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**CHURCH OF SCIENTOLOGY RELIGIOUS  
EDUCATION COLLEGE INC**

FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED

2 JANUARY 2003

**Company No F9154**

# CHURCH OF SCIENTOLOGY RELIGIOUS EDUCATION COLLEGE INC

## FINANCIAL STATEMENTS

For the period ended 2 January 2003

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<b>INDEX</b>	<b>PAGE</b>
Chartered accountants' report	1
Principal accounting policies	2
Income and expenditure account	4
Balance sheet	5
Notes to the financial statements	6

**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 19 July 2004, 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 you have given 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 for 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 2 January 2003 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 Thornton UK LLP*

**GRANT THORNTON UK LLP**  
**CHARTERED ACCOUNTANTS**  
**GATWICK**  
22 December 2004

# CHURCH OF SCIENTOLOGY RELIGIOUS EDUCATION COLLEGE INC

## PRINCIPAL ACCOUNTING POLICIES

For the period ended 2 January 2003

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### **Basis of accounting**

In accordance with Financial Reporting Standard No 18, the trustees have reviewed the accounting policies to be satisfied that they are the most appropriate. As a result they have decided:

- a) to include the relevant deferred tax disclosures as required by the Financial Reporting Standard No 19, which applies for the first time this period
- b) to gross up income and expenditure for shop and refectory activities where previously only the net surplus was included
- c) to provide more detail about transactions with other Scientology organisations.

Comparatives have been restated as appropriate.

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 apart from the changes set out above.

### **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.

### **Depreciation**

Depreciation is calculated to write down the cost of all tangible fixed assets by the straight line method over their expected useful lives.

The annual rates generally applicable are:

Freehold buildings	2%
Furniture, fixtures and equipment	10%
Computer equipment	33%
Motor vehicles	25%

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 have been translated into sterling at the rates of exchange ruling at the balance sheet date.

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 in view of the immaterial amounts involved.

# CHURCH OF SCIENTOLOGY RELIGIOUS EDUCATION COLLEGE INC

## PRINCIPAL ACCOUNTING POLICIES

For the period ended 2 January 2003

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### **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.

### **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.

# CHURCH OF SCIENTOLOGY RELIGIOUS EDUCATION COLLEGE INC

## INCOME AND EXPENDITURE ACCOUNT

For the period ended 2 January 2003

	Note	52 weeks ended 2 January 2003 £	53 weeks ended 3 January 2002 (restated) £
Income	2	8,353,743	9,204,860
Expenditure		<u>(6,477,851)</u>	<u>(8,922,040)</u>
Operating surplus		1,875,892	282,820
Interest receivable		81,243	107,508
Interest payable and similar charges	4	<u>(102,626)</u>	<u>(140,556)</u>
Surplus on ordinary activities before taxation	2	1,854,509	249,772
Tax on surplus on ordinary activities	5	<u>(536,487)</u>	<u>(50,000)</u>
Surplus retained for the financial period	14	<u>1,318,022</u>	<u>199,772</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

**CHURCH OF SCIENTOLOGY RELIGIOUS EDUCATION COLLEGE INC**

**BALANCE SHEET AT 2 JANUARY 2003**

	Note	2 January 2003		3 January 2002 (restated)	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	6		9,318,967		9,399,130
Subsidiary undertakings	7		451,000		451,000
			<u>9,769,967</u>		<u>9,850,130</u>
<b>Current assets</b>					
Stocks	8	1,795,458		1,906,634	
Debtors	9				
- amount due in more than one year		1,340,000		1,750,000	
- amounts due in less than one year		2,440,298		1,889,075	
Bank balances and cash		4,021,551		3,443,980	
			<u>9,597,307</u>		<u>8,989,689</u>
<b>Creditors: amounts falling due within one year</b>	10		<u>1,051,069</u>		<u>827,078</u>
<b>Net current assets</b>			<u>8,546,238</u>		<u>8,162,611</u>
<b>Total assets less current liabilities</b>			<u>18,316,205</u>		<u>18,012,741</u>
<b>Creditors: amounts falling due after more than one year</b>	11		<u>94,174</u>		<u>88,767</u>
			<u>18,222,031</u>		<u>17,923,974</u>
<b>Financed by:</b>					
Amounts due to associated churches			10,801,296		11,722,460
Parishioners' donations received in advance			186,526		210,355
Long term loans	12		525,712		600,684
Accumulated funds	14		6,708,497		5,390,475
			<u>18,222,031</u>		<u>17,923,974</u>

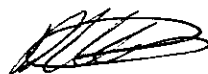
For the period ended 2 January 2003 the Church was exempt from audit of its financial statements.

