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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
FOR
Church of Scientology
Religious Education College Inc

THURSDAY



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**CONTENTS OF THE FINANCIAL STATEMENTS
For The Year Ended 31 December 2009**

	Pages
Report of the Independent auditor	1-2
Income and Expenditure Account	3
Balance Sheet	4 - 5
Cash Flow Statement	6
Notes to the Financial Statements	7- 14

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES
OF CHURCH OF SCIENTOLOGY RELIGIOUS EDUCATION COLLEGE INC**

The trustees have confirmed to us that the financial activities of Church of Scientology Religious Education College Inc comprise solely the financial activities of the UK Branch and therefore on this basis this report effectively covers the whole of the financial activities of Church of Scientology Religious Education College Inc

We have audited the financial statements for the year ended 31 December 2009, which comprise of Income and Expenditure account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the entity's trustees as a body. Our audit work has been undertaken so that we may state to the entity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the entity and the entity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The trustees are responsible for preparing the financial statements in accordance with applicable law and regulations and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

The trustees are required to prepare financial statements for each financial year. The trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required to give a true and fair view of the state of affairs of the entity and of the income and expenditure of the entity for that period. In preparing these financial statements, the trustees are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the entity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the entity. They are also responsible for safeguarding the assets of the entity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial information included on the entity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards in Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared.

In addition we report to you if, in our opinion, the entity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and other transactions is not disclosed.

Bases of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, except that the scope of our work was limited as explained below

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances, consistently applied and adequately disclosed

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. However, with respect to stock having a carrying amount of £2,102,008 the evidence available to us was limited because we did not observe the counting of the physical stock as at 31 December 2009, since that date was prior to our appointment as auditor. Owing to the records maintained, we were unable to obtain sufficient appropriate audit evidence regarding the stock quantities by using other audit procedures

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Qualified opinion arising from limitation in audit scope

Except for the financial effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to physical stock quantities, in our opinion the financial statements

- Give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the entity's affairs as at 31 December 2009 and of its surplus for the year then ended

In respect solely of the limitation on our work relating to stocks,

- We have not obtained all the information and explanations that we considered necessary for the purpose of our audit, and
- We were unable to determine whether proper accounting records had been maintained

Grant Sellers Limited

Stephen Sellers FCA
Senior Statutory Auditor
For and on behalf of Grant Sellers Limited
Statutory Auditor, Chartered Accountants
Bank Court
Manor Road
Verwood
Dorset

Date 27 March 2011

**Church of Scientology
Religious Education College Inc**

**INCOME AND EXPENDITURE ACCOUNT
For The Year Ended 31 December 2009**

	Notes	Year to 31/12/09 £	Year to 31/12/08 £
INCOME			
From ordinary activities		12,341,616	12,958,196
 Expenditure			
On ordinary activities		<u>10,703,331</u>	<u>17,514,645</u>
OPERATING SURPLUS/(DEFICIT)	3	1,638,285	(4,556,449)
 Interest receivable and similar income			
From ordinary activities		<u>177,688</u>	<u>1,064,458</u>
		1,815,973	(3,491,449)
 Interest payable and similar charges	5	<u>1,029,117</u>	<u>1,486,314</u>
SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES BEFORE TAXATION		786,856	(4,978,305)
 Tax on surplus/(deficit) on ordinary activities	6	<u>(24,000)</u>	<u>2,684,863</u>
SURPLUS/(DEFICIT) FOR THE YEAR AFTER TAXATION		<u>762,856</u>	<u>(2,293,442)</u>
 RETAINED SURPLUS/(DEFICIT) FOR THE YEAR		<u>762,856</u>	<u>(2,293,442)</u>

There are no other recognised surpluses or losses not recognised through the Income and Expenditure account

Statement of total recognised surpluses and losses

Total recognised surpluses and losses relating to the year	762,856	(2,293,442)
Prior year adjustment (as explained in Note 16)		<u>(2,611,531)</u>
 Total gains and losses recognised since the previous annual report		(4,904,973)

