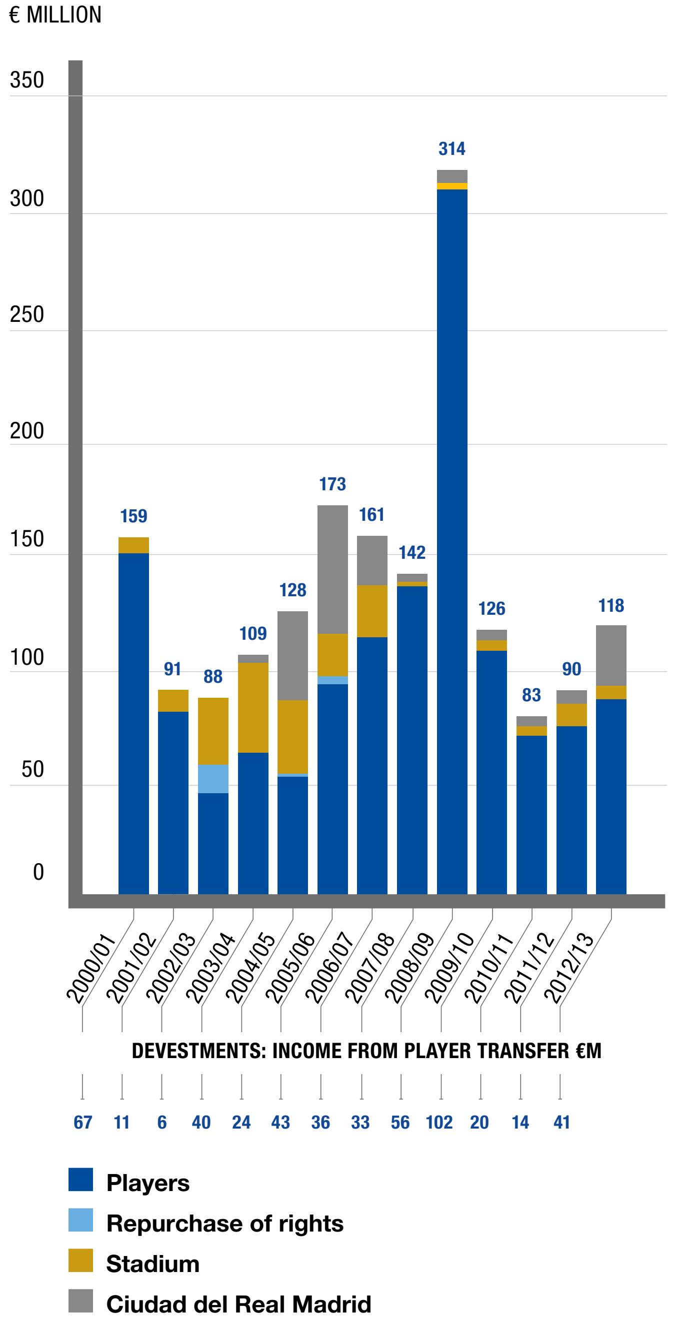
The Club invested €118 million during 2012/2013: €32 million were invested in new installations (residences for the first team and sporting complex) and improvements to installations; €86 million were invested in the acquisition of sporting staff, a significant part of which (€24 million) corresponding to acquisitions for the 2013/2014 season which were carried out before June 30, 2013.

After the great investment effort in players, especially in 2009, the Club managed to continue this year, as in the previous two years, with an investment cost containment strategy resulting in it continuing to strengthen its team whilst simultaneously limiting its net investment in players (acquisitions-transfers) to €45 million, also made possible thanks to the revenue generated from the sale of players in the year amounting to €41 million.

An analysis of the performance of investments between 2000 and 2013 reveals that, apart from investing in players, the Club has also earmarked significant amounts for building and upgrading its facilities:

- €208 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.

- €170 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. Substantial improvements were made to installations achieved in the 2012/2013 financial year with the construction of residences for the first team and the sporting complex, an objective the Club has harbored for years.

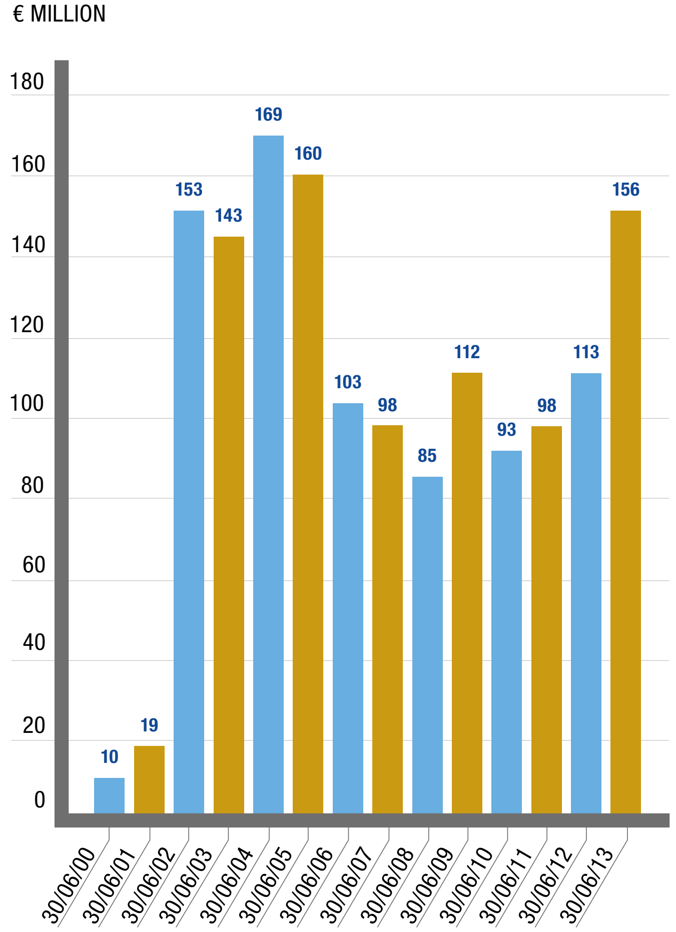


Cash and cash equivalents

The Club ended the year with a cash balance of €156 million, up €43 million over last year.

If €41 million in current financial investments at June 30, 2012 are included in last year's figures, the total amount recognized for the cash balance and financial investments at June 30, 2013 is €2 million higher than for the prior year.

Along with projected 2013/2014 cash flow, this figure will enable the Club to meet its payment commitments comfortably.

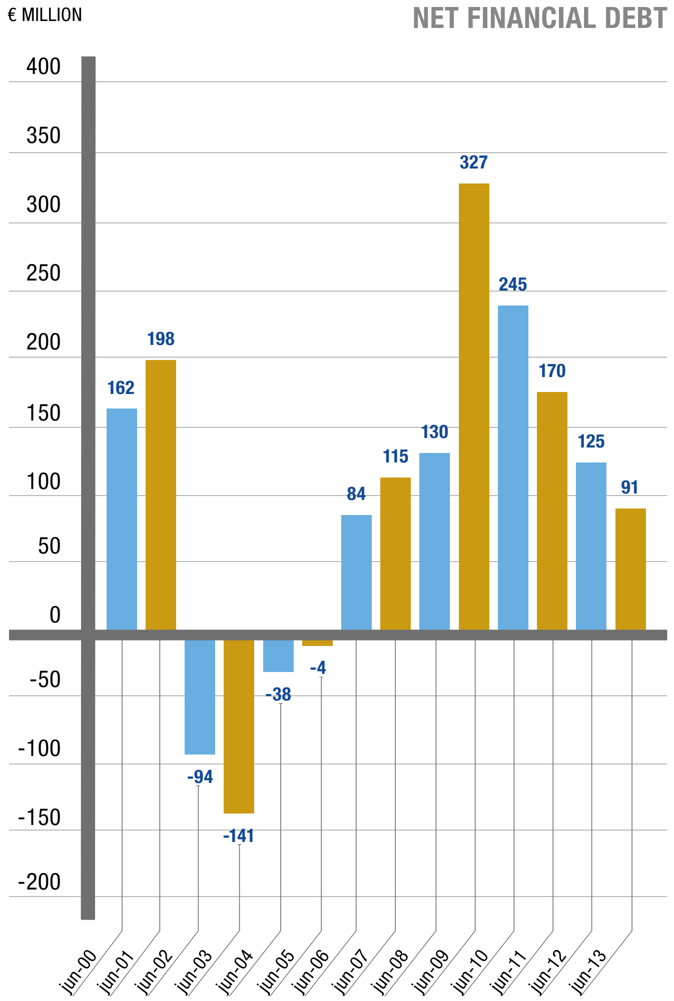


Net Financial Debt

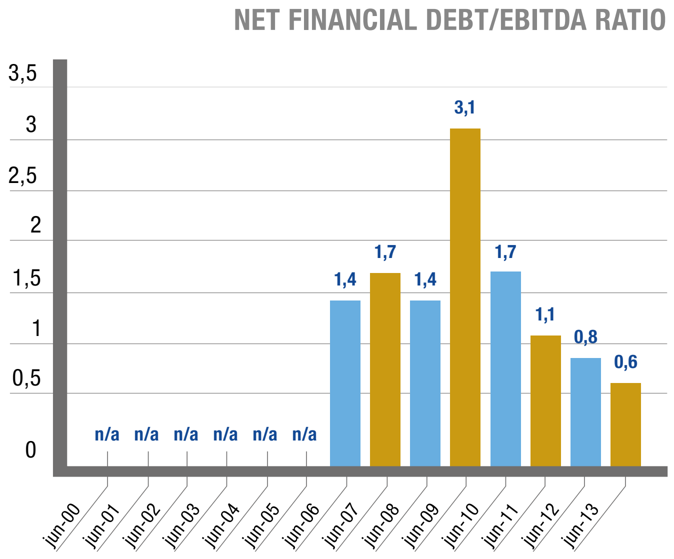
During the year, the Club's net financial debt decreased €34 million (28%), totaling €91 million at June 30, 2013.

The 2012/2013 financial year is the fourth consecutive year in which the Club has reduced its debt levels with respect to the previous year.

Relating this debt to the Club's financial wherewithal, as measured by ordinary cash flow (EBITDA:€150 million), yields a debt/EBITDA ratio—a commonly-used solvency indicator—at June 30, 2013, of 0.6.a. The reduction of debt, leveraged by the growth of the EBITDA, is reflected in the notable improvement of this ratio, which decreased from 0.8% at the beginning of the year to 0.6% by year end, constituting an excellent credit ranking in the eyes of financial institutions.



Net Financial debt: Bank debt + accounts receivable from (payable to asset acquisition/transfers - cash and cash equivalents. A negative sign represents negative liquidity position. The balance of the payment in advance received in 11/12 is also included as debt.



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 are included as of 2008/09.

Equity

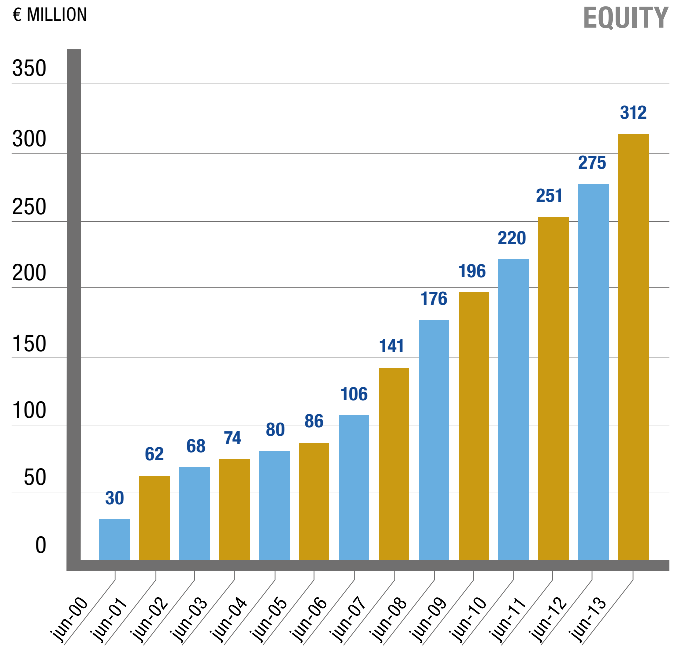
Equity represents the Club's basic capital, composed of the funds that together with borrowings, made up of net financial debt, finance the capital invested by the Club in carrying out its activities.

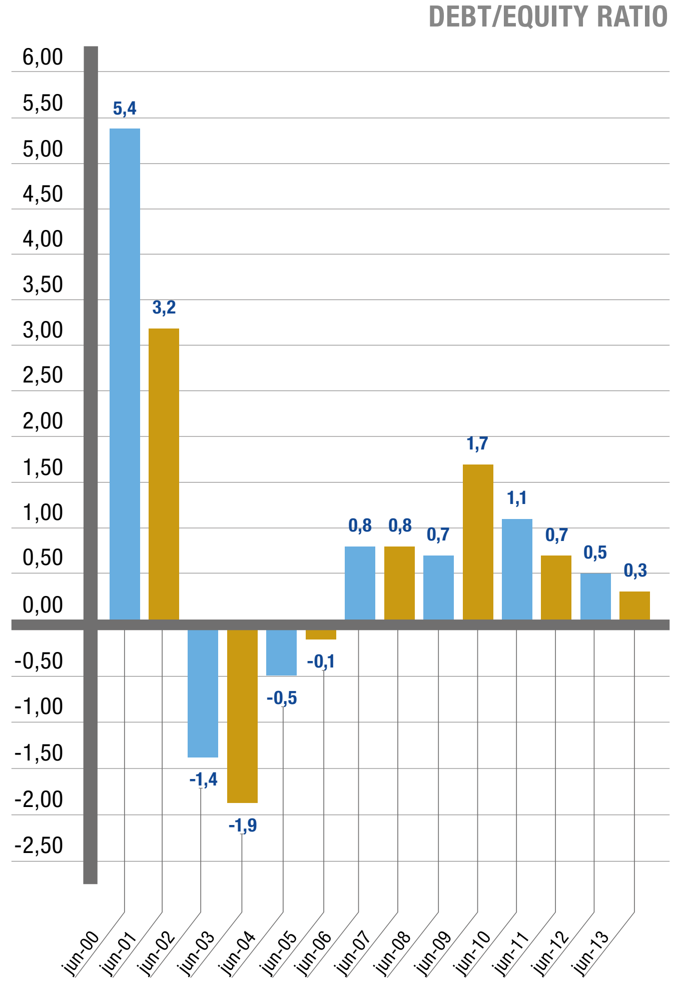
Equity is the accounting measure for the value of the company. In an entity such as Real Madrid, which does not distribute dividends, the annual change in equity corresponds to the amount of profits obtained after taxes each year.

