

FINANCIAL STATEMENTS
FOR THE PERIOD 52 WEEKS ENDED 1 JANUARY 2004
FOR
Church of Scientology
Religious Education College Inc



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For The Period 3 January 2003 to 1 January 2004**

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**CHARTERED ACCOUNTANTS' REPORT TO THE TRUSTEES
ON THE UNAUDITED FINANCIAL STATEMENTS OF
CHURCH OF SCIENTOLOGY RELIGIOUS EDUCATION COLLEGE INC**

In accordance with the engagement letter dated 22 March 2005, and in order to assist you to fulfil your duties under the Companies Act 1985, we have compiled the financial statements of the Church which comprise the principal accounting policies, the income and expenditure account, the balance sheet and the related notes, from the accounting records and information and explanations supplied to us.

This report is made to the Church's trustees, in accordance with the terms of our engagement. Our work has been undertaken so that we might compile the financial statements that we have been engaged to compile, report to the Church's trustees that we have done so, and state those matters that we have agreed to state to them in this 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 Church and the Church's trustees for our work or this report.

We have carried out this engagement in accordance with technical guidance issued by the Institute of Chartered Accountants in England and Wales and have complied with the ethical guidance laid down by the Institute relating to members undertaking the compilation of financial statements.

You have acknowledged on the balance sheet for the period ended 1 January 2004 your duty to ensure that the Church has kept proper accounting records and to prepare financial statements that give a true and fair view under the Companies Act 1985. You consider that the Church is exempt from the statutory requirement for an audit for the period.

We have not been instructed to carry out an audit of the financial statements. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the financial statements.

Grant Sellers

Grant Sellers
Bank Court
Manor Road
Verwood
Dorset
BH31 6DY

Date: 30 March 2005

**Church of Scientology
Religious Education College Inc**

**INCOME AND EXPENDITURE ACCOUNT
For The Period 3 January 2003 to 1 January 2004**

		Period 3/1/03 to 1/1/04 £	Period 4/1/02 to 2/1/03 £
	Notes		
INCOME		10,129,646	8,353,743
Expenditure		<u>8,606,340</u>	<u>6,477,851</u>
OPERATING SURPLUS	3	1,523,306	1,875,892
Interest receivable and similar income		<u>102,162</u>	<u>81,243</u>
		1,625,468	1,957,135
Interest payable and similar charges	5	<u>119,646</u>	<u>102,626</u>
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		1,505,822	1,854,509
Tax on surplus on ordinary activities	6	<u>594,658</u>	<u>536,487</u>
SURPLUS FOR THE FINANCIAL PERIOD AFTER TAXATION		<u>911,164</u>	<u>1,318,022</u>
RETAINED SURPLUS FOR THE PERIOD		<u>911,164</u>	<u>1,318,022</u>

The notes form part of these financial statements

**Church of Scientology
Religious Education College Inc**

**BALANCE SHEET
1 January 2004**

	Notes	1 January 2004		2 January 2003	
		£	£	£	£
FIXED ASSETS					
Tangible assets	7		9,125,810		9,318,967
Subsidiary undertakings	8		<u>451,000</u>		<u>451,000</u>
			9,576,810		9,769,967
CURRENT ASSETS					
Stocks	9	1,683,542		1,795,458	
Debtors					
- amount due in more than one year	10	773,000		1,340,000	
- amount due in less than one year	10	2,667,625		2,440,298	
Cash at bank and in hand		<u>4,718,852</u>		<u>4,021,551</u>	
		9,843,019		9,597,307	
CREDITORS					
Amounts falling due within one year	11	<u>959,868</u>		<u>1,051,069</u>	
NET CURRENT ASSETS			<u>8,883,151</u>		<u>8,546,238</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			18,459,961		18,316,205
CREDITORS					
Amounts falling due after more than one year	12		<u>46,144</u>		<u>94,174</u>
			<u>18,413,817</u>		<u>18,222,031</u>
FINANCED BY					
Amounts due to associated churches			10,117,160		10,801,296
Parishioners' donations received in advance			192,078		186,526
Long term loans	13		484,913		525,712
Accumulated funds	15		<u>7,619,666</u>		<u>6,708,497</u>
			<u>18,413,817</u>		<u>18,222,031</u>

The notes form part of these financial statements

Church of Scientology
Religious Education College Inc

BALANCE SHEET - continued
1 January 2004

For the period ended 1 January 2004 the Church was exempt from audit of its financial statements.