The notes form part of these financial statements

**Church of Scientology
Religious Education College Inc**

**BALANCE SHEET
31 December 2009**

	Notes	31 December 2009		31 December 2008	
		£	£	£	£
FIXED ASSETS					
Tangible assets	7		23,686,278		24,365,577
Subsidiary undertakings	8		<u>451,000</u>		<u>451,000</u>
			24,137,278		24,816,577
CURRENT ASSETS					
Stocks	9	2,102,008		2,226,585	
Debtors	10	331,848		62,626	
Cash at bank and in hand		<u>25,519,670</u>		<u>23,835,414</u>	
		27,953,526		26,124,625	
CREDITORS					
Amounts falling due within one year	11	<u>23,275,785</u>		<u>24,554,012</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>4,677,741</u>		<u>1,570,613</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			28,815,019		26,387,190
CREDITORS					
Amounts falling due after more than one year	12		14,794,150		13,153,177
PROVISION FOR LIABILITIES			<u>486,000</u>		<u>462,000</u>
			<u>13,534,869</u>		<u>12,772,013</u>
RESERVES					
Accumulated funds	15		<u>13,534,869</u>		<u>12,772,013</u>
			<u>13,534,869</u>		<u>12,772,013</u>

**Church of Scientology
Religious Education College Inc**

**BALANCE SHEET - continued
31 December 2009**

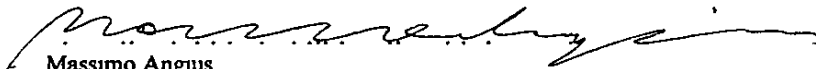
The financial statements on pages 3 to 14 were approved and authorised for issue by the trustees on

27 March 2011 and signed on their behalf by

NAMES OF TRUSTEES



Richard Wilkins



Massimo Angius

The notes form part of these financial statements

**Church of Scientology
Religious Education College Inc**

**CASH FLOW STATEMENT
31 December 2009**

	31 December 2009		31 December 2008	
	£	£	£	£
Cash generated from operations				
Operating surplus/(deficit)	1,638,285		(4,556,449)	
Reconciliation to cash generated from operations				
Depreciation	951,391		855,788	
Loss on disposal of fixed assets	2,571		2,661	
Grant released	(68,335)		(70,087)	
Fixed asset adjustment	91,100		-	
(Increase)/Decrease in stocks	124,577		(570,420)	
(Increase)/Decrease in debtors	(269,222)		8,429,088	
Increase/(Decrease) in creditors	<u>82,887</u>		<u>1,210,364</u>	
		2,555,254		5,300,945
Cash from other sources				
Interest received	177,688		1,064,458	
Capital grants for fixed assets	116,154		33,744	
Sale of fixed assets	1,840		-	
Loans advanced	<u>537,848</u>		<u>1,935,170</u>	
		833,530		3,033,372
Application of cash				
Interest paid	1,029,117		1,486,314	
Loans repaid	305,808		-	
Purchase of tangible fixed assets	<u>369,603</u>		<u>1,052,190</u>	
		(1,704,528)		(2,538,504)
Net increase/(decrease) in cash		1,684,256		5,795,813
Cash at bank and in hand at the beginning of the year		<u>23,835,414</u>		<u>18,039,601</u>
Cash at bank and in hand at the end of the year		<u><u>25,519,670</u></u>		<u><u>23,835,414</u></u>

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 2009**

1 STATUS

The Church of Scientology Religious Education College Inc was incorporated in Australia as a religious charity on 19 October 1976 and commenced activities in the United Kingdom on 1 May 1977

2 ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention

The principal accounting policies of the Church are set out below

Income

Income represents the combined income from all the individual organisations of the Church in respect of religious services together with materials supplied, donations, and income from related activities provided to other churches and organisations. Income for services is recognised when received as is bank interest. Income for materials is recognised when the materials are delivered. Certain donations from parishioners, while not refundable, may be used by those parishioners as a credit against future services. These are shown in note 18 under Contingent Liability

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

Freehold land	- No depreciation
Freehold property	- 2% on cost
Leasehold property	- Equal instalments over the period of the lease
Fixtures and fittings	- 10% & 20% on cost
Computer equipment	- 33 33% on cost
Motor vehicles	- 25% on cost