We acknowledge our 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 relating to accounts, so far as applicable to the company.

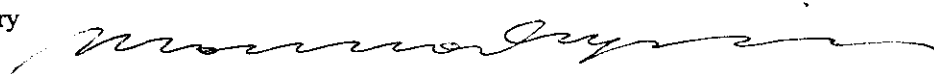
These financial statements have been prepared in accordance with the special provisions of Statutory Instrument 1990 No 440 relating to overseas companies.

The financial statements were approved by the Trustees on 22 December 2004

R WILKINS - Treasurer



MASSIMO ANGIUS - Secretary



The accompanying accounting policies and notes form an integral part of these financial statements.

# CHURCH OF SCIENTOLOGY RELIGIOUS EDUCATION COLLEGE INC

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 January 2003

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### 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 INCOME AND SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

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

The surplus on ordinary activities before taxation is stated after:

	52 weeks ended 2 January 2003 £	53 weeks ended 3 January 2002 £
Depreciation	444,802	253,119
Net currency conversion (gains)/losses	(1,687,137)	507,910
Loss on disposal of fixed assets	<u>5,147</u>	<u>1,450</u>

The comparatives for income and expenditure have both been increased by £673,398 to be consistent with classifications of activities in the current period.

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

	52 weeks ended 2 January 2003 £	53 weeks ended 3 January 2002 £
Income	517,513	875,644
Expenditure	<u>1,861,132</u>	<u>1,936,602</u>

### 3 TRUSTEES

	52 weeks ended 2 January 2003 £	53 weeks ended 3 January 2002 £
Management remuneration in respect of trustees	<u>4,006</u>	<u>4,868</u>

### 4 INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks ended 2 January 2003 £	53 weeks ended 3 January 2002 £
On bank overdrafts and other loans repayable within 5 years		
- otherwise than by instalments	95,287	107,682
- by instalments	<u>7,339</u>	<u>32,874</u>
	<u>102,626</u>	<u>140,556</u>



# CHURCH OF SCIENTOLOGY RELIGIOUS EDUCATION COLLEGE INC

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 January 2003

### 5 TAX ON SURPLUS ON ORDINARY ACTIVITIES

	52 weeks ended 2 January 2003 £	53 weeks ended 3 January 2002 (restated) £
UK corporation tax		
- current period	24,373	-
- prior period	102,114	-
	<u>126,487</u>	<u>-</u>
Deferred tax (note 13)	410,000	50,000
	<u>536,487</u>	<u>50,000</u>

### 6 TANGIBLE FIXED ASSETS

	Freehold property £	Short leasehold property £	Furniture, fixtures and equipment £	Motor vehicles £	Total £
Cost					
At 4 January 2002	8,960,100	85,972	3,971,267	195,401	13,212,740
Additions	9,700	645	327,435	31,879	369,659
Disposals	-	(1,741)	-	(9,950)	(11,691)
At 2 January 2003	<u>8,969,800</u>	<u>84,876</u>	<u>4,298,702</u>	<u>217,330</u>	<u>13,570,708</u>
Depreciation					
At 4 January 2002	357,797	16,182	3,329,406	110,225	3,813,610
Provided in the period	179,396	4,199	212,273	48,934	444,802
Disposals	-	(696)	-	(5,975)	(6,671)
At 2 January 2003	<u>537,193</u>	<u>19,685</u>	<u>3,541,679</u>	<u>153,184</u>	<u>4,251,741</u>
Net book amount at 2 January 2003	<u>8,432,607</u>	<u>65,191</u>	<u>757,023</u>	<u>64,146</u>	<u>9,318,967</u>
Net book amount at 3 January 2002	<u>8,602,303</u>	<u>69,790</u>	<u>641,861</u>	<u>85,176</u>	<u>9,399,130</u>

