

21.4. Control ratios for sporting bodies

The main ratios established in the Economic Control Regulations and other LFP mandatory standards are indicated below. For comparative purposes, the prior-year figures, which have been obtained from the financial statements of the Club at June 30, 2018, are included.

Break-even point indicator

The difference between the relevant income and expenses gives the result of break-even point. The total result of break-even point will be the sum of the break-even point results for each accounting period covered by the monitoring period, that is, the T, T-1 and T-2 accounting periods, where T is the annual accounting period, for which the audited financial statements have been requested:

	Thousands of euros		
	T	T-1	T-2
	06/30/2019	06/30/2018	06/30/2017
Relevant income	954,544	881,714	691,083
Relevant expenses	846,653	778,245	582,666
Break-even point (+ surplus, - deficit)	107,891	103,469	108,417
Total break-even point	319,777	-	-
Required break-even point	> 0	-	-
Conclusion	MET	-	-

The calculation of relevant income and its reconciliation to the accompanying consolidated financial statements are as follows:

	Thousands of euros		
	T	T-1	T-2
	06/30/2019	06/30/2018	06/30/2017
Relevant income			
Gate money	171,580	159,286	140,211
Sponsorship and advertising	198,072	216,510	198,682
Broadcasting rights	292,790	179,464	175,345
Commercial activities	155,585	108,723	51,203
Other operating income	13,827	1,777	66,920
Profit from intangible sporting assets	84,450	203,578	19,648
Financial income and currency translation differences	1,418	1,060	5,073
Operating grants	70	100	235
Other income not classified in the above headings	36,752	11,216	33,766
Total relevant income	954,544	881,714	691,083
Income recognized in the consolidated financial statements			
Total operating income	991,731	-	-
Total financial income	4,083	-	-
Total income recognized in the consolidated financial statements	995,814	-	-
Difference	41,270	-	-
Reconciling items			
Income from transactions not related to the professional soccer activity	41,270	-	-
Total reconciling items	41,270	-	-

The calculation of relevant expenses and their reconciliation to the accompanying consolidated financial statements are as follows:

	Thousands of euros		
	T	T-1	T-2
	06/30/2019	06/30/2018	06/30/2017
Relevant expenses			
Cost of sales / equipment	6,320	4,525	3,906
Employee remuneration expense	471,745	462,902	324,285
Other operating expenses	181,523	164,009	137,241
Amortization / Impairment of players' registration rights	166,210	113,503	64,510
Losses on the sale of players' registration rights	29	200	3,746
Finance cost and dividends	17,242	12,912	4,607
Other expenses not classified in the above headings	3,584	20,195	44,370
Total relevant expenses	846,653	778,245	582,666
Expenses recognized in the consolidated financial statements			
Total operating expenses	972,798	-	-
Total financial expenses	18,490	-	-
Total expenses recognized in the consolidated financial statements	991,288	-	-
Difference	144,635	-	-
Reconciling items			
Depreciation / Impairment of property, plant, and equipment	14,341	-	-
Depreciation / Impairment of sporting assets	5,251	-	-
Tax expenses (corporate income tax)	-	-	-
Expenses from directly-attributable community development activities	4,585	-	-
Other expenses not included in the above reconciling items	120,458	-	-
Total reconciling items	144,635	-	-

Indicator of employee benefits expense related to the registrable squad

It is considered that there is an indication of a potential future economic and financial imbalance when the annual economic amount of the employee benefits expense associated with the registrable squad, players and coaches of the Club is higher than 70% of the relevant income for the season, as defined in the Economic Control Regulations of LFP.

	Thousands of euros	
	06/30/2019	06/30/2018
Employee benefits expense related to the first and second team soccer squads (*)	458,752	473,419
Relevant income	954,544	881,714
Indicator of employee benefits expense related to the registrable squad	48%	54%
Required indicator of employee benefits expense related to the registrable squad	<70%	<70%
Conclusion	MET	MET

(*) It includes expenses for wages, image management companies and remuneration earned by agents.

The calculation and reconciliation of income is shown in the break-even point calculation above.

The reconciliation of the expenses associated with the registrable soccer squad with the total employee benefits expense is as follows:

	Thousands of euros	
	06/30/2019	06/30/2018
Employee benefits expense related to the registrable soccer squad (a)	451,084	456,590
Non-sporting soccer and structure employee benefits expense related to the first and second team soccer squads (b)	7,668	16,829
Total employee benefits expense related to the first and second team soccer squads	458,752	473,419
Non-sporting employee benefits expense excluding those included in section (b) and	66,528	47,372
Registrable employee benefits expense excluding those included in section (a)	51,047	43,440
Total employee benefits expense	576,327	564,231

Ratio of net debt to relevant revenue

As defined in the Regulations there is an indication of a potential economic and financial imbalance when net debt at the end of each season is higher than 100% of the entity's relevant income.

In accordance with the regulations, the amount of net debt corresponds to the sum of the net debt for sales (that is, the net amount of accounts receivable and payable for the sale of players), of the amounts pending payment for the financing facilities received from banks, related parties and third parties, of the advance collections to be accrued in more than 1 year and of the amounts payable to assets suppliers less cash and cash equivalents and temporary financial investments. Net debt does not include trade and other payables.

	Thousands of euros	
	06/30/2019	06/30/2018
Net debt	217,204	157,449
Relevant income	954,544	881,714
Ratio of net debt to relevant revenue	22.7%	17.9%
Required ratio of net debt to relevant revenue	<100%	<100%
Conclusion	MET	MET

The breakdown of net debt is as follows:

	Thousands of euros	
	06/30/2019	06/30/2018
Non-current payables		
Bonds and other marketable debt securities (Note 14.1)	(197,385)	-
Bank borrowings (Note 14.1)	(61,488)	(16,177)
Payables to sporting entities for sales and loans of players (Note 14.3)	(181,287)	(97,333)
Other payables	-	(99)
Accruals (Note 16)	(10,673)	(16,186)
Total non-current payables	(450,833)	(129,795)
Current payables		
Bonds and other marketable debt securities (Note 14.2)	(1,143)	-
Bank borrowings (Note 14.2)	(10,801)	(49,050)
Payables to sporting entities for sales and loans of players (Note 14.3)	(79,455)	(45,193)
Other payables	(11,482)	(1,333)
Total current payables	(102,881)	(95,576)
Total liabilities entries	(553,714)	(225,371)
Compensating assets entries		
Non-current receivables from sporting entities for sales and loans of players (Note 10.1)	92,233	11,852
Current receivables from sporting entities for sales and loans of players (Note 10.3)	85,915	15,723
Cash and cash equivalents	158,362	40,347
Total compensating assets entries	336,510	67,922
Total	(217,204)	(157,449)