As a result of profits obtained, the Club has been increasing its equity year-on-year, reaching €312 million at June 30, 2013, €37 million more than in the prior year.

The larger the value of equity with respect to debt, the greater the value of the Club, the more solvent it is, and the greater financial autonomy it enjoys, since the invested capital is mostly financed by its own funds rather than borrowings. The debt/equity ratio is used as an indicator of solvency and financial autonomy: the lower the ratio, the more solvent the Club is and the more financial autonomy it enjoys.

The value of this ratio has been decreasing over the last few years, reaching 0.3 at June 30, 2013: the value of net financial debt thus amounts to 30% of equity, representing a high level of solvency and financial autonomy.





Net Financial debt: Bank debt + accounts receivable from (payable to asset acquisition/transfers - cash and cash equivalents. A negative sign represents negative liquidity position. The balance of the payment in advance received in 11/12 is also included as debt.

Balance Sheet

€ Thousand

ASSETS	30/06/2013	30/06/2012	EQUITY AND LIABILITIES	30/06/2013	30/06/2012
Intangible sporting assets	267,135	283,696	Social fund and reserves	269,643	245,477
Intangible non-sporting assets	4,925	5,312	Profit for the year attributed to the parent company	36,847	24,166
Property, plant and equipment	309,172	290,516	**EQUITY**	**306,490**	**269,643**
Investment property	18,348	19,084	Minotiry interests	300	247
Financial investments	8,709	13,696	Grants. donations and bequests received	5,141	5,285
Deferred tax assets	4,883	5,529	**EQUITY CAPITAL**	**311,931**	**275,175**
Other financial assets	831	809			
NON-CURRENT ASSETS	**614,003**	**618,642**			
			Provisions	15,452	12,223
			Bank borrowings	89,118	100,747
			Player transfer payables	34,692	33,598
			Long term creditors from investments in Stadium and Ciudad Real Madrid	15,800	22,312
			Deferred tax liabilities	10,902	10,996
			Accruals	36,550	40,917
			NON CURREENT LIABILITIES	**202,514**	**220,793**
			Provisions	1,868	720
			Bank borrowings	26,408	42,562
Inventories	2,040	1,100	Player transfer payables	45,682	56,756
Player transfer receivables	23,950	21,399	Short term creditors from investments in Stadium and Ciudad Real Madrid	30,495	14,738
Trade receivables	52,656	66,136	Short term creditors from repurchase of rights	0	2,277
Current Tax assets	949	415	Trade and other payables	88,114	88,116
Short term financial investments	0	40,585	Current tax liabilities	0	309
Cash and cash equivalents	155,570	113,237	Accrued wages and salaries	82,206	92,873
Accruals	3,357	3,290	Accruals	63,307	70,485
CURRENT ASSETS	**238,522**	**246,162**	**CURRENT LIABILITIES**	**338,080**	**368,836**
TOTAL ASSETS	**852,525**	**864,804**	**TOTAL EQUITY AND LIABILITIES**	**852,525**	**864,804**

At June 30, 2013, assets/liabilities amounted to €853 million, a decrease of €12 million with respect to the previous year.

On the asset side of the balance sheet non-current assets decreased by €5 million: the value of property, plant, and equipment mainly increased as a result of the construction of residences while the carrying amount for player assets decreased since the amount recognized for amortization and disposals was greater than investments made in the year. Current assets decreased by €8 million: the cash balance plus current financial investments amount to a slightly higher figure year-on-year while collectible debt has decreased.

On the liability side of the balance sheet it is worth noting the significant decrease in debt: total current and non-current bank borrowings decreased by €28 million. In addition, payable balances resulting from outstanding payments on investments decreased by €3 million, in spite of the June 30, 2013 closing including a significant amount of sporting investments for the 2013/2014 season.

Working capital (current assets less current liabilities) amounted to a negative €100 million. This negative value has been decreasing significantly for the last few years (June 30, 2012: negative €123 million; June 30, 2011: negative €140 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 fees, 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, 2013, the balance of these short-term recurring accounts payable is €233 million (€88 million for purchases/services, €82 million in player contract fees/other personnel, and €63 million in membership and season passes, others), a total which determines more than the total negative working capital recognized at year end. Since these balances will be rolled over, similar amounts will be reflected at next year's closing. At June 30, 2013, current balances payable in 2013/2014 correspond to payables related to investments and bank borrowings, which will be comfortably paid using cash available in June as well as surplus cash generated on a monthly basis through the Club's transactions, since current income is much higher than current expenses.

At year end equity stood at €312 million, €37 million more than in the prior year.

CONSOLIDATED INCOME STATEMENT

Consolidated income statement for the year ended June 30, 2013.

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

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Real Madrid Club de Fútbol and Subsidiary Consolidated balance sheet at June 30, 2013

(Thousands of euros)

ASSETS	NOTES	JUNE 30, 2013	JUNE 30, 2012	EQUITY AND LIABILITIES	NOTES	JUNE 30, 2013	JUNE 30, 2012
NON-CURRENT ASSETS		**614,003**	**618,642**	**EQUITY**		**311,931**	**275,175**
Intangible sporting assets	**4**	**267,135**	**283,696**	**Capital and reserves**	**11**	**306,490**	**269,643**
				Social fund		260,521	236,467
Intangible non-sporting assets	**5**	**4,925**	**5,312**	Revaluation reserve (RD 7-96)		8,548	8,548
				Reserves in fully consolidated companies		574	462
Property, plant and equipment	**6**	**309,172**	**290,516**	Profit for the year attributed to the parent company		36,847	24,166
Investment property	**7**	**18,348**	**19,084**				
Financial investments	**8.1**	**9,540**	**14,505**	**Grants, donations and bequests received**	**12**	**5,141**	**5,285**
Deferred tax assets	**16**	**4,883**	**5,529**	**Minority interests**		**300**	**247**
				NON-CURRENT LIABILITIES		**202,514**	**220,793**
				Provisions	**13.1**	**15,452**	**12,223**
				Financial liabilities	**14.1**	**139,610**	**156,657**
				Bank borrowings		89,118	100,747
				Other financial liabilities		50,492	55,910
				Deferred tax liabilities	**16**	**10,902**	**10,996**
				Accruals	**15**	**36,550**	**40,917**
CURRENT ASSETS		**238,522**	**246,162**	**CURRENT LIABILITIES**		**338,080**	**368,836**
				Provisions	**13.2**	**1,868**	**720**
Inventories	**9**	**2,040**	**1,100**	**Financial liabilities**	**14.2**	**102,585**	**116,333**
Trade and other receivables	**8.2,16**	**77,555**	**87,950**	Bank borrowings		26,408	42,562
				Other financial liabilities		76,177	73,771
Current financial investments	**10**	**-**	**40,585**				
Accruals		**3,357**	**3,290**	**Trade and other payables**	**14.3**	**170,320**	**181,298**
Cash and cash equivalents	**10**	**155,570**	**113,237**	**Accruals**	**15**	**63,307**	**70,485**
TOTAL ASSETS		**852,525**	**864,804**	**TOTAL EQUITY AND LIABILITIES**		**852,525**	**864,804**

Real Madrid Club de Fútbol and Subsidiary Consolidated income statement for the year ended June 30, 2013

(Thousands of euros)

	NOTES	2012 / 2013	2011 / 2012
CONTINUING OPERATIONS			
Revenue			
Membership dues, ticketing and other stadium revenue		145,786	150,190
Revenue from friendly matches and international competitions		48,829	40,049
Broadcasting		162,836	159,192
Marketing		160,505	162,632
	17.1	**517,956**	**512,063**
Goods for consumption			
Consumption of raw materials and other consumables	**17.2**	**(18,217)**	**(22,596)**
Other operating revenues	**17.1**	**759**	**372**
Player and staff personnel expenses	**17.3**	**(245,997)**	**(233,946)**
Other operating expenses			
Losses on, impairment of and change in trade provisions	8.2	(680)	(2,274)
Other operating expenses	17.4	(124,158)	(121,386)
		(124,838)	**(123,660)**
Depreciation and amortization	**4,5,6,7**	**(94,550)**	**(110,002)**
Grants related to non-financial assets and other grants	**12**	**192**	**192**
Overprovisions	**13.1**	**1,966**	**1,344**
Impairment losses and gains (losses) on disposal of non-current assets			
Impairment charges and losses	17.5	(1,835)	(3,323)
Gains (losses) on disposals and other gains and losses	17.5	20,224	23,470
		18,389	**20,147**
OPERATING PROFIT		**55,660**	**43,914**
Finance income			
From marketable securities and other financial instruments	17.6	3,389	4,554
Finance cost	**17.6**	**(11,352)**	**(16,206)**
NET FINANCE COST		**(7,963)**	**(11,652)**
PROFIT BEFORE TAX		**47,697**	**32,262**
Income tax	**16.1**	**(10,797)**	**(8,050)**
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**36,900**	**24,212**
PROFIT FOR THE PERIOD		**36,900**	**24,212**
Attributable to the parent company		**36,847**	**24,166**
Attributable to minority interests		**53**	**46**

Consolidated income statement for the year ended June 30, 2013

(Thousands of euros)

A) Consolidated statement of recognized income and expenses for the year ended June 30, 2013 and for the year ended June 30, 2012.

	NOTES	2012/2013	2011/2012
Profit for the period		36,900	24,212
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		**36,756**	**24,068**

B) Consolidated statement of changes in equity for the year ended June 30, 2013 and for the year ended June 30, 2012.

	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, 2011	**205,036**	**8,548**	**370**	**31,523**	**245,477**	**5,429**	**201**	**251,107**
Total income and expenses recognized for the year ended 6/30/2012	-	-	-	24,166	24,166	(144)	46	24,068
Appropriation of results at June 30, 2011	31,431	-	92	(31,523)	-	-	-	-
Balance at June 30, 2012	**236,467**	**8,548**	**462**	**24,166**	**269,643**	**5,285**	**247**	**275,175**
Total income and ex-penses recognized for the year ended 6/30/2013	-	-	-	36,847	36,847	(144)	53	36,756
Appropriation of results at June 30, 2012	24,054	-	112	(24,166)	-	-	-	-
Balance at June 30, 2013	**260,521**	**8,548**	**574**	**36,847**	**306,490**	**5,141**	**300**	**311,931**

Consolidated cash flow statement for the year ended June 30, 2013

(Thousands of euros)

	NOTES	2012/2013	2011/2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**47,697**	**32,262**
Adjustments to profit		**87,988**	**108,052**
Depreciation and amortization (+)		94,550	110,002
Impairment losses (+)		727	3,323
Changes in provisions (+)	13, 8.2	3,909	6,171
Grants released to income (-)	12	(192)	(192)
Gains (losses) from derecognition and disposal of non-current assets		(19,116)	(23,470)
Finance income (-)	17.6	(3,389)	(4,554)
Finance cost (+)	17.6	11,352	16,206
Other income and expenses (+/-)		147	566
Change in working capital		**23,863**	**22,074**
Inventories		(940)	483
Trade and other receivables (+/-)		8,738	4,249
Other current assets (+/-)		40,518	(38,668)
Trade and other payables (+/-)		(13,160)	21,764
Other current liabilities (+/-)		(6,030)	(3,242)
Other non-current assets and liabilities (+/-)		(5,263)	37,488
Other cash flows from operating activities		**(16,082)**	**(36,404)**
Interest paid (-)		(10,700)	(11,353)
Interest received (+)		2,994	3,257
Income tax receipts (payments)		(8,376)	(28,308)
CASH FLOWS FROM OPERATING ACTIVITIES		**143,466**	**125,984**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments (-)		**(123,234)**	**(133,026)**
Intangible sporting assets		(98,097)	(112,204)
Other intangible assets		(1,099)	498
Property, plant and equipment		(24,016)	(21,320)
Investment property		(22)	-
Proceeds from disposals (+)		**47,319**	**25,860**
Intangible sporting assets		47,319	25,860
Property, plant and equipment		-	-
Investment property		-	-
CASH FLOW USED IN INVESTING ACTIVITIES		**(75,915)**	**(107,166)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments of financial liability instruments		**(25,218)**	**(3,350)**
Bank borrowings. Emision		-	-
Repayment and amortization of debts with credit entities		(25,218)	(3,350)
CASH FLOWS FROM FINANCING ACTIVITIES		**(25,218)**	**(3,350)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**42,333**	**15,468**
Cash and cash equivalents - opening balance	10	113,237	97,769
Cash and cash equivalents - ending balance	10	155,570	113,237
		42,333	**15,468**

Real Madrid Club de Fútbol and Subsidiary Consolidated cash flow statement for the year ended June 30, 2013

(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 PRESENTATION 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, 2013.

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 €7,889 and €36,914 thousand, respectively (€6,387 and €33,600 thousand respectively in 2012).

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, 2013, 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.

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, 2013), 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.

2.5 Appropriation of results

The Club dedicates all the results for the year to increasing the social fund.

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, 2013 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, 2013 and 2012, 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. These assets are fully amortized.

- **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, 2013 and 2012.

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, 2013 and 2012.