Stocks

Stocks of religious books and artefacts are stated at the lower of cost and net realisable value

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are dealt with through the income and expenditure account

Grants received

As last year grants were received towards property improvements from a grant-making association. Grants are recognised in the income and expenditure account in future periods over the expected useful life of the asset

Leasing

Rentals payable under operating leases are charged to the profit and loss account over the period of each lease

Consolidation

The financial statements of subsidiary companies have not been incorporated into a consolidated set of financial statements and therefore the financial statements represent the results of the entity and not of the group

**NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 December 2009**

Taxation

The Church is a South Australian charity, and is established in England for charitable purposes only. The trustees consider that corporation tax should not therefore be applicable, however corporation tax and deferred tax have been provided for in these financial statements.

Deferred tax is recognised on all timing differences where the transactions or events that give a taxpayer an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

3 OPERATING SURPLUS

The operating surplus (2008 - operating deficit) is stated after charging/(crediting).

	Year to 31/12/09 £	Year to 31/12/08 £
Depreciation - owned assets	858,374	756,976
Depreciation - leased assets	93,017	98,812
Loss on disposal of fixed assets	2,571	2,661
Grants released	(68,335)	(70,087)
Auditor's remuneration	20,750	20,750
Other fees paid to auditor	8,700	21,350
Foreign exchange differences	<u>(398,584)</u>	<u>1,377,105</u>

4 TRUSTEES

	Year to 31/12/09 £	Year to 31/12/08 £
Management remuneration in respect of trustees	<u>9,571</u>	<u>4,873</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 December 2009

5 INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable and similar charges includes the following

	Year to 31/12/09 £	Year to 31/12/08 £
On bank loans repayable within 5 years		
- otherwise than by instalments	125,103	869,482
- by instalments	<u>904,014</u>	<u>616,832</u>
	<u>1,029,117</u>	<u>1,486,314</u>

6 TAXATION

(a) Analysis of the tax (credit)/charge

The tax charge/credit on the surplus on ordinary activities for the year was as follows:

	Year to 31/12/09 £	Year to 31/12/08 £
UK corporation tax		
- Current year	-	(2,807,863)
- Prior year	<u>-</u>	<u>-</u>
Total current tax	-	(2,807,863)
Deferred tax	<u>24,000</u>	<u>123,000</u>
	<u>24,000</u>	<u>(2,684,863)</u>

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (28%)(2008 30%) The differences are explained below

	Year to 31/12/09 £	Year to 31/12/08 £
Surplus/(Deficit) on ordinary activities before tax	<u>762,856</u>	<u>(7,459,077)</u>
Surplus/(Deficit) on ordinary activities multiplied by standard rate of Corporation tax in the UK of 28%	213,600	(2,237,723)
Effects of		
Expenses not deductible for tax purposes	1,790	854
Capital allowances for year in excess of depreciation	-	(246,774)
Utilisation of tax losses	-	34,617
Non taxable capital items	<u>(215,390)</u>	<u>(358,837)</u>
	<u>-</u>	<u>-</u>
Current tax charge/(credit) for the year	<u>-</u>	<u>(2,807,863)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 December 2009

7 TANGIBLE FIXED ASSETS

	Freehold property £	Leasehold property £	Fixtures and fittings £	Motor vehicles £	Totals £
COST					
At 1 January 2009	20,459,413	4,080,650	7,241,987	122,667	31,904,717
Additions	78,370	-	182,327	108,906	369,603
Reclassified	13,992	(13,992)	-	-	-
Adjustment	(93,100)	-	-	-	(93,100)
Disposals	-	-	-	(52,546)	(52,546)
At 31 December 2009	<u>20,458,675</u>	<u>4,066,658</u>	<u>7,424,314</u>	<u>179,027</u>	<u>32,128,674</u>
DEPRECIATION					
At 1 January 2009	1,754,423	381,442	5,301,800	101,475	7,539,140
Charge for year	354,027	93,017	459,892	44,455	951,391
Eliminated on disposal	-	-	-	(48,135)	(48,135)
At 31 December 2009	<u>2,108,450</u>	<u>474,459</u>	<u>5,761,692</u>	<u>97,795</u>	<u>8,442,396</u>
NET BOOK VALUE					
At 31 December 2009	<u>18,350,225</u>	<u>3,592,199</u>	<u>1,662,622</u>	<u>81,232</u>	<u>23,686,278</u>
At 31 December 2008	<u>18,704,990</u>	<u>3,699,208</u>	<u>1,940,187</u>	<u>21,192</u>	<u>24,365,577</u>

