

**Church of Scientology Religious Education College Inc**

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**Financial Report**

**For the year ended 31 December 2017**

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**Church of Scientology Religious Education College Inc  
Financial Report for the Year Ended 31 December 2017**

**COMMITTEE'S REPORT**

The committee members submit the financial report of Church of Scientology Religious Education College Inc for the financial year ended 31 December 2017.

**Trustees**

The names of Trustees throughout the year and at the date of this report are:

Massimo Angius

Francoise Springall

**Principal Activities**

The principal activity of the entity during the financial year was the dissemination and practice of the religion of Scientology in the United Kingdom which includes the delivery of religious services as the primary purpose.

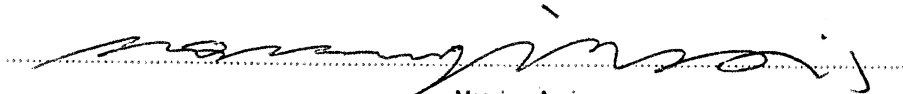
**Significant Changes**

No significant change in the nature of these activities occurred during the year.

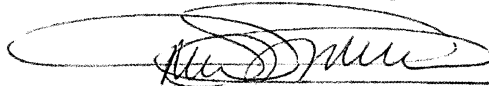
**Operating Result**

The surplus after providing for income tax for the 2017 financial year amounted to \$7,608,745.

Signed in accordance with a resolution of the members of the committee.



Massimo Angius



Francoise Springall

Dated this 27<sup>th</sup> day of June 2018

**Church of Scientology Religious Education College Inc**  
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**INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017	2016
	\$	\$
<b>INCOME</b>		
Parishioner donations for religious services	36,318,020	30,903,823
Sales of religious books and artefacts	2,073,639	1,680,316
Refectory proceeds	1,767,301	1,625,099
Contributions from affiliated organisations and individuals	10,522,780	9,234,055
Services to affiliated organisations	327,000	526,791
Other income	324,029	145,713
Interest received	5,695	10,405
<b>Total Income</b>	<b>51,338,464</b>	<b>44,126,202</b>
<b>EXPENDITURE</b>		
Rent, rates and insurance	1,469,148	1,216,144
Light and heat	1,268,654	1,234,737
Staff allowances	5,260,680	4,311,157
Administration	2,809,304	825,219
Telephone, telex and postage	2,140,834	1,712,900
Audit & accounting fees	135,545	92,398
Depreciation	3,622,597	3,558,321
Bank charges and interest	3,462,796	3,213,807
Travel and subsistence	3,781,239	2,523,983
Repairs and maintenance	3,103,390	2,152,862
Loss on sale of tangible assets	26,812	22,496
Missionary commission expenses	1,916,847	1,414,487
Dissemination expenses and materials	3,119,509	1,587,217
Cost of books and artefacts	1,916,875	1,587,122
Refectory costs	1,091,243	990,917
Technical licence fees	658,580	605,978
Instruction materials	165,270	64,822
Staff development and guidance	7,854,850	6,323,326
Legal and professional fees	1,088,768	897,837
Net currency conversion loss	(725,152)	1,026,632
Grant released	(438,070)	(485,433)
<b>Total Expenses</b>	<b>43,729,719</b>	<b>34,876,929</b>
<b>Net current year surplus</b>	<b>7,608,745</b>	<b>9,249,273</b>
<b>RETAINED SURPLUS AT THE BEGINNING OF THE FINANCIAL YEAR</b>	<b>16,318,857</b>	<b>9,219,178</b>
Exchange rate difference on foreign translation	388,561	(2,149,594)
<b>RETAINED SURPLUS AT THE END OF THE FINANCIAL YEAR</b>	<b>24,316,163</b>	<b>16,318,857</b>

The accompanying notes form part of these financial statements.