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, 2013 and 2012 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

This heading records the assets held for generating rental income or capital gains as well as those assets that are not associated with operating activities and are not included in the Group's ordinary business activities. The Santiago Bernabeu stadium fixtures leased to third parties are classified as investment property.

Investment property is measured using the same criteria described for property, plant, and equipment.

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
- 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:

a) 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.

b) 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.

In those other situations in which no present obligation exists yet or in which there is clear uncertainty with respect to the outcome of particular issues (claims, appeals, etc.), the Group and its legal or tax advisors assess the prospects of a future event that could result in gains or losses for the Group. Should a high probability be assessed for a particular event, the resulting contingent asset or liability is estimated.

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.

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, 2013 and 2012, 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 Realmadrid Foundation as its related parties.

4. INTANGIBLE SPORTING ASSETS

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

2012/2013

Thousands of euros

PLAYER TRANSFER RIGHTS	OPENING BALANCE	ADDITIONS AND ALLOWANCES	DERECOGNITIONS	TRANSFERS	CLOSING BALANCE
Cost	587,878	85,782	(85,792)	-	587,868
Accumulated amortization	(303,705)	(81,742)	64,714	-	(320,733)
Impairment allowances	(477)	-	477	-	-
CARRYING AMOUNT:	**283,696**	**4,040**	**(20,601)**	**-**	**267,135**

2011/2012

Thousands of euros

PLAYER TRANSFER RIGHTS	OPENING BALANCE	ADDITIONS AND ALLOWANCES	DERECOGNITIONS	TRANSFERS	CLOSING BALANCE
Cost	531,181	74,511	(17,814)	-	587,878
Accumulated amortization	(215,029)	(96,616)	7,940	-	(303,705)
Impairment allowances	(224)	(477)	224	-	(477)
CARRYING AMOUNT:	**315,928**	**(22,582)**	**(9,650)**	**-**	**283,696**

4.1 Description of the main changes during the period

The additions recognized in the periods 2012/2013 and 2011/2012 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.

During the financial year ended June 30, 2013, the Club obtained net income of €40,825 thousand (June 30, 2012: €13,636 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 €20,224 thousand (June 30, 2012: €3,986 thousand) (Note 17.5).

4.2 Other disclosures

At June 30, 2013, the Club had €11,867 thousand of fully amortized player acquisition rights (June 30, 2012: €16,034 thousand).

At June 30, 2013, €24,396 thousand were recognized for prepayments on intangible sporting assets (June 30, 2012: there were no prepayments on intangible sporting assets).

In addition, at June 30, 2013, there were firm commitments in place to invest €27,000 in players' federative rights (June 30, 2012: there were no firm commitments).

At June 30, 2013 and 2012, there were no firm commitments to invest in players' federative rights.

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:

2012/2013

Thousands of euros

	OPENING BALANCE	ADDITIONS AND ALLOWANCE	DERECOGNITIONS	TRANSFERS	CLOSING BALANCE
Cost:					
Service concession arrangements	2,103	-	-	-	2,103
Patents, licenses, trademarks, et al.	965	63	-	-	1,028
Software	4,986	71	-	130	5,187
Other intangible assets	95,437	-	-	-	95,437
Advances	203	827	-	(130)	900
Total cost	103,694	961	-	-	104,655
Accumulated amortization:					
Service concession arrangements	(2,103)	-	-	-	(2,103)
Patents, licenses, trademarks, et al.	(706)	(59)	-	-	(765)
Software	(4,245)	(424)	-	-	(4,669)
Other intangible assets	(91,283)	(865)	-	-	(92,148)
Total amortization	(98,337)	(1,348)	-	-	(99,685)
Impairment allowances:					
Software	(45)	-	-	-	(45)
CARRYING AMOUNT	**5,312**	**(387)**	**-**	**-**	**4,925**

2011/2012

Thousands of euros

	OPENING BALANCE	ADDITIONS AND ALLOWANCE	DERECOGNITIONS	TRANSFERS	CLOSING BALANCE
Cost:					
Service concession arrangements	2,103	-	-	-	2,103
Patents, licenses, trademarks, et al.	811	158	(4)	-	965
Software	4,611	149	(47)	273	4,986
Other intangible assets	95,437	-	-	-	95,437
Advances	444	32	-	(273)	203
Total cost	103,406	339	(51)	-	103,694
Accumulated amortization:					
Service concession arrangements	(2,103)	-	-	-	(2,103)
Patents, licenses, trademarks, et al.	(655)	(54)	3	-	(706)
Software	(3,836)	(456)	47	-	(4,245)
Other intangible assets	(90,470)	(813)	-	-	(91,283)
Total amortization	(97,064)	(1,323)	50	-	(98,337)
Impairment allowances:					
Software	(45)	-	-	-	(45)
CARRYING AMOUNT	**6,297**	**(984)**	**(1)**	**-**	**5,312**

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 30,2013.

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, 2013	JUNE 30, 2012
Service concession arrangements	2,103	2,103
Patents, licenses, trademarks, et al.	429	353
Software	3,772	3,703
Other intangible assets	80,965	80,965
	87,269	**87,124**

6. PROPERTY, PLANT AND EQUIPMENT

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

2012/2013

Thousands of euros

	OPENING BALANCE	ADDITIONS AND ALLOWANCES	DERECOGNITIONS	TRANSFERS	CLOSING BALANCE
Cost:					
Sport stadiums and venues	293,424	86	(2,405)	5,316	296,421
Land and buildings	22,619	-	(1,324)	52	21,347
Plant and other PP&E items	54,004	1,276	(1,620)	4,726	58,386
PP&E under construction and prepayments	20,266	29,831	-	(10,547)	39,550
Total cost	390,313	31,193	(5,349)	(453)	415,704
Accumulated depreciation:					
Sport stadiums and venues	(57,056)	(6,166)	595	-	(62,627)
Buildings	(3,271)	(534)	814	-	(2,991)
Plant and other PP&E items	(37,956)	(4,276)	1,525	-	(40,707)
Total accumulated depreciation	(98,283)	(10,976)	2,934	-	(106,325)
Impairment allowances					
Buildings and other PP&E items	(1,514)	-	1,307	-	(207)
CARRYING AMOUNT	**290,516**	**20,217**	**(1,108)**	**(453)**	**309,172**

2011/2012

Thousands of euros

	OPENING BALANCE	ADDITIONS AND ALLOWANCES	DERECOGNITIONS	TRANSFERS	CLOSING BALANCE
Cost:					
Sport stadiums and venues	282,874	7,012	(2,815)	6.353	293,424
Land and buildings	22,923	-	(304)	-	22,619
Plant and other PP&E items	51,207	620	(258)	2.435	54,004
PP&E under construction and prepayments	14,436	14,618	-	(8.788)	20,266
Total cost	371,440	22,250	(3,377)	-	390,313
Accumulated depreciation:					
Sport stadiums and venues	(51,452)	(6,243)	639	-	(57,056)
Buildings	(2,851)	(651)	231	-	(3,271)
Plant and other PP&E items	(33,456)	(4,686)	186	-	(37,956)
Total accumulated depreciation	(87,759)	(11,580)	1,056	-	(98,283)
Impairment allowances					
Buildings and other PP&E items	(990)	(524)	-	-	(1,514)
CARRYING AMOUNT	**282,691**	**10,146**	**(2,321)**	**-**	**290,516**

6.1 Description of the main changes during the period

2012/2013

Additions during the year mainly reflect the investment made for redesigning the Santiago Bernabéu Tour and the construction of residences for players in the Real Madrid Ciudad Deportiva.

2011/2012

The additions during the period mainly correspond to various actions taken in connection with the Santiago Bernabeu stadium and the transfer of the plot of land surrounded by the calle Rafael Salgado, Paseo de la Castellana, and calle Concha Espina under the "Santiago Bernabeu" API 05.12 as a result of the agreement signed with the Madrid City Council (Note 17.5).

6.2 Development rights *(unidades de aprovechamiento urbanístico)*

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 m^2 of land under the reparceling proposal.

Real Madrid Club de Fútbol presented these development rights to the Compensation Committee of "Parque de Valdebebas;" on November 25, 2009 definite approval was received from the Madrid City Council (subject to administrative appeals) for the reparceling project, by virtue of which Real Madrid has won the replacement plot. Real Madrid was duly registered as the owner of said plot at Madrid Property Registries 11 and 33.

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. However, prior to the appeals process, the amounts claimed must be guaranteed. The Club is in the process of complying with this requirement and expects the amount to total approximately €10 million.

6.3 Operating leases

- **Group as lessee**

At June 30, 2013 and 2012, 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 5 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, 2013 amounted to €1,396 thousand (Note 17.4) (June 30, 2012: €2,515 thousand).

The future minimum operating lease payments were the following:

	Thousands of euros	
	JUNE 30, 2013	JUNE 30, 2012
Within one year	578	963
Between one and five years	471	744
More than 5 years	-	-
	1,049	**1,707**

6.4 Other disclosures

At June 30, 2013, fully depreciated property, plant, and equipment, mainly technical fixtures amounted to €17,203 thousand (June 30, 2012: €14,173 thousand).

At June 30, 2013, 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 €9,6 million (June 30, 2012: €6,6 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:

2012/2013

Thousands of euros

	COST	ACCUMULATED DEPRECIATION	CARRYING AMOUNT
Buildings	9,607	(2,753)	6,854

2011/2012

Thousands of euros

	COST	ACCUMULATED DEPRECIATION	CARRYING AMOUNT
Buildings	9,607	(2,561)	7,046

On June 30, 2013, this grant is recognized in equity and deferred tax liabilities for the respective amounts of €5,141 thousand (Note 12) and €1,714 thousand (Note 16.2) (June 30, 2012: €5,285 thousand and €1,762 thousand respectively).

7. INVERSIONES INMOBILIARIAS

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

2012/2013

Thousands of euros

	OPENING BALANCE	ADDITIONS AND ALLOWANCES	DERECOGNITIONS	TRANSFERS	CLOSING BALANCE
Cost					
Land	13,167	-	-	453	13,620
Buildings	14,075	-	-	22	14,097
Facilities	52	-	-	-	52
Building in progress	540	22	-	(22)	540
Total cost	27,834	22	-	453	28,309
Accumulated depreciation:					
Buildings	(8,516)	(478)	-	-	(8,994)
Facilities	(29)	(6)	-	-	(35)
Total accumulated depreciation	(8,545)	(484)	-	-	(9,029)
Impairment allowances					
Building in progress	(205)	(727)	-	-	(932)
CARRYING AMOUNT	**19,084**	**(1,189)**	**-**	**453**	**18,348**

2011/2012

Thousands of euros

	OPENING BALANCE	ADDITIONS AND ALLOWANCES	DERECOGNITIONS	TRANSFERS	CLOSING BALANCE
Cost					
Land	488	13,167	(488)	-	13,167
Buildings	14,075	-	-	-	14,075
Facilities	52	-	-	-	52
Building in progress	1,885	-	(1345)	-	540
Total cost	16,500	13,167	(1,833)	-	27,834
Accumulated depreciation:					
Buildings	(8,039)	(477)	-	-	(8,516)
Facilities	(23)	(6)	-	-	(29)
Total accumulated depreciation	(8,062)	(483)	-	-	(8,545)
Impairment allowances					
Building in progress	(1,550)	-	1,345	-	(205)
CARRYING AMOUNT	**6,888**	**12,684**	**(488)**	**-**	**19,084**

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. extended for another 3 years.This agreement generated revenue totaling approximately €903 thousand at June 30, 2013 (June 30, 2012: €424 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 four 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, 2013 totaled €1,324 thousand (June 30, 2012: €1,351 thousand).

"Land" mainly includes the plots related to the agreement signed with the Madrid City Council, and correspond to the transmission of of plots 1, zones 1 and 3, 4 and 5 zone 2 of the API 11.12 "Mercedes Arteaga, Jacinto Verdaguer" and the TER. 02. 189-A1 tertiary plot of the 4.01 UPN "Ciudad Aeroportuaria parque de Valdelabas" obtained through the segregation of the TER. 02 189-A plot (Note 17.5).

Future minimum operating lease receipts were the following:

		Thousands of euros
	JUNE 30, 2013	JUNE 30, 2012
Within one year	2,044	1,214
Between one and five years	6,699	4,717
More than 5 years	1,717	2,288
	10,460	**8,219**

8. ACTIVOS FINANCIEROS

The breakdown of "Financial assets" is as follows:

2012/2013

			Thousands of euros
	EQUITY INSTRUMENTS	LOANS AND OTHER FINANCIAL ASSETS	TOTAL
NON-CURRENT FINANCIAL ASSETS			
Non-current financial assets			
Loans and receivables:			
Investments	-	9,162	9,162
Available-for-sale financial assets:			
Investments	378	-	378
	378	**9,162**	**9,540**
CURRENT FINANCIAL ASSETS			
Current financial assets			
Loans and receivables:			
Trade and other receivables (*)	-	75,560	75,560
Current financial investments (Note 10)	-	-	-
Cash and cash equivalents (Note 10)	-	155,570	155,570
	-	**231,130**	**231,130**
TOTAL ACTIVOS FINANCIEROS	**378**	**240,292**	**240,670**

(*) Does not include public administrations

2011/2012

			Thousands of euros
	EQUITY INSTRUMENTS	LOANS AND OTHER FINANCIAL ASSETS	TOTAL
NON-CURRENT FINANCIAL ASSETS			
Non-current financial assets			
Loans and receivables:			
Investments	-	14,127	14,127
Available-for-sale financial assets:			
Investments	378	-	378
	378	**14,127**	**14,505**
CURRENT FINANCIAL ASSETS			
Current financial assets			
Loans and receivables:			
Trade and other receivables (*)	-	86,210	86,210
Current financial investments (Note 10)	-	40,585	40,585
Cash and cash equivalents (Note 10)	-	113,237	113,237
	-	**240,032**	**240,032**
TOTAL ACTIVOS FINANCIEROS	**378**	**254,159**	**254,537**

(*) Does not include public administrations

8.1 Non-current investments

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

2012/2013

Thousands of euros

	OPENING BALANCE	ADDITIONS	DERECOGNITIONS	TRANSFERS TO CURRENT	CLOSING BALANCE
Equity instruments	378	-	-	-	378
Non-current receivables from sporting entities	13,696	4,982	(1,400)	(8,569)	8,709
Other financial assets	431	22	-	-	453
TOTAL	**14,505**	**5,004**	**(1,400)**	**(8,569)**	**9,540**

2011/2012

Thousands of euros

	OPENING BALANCE	ADDITIONS	DERECOGNITIONS	TRANSFERS TO CURRENT	CLOSING BALANCE
Equity instruments	334	44	-	-	378
Non-current receivables from sporting entities	21,373	8,419	(263)	(15,833)	13,696
Other financial assets	240	191	-	-	431
TOTAL	**21,947**	**8,654**	**(263)**	**(15,833)**	**14,505**

- "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, 2013	JUNE 30, 2012
2013	-	9,662
2014	4,194	3,469
2015	3,513	560
2016	997	-
2017 and subsequent years	5	5
	8,709	**13,696**

The aforementioned amounts are recognized using the amortized cost method, which includes the financial effect of updates. Accrued finance income during the season ended June 30, 2013 amounted to €530 thousand (June 30, 2012: €713 thousand) (Note 17.6).

