

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013
FOR
Church of Scientology
Religious Education College Inc

**Church of Scientology
Religious Education College Inc**

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For The Year Ended 31 December 2013**

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**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 2013, which comprise of the Income and Expenditure account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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 and express an opinion on the financial statements in accordance with applicable law and International Standards in Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the entity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the entity's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Matters on which we report by exception

With regard to the audit for the year ended 31 December 2013, we have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration are not made; or
- we have not received all of the information and explanations we require for our audit



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: 20 June 2014

**Church of Scientology
Religious Education College Inc**

**INCOME AND EXPENDITURE ACCOUNT
For The Year Ended 31 December 2013**

	Notes	Year to 31/12/13 £	Year to 31/12/12 £
INCOME			
From ordinary activities		12,535,163	12,837,570
 Expenditure			
On ordinary activities		<u>13,738,269</u>	<u>12,713,815</u>
OPERATING SURPLUS	3	(1,203,106)	123,755
 Interest receivable and similar income			
From ordinary activities		<u>31,149</u>	<u>28,733</u>
		(1,171,957)	152,488
 Interest payable and similar charges	5	<u>690,519</u>	<u>635,894</u>
 DEFICIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,862,476)	(483,406)
 Tax on deficit on ordinary activities	6	<u>938,000</u>	<u>(28,000)</u>
 DEFICIT FOR THE YEAR AFTER TAXATION		<u>(924,476)</u>	<u>(511,406)</u>
 RETAINED DEFICIT FOR THE YEAR		<u>(924,476)</u>	<u>(511,406)</u>

CONTINUING OPERATIONS

None of the activities were acquired or discontinued during the current or previous year.

TOTAL RECOGNISED SURPLUSES AND LOSSES

There are no recognised surpluses or losses other than the loss for the current year and the surplus for the previous year.

The notes form part of these financial statements

**Church of Scientology
Religious Education College Inc**

**BALANCE SHEET
31 December 2013**

	Notes	£	31 December 2013 £	£	31 December 2012 £
FIXED ASSETS					
Tangible assets	7		27,085,195		27,190,427
Subsidiary undertakings	8		<u>451,000</u>		<u>451,000</u>
			27,536,195		27,641,427
CURRENT ASSETS					
Stocks	9	1,145,040		1,301,273	
Debtors	10	280,001		591,950	
Cash at bank and in hand		<u>6,673,629</u>		<u>6,909,173</u>	
		8,098,670		8,802,396	
CREDITORS					
Amounts falling due within one year	11	<u>8,526,221</u>		<u>7,703,802</u>	
NET CURRENT LIABILITIES/ASSETS					
			<u>(427,551)</u>		<u>1,098,594</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
			27,108,644		28,740,021
CREDITORS					
Amounts falling due after more than one year	12		18,406,654		18,175,555
PROVISION FOR LIABILITIES					
			<u>-</u>		<u>938,000</u>
			<u>8,701,990</u>		<u>9,626,466</u>
RESERVES					
Accumulated funds	15		<u>8,701,990</u>		<u>9,626,466</u>
			<u>8,701,990</u>		<u>9,626,466</u>

The notes form part of these financial statements

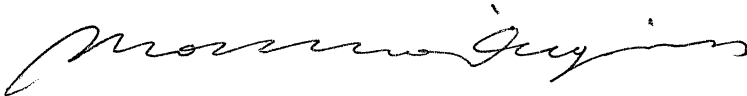
**Church of Scientology
Religious Education College Inc**

**BALANCE SHEET - continued
31 December 2013**

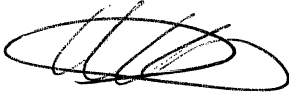
The financial statements on pages 3 to 14 were approved and authorised for issue by the trustees on *18 June 2014*

and signed on their behalf by:

NAMES OF TRUSTEES



Massimo Angius



Richard Wilkins

The notes form part of these financial statements

**Church of Scientology
Religious Education College Inc**

**CASH FLOW STATEMENT
31 December 2013**

	31 December 2013		31 December 2012	
	£	£	£	£
Cash generated from operations				
Operating (deficit)/surplus	(1,203,106)		123,755	
Reconciliation to cash generated from operations:				
Depreciation	959,215		996,964	
Loss/(Profit) on disposal of fixed assets	136,863		(192)	
Grant released	(190,473)		(189,747)	
Decrease/(Increase) in stocks	156,233		(59,298)	
Decrease in debtors	311,949		76,169	
Increase in creditors	<u>825,517</u>		<u>566,396</u>	
		996,198		1,517,047
Cash from other sources				
Interest received	31,149		28,733	
Capital grants for fixed assets	74,625		-	
Sale of fixed assets	11,728		3,092	
Loans advanced	<u>343,848</u>		<u>70,278</u>	
		461,350		102,103
Application of cash				
Interest paid	690,519		635,894	
Purchase of tangible fixed assets	<u>1,002,574</u>		<u>1,018,622</u>	
		(1,693,093)		(1,654,516)
Net (decrease)/increase in cash		(235,545)		(35,366)
Cash at bank and in hand at the beginning of the year		<u>6,909,173</u>		<u>6,944,538</u>
Cash at bank and in hand at the end of the year		<u>6,673,629</u>		<u>6,909,173</u>

The notes form part of these financial statements

**Church of Scientology
Religious Education College Inc**

**NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 2013**

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 and bank interest are recognised when received. 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 17 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

Grants are recognised in the income and expenditure account in future periods over the expected useful life of the asset.

Leasing

Rentals applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor are charged against the income and expenditure account on a straight line basis over the lease term.

Assets held under finance leases and hire purchase contracts are capitalised and depreciated over their useful lives. The corresponding lease or hire purchase obligation is treated in the balance sheet as a liability. The interest element of rental obligations is charged to the income and expenditure account over the period of the lease at a constant proportion of the outstanding balance of capital repayments.

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.

**Church of Scientology
Religious Education College Inc**

**NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 December 2013**

Taxation

Church of Scientology Religious Education College Inc was incorporated in South Australia as a religious 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.

Going concern

The trustees consider the going concern basis to be appropriate for the preparation of these financial statements. The vast majority of current liabilities are amounts owed to other Scientology organisations, with whom there has always been mutual cooperation and who are unlikely to seek repayment to the detriment of other creditors. Church of Scientology Religious Education College Inc maintain healthy balances with the bank and the trustees are confident that Church of Scientology Religious Education College Inc are in a position to be able to pay debts when they fall due.

3. OPERATING DEFICIT

The operating deficit (2012 – operating surplus) is stated after charging/(crediting):

	Year to 31/12/13 £	Year To 31/12/12 £
Depreciation - owned assets	950,944	988,248
Depreciation - leased assets	8,271	8,716
Loss/(Profit) on disposal of fixed assets	136,863	(192)
Grants released	(190,473)	(189,747)
Auditor's remuneration	30,500	29,750
Foreign exchange differences	<u>59,715</u>	<u>(245,725)</u>

4. TRUSTEES

	Year to 31/12/13 £	Year to 31/12/12 £
Management remuneration in respect of trustees	<u>6,917</u>	<u>10,038</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 December 2013

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year to 31/12/13 £	Year to 31/12/12 £
Bank charges	183,787	143,821
Loan interest	309,260	311,160
Interest on overdue debts	197,472	177,688
HMRC interest	-	3,226
	<u>690,519</u>	<u>635,894</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 31/12/13 £	Year To 31/12/12 £
UK corporation tax:		
- Current year	-	-
- Prior year	-	-
Total current tax	-	-
Deferred tax	<u>(938,000)</u>	<u>28,000</u>
	<u>(938,000)</u>	<u>28,000</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 23% (2012: 24%). The differences are explained below:

	Year to 31/12/13 £	Year to 31/12/12 £
(Deficit)/Surplus on ordinary activities before tax	<u>(1,862,476)</u>	<u>(483,406)</u>
(Deficit)/Surplus on ordinary activities multiplied by standard rate of Corporation tax in the UK of 23%/24%	<u>(428,369)</u>	<u>(116,017)</u>
Effects of:		
Expenses not deductible for tax purposes	10,861	45,600
Capital allowances for year in excess of depreciation	(22,239)	428
Utilisation of tax losses carried forward	627,020	224,907
Non taxable capital items	<u>(187,273)</u>	<u>(154,918)</u>
Current tax charge/(credit) for the year	<u>-</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 December 2013**

(c) Factors affecting future tax charge

There are tax losses of £9,570,824 (2012:£6,622,570) carried forward available for set off against future taxable profits. No deferred tax asset has been recognised in respect of these losses.