Included in the total net book value of tangible fixed assets held at 31 December 2009 was £30,069 (2008 £19,012) in respect of assets held under hire purchase contracts

The cost of depreciable assets included in freehold property at 31 December 2009 was £9,773,874 (2008:£9,866,974)

**NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 December 2009**

8 SUBSIDIARY UNDERTAKINGS

	Shares in group undertakings £
COST	
At 1 January 2009 and 31 December 2009	<u>451,000</u>
NET BOOK VALUE	
At 31 December 2009	<u>451,000</u>
At 31 December 2008	<u>451,000</u>

The Church's investments at the balance sheet date in the share capital of companies which were wholly owned and incorporated in England and Wales include the following

Nesta Investments Limited

Nature of business Holding of investment properties

	%		
	holding		
Class of shares	100 00		
180,000 £1 ordinary	100 00		
3 £1 non cumulative preference	100 00		
		31/12/09	31/12/08
		£	£
Aggregate capital and reserves		1,067,294	1,065,438
Profit/(Loss) for the year		<u>(26)</u>	<u>(5)</u>

SOR Services (UK) Limited

Nature of business Providing bookkeeping services

	%		
	holding		
Class of shares	100 00		
1000 £1 ordinary	100 00		
		31/12/09	31/12/08
		£	£
Aggregate capital and reserves		20,893	25,482
Profit/(Loss) for the year		<u>(4,589)</u>	<u>(4,743)</u>

9 STOCKS

	Year to 31/12/09 £	Year to 31/12/08 £
Religious books and artefacts	<u>2,102,008</u>	<u>2,226,585</u>

There were no significant differences between the replacement cost and the values disclosed for stocks

**Church of Scientology
Religious Education College Inc**

**NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year to 31 December 2009**

10 DEBTORS

	31/12/2009	31/12/2008
	£	£
Corporation Tax	4,646	4,403
Other debtors	209,503	648
VAT recoverable	21,583	-
Prepayments and accrued income	<u>96,116</u>	<u>57,575</u>
	<u>331,848</u>	<u>62,626</u>

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31/12/2009	31/12/2008
	£	£
Hire purchase contracts	6,023	2,739
Amounts owed to group undertakings	393,031	393,012
Tax	-	-
Social security and other taxes	5,308	3,760
Deferred receipts arising on capital grants	68,000	68,335
Deferred receipts	246,965	-
VAT	-	113,137
Accruals and other creditors	<u>22,556,458</u>	<u>22,617,790</u>
	<u>23,275,785</u>	<u>23,198,773</u>

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31/12/2009	31/12/2008
	£	£
Hire purchase contracts	13,192	3,653
Loans from other churches	484,913	484,913
Deferred receipts arising on capital grants	<u>1,403,393</u>	<u>1,355,239</u>
Other creditors	<u>12,892,652</u>	<u>12,664,611</u>
	<u>14,794,150</u>	<u>14,508,416</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year to 31 December 2009