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, 2013	JUNE 30, 2012
Trade receivables		
Stadium receivables	4,263	6,953
Broadcasting receivables	2,874	9,977
Marketing receivables	29,860	31,782
	36,997	**48,712**
Accounts receivable from sporting entities		
Accounts receivable from sporting entities for player transfers	23,950	23,525
Other accounts receivable from sporting entities	13,815	13,014
	37,765	**36,539**
Other financial assets		
Other receivables	-	-
Receivables from employees	798	959
	798	**959**
Total	75,560	86,210
Current income tax and other assets (Note 16)	949	415
Other receivables from public administrations (Note 16)	1,046	1,325
Total receivables from public administrations	1,995	1,740
TOTAL TRADE AND OTHER RECEIVABLES	**77,555**	**87,950**

• 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, 2013	JUNE 30, 2012
Initial impairment allowances	23,905	21,890
Additions in the year	2,447	3,310
Applications in the year	-	15
Impairment reversal in the year	(365)	(292)
Transfers in the year	733	(1,018)
FINAL IMPAIRMENT LOSS ALLOWANCES	**26,720**	**23,905**

Additions in 2012 and 2013 mainly correspond to impairment losses in connection with the accounts receivable from Rak Marjan, as described in "Main commitments in effect" (Note 13.3.8).

The breakdown of balances in foreign currencies at June 30, 2013 included in "Trade receivables" is as follows:

		Thousands of euros
	FOREIGN CURRENCY BALANCE	FOREIGN CURRENCY BALANCE
US dollars (USD)	740	590
Pounds sterling	18	21
TOTAL		**611**

The breakdown of balances in foreign currencies at June 30, 2012 included in "Trade receivables" is as follows:

		Thousands of euros
	FOREIGN CURRENCY BALANCE	FOREIGN CURRENCY BALANCE
US dollars (USD)	2,261	1,819
Pounds sterling	18	22
TOTAL		**1,841**

• 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, 2013	JUNE 30, 2012
Initial impairment allowances	4,497	5,918
Additions in the year	16	13
Applications in the year	(45)	(400)
Impairment reversal in the year	(1,418)	(738)
Transfers in the year	51	(296)
FINAL IMPAIRMENT ALLOWANCES	**3,101**	**4,497**

At June 30, 2013, this account includes a balance of €566 thousand with the Professional Football League (June 30, 2012: €330 thousand), which has been confirmed by the entity in question.

This account did not contain any foreign currency denominated balances at June 30, 2013 and 2012.

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

		Thousands of euros
	JUNE 30, 2013	JUNE 30, 2012
Impairment recognized in the year to "Trade receivables"	2,447	3,310
Impairment reversal in the year to "Trade receivables"	(365)	(292)
Impairment recognized in the year to "Current accounts receivable from sporting entities"	16	13
Impairment reversal in the year to "Current accounts receivable from sporting entities"	(1,418)	(738)
Losses in the year on "Current receivables from sporting entities"	-	6
Net change in the year to "Inventories" (Note 9)	-	(25)
	680	**2,274**

9. INVENTORIES

Inventories recognized at June 30, 2013 amount to €2,040 thousand (June 30, 2012: €1,100 thousand). No impairment losses were recognized at either June 30, 2013 or June 30, 2012.

10. CURRENT FINANCIAL INVESTMENTS, CASH AND CASH EQUIVALENTS

The breakdown is as follows:

		Thousands of euros
	JUNE 30, 2013	JUNE 30, 2012
Current financial investments	-	40,585
Cash equivalents	128,599	28,109
Cash	18	5
Current accounts	26,953	85,123
Cash and cash equivalents	155,570	113,237
	155,570	**153,822**

"Current financial investments" includes investments in time deposits maturing in less than a year at market interest rates.

"Cash equivalents" includes investments in euro deposits and various deposits placed at different financial entities carrying interest linked to Euribor at maturity. This heading also includes short-term deposits with a nominal maturity greater than 3 months but with the funds effectively available immediately without incurring any penalties.

There are restrictions on the availability of balances in current accounts amounting to €15.4 million at June 30, 2013 (June 30, 2012: €26,1 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:

2012/2013

Thousands of euros

	OPENING BALANCE	ADDITIONS	TAX EFFECT OF ADDITIONS	AMOUNTS TRANSFERRED TO INCOME STATEMENT	TAX EFFECT OF TRANSFERS	CLOSING BALANCE
Grants, donations and bequests received – non-repayable grants	5,285	-	-	(192)	48	5,141
	5,285	**-**	**-**	**(192)**	**48**	**5,141**

2011/2012

Thousands of euros

	OPENING BALANCE	ADDITIONS	TAX EFFECT OF ADDITIONS	AMOUNTS TRANSFERRED TO INCOME STATEMENT	TAX EFFECT OF TRANSFERS	CLOSING BALANCE
Grants, donations and bequests received – non-repayable grants	5,429	-	-	(192)	48	5,285
	5,429	**-**	**-**	**(192)**	**48**	**5,285**

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-current provisions

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

2012/2013

Thousands of euros

	OPENING BALANCE	ADDITIONS	DERECOGNITIONS	TRANSFERS	CLOSING BALANCE
Other provisions	12,223	6,027	(2,798)	-	15,452
TOTAL NON-CURRENT PROVISIONS	**12,223**	**6,027**	**(2,798)**	**-**	**15,452**

2011/2011

Thousands of euros

	OPENING BALANCE	ADDITIONS	DERECOGNITIONS	TRANSFERS	CLOSING BALANCE
Provisions for employee benefits	535	-	-	(535)	-
Other provisions	7,791	8,318	(2,179)	(1,707)	12,223
TOTAL NON-CURRENT PROVISIONS	**8,326**	**8,318**	**(2,179)**	**(2,242)**	**12,223**

Additions for the period correspond to provisions for the coverage of risks and contingencies that could arise from both ordinary operations and acquisitions of players.

The Group released provisions amounting to €1,966 thousand during the period (June 30, 2012: €1,344 thousand) since the circumstances for which they were set aside no longer exist. The corresponding income was taken to "Overprovisions" on the consolidated income statement.

In addition the Group applied €832 thousand in provisions recognized in prior years for their original purpose (June 30, 2012: €835 thousand).

13.2 Current provisions

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

2012/2013

Thousands of euros

	OPENING BALANCE	ADDITIONS	DERECOGNITIONS	TRANSFERS	CLOSING BALANCE
Provisions for current liabilities and charges	720	1,148	-	-	1,868
TOTAL CURRENT PROVISIONS	**720**	**1,148**	**-**	**-**	**1,868**

2011/2012

Thousands of euros

	OPENING BALANCE	ADDITIONS	DERECOGNITIONS	TRANSFERS	CLOSING BALANCE
Provisions for current liabilities and charges	755	709	(744)	-	720
TOTAL CURRENT PROVISIONS	**755**	**709**	**(744)**	**-**	**720**

13.3 Commitments, guarantees and sureties

• Guarantees and sureties extended

The Group granted guarantees and sureties to third parties for several items.

These guarantees do not constitute a debt for the Group at June 30, 2013, but rather correspond to either guarantees for the debts of third parties or guarantees relating to participation in certain competitions.

El detalle de dichos avales por vencimiento es el siguiente:

Thousands of euros

	JUNE 30, 2013	JUNE 30, 2012
Indefinite	5,646	2,399
2012/2013	-	13,638
2013/2014	600	-
	6,246	**16,037**

In addition, in order to guarantee payment obligations to different financial entities and other creditors, the Club has pledged the sporting sponsorship agreement, its season ticket fees covering the period from June 2010 to June 2015, and membership fees up to the 2016/2017 season.

• Main commitments in effect

Some of the following agreements include information on different issues without disclosing any economic amounts, since the information is of a confidential commercial nature and its disclosure could damage the Group.

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. This company, once out of the bankruptcy proceedings in which it was immersed, punctually met all of the installments corresponding to the 2012/13 season, and provided the required bank guarantees in connection with the first payment of the 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.

The Real Madrid Club de Fútbol also signed a contract with Mediaproducción, S.L., ceding the audiovisual rights of its first team and Real Madrid Castilla for the 2014/15 season. On June 12, 2012, notification from the Comisión Nacional de la Competencia (CNC - Anti-trust authorities) was received regarding initiation of a sanctions procedure; the CNC considers that this last contract exceeds permitted time limits. On June 4, 2013, another notification was received (since the previous procedure had prescribed) regarding the same aforementioned issue. In the opinion of the Group's legal advisors, there are solid arguments to think that no competition rights have been violated and that the contract in question does not contradict CNC regulations. Thus, the next step involves making the pertinent allegations in this regard. Nevertheless, the Club and its legal advisors have evaluated the probable economic risk that may arise as a result of this process and considers that it is sufficiently covered by existing provisions.

2. An agreement signed with Adidas in the year ended June 30, 2004 for the expansion and improvement of sportswear sponsorship rights came to an end in the previous season. A new agreement was signed with Adidas in the 2011/2012 season, extending the sponsorship rights to the 2019/2020 season and improving on the minimum amounts guaranteed as well as royalty percentages. An advance payment was received during the 2011/2012 season which is discounted on a straight-line basis from the amounts receivable for the period covering the 2012/2013 season to the 2019/2020 season. This advance was recognized at its updated value under "Non-current liabilities - Accruals" and will be gradually canceled as the corresponding revenue from the contract is recognized.

In addition, the 2011/2012 season saw the signing of contracts with Adidas which cede the operating rights for products licensed by the Club together with certain retail rights in exchange for a minimum guaranteed royalty. These contracts take effect from the current 2012/2013 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 percentage was confirmed and collected in the 2011/2012 season.

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 2012/13 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.

Further, a new sponsorship agreement was signed in the 2012/2013 season with the Emirates Branch in Spain for the 2013/14, 2014/15, 2015/16, 2016/17, and 2017/18 seasons, and for more income than the previous sponsorship agreement.

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, 2013 was €2,084 thousand (June 30, 2012: €8,298 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, 2013, the corresponding revenue collected by the Club amounted to €2,605 thousand (June 30, 2012: €5,038 thousand).

In addition, although at June 30, 2013, 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 €17,950 thousand (June 30; 2012: €19,600 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 €51,904 thousand (June 30; 2012: €30,762 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.

On February 29, 2012, and in connection with the preliminary proceedings for abridged proceeding 372/2009, the Madrid Court of Instruction number 32 initiated the abridged proceeding, setting a deadline for the plaintiffs to prepare their corresponding written claims. No economic consequences have arisen for Real Madrid to date. The legal advisors do not foresee any significant adverse economic effects for the Club.

7. The Club has an agreement with the majority of clubs belonging 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 will be compensated, starting from the current season. The fundamental terms and principles for compensation are governed by regulations which establish the parameters for calculation and the terms for assigning such compensation, which must be proposed by the governing body and approved by the clubs signatory to the agreement.

Likewise, Real Madrid Club and another Club, after mediation by the National Sports Council, reached an agreement this season with the G-30 clubs, by virtue of which both clubs contribute profits to rebalance the situation in connection with the appropriate execution of audiovisual broadcasting rights contracts of said clubs with a view to ensuring amicable relations in the normal course of the competition throughout the 2012/2013, 2013/2014, and 2014/2015 seasons.

8. On February 17, 2012 the Club, Real Madrid Gestión de Derechos S.L., and Rak Marjan Island Footbal (a company incorporated in Luxembourg) signed an agreement to develop a resort on an artificial island of the Ras Al-Khaimah Emirate, ceding the Club name and logo user rights for a period of 22 years (up to 2034) in exchange for a substantial amount of revenue for the Club and subsidiary. The aforementioned company assumes all the risk related to financing and constructing the resort. The agreement establishes different levels of fixed and variable income based on the two phases into which the project has been divided. The Group will consider this agreement a licensing agreement given that it involves ceding the commercial operating rights to its name and logo.

In accordance with the contract, accrual of the full amount to be paid during the promotion phase of the project started during the last period. However, in keeping with the principle of prudence, an impairment loss was recognized both last year and this year for the total amount accrued given that Rak Marjan requires more time to raise the necessary funds for the project. The Group terminated said contract on December 19, 2012, as a result of the aforementioned company not making any payments or delivering any guarantees. Nevertheless, contractual commitments to search for alternative projects in the United Arab Emirates were maintained.

9. On July 25, 2012, the Madrid City Council approved a one-time modification of the General Urban Development Plan in order to remodel the surroundings of the Santiago Bernabéu stadium. In November 2012, the Autonomous Community of Madrid definitively approved said project.