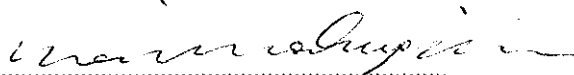
We acknowledge responsibilities for ensuring that the Church keeps accounting records which comply with the Companies Act 1985, and preparing financial statements which give a true and fair view of the state of affairs of the Church as at the end of the financial period and of its surplus for the financial period and which comply with the Companies Act 1985 relating to accounts, so far as applicable to the Church.

These financial statements have been prepared in accordance with the special provisions of Statutory Instrument 1990 No 440 relating to overseas companies.

ON BEHALF OF THE TRUSTEES:



Richard Wilkins - Treasurer



Massimo Angius - Secretary

Approved by the Trustees on 30th March 2005

NOTES TO THE FINANCIAL STATEMENTS
For The Period 3 January 2003 to 1 January 2004

1. **STATUS**

The Church of Scientology Religious Education College Inc was incorporated as a non-profit making religious organisation under the South Australia Associations Incorporation Act 1956-65 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, which are set out below, have remained unchanged from the previous period.

Income

Income is the total amount receivable by the Church for spiritual counselling and religious instruction given to individuals together with materials supplied, donations, and income from related activities provided to other churches and organisations.

Tangible fixed assets

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

Freehold property	- 2% on cost
Fixtures and fittings	- 10% on cost
Computer equipment	- 33% on cost
Motor vehicles	- 25% on cost

The short leasehold property is amortised over the period of the lease.

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.

Consolidation

The financial statements of the subsidiary companies have not been incorporated into a consolidated set of financial statements because the Trustees do not consider that the additional expense involved would be of any benefit to the members.

Donations received for capital expenditure

Donations received for capital expenditure are dealt with through reserves.

The Trustees of the Church consider that this policy is necessary to enable users of these financial statements to more fully appreciate the true financial position of the Church, as these donations do not form part of the income from the normal activities of the Church.

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Period 3 January 2003 to 1 January 2004

Taxation

The Church is a South Australian charity, and is established in England for charitable purposes only. The trustees consider that corporation tax is therefore not applicable. References to taxation and deferred taxation are included solely to comply with accounting standards.

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

An analysis of income by geographical region has not been provided.

The operating surplus is stated after charging/(crediting):

	Period 3/1/03 to 1/1/04 £	Period 4/1/02 to 2/1/03 £
Depreciation - owned assets	459,230	444,802
Loss on disposal of fixed assets	1,675	5,147
Foreign exchange differences	<u>(923,488)</u>	<u>(1,687,137)</u>

During the period there were the following transactions with other Scientology organisations:

	Period 3/1/03 to 1/1/04 £	Period 4/1/02 to 2/1/03 £
Income	352,263	517,513
Expenditure	<u>2,032,065</u>	<u>1,861,132</u>

4. TRUSTEES

	Period 3/1/03 to 1/1/04 £	Period 4/1/02 to 2/1/03 £
Management remuneration in respect of trustees	<u>4,964</u>	<u>4,006</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Period 3 January 2003 to 1 January 2004

5. INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable and similar charges includes the following:

	Period 3/1/03 to 1/1/04 £	Period 4/1/02 to 2/1/03 £
On bank overdrafts and other loans repayable within 5 years		
- otherwise than by instalments	110,326	95,287
- by instalments	<u>9,320</u>	<u>7,339</u>
	<u>119,646</u>	<u>102,626</u>

6. TAXATION

Analysis of the tax charge

The tax charge on the surplus on ordinary activities for the period was as follows:

	Period 3/1/03 to 1/1/04 £	Period 4/1/02 to 2/1/03 £
UK Corporation tax:		
- Current period	30,649	24,373
- Prior period	<u>(2,991)</u>	<u>102,114</u>
Total current tax	27,658	126,487
Deferred tax (note 14)	<u>567,000</u>	<u>410,000</u>
	<u>594,658</u>	<u>536,487</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Period 3 January 2003 to 1 January 2004