7. TANGIBLE FIXED ASSETS

	Freehold property £	Leasehold property £	Fixtures and Fittings £	Motor vehicles £	Totals £
COST					
At 1 January 2013	28,169,647	118,190	9,322,217	185,417	37,795,471
Additions	413,733	39,215	532,806	16,820	1,002,574
Disposals	<u>(6,555)</u>	<u>(2,147)</u>	<u>(4,173,620)</u>	<u>(18,102)</u>	<u>(4,200,424)</u>
At 31 December 2013	<u>28,576,825</u>	<u>155,258</u>	<u>5,681,403</u>	<u>184,135</u>	<u>34,597,621</u>
DEPRECIATION					
At 1 January 2013	3,400,466	83,948	6,956,700	163,930	10,605,044
Charge for year	490,050	5,758	449,027	14,380	959,215
Eliminated on disposal	<u>(1,553)</u>	<u>(1,660)</u>	<u>(4,032,474)</u>	<u>(16,146)</u>	<u>(4,051,833)</u>
At 31 December 2013	<u>3,888,963</u>	<u>88,046</u>	<u>3,373,253</u>	<u>162,164</u>	<u>7,512,426</u>
NET BOOK VALUE					
At 31 December 2013	<u>24,687,862</u>	<u>67,212</u>	<u>2,308,150</u>	<u>21,971</u>	<u>27,085,195</u>
At 31 December 2012	<u>24,769,181</u>	<u>34,242</u>	<u>2,365,517</u>	<u>21,487</u>	<u>27,190,427</u>

Included in the total net book value of tangible fixed assets held at 31 December 2013 was £34,269 (2012:£30,449) in respect of assets held under hire purchase contracts.

The cost of depreciable assets included in freehold property at 31 December 2013 was £14,215,406 (2012:£14,215,406)

**NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 December 2013**

8. SUBSIDIARY UNDERTAKINGS

	Shares in group undertakings £
COST	
At 1 January 2013 and 31 December 2013	<u>451,000</u>
NET BOOK VALUE	
At 31 December 2013	<u>451,000</u>
At 31 December 2012	<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

	31/12/13	31/12/12
	£	£
Aggregate capital and reserves	1,395,579	1,386,788
Loss for the year	<u>(453)</u>	<u>(440)</u>

SOR Services (UK) Limited

Nature of business: Providing bookkeeping services

	%
Class of shares:	holding
1000 £1 ordinary	100.00

	31/12/13	31/12/12
	£	£
Aggregate capital and reserves	5,937	7,592
(Loss)/profit for the year	<u>(1,655)</u>	<u>6,145</u>

9. STOCKS

	Year To 31/12/13 £	Year to 31/12/12 £
Religious books and artefacts	<u>1,145,040</u>	<u>1,301,273</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 2013**

10. DEBTORS

	31/12/13 £	31/12/12 £
Corporation Tax	2,471	2,471
Other debtors	191,503	413,075
Prepayments and accrued income	<u>86,027</u>	<u>176,404</u>
	<u><u>280,001</u></u>	<u><u>591,950</u></u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31/12/13 £	31/12/12 £
Hire purchase contracts	7,556	11,139
Amounts owed to group undertakings	390,623	391,076
Social security and other taxes	7,380	7,499
Deferred receipts arising on capital grants	188,445	189,088
Deferred receipts	348,630	508,135
VAT payable	243,661	180,737
Accruals and other creditors	<u>7,339,926</u>	<u>6,416,128</u>
	<u><u>8,526,221</u></u>	<u><u>7,703,802</u></u>

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

	31/12/13 £	31/12/12 £
Hire purchase contracts	15,368	12,913
Loans from other churches	484,913	484,913
Deferred receipts arising on capital grants	3,562,716	3,677,921
Other creditors	<u>14,343,657</u>	<u>13,999,808</u>
	<u><u>18,406,654</u></u>	<u><u>18,175,555</u></u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year to 31 December 2013**