14. FINANCIAL LIABILITIES

The breakdown of financial liabilities is as follows:

2012/2013

Thousands of euros

	BANK BORROWINGS	OTHER FINANCIAL LIABILITIES	TOTAL
NON-CURRENT FINANCIAL LIABILITIES			
Non-current financial liabilities			
Financial liabilities measured at amortized cost:			
Borrowings	89,118	50,492	139,610
	89,118	**50,492**	**139,610**
CURRENT FINANCIAL LIABILITIES			
Current financial liabilities			
Financial liabilities measured at amortized cost:			
Borrowings	26,408	76,177	102,585
Trade and other payables (*)	-	155,609	155,609
	26,408	**231,786**	**258,194**
TOTAL FINANCIAL LIABILITIES	**115,526**	**282,278**	**397,804**

(*) Does not include public administrations

2011/2012

Thousands of euros

	BANK BORROWINGS	OTHER FINANCIAL LIABILITIES	TOTAL
NON-CURRENT FINANCIAL LIABILITIES			
Non-current financial liabilities			
Financial liabilities measured at amortized cost:			
Borrowings	100,747	55,910	156,657
	100,747	55,910	156,657
CURRENT FINANCIAL LIABILITIES			
Current financial liabilities			
Financial liabilities measured at amortized cost:			
Borrowings	42,562	73,771	116,333
Trade and other payables (*)	-	168,221	168,221
	42,562	**241,992**	**284,554**
TOTAL FINANCIAL LIABILITIES	**143,309**	**297,902**	**441,211**

(*) Does not include public administrations

14.1 Non-current financial liabilities

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

Thousands of euros

	JUNE 30, 2013	JUNE 30, 2012
Bank borrowings	89,118	100,747
Other financial liabilities		
Amounts owed to suppliers of fixed assets	32,441	38,306
Player transfer accounts payable	18,051	17,604
Broadcasting accounts payable	-	-
	50,492	**55,910**
	139,610	**156,657**

• Bank borrowings

At June 30, 2013, the Group recognized two loans it had contracted from two financial entities after the third outstanding loan recognized at June 30, 2012 had matured during the current period. In addition, one of these loans was restructured during the present period, partially amortizing it and extending its maturity by an additional three years beyond the initially arranged repayment date. The principal pending amortization in the long and short term amounts to €112,917 thousand in nominal terms (June 30, 2012: €138,135 thousand). The interest rate is variable and is calculated by taking Euribor plus a market spread.

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, 2013

	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	TOTAL
Bank borrowings	23,334	14,166	54,167	14,167	7,083	112,917

JUNE 30, 2012

	2012/2013	2013/2014	2014/2015	2015/2016	TOTAL
Bank borrowings	37,968	34,667	25,500	40,000	138,135

- **Other financial liabilities**

The amount of debt recognized under “Other financial liabilities” decreased with respect to the prior year, mainly as a consequence of reducing investments and the transfer of balances maturing in less than one year to current liabilities.

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

JUNE 30,2013

	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	TOTAL
Amounts owed to suppliers of fixed assets	13,344	11,479	5,634	1,942	42	-	32,441
Player transfer accounts payable	14,396	-	1,790	-	-	1,865	18,051
TOTAL	**27,740**	**11,479**	**7,424**	**1,942**	**42**	**1,865**	**50,492**

JUNE 30,2012

	2013/2014	2014/2015	2015/2016	2016/2017	POSTERIORES	TOTAL
Amounts owed to suppliers of fixed assets	12,623	12,285	10,273	3,084	41	38,306
Player transfer accounts payable	17,604	-	-	-	-	17,604
TOTAL	**30,227**	**12,285**	**10,273**	**3,084**	**41**	**55,910**

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 €2,108 thousand during the year ended June 30, 2013 (€3,560 thousand during the year ended June 30, 2012).

This account did not include any foreign currency denominated balances at June 30, 2013 and 2012.

14.2 Current financial liabilities

The breakdown of “Current liabilities – Financial liabilities” is as follows:

	Thousands of euros	
	JUNE 30, 2013	JUNE 30, 2012
Bank borrowings	26,408	42,562
Other financial liabilities		
Payable to suppliers of fixed assets	43,576	28,441
Player transfer accounts payable	32,601	45,330
	76,177	**73,771**
TOTAL CURRENT BORROWINGS	**102,585**	**116,333**

The decrease of the balance recognized under “Current liabilities - Bank borrowings” is the result of one loan maturing and another loan being restructured, as explained in Note14.1 above, as well as the payments made.

In addition, the decrease in "Current accounts payable to sporting entities" is a consequence of the Club investing less in intangible sporting assets as well as payments already made.

At June 30, 2013, the Group had €42,000 thousand (June 30, 2012: €26,000 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, 2013

Thousands of euros

	FOREIGN CURRENCY BALANCE	FOREIGN CURRENCY BALANCE
US dollars (USD)	148	113
Pound sterling	10	11
Brasilian Real	7	2
SEK	5	1
TOTAL		**127**

JUNE 30, 2012

Thousands of euros

	FOREIGN CURRENCY BALANCE	FOREIGN CURRENCY BALANCE
US dollars (USD)	401	318
Pound sterling	15	18
SEK	5	1
TOTAL		**337**

14.3 Trade and other payables

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

Thousands of euros

	JUNE 30, 2013	JUNE 30, 2012
Trade payables	61,066	70,513
Accounts payable to sporting entities for services rendered	12,337	4,835
Sporting personnel	79,546	89,636
Other personnel	2,660	3,237
Total financial liabilities	155,609	168,221
Other payables to public administrations (Note 16)	-	309
Current income tax liabilities (Note 16)	14,711	12,768
Total payable to public administrations	14,711	13,077
TOTAL	**170,320**	**181,298**

The balance under "Sporting personnel" mainly corresponds to remuneration payable to players of the first team in accordance with their contracts. The payments are made under the stipulated conditions, that is in the month of July in the following year.

The breakdown of "Sporting personnel" is as follows:

Thousands of euros

	JUNE 30, 2013	JUNE 30, 2012
Players and coaching staff of the first football team	76,166	86,491
Players and coaching staff of the remaining football teams	1,519	1,836
Players and coaching staff for basketball	1,861	1,309
TOTAL PAYABLES FOR SPORTING PERSONNEL	**79,546**	**89,636**

14.4 Working capital

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

Working capital at June 30, 2013 amounted to €-100 million. Though the figure is negative, as in previous years, it is significantly less than at the same date in the previous period (June 30, 2012: €-123 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, 2013, short-term recurring payable balances amounted to €233 million (purchases and services: €88 million; signings/other personnel: €82 million; upfront membership dues/season passes: €63 million), whereas at June 30, 2012, this item amounted to €251 million (purchases and services: €88 million; signings/other personnel: €93 million; upfront membership dues/season passes: €70 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, 2013 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, 2013 of €42 million (June 30, 2012: €26 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, 2013	JUNE 30, 2012
Non-current liabilities - Accruals		
Advances received for services rendered	36,550	40,917
	36,550	**40,917**
Current liabilities - Accruals		
Broadcasting revenue	118	114
Stadium revenue	50,011	60,940
Marketing revenue	4,457	6,281
Competition revenue	8,721	3,150
	63,307	**70,485**

- **Advances received for services rendered**

This heading corresponds to advance payments pending accrual for income from sport sponsorships arising from the increased scope of the agreement discussed in Note 13.3.2, and includes finance charges related to updated valuations amounting to €1,550 thousand (June 30, 2012: €917 thousand).

The amount of finance expenses recognized in the income statement for the period covering July 1, 2012 to June 30, 2013 corresponds to the updating of advance payments received and totals €874 thousand (from July 1, 2011 to June 30, 2012: €917).

- **Deferred income**
  - **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 2013/2014 season.

  - **Stadium revenue**
    This balance comprises primarily the amounts collected by the Club in respect of membership fees and stadium season tickets for the 2013/2014 season, and to a lesser extent invoices issued or amounts collected for the use of stadium boxes.

  - **Marketing revenue**
    This balance corresponds to the amounts collected or invoiced by the Group under business agreements covering the 2013/2014 season.

  - **Competition revenue**
    This balance corresponds to advance payments, primarily as guarantees, for friendly matches arranged for the 2013/2014 season.

16. TAX MATTERS

The breakdown of tax assets is as follows:

	Thousands of euros	
	JUNE 30, 2013	JUNE 30, 2012
VAT receivable from the tax authorities	707	938
Tax refunds receivable from the tax authorities	339	387
Other receivables from public administrations (Note 8.2)	1,046	1,325
Refunds on withholdings and payments on account	949	415
Current income tax assets (Note 8.2)	949	415
Deferred tax assets for deductible temporary differences	4,883	5,529
Deferred tax assets	4,883	5,529

The breakdown of tax liabilities is as follows:

	Thousands of euros	
	JUNE 30, 2013	JUNE 30, 2012
Taxes payable to the tax authorities	10,051	11,658
Social security taxes payable	4,108	593
	552	517
Other payables to public administrations (Note 14.3)		
	14,711	12,768
Current tax liabilities (Note 14.3)		
	-	309
Deferred tax liabilities for deductible temporary differences		
	10,902	10,996
Deferred tax liabilities		
Taxes payable to the tax authorities	10,902	10,996

The Club is up to date with all its tax obligations and has no agreement with the tax authorities for delaying any payments.

In accordance with the above, all amounts recognized under tax liabilities at the balance sheet date are the result of applying ordinary tax regulations:

- VAT payable: corresponds to the balance payable for transactions in the month of June, to be settled on July 20.

- Accounts payable to the tax authorities for withholdings: corresponds to the balance payable for remuneration paid in month of June, to be settled on July 20.

- Accounts payable to Social Security: corresponds to the balance payable for social security obligations in the month of June, to be settled on July 30.

- Current tax liabilities: corresponds to the provision recognized for the corporate income tax payable for the year, to be settled on January 25 of the following year. Since the result relating to this provision for the current year is positive for both Group companies, the corresponding current tax asset was recognized. This is because the amount of partial payments made in accordance with prevailing regulations was greater than the payable amount calculated for final settlement of taxes in the year.

- Deferred tax liabilities (temporary differences): corresponds to the balance of corporate income tax to be settled by deferred payments, in accordance with deferred tax regulations (reinvestment of profits, accelerated depreciation, etc.).

Under prevailing legislation, tax returns may not be considered final until they have either been inspected by the tax authorities or until the currently established four-year inspection period has expired. Thus, the Group is open to inspection of both the Real Madrid Club de Fútbol and the subsidiary Real Madrid Gestión de Derechos S.L. for all taxes applicable to them from 2009 for taxes settled every natural year, and from the 2008/2009 period for corporate income tax.

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 25.02%. 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:

2012/2013

Thousands of euros

	INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY	INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY
Income and expenses for the financial year		
Continuing operations	36,900	-
Income tax expense		
Continuing operations	10,797	-
Income and expenses for the financial year before tax	47,697	-
Permanent differences	2,948	-
Temporary differences		
Arising in 2012/2013	(2,361)	-
Arising in prior years	3,764	-
	1,403	**-**
Taxable income	52,048	-

2011/2012

	INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY	INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY
		Thousands of euros
Income and expenses for the financial year		
Continuing operations	24,212	-
Income tax expense		
Continuing operations	8,050	-
Income and expenses for the financial year before tax	32,262	-
Permanent differences	2,919	-
Temporary differences		
Arising in 2012/2013	122	-
Arising in prior years	38,799	-
	38,921	**-**
Taxable income	74,102	-

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:

2012/2013

	INCOME STATEMENT	INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY
		Thousands of euros
Income and expenses for the financial year before tax	47,697	-
Permanent differences	2,948	-
	50,645	**-**
Effective tax rate	25.02%	-
Theoretical tax expense	12,674	-
Tax credits	(2,466)	-
Adjustment to provisions relating to corporation tax 11/12	589	-
Effective tax expense	10,797	-

2011/2012

	INCOME STATEMENT	INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY
		Thousands of euros
Income and expenses for the financial year before tax	32,262	-
Permanent differences	2,919	-
	35,181	**-**
Effective tax rate	25.03%	-
Theoretical tax expense	8,806	-
Tax credits	(1,391)	-
Adjustment to provisions relating to corporation tax 10/11	635	-
Effective tax expense	8,050	-

The breakdown of income tax expense is as follows:

2012/2013

	INCOME STATEMENT	INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY
		Thousands of euros
Current income tax	10,558	-
Changes in deferred taxes		
Capitalized tax loss carryforwards	-	-
Changes in deferred tax assets for deductible temporary differences	-	-
Changes in deferred tax liabilities for deductible temporary differences	646	-
Others	(46)	-
Grants, donations and bequests received	-	(48)
Ajte IS 11/12	(361)	-
Current income tax	10,797	(48)

2011/2012

Thousands of euros

	INCOME STATEMENT	INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY
Current income tax	17,145	-
Changes in deferred taxes		
Capitalized tax loss carryforwards	-	-
Unused tax credits	-	-
Changes in deferred tax assets for deductible temporary differences	(534)	-
Changes in deferred tax liabilities for deductible temporary differences	(8,461)	-
Grants, donations and bequests received	-	(48)
Others	(100)	-
Current Income Tax	8,050	(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, 2013	JUNE 30, 2012
Current income tax	(10,558)	(17,145)
Withholdings and payments on account	11,427	17,183
Tax credits generated and applied in the year	80	68
Current income tax and other tax assets	949	415
Deferred tax liabilities	-	(309)

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:

2012/2013

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	5,186	(646)	-	4,540
Tax effects of transition to new Spanish GAAP	343	-	-	343
Unused tax loss carryforwards	-	-	-	-
	5,529	**(646)**	**-**	**4,883**
DEFERRED TAX LIABILITIES				
Deferred tax liabilities for deductible temporary differences				
Deferred gains	3,307	(82)	-	3,225
Deferred capital gains due to deferred payment	4,144	117	-	4,261
Accelerated depreciation	1,533	(81)	-	1,452
Grants (Note 6.4)	1,762	-	(48)	1,714
Others	250	-	-	250
	10,996	**(46)**	**(48)**	**10,902**

2011/2012

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	4,652	534	-	5,186
Tax effects of transition to new Spanish GAAP	343	-	-	343
Unused tax loss carryforwards	-	-	-	-
	4,995	**534**	**-**	**5,529**
DEFERRED TAX LIABILITIES				
Deferred tax liabilities for deductible temporary differences				
Deferred gains	10,655	(7,348)	-	3,307
Deferred capital gains due to deferred payment	6,777	(2,633)	-	4,144
Accelerated depreciation	-	1,533	-	1,533
Grants (Note 6.4)	1,810	-	(48)	1,762
Others	263	(13)	-	250
	19,505	**(8,461)**	**(48)**	**10,996**

• Deferred tax assets - Unused tax credits

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

2012/2013

Thousands of euros

	BEGINNING BALANCE	INCREASES	DECREASES	CLOSING BALANCE
Investment tax credits	-	1,988	(1,988)	-
Other deductions	-	478	(478)	-
TOTAL NON-CURRENT PROVISIONS	**-**	**2,466**	**(2,466)**	**-**

2011/2012

Thousands of euros

	BEGINNING BALANCE	INCREASES	DECREASES	CLOSING BALANCE
Investment tax credits	-	990	(990)	-
Other deductions	-	401	(401)	-
TOTAL NON-CURRENT PROVISIONS	**-**	**1,391**	**(1,391)**	**-**

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. As a consequence of this regulation, the Group recognized the tax asset corresponding to profits that have been included in the tax base, provided the pertinent requisites are met, such as reinvestments being made within the legally stipulated time frames.