7. TANGIBLE FIXED ASSETS

	Freehold property £	Short leasehold £	Fixtures and fittings £	Motor vehicles £	Totals £
COST					
At 3 January 2003	8,969,800	84,876	4,298,702	217,330	13,570,708
Additions	1,284	3,420	248,929	14,863	268,496
Disposals	-	-	-	(49,286)	(49,286)
At 1 January 2004	<u>8,971,084</u>	<u>88,296</u>	<u>4,547,631</u>	<u>182,907</u>	<u>13,789,918</u>
DEPRECIATION					
At 3 January 2003	537,193	19,684	3,541,678	153,184	4,251,739
Charge for period	179,422	6,124	220,938	52,746	459,230
Eliminated on disposal	-	-	-	(46,861)	(46,861)
At 1 January 2004	<u>716,615</u>	<u>25,808</u>	<u>3,762,616</u>	<u>159,069</u>	<u>4,664,108</u>
NET BOOK VALUE					
At 1 January 2004	<u>8,254,469</u>	<u>62,488</u>	<u>785,015</u>	<u>23,838</u>	<u>9,125,810</u>
At 2 January 2003	<u>8,432,607</u>	<u>65,192</u>	<u>757,024</u>	<u>64,146</u>	<u>9,318,969</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Period 3 January 2003 to 1 January 2004

8. SUBSIDIARY UNDERTAKINGS

	Shares in group undertakings £
COST	
At 3 January 2003 and 1 January 2004	<u>451,000</u>
NET BOOK VALUE	
At 1 January 2004	<u>451,000</u>
At 2 January 2003	<u>451,000</u>

The company'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:			
180,000 £1 ordinary	100.00		
3 £1 non cumulative preference	100.00		
		31.12.03	31.12.02
		£	£
Aggregate capital and reserves		885,585	836,153
Profit after tax for the year, not dealt with in the Church financial statements		<u>49,432</u>	<u>412</u>

SOR Services (UK) Limited

Nature of business: Provided bookkeeping services

	% holding		
Class of shares:			
1000 £1 ordinary	100.00		
		31.12.03	31.12.02
		£	£
Aggregate capital and reserves		21,434	18,026
Profit after tax for the year, not dealt with in the Church financial statements		<u>3,408</u>	<u>2,254</u>

9. STOCKS

	Period 3/1/03 to 1/1/04 £	Period 4/1/02 to 2/1/03 £
Religious books and artefacts	<u>1,683,542</u>	<u>1,795,458</u>

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

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Period 3 January 2003 to 1 January 2004

10. DEBTORS

	2004 £	2003 £
Amounts due in more than one year:		
Deferred tax (note 14)	773,000	1,340,000
Amounts due in less than one year:		
Loan receivable	1,526	1,526
Due from associated organisation	11,767	17,041
Loan receivable from other organisations	119,926	-
Prepayments and accrued income	<u>2,534,406</u>	<u>2,421,731</u>
	<u>2,667,625</u>	<u>2,440,298</u>

Prepayments and accrued income at 1 January 2004 includes £2,510,156 (2003: £2,399,124) in respect of prepaid staff development costs.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Hire purchase contracts	51,552	73,712
Amounts owed to group undertakings	393,103	393,248
Tax	112,519	85,595
Social security and other taxes	34,910	32,581
Accruals and other creditors	<u>367,784</u>	<u>465,933</u>
	<u>959,868</u>	<u>1,051,069</u>

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2004 £	2003 £
Finance leases and hire purchase contracts		
- due in 1 to 2 years	26,144	51,705
- due in 2 to 5 years	-	18,469
Deferred income and other creditors	<u>20,000</u>	<u>24,000</u>
	<u>46,144</u>	<u>94,174</u>

13. LONG TERM LOANS

	2004 £	2003 £
Loans from associated churches	<u>484,913</u>	<u>525,712</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Period 3 January 2003 to 1 January 2004

14. DEFERRED TAX

	£
At 3 January 2003	1,340,000
Transfer to income and expenditure account	<u>(567,000)</u>
At 1 January 2004	<u>773,000</u>

The balance at the end of the period comprises:

	1 January 2004 £	2 January 2003 £
Tax losses	789,000	1,358,000
Accelerated capital allowances	<u>(16,000)</u>	<u>(18,000)</u>
	<u>773,000</u>	<u>1,340,000</u>

15. ACCUMULATED FUNDS

	Capital funds £	General funds £	Total funds £
At 3 January 2003	6,773,043	(64,541)	6,708,502
Retained surplus for the period	-	911,164	911,164
At 1 January 2004	<u>6,773,043</u>	<u>846,623</u>	<u>7,619,666</u>