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**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**  
**FOR**  
**Church of Scientology**  
**Religious Education College Inc**

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For The Year Ended 31 December 2006**

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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 year ended 31 December 2006 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 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 & 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 2006 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

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: . . . 29 January 2008 . . .

**Church of Scientology  
Religious Education College Inc**

**INCOME AND EXPENDITURE ACCOUNT  
For The Year Ended 31 December 2006**

	Notes	Year to 31/12/06 £	Year to 31/12/05 £
<b>INCOME</b>		<b>11,424,607</b>	<b>10,311,696</b>
Expenditure		<u>11,990,016</u>	<u>10,372,066</u>
<b>OPERATING DEFICIT</b>	<b>3</b>	<b>(565,409)</b>	<b>(60,370)</b>
Interest receivable and similar income		<u>224,087</u>	<u>197,854</u>
		<b>(341,322)</b>	<b>137,484</b>
Interest payable and similar charges	<b>5</b>	<u>332,198</u>	<u>295,036</u>
<b>DEFICIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(673,520)</b>	<b>(157,552)</b>
Tax on deficit on ordinary activities	<b>6</b>	<u>253,000</u>	<u>69,363</u>
<b>DEFICIT FOR THE YEAR AFTER TAXATION</b>		<b><u>(420,520)</u></b>	<b><u>(88,189)</u></b>
<b>RETAINED DEFICIT FOR THE YEAR</b>		<b><u>(420,520)</u></b>	<b><u>(88,189)</u></b>

The notes form part of these financial statements

**Church of Scientology  
Religious Education College Inc**

**BALANCE SHEET  
31 December 2006**

	Notes	31 December 2006		31 December 2005	
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	7		12,642,757		881,988
Subsidiary undertakings	8		<u>451,000</u>		<u>451,000</u>
			13,093,757		9,332,988
<b>CURRENT ASSETS</b>					
Stocks	9	1,258,180		1,488,629	
Debtors					
- amount due in more than one year	10	1,070,000		817,000	
- amount due in less than one year	10	2,440,349		2,391,920	
Cash at bank and in hand			<u>8,414,329</u>		<u>6,749,972</u>
			13,182,858		11,447,521
<b>CREDITORS</b>					
Amounts falling due within one year	11		<u>15,076,691</u>		<u>12,521,914</u>
<b>NET CURRENT ASSETS</b>					
			<u>(1,893,833)</u>		<u>(1,074,393)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
			11,199,924		8,258,595
<b>CREDITORS</b>					
Amounts falling due after more than one year	12		<u>3,832,063</u>		<u>484,913</u>
			<u>7,367,861</u>		<u>7,773,682</u>
<b>RESERVES</b>					
Parishioners' donations received in advance			227,089		212,390
Accumulated funds	14		<u>7,140,772</u>		<u>7,561,292</u>
			<u>7,367,861</u>		<u>7,773,682</u>

The notes form part of these financial statements

**Church of Scientology  
Religious Education College Inc**

**BALANCE SHEET - continued  
31 December 2006**

For the year ended 31 December 2006 the Church was exempt from audit of its financial statements

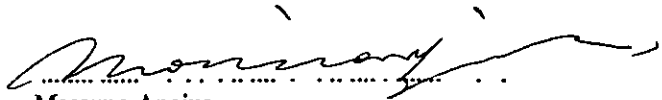
We acknowledge our responsibilities for ensuring that the Church keeps accounting records which comply with the Companies Act 1985, and preparing financial statements which give a true and fair view of the state of affairs of the Church as at the end of each financial year and of its deficit for the financial year 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 29/1/08 .....

**NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended 31 December 2006**

**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 represents the combined income from all the individual organisations of the Church in respect of 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% & 20% on cost
Computer equipment	- 33 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.

**Grants received**

During the year a grant was received towards property improvements from a grant-making association. The grant will be recognised in the profit and loss account in future periods over the expected useful life of the asset.

**NOTES TO THE FINANCIAL STATEMENTS - continued  
For The Year Ended 31 December 2006**

**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 DEFICIT**

The operating deficit (2005 - operating deficit) is stated after charging/(crediting)

	Year to 31/12/06 £	Year to 31/12/05 £
Depreciation - owned assets	497,059	414,842
Depreciation - leased assets	165,227	6,336
Loss on disposal of fixed assets	21,090	8,692
Grants released	(32,798)	-
Foreign exchange differences	<u>178,982</u>	<u>108,539</u>

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

	Year to 31/12/06 £	Year to 31/12/05 £
Income	949,506	444,237
Expenditure	<u>2,968,963</u>	<u>2,803,093</u>

**4. TRUSTEES**

	Year to 31/12/06 £	Year to 31/12/05 £
Management remuneration in respect of trustees	<u>4,295</u>	<u>3,499</u>



NOTES TO THE FINANCIAL STATEMENTS - continued  
For The Year Ended 31 December 2006

5 INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable and similar charges includes the following:

	Year to 31/12/06 £	Year to 31/12/05 £
On bank overdrafts and other loans repayable within 5 years		
- otherwise than by instalments	214,733	290,551
- by instalments	<u>117,465</u>	<u>4,485</u>
	<u>332,198</u>	<u>295,036</u>