The breakdown of deductions generated by year is as follows:

ARISING IN	GAINS INCLUDED IN TAX BASE	DEDUCTION GENERATED	DEDUCTION APPLIED	TAX CREDITS PENDING UTILIZATION
2011/2012	14,141	990	(990)	-
2012/2013	28,398	1,988	(1,988)	-

"Other deductions" mainly includes deductions for donations.

• 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):

2012/2013

FINANCIAL YEAR	ASSETS SOLD	DEFERRED GAIN	AMOUNT TO BE RE-INVESTED	AMOUNT REINVESTED AT 06/30/13	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	203,443	-	2011/2012	7 parts
2001/2002	Land	15,714	15,768	15,768	2,815	12,899	2011/2051	As function of depreciation of assets bought from proceeds
TOTAL		**406,117**	**421,311**	**421,311**	**393,218**	**12,899**		
Deferred tax (25%)						**3,225**		

2011/2012

FINANCIAL YEAR	ASSETS SOLD	DEFERRED GAIN	AMOUNT TO BE RE-INVESTED	AMOUNT REINVESTED AT 06/30/13	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	203,443	-	2011/2012	7 parts
2001/2002	Land	15,714	15,768	15,768	2,485	13,229	2011/2051	As function of depreciation of assets bought from proceeds
TOTAL		**406,117**	**421,311**	**421,311**	**392,888**	**13,229**		
Deferred tax (25%)						**3,307**		

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 €1,973 thousand during the 2012/13 period (2011/12: €829 thousand) related to the deferred capital gains during the year, and the cancellation of €1,856 thousand from collection of deferred capital gains from the previous season.

• Deferred tax liabilities - accelerated depreciation

By virtue of the stipulations in Royal Decree Law 13/2020 dated December 3 on measures designed to boost competitiveness (effective starting January 1, 2011), the Club was able to apply accelerated depreciation to its investments in new assets and real estate, and is not required to maintain employment, which was a condition in the previous regulation. Due to this accelerated depreciation, deferred tax assets amounting to €1,533 thousand were generated during the year ended June 30, 2013.

€80 thousand were canceled during the 2012/2013 season, corresponding to the accounting amortization/depreciation of items to which accelerated amortization/depreciation was applied.

16.3 Other tax disclosures

• Prior year tax assessments

With respect to the tax assessments for the periods from 1996 to 1999, at June 30, 2013, the Club's only unresolved appeals relate to its disagreement with the Public Administration's calculation of interest in connection with the Supreme Court ruling that interest previously paid by the Club should be refunded.

In addition, during this period, the Tax Authorities carried out partial inspections to verify and investigate taxes withheld on account from non-residents for 2009 and 2010. Though said inspections are pending conclusion, no significant settlements are expected to arise as a consequence.

• 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, 2013	JUNE 30, 2012
Revenue	517,956	512,063
Other operating revenues	759	372
Grants related to non-financial assets and other grants (Note 12)	192	192
Overprovisions (Note 13.1)	1,966	1,344
Total operating income before net gains on disposals	520,873	513,971
Gains (losses) on disposals and other gains and losses (Note 17.5)	20,224	23,470
TOTAL OPERATING INCOME	**541,097**	**537,441**

• Revenue

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

	Thousands of euros	
	JUNE 30, 2013	JUNE 30, 2012
By business segment		
Membership dues, ticketing and stadium revenue	145,786	150,190
Revenue from friendly matches and international competitions	48,829	40,049
Broadcasting revenue	162,836	159,192
Marketing revenue	160,505	162,632
	517,956	**512,063**
By geographical market segment	418,925	415,889
Spain	99,031	96,174
OTHER	**517,956**	**512,063**

17.2 Consumption of raw materials and other consumables

The breakdown is as follows:

Thousands of euros

	JUNE 30, 2013	JUNE 30, 2012
Consumption of sporting materials		
Purchases	4,394	2,944
Changes in inventories	(1,269)	366
Other consumption		
Purchases	14,763	19,170
Changes in inventories	329	116
TOTAL CONSUMPTION OF GOODS	**18,217**	**22,596**

The breakdown of purchases by geographic area is as follows:

Thousands of euros

	JUNE 30, 2013	JUNE 30, 2012
Purchases in Spain	18,977	21,836
EU acquisitions	180	278
	19,157	**22,114**

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:

2012/2013

Thousands of euros

	WAGES AND SALARIES	SOCIAL SECURITY	OTHER EMPLOYEE WELFARE EXPENSES	TOTAL EMPLOYEE BENEFITS EXPENSE
Players and coaching of first football team	186,641	362	-	187,003
Players and coaching of second football team	4,650	354	-	5,004
Lower category players and coaching football	4,943	870	1,122	6,935
Other personnel (non-sporting) - football	13,101	1,950	-	15,051
Total football	209,335	3,536	1,122	213,993
Players and coaching staff - basketball	19,356	347	304	20,007
Other personnel (non-sporting) - basketball	1,653	107	-	1,760
Total basketball	21,009	454	304	21,767
Core staff	8,772	1,156	309	10,237
	239,116	**5,146**	**1,735**	**245,997**

2011/2012

Thousands of euros

	WAGES AND SALARIES	SOCIAL SECURITY	OTHER EMPLOYEE WELFARE EXPENSES	TOTAL EMPLOYEE BENEFITS EXPENSE
Players and coaching of first football team	178,574	378	-	178,952
Players and coaching of second football team	4.235	310	-	4,545
Lower category players and coaching football	4,081	777	1,010	5,868
Other personnel (non-sporting) - football	13,962	1,889	-	15,851
Total football	200,852	3,354	1,010	205,216
Players and coaching staff - basketball	16,234	331	205	16,770
Other personnel (non-sporting) - basketball	1,513	99	-	1,612
Total basketball	17,747	430	205	18,382
Core staff	8,896	1,189	263	10,348
	227,495	**4,973**	**1,478**	**233,946**

At June 30, 2013, employee expenses for the Professional Football League squads amounts to €192,007 thousand (June 30, 2012: €183,497 thousand), corresponding to expenses relating to players and coaching staff of the first and second football teams.

17.4 Other operating expenses

"Other operating expenses" break down as follows:

	Thousands of euros	
	JUNE 30, 2013	JUNE 30, 2012
External services	97,655	94,133
Taxes	2,622	3,786
Transport	6,880	5,135
Player acquisition expenses	863	621
Other current management expenses	16,138	17,711
TOTAL	**124,158**	**121.386**

"External services" break down as follows:

	Thousands of euros	
	JUNE 30, 2013	JUNE 30, 2012
Asset leases (Note 6.3)	1,396	2,515
Other leases and royalties	37,357	34,206
Repairs and maintenance	15,517	14,707
Professional services	14,519	14,458
Insurance premiums	3,146	3,673
Publicity, advertising and public relations	1,541	1,461
Utilities	1,974	1,772
Levies other than income tax	22,205	21,341
	97,655	**94,133**

El detalle del epígrafe "Otros servicios exteriores" del cuadro anterior es el siguiente:

	Thousands of euros	
	JUNE 30, 2013	JUNE 30, 2012
Real Madrid TV and radio expense	3,057	200
Catering, hospitality staff and events	9,796	10,636
Editing, handling and dispatch of publications	2,426	2,558
Other services	6,926	7,947
	22,205	**21,341**

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, 2013	JUNE 30, 2012
Audit	169	170
Review and verification work	44	43
Other	27	24
	240	**237**

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, 2013	JUNE 30, 2012
Impairment of intangible sporting assets (Note 4)	-	(477)
Impairment and losses on intangible non-sporting assets (Note 5)	-	(1)
Impairment and losses on property, plant, and equipment (Note 6)	(1,108)	(2,845)
Impairment and losses on investment property (Note 7)	(727)	-
Total impairment losses and losses	(1,835)	(3,323)
Gains on disposals of intangible sporting assets (Note 4)	20,224	3,986
Gains on disposals and derecognition of investment properties (Note 7)	-	19,484
Gains (losses) on disposals and other gains and losses	20,224	23,470
TOTAL IMPAIRMENT AND GAINS (LOSSES) ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT AND OTHER EXCEPTIONAL GAINS AND LOSSES	**18,389**	**20,147**

At June 30, 2013, "Gains (losses) from derecognition and disposals of intangible sporting assets," which reflects profits from sales of football players during the period, amounted to €20,224 thousand (June 30, 2012: €3,086 thousand)

At June 30, 2012, "Gains (losses) from derecognition and disposals of investment properties" reflects the agreement signed with the Madrid City Council on July 29, 2011, and ratified by public deed on December 21, 2011. The agreement regularizes the earlier agreements entered into between the two parties on May 29, 1998 and December 20, 2001.

This agreement included compensation paid to the Madrid City Council due to the legal impossibility of transferring the entirety of the "Las Tablas" plot as stipulated in the agreement signed on May 29, 1998, as well as compensation paid to Real Madrid for the failure to fulfill the agreement dated December 20, 2001 in connection with underground parking on the Paseo de la Castellana's lateral section.

The City Council compensated the Club by granting a plot of land surrounded by the calle Rafael Salgado, Paseo de la Castellana, and calle Concha Espina, located at lot API 05.12 "Santiago Bernabéu," lot 1, Zones 1 and 3, 4 and 5, Zone 2 of API 11.12 "Mercedes Arteaga, Jacinto Verdaguer," and tertiary plot TER. 02 189-A1 of UNP 4.01 "Ciudad Aeroportuaria parque de Valdebebas" obtained through segregation of plot TER.02 189-A.

The total amount of property, plant, and equipment included in the scope of the agreement was valued by the Technical Services Department of the Sub-Director General of Urban Adequacy under the General Directorate for Town Planning Management of the Government, Development, and Housing Area. The above assets were also valued at the closing of the 2011/2012 year by an external independent appraiser, whose estimate was higher than their carrying amount. The assets were once again valued at the closing of the 2012/2013 year by an external independent appraiser, and since the estimate was slightly lower than the carrying amount, an appropriate provision for impairment was recognized (€727 thousand).

On March 21, 2012, Madrid Court of Administrative Appeals 14 upheld an application for precautionary measures filed regarding the agreement between the Club and the Madrid City Council on July 21, 2011, effectively suspending its execution.

Both parties appealed the measures, and on July 12, 2012, the Administrative Appeals section of the Madrid Supreme Court handed down a sentence revoking the measures enacted by the Judge from the Madrid Court of Administrative Appeals 14, considering it to be unlawful.

Regarding the main legal proceeding, on April 25, 2012 a claim was filed before the Court against the agreement signed on July 29, 2011, aimed at annulling it and restoring equity to its situation prior to the agreement, thereby canceling any files on register and necessitating a new appraisal of the obligations arising from the agreements signed in 1991 and 1998. The Club's legal advisors have presented a counterclaim as they consider that there are solid arguments for the aforementioned claim to be overturned.

17.6 Finance income and cost

The breakdown of finance income and cost is as follows:

		Thousands of euros
	JUNE 30, 2013	JUNE 30, 2012
Finance income		
Interest on term and other deposits	1,636	1,680
Exchange gains	41	283
Other finance income	1,182	1,878
Interest income from financial assets measured at amortized (Note 8.1)	530	713
	3,389	**4,554**
Finance cost		
Bank fees	583	383
Other finance cost	93	-
Other	7,694	11,346
Interest expense on financial liabilities measured at amortized cost (Note 14.1 - 15)	2,982	4,477
	11,352	**16,206**

17.7 Foreign currency transactions

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

2012/2013

Thousands of euros

PURCHASES PROPERTY, PLANT, AND EQUIPMENT		SALES		SERVICES RECEIVED	
CURRENCY	EURO AMOUNT	CURRENCY	EURO AMOUNT	CURRENCY	EURO AMOUNT
USD	434	USD	9,648	USD	1,774
Pound sterling	-	Pound sterling	124	Pound sterling	290
Yen	-	Yen	-	Yen	-
CHF	-	CHF	-	CHF	17
				Brazilian Real	2
	434		**9,772**		**2,083**

2011/2012

Thousands of euros

PURCHASES PROPERTY, PLANT, AND EQUIPMENT		SALES		SERVICES RECEIVED	
CURRENCY	EURO AMOUNT	CURRENCY	EURO AMOUNT	CURRENCY	EURO AMOUNT
USD	-	USD	5,116	USD	298
Pound sterling	-	Pound sterling	43	Pound sterling	18
Yen	-	Yenes	-	Yenes	-
				Chinese yuan	-
				NOK	4
	-		**5,159**		**320**

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, 2013	JUNE 30, 2012
Real Madrid Club de Fútbol	36,726	24,054
Real Madrid Gestión de Derechos, S.L.	174	158
	36,900	**24,212**

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, 2013 and 2012, 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
Realmadrid 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:

2012/2013

Thousands of euros

	TRADE ACCOUNTS RECEIVABLE	TRADE ACCOUNTS PAYABLE
Accionariado y Gestión, S.L.	176	2,746
Prisa Televisión, S.A.U	141	2,153
Media Cam Producciones Audiovisuales, S.L.	1,304	3,414
	1,621	**8,313**

2011/2012

Thousands of euros

	TRADE ACCOUNTS RECEIVABLE	TRADE ACCOUNTS PAYABLE
Accionariado y Gestión, S.L.	335	3,133
Prisa Televisión, S.A.U.	418	2,446
Media Cam Producciones Audiovisuales, S.L.	1,104	2,309
	1,857	**7,888**

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, 2013	JUNE 30, 2012
Operating income	6,656	7,839
Operating expenses	38,856	35,505

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.