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**ASSETS AND LIABILITIES STATEMENT AS AT 31 DECEMBER 2017**

	Note	2017 \$	2016 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash on hand	2	16,033,152	18,912,504
Inventories	3	1,818,976	1,708,086
Accounts receivable and other debtors	4	797,492	2,873,939
Prepayments		360,040	382,307
<b>TOTAL CURRENT ASSETS</b>		<b>19,009,660</b>	<b>23,876,836</b>
<b>NON-CURRENT ASSETS</b>			
Financial assets	5	742,631	734,169
Property, plant and equipment	6	88,996,041	69,565,562
<b>TOTAL NON-CURRENT ASSETS</b>		<b>89,738,672</b>	<b>70,299,731</b>
<b>TOTAL ASSETS</b>		<b>108,748,332</b>	<b>94,176,567</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and other payables	7	26,800,978	22,599,200
Lease liabilities		-	4,104
Deferred receipts arising on capital grant		449,611	453,112
Staff provisions		141,987	71,384
<b>TOTAL CURRENT LIABILITIES</b>		<b>27,392,576</b>	<b>23,127,800</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred receipts arising on capital grant		4,046,318	4,436,074
Loans from related organisations	8	52,993,275	50,293,837
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>57,039,593</b>	<b>54,729,910</b>
<b>TOTAL LIABILITIES</b>		<b>84,432,169</b>	<b>77,857,710</b>
<b>NET ASSETS</b>		<b>24,316,163</b>	<b>16,318,857</b>
<b>MEMBERS' FUNDS</b>			
Capital reserve		13,226,017	13,226,017
Retained surplus		11,090,146	3,092,840
<b>TOTAL MEMBERS' FUNDS</b>		<b>24,316,163</b>	<b>16,318,857</b>

The accompanying notes form part of these financial statements.

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**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017**

	RETAINED SURPLUS	CAPITAL RESERVES	FAIR VALUE RESERVE	TOTAL
	\$	\$		\$
Balance at 1 January 2016	(4,478,161)	13,226,017	471,322	9,219,178
<b>COMPREHENSIVE INCOME</b>				
Net surplus for the year	9,249,273	-	-	9,249,273
Released in the year	420,935	-	(420,935)	-
Exchange difference on foreign translation	(2,099,207)	-	(50,387)	(2,149,594)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income attributable to members of the entity	3,092,840	13,226,017	-	16,318,857
Balance at 31 December 2016	3,092,840	13,226,017	-	16,318,857
Balance at 1 January 2017	3,092,840	13,226,017	-	16,318,857
<b>COMPREHENSIVE INCOME</b>				
Net surplus for the year	7,608,745	-	-	7,608,745
Exchange difference on foreign translation	388,561	-	-	388,561
Total comprehensive income attributable to members of the entity	11,090,146	13,226,017	-	24,316,163
Balance at 31 December 2017	11,090,146	13,226,017	-	24,316,163

The accompanying notes form part of these financial statements.

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**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017	2016
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts for the sale of religious books and artefacts		2,073,639	1,680,316
Receipts from parishioners and affiliated organisations		49,259,130	42,435,481
Payments to suppliers and staff allowances		(31,158,968)	(23,142,507)
Interest received		5,695	10,405
Interest paid		(3,462,796)	(2,867,250)
Net cash generated from operating activities	10	<u>16,716,700</u>	<u>18,116,445</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment		55,030	54,491
Payment for property, plant and equipment		(21,854,882)	(12,664,356)
Net cash used in investing activities		<u>(21,799,852)</u>	<u>(12,609,865)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loans advanced		2,065,314	6,183,157
Net cash used in financing activities		<u>2,065,314</u>	<u>6,183,157</u>
Net increase in cash held		(3,017,838)	11,689,737
Effect of exchange rate changes on cash		138,486	(2,375,077)
Cash on hand at beginning of the financial year		18,912,504	9,597,844
Cash on hand at end of the financial year	2	<u><u>16,033,152</u></u>	<u><u>18,912,504</u></u>

The accompanying notes form part of these financial statements.