6. TAXATION

Analysis of the tax charge

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

	Year to 31/12/06 £	Year to 31/12/05 £
UK corporation tax.		
- Current period	-	-
- Prior period	<u>-</u>	<u>(20,363)</u>
Total current tax	-	(20,363)
Deferred tax (note 13)	<u>(253,000)</u>	<u>(49,000)</u>
	<u>(253,000)</u>	<u>(69,363)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
For The Year Ended 31 December 2006

7. TANGIBLE FIXED ASSETS

	Freehold property £	Short leasehold £	Fixtures and fittings £	Motor vehicles £	Totals £
<b>COST</b>					
At 1 January 2006	9,057,185	89,479	5,007,152	191,922	14,345,738
Additions	1,270,045	2,971,293	1,549,255	20,950	5,811,543
Disposals	-	-	(111,756)	(32,464)	(144,220)
Grants	<u>(1,265,635)</u>	<u>-</u>	<u>(134,361)</u>	<u>-</u>	<u>(1,399,996)</u>
At 31 December 2006	<u>9,061,595</u>	<u>3,060,772</u>	<u>6,310,290</u>	<u>180,408</u>	<u>18,613,065</u>
<b>DEPRECIATION</b>					
At 1 January 2006	1,075,598	38,490	4,206,335	143,327	5,463,750
Charge for period	194,391	165,228	276,881	25,786	662,286
Eliminated on disposal	-	-	(95,346)	(27,584)	(122,930)
Grants released	<u>(12,656)</u>	<u>-</u>	<u>(20,142)</u>	<u>-</u>	<u>(32,798)</u>
At 31 December 2006	<u>1,257,333</u>	<u>203,718</u>	<u>4,367,728</u>	<u>141,529</u>	<u>5,970,308</u>
<b>NET BOOK VALUE</b>					
At 31 December 2006	<u>7,804,262</u>	<u>2,857,054</u>	<u>1,942,562</u>	<u>38,879</u>	<u>12,642,757</u>
At 31 December 2005	<u>7,981,587</u>	<u>50,989</u>	<u>800,817</u>	<u>48,595</u>	<u>8,881,988</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
For The Year Ended 31 December 2006

8 SUBSIDIARY UNDERTAKINGS

	Shares in group undertakings £
<b>COST</b>	
At 1 January 2006 and 31 December 2006	<u>451,000</u>
<b>NET BOOK VALUE</b>	
At 31 December 2006	<u>451,000</u>
At 31 December 2005	<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	31/12/06	31/12/05
180,000 £1 ordinary	100.00	£	£
3 £1 non cumulative preference	100.00	998,063	959,696
Aggregate capital and reserves		<u>66</u>	<u>(38)</u>
Profit/(Loss) for the year			

**SOR Services (UK) Limited**

Nature of business Providing bookkeeping services

	%		
Class of shares	holding	31/12/06	31/12/05
1000 £1 ordinary	100.00	£	£
Aggregate capital and reserves		29,587	25,026
Profit/(Loss) for the period		<u>4,531</u>	<u>(192)</u>

9. STOCKS

	Year to 31/12/06 £	Year to 31/12/05 £
Religious books and artefacts	<u>1,258,180</u>	<u>1,488,629</u>

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

NOTES TO THE FINANCIAL STATEMENTS - continued  
For The Year to 31 December 2006

10 DEBTORS

	31/12/2006	31/12/2005
	£	£
Amounts due in more than one year:		
Deferred tax (note 13)	1,070,000	817,000
Amounts due in less than one year:		
Corporation Tax	4,439	1,906
Loan receivable from other organisations	9,887	12,230
Prepayments and accrued income	<u>2,426,023</u>	<u>2,377,784</u>
	<u>2,440,349</u>	<u>2,391,920</u>

Prepayments and accrued income at 31 December 2006 includes £2,400,205 (31 December 2005: £2,339,118) in respect of prepaid staff development costs.

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31/12/2006	31/12/2005
	£	£
Hire purchase contracts	14,766	218
Amounts owed to group undertakings	393,073	393,102
Social security and other taxes	18,257	10,189
VAT	21,881	16,282
Accruals and other creditors	<u>14,628,714</u>	<u>12,102,123</u>
	<u>15,076,691</u>	<u>12,521,914</u>

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

	31/12/2006	31/12/2005
	£	£
Loans from other churches	484,913	484,913
Other creditor	<u>3,347,150</u>	<u>-</u>
	<u>3,832,063</u>	<u>484,913</u>

**Church of Scientology  
Religious Education College Inc**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
For The Year to 31 December 2006**

**13 DEFERRED TAX**

	£
Balance at 1 January 2006	817,000
Transfer from income and expenditure account	<u>253,000</u>
Balance at 31 December 2006	<u>1,070,000</u>

The balance at the end of the period comprises:	31/12/2006	31/12/2005
	£	£
Tax losses	1,375,000	817,000
Accelerated capital allowances	<u>(305,000)</u>	<u>(24,000)</u>
	<u>1,070,000</u>	<u>817,000</u>

**14 ACCUMULATED FUNDS**

	Capital funds £	General funds £	Total funds £
At 1 January 2006	6,773,043	788,249	7,561,292
Retained deficit for the year	-	<u>(420,520)</u>	<u>(420,520)</u>
At 31 December 2006	<u>6,773,043</u>	<u>367,729</u>	<u>7,140,772</u>