1. Board pay:

The members of the Board of Directors did not accrue any compensation for serving as directors.

At June 30, 2013 and 2012, the Group had no pension plan or life insurance policies for former or current members of the Board of Directors nor had it extended any guarantees on their behalf.

2. Identification of senior management and total compensation paid

During the period ended June 30, 2013, there were 31 executives in senior management (2011/2012: 31), of whom 31 were on the payroll at June 30, 2013 (June 30, 2012: 30).

Total compensation for these executives during the period ended June 30, 2013, including indemnification payments, totaled €8,392 thousand (June 30, 2012: €8,898 thousand).

The members of the Board of Directors at June 30, 2012 were:

Chairman
D. Florentino Pérez Rodríguez

1st Vice-Chairman
D. Fernando Fernández Tapias

2nd Vice-Chairman
D. Eduardo Fernández de Blas

3rd Vice-Chairman
D. Pedro López Jiménez

Secretary
D. Enrique Sánchez González

Board members
D. Santiago Aguado García
D. Luis Blasco Bosqued
D. Manuel Cerezo Velázquez
D. Jerónimo Farré Muncharaz
D. Luis Gómez-Montejano y Arroyo
D. Angel Luis Heras Aguado
D. Nicolás Martín-Sanz García
D. José Manuel Otero Lastres
D. Enrique Pérez Rodríguez
D. Raúl Ronda Ortiz
D. José Sánchez Bernal
D. 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 Realmadrid 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.

There are commitments with the Foundation for contributions to financing the sustainability and pursuit of its activities. Contributions amounting to €1,356 thousand were made during the 2012/2013 season (2011/2012 season: €1,196 thousand)

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, 2013	JUNE 30, 2012
Non-current investments		
Non-current accounts receivable from sporting entities (Note 8.1)	8,709	13,696
Other financial assets (Note 8.1.)	831	809
Trade and other receivables		
Trade receivables (Note 8.2)	36,997	48,712
Current accounts receivable from sporting entities (Note 8.2)	37,765	36,539
Other financial assets (Note 8.2)	798	959
Receivables from public administrations (Note 8.2)	1,995	1,740
Current assets - Financial investments (Note 10)	-	40,585
Cash and cash equivalents (Note 10)	155,570	113,237
	242,665	**256,277**

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:

2012/2013

	NO OF DEBTORS	THOUSANDS OF EUROS
With a balance of more than €1,000 thousand	20	93,212
With a balance between €1,000 thousand and €500 thousand	9	6,778
With a balance between €500 thousand and €200 thousand	28	8,365
With a balance between €200 thousand and €100 thousand	23	3,426
With a balance of less than €100 thousand	538	1,964
Impairment allowances		(29,821)
TOTAL	**618**	**83,924**

2011/2012

	NO OF DEBTORS	THOUSANDS OF EUROS
With a balance of more than €1,000 thousand	17	94,472
With a balance between €1,000 thousand and €500 thousand	11	8,249
With a balance between €500 thousand and €200 thousand	41	12,444
With a balance between €200 thousand and €100 thousand	39	5,224
With a balance of less than €100 thousand	529	6,960
Impairment allowances		(28,402)
TOTAL	**637**	**98,947**

The breakdown of these balances by age is the following:

		Thousands of euros
	JUNE 30, 2013	JUNE 30, 2012
Not due	64,695	72,871
Past due, not impaired		
Less than 30 days	13,837	14,959
30 – 60 days	1,101	3,374
60 – 90 days	820	363
90 - 120 days	417	458
More than 120 days	3,054	6,922
	19,229	26,076
Doubtful receivables	29,821	28,402
Impairment allowances	(29,821)	(28,402)
	83,924	**98,947**

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:

- They must be arranged with financial institutions domiciled in Spain and of renowned solvency and liquidity.
- 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.
- Investments should be diversified to ensure that the risk is not significantly concentrated in any one institution.
- 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.
- 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 indicated in Note 14.1, at June 30, 2013, the Group recognized two loans it had contracted from two financial entities after the third outstanding loan recognized at June 30, 2012 had matured during the current period. In addition, one of the remaining outstanding loans was restructured during the period, partially amortizing it and extending maturity an additional three years beyond the initially arranged repayment date. The principal pending amortization amounts to €112,917 thousand in nominal terms (June 30, 2012: €138,135 thousand). The interest rate is variable and is calculated by taking Euribor plus a market spread.

Given the long-term nature of this financing arrangement, the Group has contracted appropriate hedges to limit a potential increase in Euribor over and above a specific rate.

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:

2012/2013

Thousands of euros

	UP TO 3 MONTHS	3 MONTHS - 1 YEAR	ONE TO FIVE YEARS	SUBSEQUENT YEARS	TOTAL
Other financial liabilities	10,127	16,281	89,118	-	115,526
Amounts owed to suppliers of fixed assets					
Player transfer accounts payable	42,164	1,412	32,399	42	76,017
Broadcasting accounts payable	29,351	3,250	16,186	1,865	50,652
Trade and other payables	-	-	-	-	-
Other financial liabilities	164,117	6,203	-	-	170,320
	245,759	**27,146**	**137,703**	**1,907**	**412,515**

2011/2012

Thousands of euros

	UP TO 3 MONTHS	3 MONTHS - 1 YEAR	ONE TO FIVE YEARS	SUBSEQUENT YEARS	TOTAL
Other financial liabilities	42,562	-	100,747	-	143,309
Amounts owed to suppliers of fixed assets					
Player transfer accounts payable	27,184	1,257	38,264	42	66,747
Broadcasting accounts payable	44,230	1,100	17,604	-	62,934
Trade and other payables	-	-	-	-	-
Other financial liabilities	147,321	33,977	-	-	181,298
	261,297	**36,334**	**156,615**	**42**	**454,288**

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:

2012/2013

Thousands of euros

	UP TO 3 MONTHS	3 MONTHS - 1 YEAR	ONE TO FIVE YEARS	TOTAL
Trade receivables	36,978	19	-	36,997
Accounts receivable from sporting entities	30,709	7,056	8,709	46,474
Other receivables	798	-	453	1,251
Tax receivables	-	1,995	-	1,995
Current financial investments	-	-	-	-
TOTAL	**68,485**	**9,070**	**9,162**	**86,717**

2011/2012

Thousands of euros

	UP TO 3 MONTHS	3 MONTHS - 1 YEAR	ONE TO FIVE YEARS	TOTAL
Trade receivables	47,113	1,599	-	48,712
Accounts receivable from sporting entities	30,149	6,390	13,696	50,235
Other receivables	959	-	431	1,390
Tax receivables	29	1,711	-	1,740
Current financial investments	-	40,585	-	40,585
TOTAL	**78,250**	**50,285**	**14,127**	**142,662**

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 14.2.

19.4 Information on late payments to suppliers in commercial transactions

In compliance with Law 15/2010 of July 5, modifying Law 3/2004 of December 29, which establishes measures to be taken in combating arrears in commercial transactions, below we include a breakdown of the total amount of payments made to suppliers during the year ended June 30, 2013, disclosing those that exceeded the legal payment deadlines; the weighted average period of time exceeded for payments; and the balance pending payment to suppliers exceeding the legal deadline at year end:

Thousands of euros

PAYMENTS MADE AND PAYMENTS PENDING SETTLEMENT AT THE BALANCE SHEET DATE	JUNE 30, 2013	JUNE 30, 2012
Within the legally-established deadline (*)	189,432	163,079
Percentage	100%	100%
Other	-	-
Total payments during the year	189,432	163,079
Weighted average period of time exceeded for overdue payments (days)	-	-
Overdue payments exceeding the legal payment deadline at the closing date	-	-

(*) 75 days for the year 2012 and 60 days from January 1, 2013.

20. OTHER DISCLOSURES

20.1 Workforce structure

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

2012/2013

	HEADCOUNT AT JUNE 30, 2013			
	MEN	WOMEN	TOTAL	AVERAGE HEADCOUNT DURING THE YEAR
Senior managers	29	2	31	31
Middle managers	14	5	19	18
Players and coaching staff	415	2	417	408
General staff	100	94	194	194
Laborers	39	5	44	52
Fixed term employees	57	8	65	69
	654	**116**	**770**	**772**

2011/2012

	HEADCOUNT AT JUNE 30, 2012			
	MEN	WOMEN	TOTAL	AVERAGE HEADCOUNT DURING THE YEAR
Senior managers	28	2	30	31
Middle managers	12	5	17	16
Players and coaching staff	399	1	400	374
General staff	97	97	194	192
Laborers	42	17	59	56
Fixed term employees	64	9	73	78
	642	**131**	**773**	**747**

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 Control ratios for sporting bodies

• Ratio of debt to total revenue

The ratio of net financial debt to total revenue was obtained in connection with the regulations on Economic Control for sporting clubs and corporations associated with the Professional Football League (PFL). At June 30, 2013, net financial debt and total revenue amounted to €57,067 thousand and €550,592 thousand, respectively (June 30, 2012: €84,073 thousand and €545,619 thousand, respectively), which represents a ratio of 10% (June 30, 2012: 15%). These values are much lower than the maximum considered indicative of a possible imbalance (100%) as established by the regulations.

According to the definitions established by the regulations, the net debt given above corresponds to "the sum of net debt due to transfers carried out by a club (that is, the net amount resulting from accounts receivable and accounts payable for transfers of players), plus net debt for loans (that is, bank overdrafts and bank loans, loans from the owners and related parties, finance leases less cash balances, equivalent liquid assets, and temporary financial investments), plus debt owed suppliers. Net debt does not include trade payables or other accounts payable. Aid granted when clubs descend a category is considered as net debt."

• Ratio of equity to revenue
The ratio of equity to revenue, based on figures included in these consolidated financial statements, was obtained in connection with the regulations on budgetary control for PFL clubs and corporations. At June 30, 2013, equity and revenue amounted to €311,931 thousand and €517,956 thousand, respectively, which results in a ratio of 60% (June 30, 2012: €275,175 thousand and €512,063 thousand, respectively, resulting in a ratio of 54%). These values are much greater than the minimum required by regulations (30%).

• Ratio of liabilities due within two years to revenue
The value of the following ratio (based on figures recognized at the closing of the year and the interim balance sheet at December 31) was obtained in connection with regulations on budgetary control for PFL clubs and corporations:

The value of liabilities maturing in no more than two years decreased by the amounts recognized under provisions for contingencies and cash and cash equivalents held by the treasury must be less than revenue multiplied by 1.25.

	RATIO I		RATIO II	
	DATE	THOUSANDS OF EUROS	DATE	THOUSANDS OF EUROS
Reduced liabilities (RL)	30/06/13	81,615	31/12/12	240,357
Increased revenue (IR)	30/06/13	647,445	30/06/12	640,079
RATIO (RL - IR< 0)		**(565,830)**		**(399,722)**

As can be seen from the figures shown, both cases comply with the required ratio by a large margin, since the value of liabilities due within two years is much less than revenue, where both have been calculated as per the definitions established in the regulations.

• Breakeven point
The value of the breakeven point indicator, defined as the difference between relevant income and relevant expenses for the year, was obtained in connection with regulations on Economic Control for PFL clubs and corporations. Definitions included in said regulations were used to obtain the values for relevant income and expenses.

		Thousands of euros
	JUNE 30, 2013	JUNE 30, 2012
Relevant income	543,077	536,979
Relevant expenses	453,742	466,276
Breakeven point (+ surplus, - deficit)		
RELEVANT INCOME	**89,335**	**70,703**

A surplus of €89,335 thousand was obtained for June 30, 2013 (June 30, 2012: €70,703), which is much higher than the minimum amount required by the regulations (the difference between relevant income and expenses must be greater than zero).

• Expense indicator for the first team
The value for the ratio of sporting personnel expenses for the first team to relevant income, as defined by said regulations, was obtained in connection with regulations on the Economic Control of PFL clubs and corporations. Expenses for personnel associated with the first team and relevant income amounted to €189,087 thousand and €534,077 thousand at June 30, 2013, respectively, which represents a ratio of 35% (June 30, 2012: €180,666 thousand and €536,979 thousand, respectively, resulting in a ratio of 34%).

These figures are much lower than the maximum considered as indicative of an imbalance (70%) in said regulations.

21. EVENTS AFTER THE BALANCE SHEET DATE

The most significant subsequent events that occurred between the closing of the period and the preparation of these consolidated financial statements, were the following:

- Collection of the first installment of the contract signed on November 20, 2006 with Mediaproducciones S.L., relating to exploitation of television rights for the 2013/2014 season, and delivery of a bank guarantee corresponding to the second installment of said season (Note 13.3.1).

- Acquisition of player transfer rights amounting to approximately €32 million.

- Income of approximately €23 million corresponding to transfers of players' federative rights.