**Church of Scientology Religious Education College Inc**  
**Financial Report for the Year Ended 31 December 2017**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

All the activities of the entity are based in the United Kingdom (UK) and there are no financial transactions between the Association's branches in the UK and in Australia.

The financial statements are special purpose financial statements prepared in order to satisfy the financial reporting requirements of the Associations Incorporation Reform Act 2012 (South Australia). The committee has determined that the entity is not a reporting entity.

The financial statements have been prepared on the historical cost basis. They do not take into account changing money values or, except where stated specifically, current valuations of non-current assets.

The following significant accounting policies, which are consistent with the previous period unless stated otherwise, have been adopted in the preparation of these financial statements.

**a. Income Tax**

No provision for income tax has been raised in Australia as the entity is exempt from income tax under of the Income Tax Assessment Act 1997 as its income is foreign source income derived entirely in the UK.

The entity is however subject to UK corporation tax which arises from the entity being resident for tax purposes in the UK.

The UK tax expense for the year comprises current UK tax expense (income) and deferred tax expense (income).

Current UK tax and deferred tax are recognised in income and expenditure except to the extent that they are recognised directly in equity or in other comprehensive income. Current UK tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the UK tax authorities

Deferred tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses

Current UK tax and deferred tax expense (income) is charged or credited directly to equity instead of income and expenditure when the tax relates to items that are charged or credited directly to equity.

No deferred tax will be recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss

Deferred tax assets and liabilities are calculated at the UK tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which the committee expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

**b. Property, Plant and Equipment (PPE)**

Each class of property, plant and equipment is carried at cost, less, where applicable, accumulated depreciation and any impairment losses.

**Plant and equipment**

Plant and equipment are measured on the cost basis less depreciation and any impairment losses.

The carrying amount of plant and equipment is reviewed annually by the committee to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

In the event the carrying amount of plant and equipment is greater than the recoverable amount, the carrying amounts is written down immediately to the estimated recoverable amount.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

**Depreciation**

The depreciable amounts of all fixed assets including buildings and capitalised leased assets, but excluding freehold land and long leasehold, is depreciated at the following annual rates over the assets useful life to the entity commencing from the time the asset is held ready for use:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Buildings	2%
Building improvements	5%
Leasehold property	Equal instalments over the period of the lease
Fixtures and fittings	10% and 20%
Computer equipment	33.33%
Motor Vehicles	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains or losses are recognised immediately in income and expenditure.

**c. Impairment of Assets**

At the end of each reporting period, the committee reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised in the income and expenditure statement.

**d. Cash on Hand**

Cash on hand includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

**e. Provisions**

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured at the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**f. Accounts Receivable and Other Debtors**

Accounts receivable and other debtors include amounts due from members as well as amounts receivable from donors. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

**g. Revenue and Other Income**

Donations and income grants are recognised when the entity obtains control over the funds, which is generally at the time of receipt.

As reported in note 12, the Church does not account for deferred income on donations from parishioners in the UK because such donations are made unconditionally.

If conditions are attached to the grant that must be satisfied before the association is eligible to receive the contribution, recognition of the grant as revenue will be deferred until those conditions are satisfied.

Grants received for fixed assets are deferred and recognised over the life of the asset.



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

Other income is recognised when the entity has earned the right to consideration

**h. Leases**

Leases of PPE, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to the entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for that period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

**j. Critical Accounting Estimates and Judgments**

The committee members evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the entity.

The committee members evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the entity.

**Key estimates**

- a. Estimated life of fixed assets
- b. Residual value of fixed assets
- c. Market rate of loans from related entities

**k. Accounts Payable and Other Payables**

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the entity during the reporting period that remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

**l. Amounts payable to Affiliated Organisations**

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the entity during the reporting period that remain unpaid.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**m. Foreign Currency translation**

**Functional currency and presentation currency**

The financial statements are presented in Australian dollars, being the presentation currency. The primary economic environment of the entity is the UK, with the functional currency being in Sterling Pounds.