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 received support by way of donations and purchases of goods and services from Church of Scientology International and its subsidiaries. During the year, COSRECI received donations of £6,963 (2012:£154,628), purchased books and other literature to a value of £982,719 (2012:£586,561), and was charged £1,061,196 (2012:£1,182,074) for ecclesiastical management services and courses. At the year end, £10,239,801 (2012:£9,614,177) was due to Church of Scientology International and its subsidiaries and of this amount £1,545,613 (2012:£1,226,133) is included in Note 11 under "Accruals and other creditors" and £484,913 (2012:£484,913) and £8,209,275 (2012:£7,903,130) are included in Note 12 under "Loans from other churches" and "Other creditors" respectively. One of the two loans included was charged £306,144 (2012:£306,144) interest on a commercial basis and is repayable on terms yet to be agreed with COSRECI. The other loan of £484,913 (2012:£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 £960,661 (2012:£279,295) for courses provided to COSRECI. At the year end, £3,799,363 (2012:£2,890,490) 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 increased (2012:increased) in the period by exchange differences of £11,797 (2012:£37,812) and interest charged of £93,564 (2012:£83,727). The balance due was reduced in the period by repayments of £157,188 (2012:£118,520).

In summary, at the year end, £14,966,243 (2012:£13,374,745) was due to and £20,000 (2012:£16,500) was due from other churches.

In addition, COSRECI received donations from other churches amounting to £273,842 (2012:£826,961).

At the year end there was a loan outstanding from Church of Scientology Celebrity Centre International of £888,646 (2012:£ 831,646) and this amount is shown in Note 11 under "Accruals and other creditors". The loan was increased by £22,837 (2012:£ 87,639) in the period. The interest accrued was £31,783 (2012:£ 31,783). No terms of repayment have been agreed.

At the year end there was a loan outstanding from Scientology International Reserves Trust of £6,134,382 (2012: £6,096,678) and this is shown in Note 12 under "Other creditors". The loan was increased (2012:decreased) by exchange differences of £37,704 (2012: £235,865) in the period. No interest was charged. The loan is to be repaid over a period of five years, unless the term is extended by agreement.

The amount of £390,623 (2012:£ 391,076) 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.

UK Buildings and Land Limited, a company limited by guarantee which has a member who is a trustee of COSRECI, acquired property in 2011 which have been let to COSRECI on 50 year lease at a peppercorn rent.

In 2011 COSRECI acquired the freehold reversion to a property it was leasing for a nominal non-monetary consideration from Daviot Investments Limited. The freehold property has a market value of £14,750,000 as compared to the net book value reflected in these accounts of £3,312,794 (2012: £3,382,630). The valuation was carried out at 31 December 2011, and is not considered to be materially different from this value at 31 December 2013.

**Church of Scientology
Religious Education College Inc**

**NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year to 31 December 2013**

14. PROVISIONS FOR LIABILITIES

	£
Deferred tax balance at 1 January 2013	(938,000)
Movement in the year	938,000
	<hr/>
Deferred tax balance at 31 December 2013	-
	<hr/> <hr/>

The balance at the end of the year comprises:

	31/12/2013	31/12/2012
	£	£
Tax losses	1,317,000	318,000
Accelerated capital allowances	(1,317,000)	(1,256,000)
	<hr/>	<hr/>
	-	(938,000)
	<hr/> <hr/>	<hr/> <hr/>

15. ACCUMULATED FUNDS

	Capital funds	General funds	Total funds
	£	£	£
At 1 January 2013	6,773,043	2,853,423	9,626,466
Retained deficit for the year	-	(924,476)	(924,476)
	<hr/>	<hr/>	<hr/>
At 31 December 2013	6,773,043	1,928,947	8,701,990
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

16. OPERATING LEASE COMMITMENTS

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

Land & Buildings and equipment:-

	2013	2012
	£	£
Expiring:		
Within one year	1,917	-
Between one and five years	9,152	4,601
Over five years	-	-
	<hr/>	<hr/>
	11,069	4,601
	<hr/> <hr/>	<hr/> <hr/>

17. CONTINGENT LIABILITY

Of the amount recognised in income during the current and previous years, approximately £13m (2012 – approximately £12m) could be used by parishioners against future services.