# CHURCH OF SCIENTOLOGY RELIGIOUS EDUCATION COLLEGE INC

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 January 2003

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### 7 SUBSIDIARY UNDERTAKINGS

<b>Shares at cost</b>	<b>£</b>
At 4 January 2002 and 2 January 2003	<u>451,000</u>

At 2 January 2003 the subsidiary undertakings, which were wholly owned and incorporated in England and Wales, comprised:

Subsidiary	Nature of business	Amount and class of share capital
Nesta Investments Limited	Holding of investment properties	180,000 £1 ordinary; 3 £1 non cumulative preference
SOR Services (UK) Limited	Provided bookkeeping services	1,000 £1 ordinary

The results of the subsidiary undertakings for the year ended 31 December 2002, not dealt with in the Church financial statements were as follows:

	Profit after tax £	Aggregate capital and reserves £
Nesta Investments Limited	<u>412</u>	<u>836,153</u>
SOR Services (UK) Limited	<u>2,254</u>	<u>18,026</u>

### 8 STOCKS

	2 January 2003 £	3 January 2002 £
Religious books and artefacts	<u>1,795,458</u>	<u>1,906,634</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

For the period ended 2 January 2003

### 9 DEBTORS

	2 January 2003 £	3 January 2002 £
Amounts due in more than one year:		
Deferred tax (note 13)	<u>1,340,000</u>	<u>1,750,000</u>
Amounts due in less than one year:		
Prepayments and accrued income	2,421,731	1,741,498
Tax recoverable	-	36,057
Loan receivable	1,526	1,526
Due from associated organisation	<u>17,041</u>	<u>109,994</u>
	<u>2,440,298</u>	<u>1,889,075</u>

Prepayments and accrued income at 2 January 2003 includes £2,399,124 (2002: £1,725,899) in respect of prepaid staff development costs.

### 10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2 January 2003 £	3 January 2002 £
Bank overdraft	-	17,328
Due to subsidiary undertaking	393,248	393,565
Corporation tax	85,595	-
Social security and other taxes	32,581	20,945
Finance leases and hire purchase instalments	73,712	28,981
Accruals and other creditors	<u>465,933</u>	<u>366,259</u>
	<u>1,051,069</u>	<u>827,078</u>

### 11 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2 January 2003 £	3 January 2002 £
Finance leases and hire purchase instalments		
- due in 1 to 2 years	51,705	27,082
- due in 2 to 5 years	<u>18,469</u>	<u>33,685</u>
	70,174	60,767
Deferred income and other creditors	<u>24,000</u>	<u>28,000</u>
	<u>94,174</u>	<u>88,767</u>

**CHURCH OF SCIENTOLOGY RELIGIOUS EDUCATION COLLEGE INC**

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 2 January 2003

**12 LONG TERM LOANS**

	2 January 2003 £	3 January 2002 £
Loans from associated churches	<u>525,712</u>	<u>600,684</u>

**13 DEFERRED TAX**

		£
At 4 January 2002		1,750,000
Transfer to income and expenditure account		<u>(410,000)</u>
At 2 January 2003		<u>1,340,000</u>

The balance at the end of the period comprises:

	2 January 2003 £	3 January 2002 £
Tax losses	1,358,000	1,756,000
Accelerated capital allowances	<u>(18,000)</u>	<u>(6,000)</u>
	<u>1,340,000</u>	<u>1,750,000</u>

**14 ACCUMULATED FUNDS**

	Capital funds £	General funds £	Total funds £
At 4 January 2002			
As previously stated	6,773,043	(3,132,568)	3,640,475
Prior year adjustment for deferred tax asset	-	1,750,000	1,750,000
At 4 January 2002 as restated	<u>6,773,043</u>	<u>(1,382,568)</u>	<u>5,390,475</u>
Surplus retained for the period	-	1,318,022	1,318,022
At 2 January 2003	<u>6,773,043</u>	<u>(64,546)</u>	<u>6,708,497</u>