Law 16/2012 of December 27, by virtue of which several tax measures were adopted aimed at consolidating public finance and boosting economic activity, established the option to voluntarily submit to a balance sheet revaluation. The principal characteristics of this process as expressed in the law are the following:

- Items on balance sheets for the period ended June 30, 2013, and prepared under Spanish GAAP, are subject to revaluation.

- The updated balance sheet prepared under Spanish GAAP must be approved by the competent body (that is, by the Club's Member Assembly).

- These updates will take place within the period covered from the balance sheet date to the approval deadline.

- Accounting revaluations arising from these updates under Spanish GAAP, are recognized under "Reserves for revaluation of assets: Law 16/2012."

- Updated values may not exceed the market values of the revalued assets.

- The net increase in the value of assets will be depreciated using tax criteria starting from January 1, 2015

- Should this revaluation be performed, the updated amount will be subject to a special 5% tax that must be filed together with the consolidated corporate tax return for the 2012/2013 season.

- At the date of authorization of these consolidated financial statements, the Club's Board of Directors was studying the question of whether to revalue assets.

At the date of authorization of these consolidated financial statements, no other significant event had occurred which could modify them or warrant additional disclosures.

22. INCOME STATEMENT BY ANALYTICAL SEGMENT

	FOOTBALL	BASKETBALL	GENERAL	TOTAL
Membership dues, ticketing and stadium revenue	122,446	3,069	20,463	145,978
Revenues from friendly matches and international competitions	48,658	171	-	48,829
Broadcasting	162,244	592	-	162,836
Marketing	-	3,682	159,548	163,230
TOTAL OPERATING INCOME (BEFORE NET GAINS ON DISPOSALS)	**333,348**	**7,514**	**180,011**	**520,873**
Goods for consumption	(2,803)	(418)	(14,996)	(18,217)
Player and staff personnel expenses	(213,993)	(21,767)	(10,237)	(245,997)
Other operating expenses	(53,038)	(4,902)	(64,731)	(122,671)
Losses on, impairment of and change in trade provisions	1,277	-	(3,444)	(2,167)
OPERATING PROFIT BEFORE DEPRECIATION, AMORTIZATION AND NET GAINS ON DISPOSALS	**64,791**	**(19,573)**	**86,603**	**131,821**
Gains (losses) on disposals and other gains and losses	20,368	(144)	-	20,224
Impairment charges and losses	-	-	(1,835)	(1,835)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	**85,159**	**(19,717)**	**84,768**	**150,210**
Depreciation and amortization	(79,186)	(2,669)	(12,695)	(94,550)
OPERATING PROFIT (EBIT)	**5,973**	**(22,386)**	**72,073**	**55,660**
NET FINANCE COST	**-**	**-**	**-**	**(7,963)**
Finance income	-	-	-	3,389
Finance cost	-	-	-	(11,352)
ORDINARY PROFIT				**47,697**
PROFIT BEFORE TAX				**47,697**

23. PERFORMANCE RELATIVE TO BUDGET IN 2012/2013

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	150,808	145,978	(4,830)
Revenues from friendly matches and international competitions	44,363	48,829	4,466
Broadcasting	156,377	162,836	6,459
Marketing	165,094	163,230	(1,864)
TOTAL OPERATING INCOME (BEFORE NET GAINS ON DISPOSALS)	**516,642**	**520,873**	**4,231**
Goods for consumption	(20,009)	(18,217)	1,792
Player and staff personnel expenses	(249,267)	(245,997)	3,270
Other operating expenses	(117,940)	(122,671)	(4,731)
Losses on, impairment of and change in trade provisions	-	(2,167)	(2,167)
TOTAL OPERATING EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	**(387,216)**	**(389,052)**	**(1,836)**
OPERATING PROFIT BEFORE DEPRECIATION, AMORTIZATION AND NET GAINS ON DISPOSALS	**129,426**	**131,821**	**2,395**
Gains (losses) on disposals and other gains and losses	19,379	20,224	845
Impairment charges and losses	-	(1,835)	(1,835)
IMPAIRMENT LOSSES AND GAINS (LOSSES) ON DISPOSAL OF NON-CURRENT ASSETS	**19,379**	**18,389**	**(990)**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	**148,805**	**150,210**	**1,405**
Depreciation and amortization	(105,722)	(94,550)	11,172
OPERATING PROFIT (EBIT)	**43,083**	**55,660**	**12,577**
Finance income	1,375	3,389	2,014
Finance cost	(12,052)	(11,352)	700
NET FINANCE COST	**(10,677)**	**(7,963)**	**2,714**
ORDINARY PROFIT	**32,406**	**47,697**	**15,291**
PROFIT BEFORE TAX	**32,406**	**47,697**	**15,291**
TOTAL INCOME (OPERATING + FINANCE + GAINS ON DISPOSALS)	**537,396**	**544,486**	**7,090**
TOTAL EXPENSES (OPERATING + FINANCE + D&A + IMPAIRMENT + LOSSES ON DISPOSALS)	**(504,990)**	**(496,789)**	**8,201**
PROFIT BEFORE TAX	**32,406**	**47,697**	**15,291**

Total income came in at €544.5 million, €7.1 million more than expected.

The main factors that contributed to this increase were greater income from the Champions League, increased sponsorship revenue and merchandise sales, as well as gains on disposal of assets.

Total expenses were €496.8 million, €8.2 million under projections.

In addition, more than €4 million have been provisioned to cover contingencies and risks arising from developments in the economic environment and restructuring.

Due to the abovementioned reasons, reconciliation of the 2012/13 income statement to the budget resulted in a €47.7 million profit before tax, €15.3 more than the projected profit.

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

In a meeting held on July 23, 2013, 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, 2013, which consist of the documents attached to this witnessed page.

D. Florentino Pérez Rodríguez

D. Fernando Fernández Tapias

D. Eduardo Fernández de Blas

D. Pedro López Jiménez

D. Enrique Sánchez González

D. Santiago Aguado García

D. Luis Blasco Bosqued

D. Manuel Cerezo Velázquez

D. Jerónimo Farré Muncharaz

D. Luis Gómez-Montejano y Arroyo

D. Angel Luis Heras

D. Nicolás Martín-Sanz García

D. José Manuel Otero Lastres

D. Enrique Pérez Rodríguez

D. Raúl Ronda Ortiz

D. José Sánchez Bernal

D. Gumersindo Santamaría Gil

AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENT

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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, 2013, 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, 2013 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, 2013, 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, 2013 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, 2013. 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 24, 2013

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José Luis Ruiz

REAL MADRID C. F. FINANCIAL REPORT

For the year ended June 30, 2013.

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REAL MADRID CLUB DE FÚTBOL
Balance sheet at June 30, 2013
(Thousands of euros)

ASSETS	NOTES	JUNE 30, 2013	JUNE 30, 2012	EQUITY AND LIABILITIES	NOTES	JUNE 30, 2013	JUNE 30, 2012
NON-CURRENT ASSETS		**614,007**	**618,646**	**EQUITY**		**310,936**	**274,354**
Intangible sporting assets	**4**	**267,135**	**283,696**	**Capital and reserves**	**11**	**305,795**	**269,069**
				Social fund		260,521	236,467
Intangible non-sporting assets	**5**	**4,925**	**5,312**	Revaluation reserve (RD 7-96)		8,548	8,548
				Profit for the year attributed to the parent company		36,726	24,054
Property, plant and equipment	**6**	**309,172**	**290,516**				
Investment property	**7**	**18,348**	**19,084**	**Grants, donations and bequests received**	**12**	**5,141**	**5,285**
Financial investments	**8,1**	**9,540**	**14,505**				
Group		**4**	**4**				
Deferred tax assets	**16**	**4,883**	**5,529**	**NON-CURRENT LIABILITIES**		**202,514**	**220,793**
				Provisions	**13,1**	**15,452**	**12,223**
				Financial liabilities	**14,1**	**139,610**	**156,657**
				Bank borrowings		89,118	100,747
				Other financial liabilities		50,492	55,910
				Deferred tax liabilities	**16**	**10,902**	**10,996**
				Accruals	**15**	**36,550**	**40,917**
CURRENT ASSETS		**246,408**	**252,518**	**CURRENT LIABILITIES**		**346,965**	**376,017**
				Provisions	**13,2**	**1,868**	**720**
Inventories	**9**	**2,040**	**1,100**				
				Financial liabilities	**14,2**	**102,585**	**116,333**
Trade and other receivables	**8,2,16**	**89,247**	**97,476**	Bank borrowings		26,408	42,562
				Other financial liabilities		76,177	73,771
Current financial investments	**10**	**-**	**40,585**				
Accruals		**2,565**	**1,707**	**Trade and other payables**	**14,3**	**180,006**	**190,077**
Cash and cash equivalents	**10**	**152,556**	**111,650**	**Accruals**	**15**	**62,506**	**68,887**
TOTAL ASSETS		**860,415**	**871,164**	**TOTAL EQUITY AND LIABILITIES**		**860,415**	**871,164**

REAL MADRID CLUB DE FÚTBOL
Income Statement for the year ended June 30, 2013
(Thousands of euros)

	NOTES	2012/2013	2011/2012
CONTINUING OPERATIONS			
Revenue			
Membership dues, ticketing and other stadium revenue		145,786	150,190
Revenue from friendly matches and international competitions		48,829	40,049
Broadcasting		162,836	159,192
Marketing		123,591	129,033
	17.1	**481,042**	**478,464**
Goods for consumption			
Consumption of raw materials and other consumables	**17.2**	**(18,217)**	**(22,596)**
Other operating revenues	**17.1**	**759**	**372**
Player and staff personnel expenses	**17.3**	**(245,997)**	**(233,946)**
Other operating expenses			
Losses on, impairment of and change in trade provisions	8.2	(680)	(2,274)
Other operating expenses	17.4	(87,572)	(87,944)
		(88,252)	**(90,218)**
Depreciation and amortization	**4,5,6,7**	**(94,550)**	**(110,002)**
Grants related to non-financial assets and other grants	**12**	**192**	**192**
Overprovisions	**13.1**	**1,966**	**1,344**
Impairment losses and gains (losses) on disposal of non-current assets			
Impairment charges and losses	17.5	(1,835)	(3,323)
Gains (losses) on disposals and other gains and losses	17.5	20,224	23,470
		18,389	**20,147**
OPERATING PROFIT		**55,332**	**43,757**
Finance income			
From marketable securities and other financial instruments	17.6	3,362	4,477
Finance cost	**17.6**	**(11,245)**	**(16,198)**
NET FINANCE COST		**(7,883)**	**(11,721)**
PROFIT BEFORE TAX		**47,449**	**32,036**
Income tax	**16.1**	**(10,723)**	**(7,982)**
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**36,726**	**24,054**
PROFIT FOR THE PERIOD		**36,726**	**24,054**

CONSOLIDATED BUDGET 2013-2014

Real Madrid Club de Fútbol and Subsidiary 2013/2014 Consolidated Budget

		€ Thousands
	2012/2013	2013/2014
Membership dues, ticketing and stadium revenue	145,978	137,849
Revenues from friendly matches and international competitions	48,829	51,566
Broadcasting	162,836	161,996
Marketing	163,229	163,626
TOTAL OPERATING INCOME (BEFORE NET GAINS ON DISPOSALS)	**520,873**	**515,037**
Goods for consumption	(18,217)	(18,171)
Player and staff personnel expenses	(245,997)	(240,405)
Other operating expenses	(122,671)	(124,741)
Losses on, impairment of and change in trade provisions	(2,167)	0
TOTAL OPERATING EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	**(389,052)**	**(383,317)**
OPERATING PROFIT BEFORE DEPRECIATION, AMORTIZATION AND NET GAINS ON DISPOSALS	**131,821**	**131,720**
Gains (losses) on disposals an other gains and losses	20,224	32,233
Impairment charges and losses	-1,835	0
IMPAIRMENT LOSSES AND GAINS (LOSSES) ON DISPOSAL OF NON-CURRENT ASSETS	**18,389**	**32,233**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)	**150,210**	**163,953**
Depreciation and amortization	(94,550)	(112,431)
OPERATING PROFIT (EBIT)	**55,660**	**51,522**
Finance income	3,389	2,682
Finance cost	(11,351)	(11,549)
NET FINANCE COST	**(7,963)**	**(8,867)**
ORDINARY PROFIT	**47,697**	**42,656**
PROFIT BEFORE TAX	**47,697**	**42,656**
TOTAL INCOME (OPERATING+FINANCE+GAINS ON DISPOSALS)	**544,486**	**549,952**
TOTAL EXPENSES (OPERATING+FINANCE+D&A+IMPAIRMENT+LOSSES ON DISPOSALS)	**(496,789)**	**(507,296)**
PROFIT BEFORE TAX	**47,697**	**42,656**

- Operating income (before net gains on disposals) amounts to 515 million euros, 6 million euros under the previous year. This was mainly due to non-recurring income obtained from the Copa del Rey final and the Spanish Super Cup final in 2012/13
- Employee benefits expenses changed in accordance with the contracts and the make-up of the sporting staff. The cost resulting from winning the League title has been calculated. Expenses thus fell by 6 million euros, compared with the previous year.
- All other operating expenses prior to amortization (costs of sales + transactions + provisions) remained stable as a consequence of the Club's activities and lower expenses for contingencies.
- As a result of changes in income and expenses, operating profit before amortization and net gains on disposals has been estimated at 132 million euros, similar to the previous year.
- With the inclusion of the 32 million euros resulting from net gains on disposals (an increase of over 14 million euros compared with the previous year), the club generated EBITDA of 164 million euros, a rise of over 14 million euros compared with the previous year.
- Operating profit of 52 million euros was estimated, after recognizing an amortization expense of 112 million euros (18 million euros over the previous year as a result of acquisitions).
- Financial expenses were substantially stable compared with the previous year.
- As a result of all the above effects, profit before tax of 43 million euros is projected for 2013/14.

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