**Transactions and balances**

In preparing the financial statement of the entity, transactions in currencies other than the functional currency are recognised at the spot rate at the dates of the transactions or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated.

Exchange differences are recognised in the income and expenditure statement in the period in which they arise

**Translation of the accounts into presentation currency.**

For the purpose of presenting the financial statements, the assets and liabilities are translated from their functional currency to Australian dollars using the closing exchange rate. Income and expenses are translated using the average rate for the period. Exchange differences arising on the translation of the accounts are recognised in the statement of changes in equity and are not reclassified to the income and expenditure statement.

The large exchange differences relating to the current figures and the comparatives are as result of the different closing exchange rates prevailing at both 31 December 2015 and 31 December 2016. This was due to a significant fall in UK Sterling following the EU referendum in June 2016. As the historical non-monetary assets are not retranslated, this difference has also affected the items where non-monetary assets are included.

**NOTE 2: CASH ON HAND**

	2017	2016
	\$	\$
Cash at bank – unrestricted	16,033,152	18,912,504
Total cash on hand	16,033,152	18,912,504

**NOTE 3: INVENTORIES ON HAND**

	2017	2016
	\$	\$
At cost:		
Stock		
At current replacement cost	1,818,976	1,708,086
	1,818,976	1,708,086

**NOTE 4: ACCOUNTS RECEIVABLE AND OTHER DEBTORS**

	2017	2016
	\$	\$
Corporation tax (UK)	4,069	4,022
Payment on account	144,892	2,650,894
Other debtors	648,531	219,023
	797,492	2,873,939

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

<b>NOTE 5: FINANCIAL ASSETS</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>NON-CURRENT</b>		
Investments in unlisted corporations at cost	742,631	734,169
	<u>742,631</u>	<u>734,169</u>
<b>NOTE 6: PROPERTY, PLANT AND EQUIPMENT</b>		
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>LAND AND BUILDINGS</b>		
Land – at cost	6,084,142	6,084,142
Building & Building improvements – at cost	82,023,469	65,088,739
Less accumulated depreciation	(9,048,064)	(7,665,637)
	<u>79,059,547</u>	<u>63,507,244</u>
<b>LEASEHOLD PROPERTY</b>		
Leasehold property and improvements – at cost	7,335,924	7,099,696
Less accumulated depreciation	(281,530)	(245,613)
	<u>7,054,394</u>	<u>6,854,083</u>
<b>PLANT &amp; EQUIPMENT</b>		
Fixtures and Fittings – at cost	21,983,556	17,323,587
Less accumulated depreciation	(9,162,111)	(7,547,245)
	<u>12,821,445</u>	<u>9,776,342</u>
<b>MOTOR VEHICLES</b>		
Motor vehicles – at cost	2,253,849	1,893,400
Less accumulated depreciation	(791,472)	(353,397)
	<u>1,462,377</u>	<u>1,540,003</u>
Exchange difference on foreign translation	(11,401,722)	(12,112,110)
Total Property, Plant and Equipment	<u>88,996,042</u>	<u>69,565,562</u>
<b>NOTE 7: ACCOUNTS PAYABLE AND OTHER PAYABLES</b>		
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Amounts owed to group undertakings	638,650	633,261
Deferred receipts on capital grant	303,573	318,336
UK VAT payable	660,980	560,581
Accruals and other creditors	4,387,845	6,374,057
Amounts payable to affiliated organisations:		
Church of Scientology International	11,271,851	5,991,788
Church of Scientology Flag Service Organisation	9,538,079	8,721,177
	<u>26,800,978</u>	<u>22,599,200</u>

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**NOTE 8: LOANS FROM RELATED ORGANISATIONS**

	2017	2016
	\$	\$
Loans from related organisations	52,993,275	50,293,837
	<u>52,993,275</u>	<u>50,293,837</u>

An analysis of the maturity of the loans is given below:

	2017	2016
	\$	\$
Amounts falling due in more than five years		
Repayable otherwise than by instalments:		
Other loans more than 5 years non-instalments	17,619,430	18,372,472
	<u>17,619,430</u>	<u>18,372,472</u>

**NOTE 9: LEASING COMMITMENTS**

	2017	2016
	\$	\$
<b>Operating Lease Commitments</b>		
Being for rent of premises		
Payable – minimum lease payments:		
– not later than 12 months	59,358	111,587
– between 12 months and five years	177,836	190,539
– later than five years	88,918	131,857
	<u>326,112</u>	<u>433,983</u>

**NOTE 10: CASH FLOW INFORMATION**

	2017	2016
	\$	\$
<b>Reconciliation of Cash Flows from Operating Activities with Net Current Year Surplus</b>		
Net current year surplus	7,608,745	9,249,272
Non-cash flows:		
Depreciation and amortisation expense	3,622,597	3,558,321
Loss on disposal of property, plant and equipment	26,812	22,494
Grant released	(438,070)	(485,433)
Changes in assets and liabilities:		
Increase in accounts receivable and other debtors	2,107,400	(929,524)
Increase/(decrease) in accounts payable and other payables	3,836,076	6,579,727
Increase/(decrease) in staff provisions	67,991	45,263
Increase in inventories on hand	(88,861)	(43,333)
Decrease/(increase) in prepayments	(25,990)	119,658
	<u>16,716,700</u>	<u>18,116,445</u>

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

**NOTE 11: RELATED PARTY TRANSACTIONS**

Church of Scientology Religious Education College Inc (COSRECI) and other churches in the UK and around the 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 AASB124 and FRS102. 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 \$75,906 (2016: \$73,384), purchased books and other literature to a value of \$1,967,377 (2016: \$1,481,552), and was charged \$4,809,084 (2016: \$3,509,155) for ecclesiastical management services and courses. Church of Scientology International also paid \$2,483,926 (2016: \$97,602) in respect of building and leasehold improvements and \$205,984 (2016: nil) in respect of furniture and equipment additions, in addition payments of \$118,304 (2016: \$2,585,992) were held on account for future building improvements. At the year end, \$54,935,827 (2016: \$47,513,839) was due to Church of Scientology International and its subsidiaries and of this amount \$1,722,962 (2016: \$1,004,197) is included in Note 7 under "Accruals and other creditors" and \$51,027,561 (2016: \$44,789,072) is included in Note 8 under "Loans from related organisations". Interest at the rate of 5% was charged on the loans.

At the year end there were loans outstanding from Church of Scientology International of \$25,856,150 (2016: \$24,423,314) and is included in note 8 under "Loans from related organisations". The loan is to be repaid over a period of five years, unless the term is extended by agreement. Interest of \$1,151,322 (2016: \$1,081,144) was charged in the year.

At the year end there was a loan outstanding from Scientology International Reserves Trust of \$8,764,653 (2016: \$8,251,096) and this is shown in Note 8 under "Loans from related organisations". The loan is to be repaid over a period of five years, unless the term is extended by agreement. Interest is chargeable at 5% p.a.

Church of Scientology Flag Service Organisation charged \$807,930 (2016: \$466,311) for courses provided to COSRECI. At the year end, \$9,538,079 (2016: \$8,721,177) was due to Church of Scientology Flag Service Organisation and this amount is included in Note 7. The amount had increased (2016: increased) in the period by interest charged of \$396,863 (2016: \$323,798), and was reduced in the period by repayments of \$173,667 (2016: \$518,017) and exchange differences of \$314,749 (2016: increased by \$957,335).

In summary, at the year end, \$66,444,156 (2016: \$55,640,536) was due to, and nil (2016: nil) was due from related organisations.

In addition, COSRECI received donations from other churches amounting to \$818,696 (2016: \$513,070).