13 OTHER CHURCHES AND RELATED PARTY DISCLOSURES

Church of Scientology Religious Education College Inc (COSRECI) and other churches in the UK/world share similar aims and from time to time provide mutual assistance to each other and therefore arguably qualify as related parties as defined by FRS 8. COSRECI receives support by way of loans and donations and purchases of goods and services from Church of Scientology International and its subsidiaries. During the year, COSRECI received loans of £232,270 (2008 £309,804), received donations of £29,457 (2008 £74,474), purchased books and other literature to a value of £936,889 (2008 £3,515,432), and was charged £382,546 (2008 £2,179,201) for ecclesiastical management services and courses. At the year end, £20,603,490 (2008 £19,769,877) was due to Church of Scientology International and its subsidiaries and of this amount £13,195,001 (2008 £12,899,237) is included in Note 11 under "Accruals and other creditors" and £484,913 (2008 £484,913) and £6,923,576 (2008 £6,385,727) are included in Note 12 under "Loans from other churches" and "Other creditors" respectively. One of the two loans included was charged £305,578 (2008 £505,960) interest on a commercial basis and is repayable on terms yet to be agreed with COSRECI. The other loan of £484,913, (2008 £484,913) included was interest free and no advances have been received or repayments made in the period.

Church of Scientology Flag Service Organisation charged £330,884 (2008 £506,894) for courses provided to COSRECI. At the year end, £7,141,744 (2008 £6,730,319) was due to Church of Scientology Flag Service Organisation and this amount is included in Note 11 under "Accruals and other creditors". The amount had decreased (2008 Increased) in the period by exchange differences of £47,714 (2008 £262,645) and interest charged of £244,518 (2008 £798,692). The balance due was reduced in the period by repayments of £116,264 (2008 £69,531).

In summary, at the year end, £28,415,383 (2008 £27,070,130) was due to and £16,500 (2008 £16,500) was due from other churches.

In addition, COSRECI received donations from other churches amounting to £690,031 (2008 £930,665).

At the year end there was a loan outstanding from Church of Scientology Celebrity Centre International of £644,206 (2008 £540,482) and this amount is shown in Note 11 under "Accruals and other creditors". The loan was increased by £70,035 (2008 £145,920) in the period. The interest accrued was £33,689 (2008 £106,462). No terms of repayment have been agreed.

At the year end there was a loan outstanding from Scientology International Reserves Trust of £6,234,075 (2008 £6,539,883) and of this amount £265,000 is shown in Note 11 under "Accruals and other creditors" and £5,969,075 (2008 £6,274,883) in Note 12 under "Other creditors". The loan was decreased (2008 increased) by by exchange differences of £214,307 (2008 £1,357,432) in the period and repayments of £91,500 (2008 £195,000) were made. No interest was charged. The loan is to be repaid over a period of three years, unless the term is extended by agreement.

The amount of £393,031 (2008 £393,012) shown as due to group undertakings disclosed in note 11 to the financial statements relates to the balance due to the subsidiary company, Nesta Investments Limited.

14 PROVISIONS FOR LIABILITIES

	£
Deferred tax balance at 1 January 2009	(462,000)
Movement in the year	<u>(24,000)</u>
Deferred tax balance at 31 December 2009	<u>(486,000)</u>

	31/12/2009	31/12/2008
	£	£
Tax losses	318,000	-
Accelerated capital allowances	<u>(804,000)</u>	<u>(462,000)</u>
	<u>(486,000)</u>	<u>(462,000)</u>

**Church of Scientology
Religious Education College Inc**

**NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year to 31 December 2009**

15 ACCUMULATED FUNDS

	Capital funds £	General funds £	Total funds £
At 1 January 2009	6,773,043	5,998,970	12,772,013
Retained surplus for the year	-	762,856	762,856
At 31 December 2009	<u>6,773,043</u>	<u>6,761,826</u>	<u>13,534,869</u>

16 PRIOR YEAR ADJUSTMENT IN 2008

In 2008 due to change of accounting policy regarding training costs a prior year adjustment was made totalling £2,611,531. The deficit in 2008 was estimated to have been increased by £228,469 due to the change of accounting policy regarding training costs adopted in 2008.

17. OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year

Land and Buildings -

	2009 £	2008 £
Expiring		
Within one year	31,601	31,601
Between one and five years	58,904	85,904
Over five years	<u>1,917</u>	<u>6,518</u>
	<u>92,422</u>	<u>124,023</u>

18 CONTINGENT LIABILITY

Of the amount received in the year from parishioners £957,117 (2008 £1,493,996) may be used against future services