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FINANCIAL STATEMENTS
FOR THE PERIOD 52 WEEKS ENDED 31 DECEMBER 2004
FOR
Church of Scientology
Religious Education College Inc


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**Church of Scientology
Religious Education College Inc**

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For The Period 2 January 2004 to 31 December 2004**

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Church of Scientology
Religious Education College Inc

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

In accordance with our terms of engagement and in order to assist you to fulfil your duties under the Companies Act 1985, we have compiled the financial statements of the Church for the period ended 31 December 2004 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, as a body, 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 Board of Directors 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 & 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 as at 31 December 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: *5 January 2006*

Church of Scientology
Religious Education College Inc

INCOME AND EXPENDITURE ACCOUNT
For The Period 2 January 2004 to 31 December 2004

	Notes	Period 2/1/04 to 31/12/04 £	Period 3/1/03 to 1/1/04 £
INCOME		9,822,963	10,129,645
Expenditure		<u>10,243,242</u>	<u>8,606,339</u>
		(420,279)	1,523,306
Other operating income		<u>237,731</u>	<u>-</u>
OPERATING (LOSS)/SURPLUS	3	(182,548)	1,523,306
Interest receivable and similar income		<u>334,822</u>	<u>102,162</u>
		152,274	1,625,468
Interest payable and similar charges	5	<u>114,345</u>	<u>119,646</u>
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		37,929	1,505,822
Tax on surplus on ordinary activities	6	<u>8,114</u>	<u>594,658</u>
SURPLUS FOR THE FINANCIAL PERIOD AFTER TAXATION		<u>29,815</u>	<u>911,164</u>
RETAINED SURPLUS FOR THE PERIOD		<u>29,815</u>	<u>911,164</u>

The notes form part of these financial statements

Church of Scientology
Religious Education College Inc

BALANCE SHEET
31 December 2004

	Notes	31 December 2004		1 January 2004	
		£	£	£	£
FIXED ASSETS					
Tangible assets	7		9,032,503		9,125,810
Subsidiary undertakings	8		<u>451,000</u>		<u>451,000</u>
			9,483,503		9,576,810
CURRENT ASSETS					
Stocks	9	1,560,808		1,683,542	
Debtors					
- amount due in more than one year	10	768,000		773,000	
- amount due in less than one year	10	2,415,668		2,667,625	
Cash at bank and in hand		<u>5,601,247</u>		<u>4,718,852</u>	
		10,345,723		9,843,019	
CREDITORS					
Amounts falling due within one year	11	<u>921,832</u>		<u>959,868</u>	
NET CURRENT ASSETS			<u>9,423,891</u>		<u>8,883,151</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			18,907,394		18,459,961
CREDITORS					
Amounts falling due after more than one year	12		<u>1,818</u>		<u>46,144</u>
			<u>18,905,576</u>		<u>18,413,817</u>
RESERVES					
Amounts due to associated churches			10,570,598		10,117,160
Parishioners' donations received in advance			200,584		192,078
Long term loans	13		484,913		484,913
Accumulated funds	15		<u>7,649,481</u>		<u>7,619,666</u>
			<u>18,905,576</u>		<u>18,413,817</u>

The notes form part of these financial statements

Church of Scientology
Religious Education College Inc


BALANCE SHEET - continued
31 December 2004

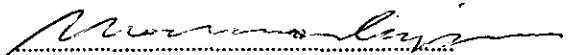
For the period ended 31 December 2004 the Church was exempt from audit of its financial statements.

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


.....
Massimo Angius

Approved by the Trustees on 5 Jan 2006

NOTES TO THE FINANCIAL STATEMENTS
For The Period 2 January 2004 to 31 December 2004

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, 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 2 January 2004 to 31 December 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 (LOSS)/SURPLUS

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

The operating loss (2004 - operating surplus) is stated after charging/(crediting):

	Period 2/1/04 to 31/12/04 £	Period 3/1/03 to 1/1/04 £
Depreciation - owned assets	458,695	459,230
Loss on disposal of fixed assets	4,142	1,675
Foreign exchange differences	<u>(9,539)</u>	<u>(923,488)</u>

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

	Period 2/1/04 to 31/12/04 £	Period 3/1/03 to 1/1/04 £
Income	427,534	352,263
Expenditure	<u>2,291,602</u>	<u>2,032,065</u>

4. TRUSTEES

	Period 2/1/04 to 31/12/04 £	Period 3/1/03 to 1/1/04 £
Management remuneration in respect of trustees	<u>5,520</u>	<u>4,964</u>

Church of Scientology
Religious Education College Inc

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Period 2 January 2004 to 31 December 2004

5. INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable and similar charges includes the following:

	Period 2/1/04 to 31/12/04 £	Period 3/1/03 to 1/1/04 £
On bank overdrafts and other loans repayable within 5 years		
- otherwise than by instalments	105,326	110,326
- by instalments	<u>9,019</u>	<u>9,320</u>
	<u>114,345</u>	<u>119,646</u>