At the year end there was a loan outstanding from Church of Scientology Celebrity Centre International of \$1,917,820 (2016: \$1,931,872) and this amount is shown in Note 7 under "Accruals and other creditors". The loan was increased by nil (2016: nil) in the period. The amount had decreased (2016: increased) in the period by exchange differences of \$82,883 (2016: \$238,672) and interest charged of \$46,565 (2016: \$61,496). The loan is to be repaid over a period of ten years, unless the term is extended by agreement.

The amount of \$638,650 (2016: \$633,261) shown as due to group undertakings disclosed in note 7 to the financial statements relates to the balance due to the subsidiary company, Nesta Investments Limited. COSRECI rents a property from Nesta Investments Limited, on a 50 years lease at a peppercorn rent.

During the year contributions towards office costs of \$2,911 (2016: \$2,665) were received from SOR Services (UK) Limited. UK Buildings and Land Limited, a company limited by guarantee which has a member who is a trustee of COSRECI, acquired properties in 2011 which have been let to COSRECI on 50 year lease at a peppercorn rent.

**NOTE 12: CONTINGENT LIABILITY**

The entity does not account for deferred income in the United Kingdom because donations are made unconditionally. While the entity has a policy of providing spiritual assistance and training in exchange for donations, this is based on internal religious practice and policy only and deferring income would be misleading to the users of this report. The amount to which there may be a contingent liability for undelivered religious services in the UK is \$50,897,607 (2016: \$38,091,231).

**NOTE 13: POST BALANCE SHEET EVENT**

In December 2017, a contract was signed for the repair work relating to a freehold property in the UK totalling \$820,023.

**Church of Scientology Religious Education College Inc  
Financial Report for the Year Ended 31 December 2017**

**Associations Incorporation Reform Act 2012**

**ss 94(2)(b), 97(2)(b) and 100(2)(b)**

**ANNUAL STATEMENTS GIVE TRUE AND FAIR VIEW OF FINANCIAL POSITION AND  
PERFORMANCE OF INCORPORATED ENTITY**

We, Massimo Angius and Francoise Springall, being trustees of Church of Scientology Religious Education College Inc, certify that:

The statements attached to this certificate give a true and fair view of the financial position and performance of Church of Scientology Religious Education College Inc during and at the end of the financial year of the entity ending on 31 December 2017.

Signed:



Dated: 27 10 2018

Signed:



Dated: 27 10 2018

## Church of Scientology Religious Education College Inc

### Financial Report for the Year Ended 31 December 2017

#### INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF CHURCH OF SCIENTOLOGY RELIGIOUS EDUCATION COLLEGE INC

##### Report on the Audit of the Financial Report

##### Opinion

We have audited the financial report of Church of Scientology Religious Education College Inc (the entity), which comprises the assets and liabilities statement as at 31 December 2017, the income and expenditure statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the certification by members of the committee on the annual statements giving a true and fair view of the financial position and performance of the entity.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the entity as at 31 December 2017 and its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements and the requirements of the Associations Incorporation Reform Act 2012 (South Australia).

##### Other Matters

The prior period financial statements (2016) were not audited by us. However, they were audited by another auditor, in the UK and for UK purposes only, who expressed an unmodified opinion on those statements.

##### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Responsibilities of the Committee for the Financial Report

The committee is responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of the Associations Incorporation Reform Act 2012 (South Australia) and for such internal control as the committee determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the committee is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the committee either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

##### Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

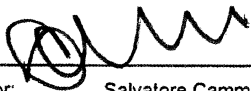
- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the committee.

**Church of Scientology Religious Education College Inc**  
**Financial Report for the Year Ended 31 December 2017**

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF CHURCH OF SCIENTOLOGY  
RELIGIOUS EDUCATION COLLEGE INC**

- Conclude on the appropriateness of the committee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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Name of auditor: Salvatore Cammarata  
Auditor's Registration No: 13521  
Name of firm: Prudential Partners  
Chartered Accountants  
Address: Level 2, 67 Castlereagh Street, Sydney NSW 2000  
Date: 29th Jun / 2018