6. TAXATION

Analysis of the tax charge

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

	Period 2/1/04 to 31/12/04 £	Period 3/1/03 to 1/1/04 £
UK corporation tax:		
- Current period	3,114	30,649
- Prior period	<u>-</u>	<u>(2,991)</u>
Total current tax	3,114	27,658
Deferred tax (note 14)	<u>5,000</u>	<u>567,000</u>
	<u>8,114</u>	<u>594,658</u>

Church of Scientology
Religious Education College Inc

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Period 2 January 2004 to 31 December 2004

7. TANGIBLE FIXED ASSETS

	Freehold property £	Short leasehold £	Fixtures and fittings £	Motor vehicles £	Totals £
COST					
At 2 January 2004	8,971,084	88,296	4,547,631	182,907	13,789,918
Additions	7,348	505	281,382	85,886	375,121
Disposals	-	-	(4,372)	(37,550)	(41,922)
At 31 December 2004	<u>8,978,432</u>	<u>88,801</u>	<u>4,824,641</u>	<u>231,243</u>	<u>14,123,117</u>
DEPRECIATION					
At 2 January 2004	716,615	25,808	3,762,616	159,069	4,664,109
Charge for period	180,317	6,345	243,084	28,949	458,695
Eliminated on disposal	-	-	-	(32,188)	(32,188)
At 31 December 2004	<u>896,932</u>	<u>32,153</u>	<u>4,005,700</u>	<u>155,830</u>	<u>5,090,615</u>
NET BOOK VALUE					
At 31 December 2004	<u>8,081,500</u>	<u>56,648</u>	<u>818,941</u>	<u>75,413</u>	<u>9,032,502</u>
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>

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Period 2 January 2004 to 31 December 2004

8. SUBSIDIARY UNDERTAKINGS

	Shares in group undertakings £
COST	
At 2 January 2004 and 31 December 2004	<u>451,000</u>
NET BOOK VALUE	
At 31 December 2004	<u>451,000</u>
At 1 January 2004	<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

	%		
Class of shares:	holding		
180,000 £1 ordinary	100.00		
3 £1 non cumulative preference	100.00		
		31.12.04	31.12.03
		£	£
Aggregate capital and reserves		958,064	885,585
Profit for the year		<u>72,479</u>	<u>49,432</u>

SOR Services (UK) Limited

Nature of business: Provided bookkeeping services

	%		
Class of shares:	holding		
1000 £1 ordinary	100.00		
		31.12.04	31.12.03
		£	£
Aggregate capital and reserves		24,248	21,434
Profit for the period		<u>3,814</u>	<u>3,408</u>

9. STOCKS

	Period 2/1/04 to 31/12/04 £	Period 3/1/03 to 1/1/04 £
Religious books and artefacts	<u>1,560,808</u>	<u>1,683,542</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 2 January 2004 to 31 December 2004

10. DEBTORS

	31.12.2004	01.01.2004
	£	£
Amounts due in more than one year:		
Deferred tax (note 14)	768,000	773,000
Amounts due in less than one year:		
Loan receivable	-	1,526
Due from associated organisation	7,464	11,767
Loan receivable from other organisations	-	119,926
VAT	81,777	-
Prepayments and accrued income	<u>2,326,427</u>	<u>2,534,406</u>
	<u>2,415,668</u>	<u>2,667,625</u>

Prepayments and accrued income at 31 December 2004 includes £2,310,765 (1 Jan 04: £2,510,156) in respect of prepaid staff development costs.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.2004	01.01.2004
	£	£
Hire purchase contracts	18,785	51,552
Amounts owed to group undertakings	393,085	393,103
Tax	31,841	112,519
Social security and other taxes	8,768	34,910
Accruals and other creditors	<u>469,353</u>	<u>367,784</u>
	<u>921,832</u>	<u>959,868</u>

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

	31.12.2004	01.01.2004
	£	£
Finance leases and hire purchase contracts		
- due on 1 to 2 years	1,818	26,144
Deferred income and other creditors	<u>-</u>	<u>20,000</u>
	<u>1,818</u>	<u>46,144</u>

13. LONG TERM LOANS

	31.12.2004	01.01.2004
	£	£
Loans from associated churches	<u>484,913</u>	<u>484,913</u>

Church of Scientology
Religious Education College Inc

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Period 2 January 2004 to 31 December 2004

14. DEFERRED TAX

	£
Balance at 2 January 2004	773,000
Transfer to income and expenditure account	<u>(5,000)</u>
Balance at 31 December 2004	<u>768,000</u>

The balance at the end of the period comprises:	31 December 2004	1 January 2004
	£	£
Tax losses	789,000	789,000
Accelerated capital allowances	<u>(21,000)</u>	<u>(16,000)</u>
	<u>768,000</u>	<u>773,000</u>

15. ACCUMULATED FUNDS

	Capital funds	General funds	Total funds
	£	£	£
At 1 January 2004	6,773,043	846,623	7,619,666
Retained surplus for the period	<u>-</u>	<u>29,815</u>	<u>29,815</u>
At 31 December 2004	<u>6,773,043</u>	<u>876,438</u>	<u>7,649,481</u>