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**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**  
**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 Year Ended 31 December 2005**

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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 2005 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 2005 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 2007

Church of Scientology  
Religious Education College Inc

**INCOME AND EXPENDITURE ACCOUNT**  
For The Year Ended 31 December 2005

	Notes	Year to 31/12/05 £	Period 2/1/04 to 31/12/04 £
<b>INCOME</b>		10,311,696	9,822,963
Expenditure		<u>10,372,066</u>	<u>10,243,242</u>
		(60,370)	(420,279)
Other operating income		<u>-</u>	<u>237,731</u>
<b>OPERATING DEFICIT</b>	3	(60,370)	(182,548)
Interest receivable and similar income		<u>197,854</u>	<u>334,822</u>
		137,484	152,274
Interest payable and similar charges	5	<u>295,036</u>	<u>114,345</u>
<b>(DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(157,552)	37,929
Tax on (deficit)/surplus on ordinary activities	6	<u>69,363</u>	<u>(8,114)</u>
<b>(DEFICIT)/SURPLUS FOR THE YEAR AFTER TAXATION</b>		<u>(88,189)</u>	<u>29,815</u>
<b>RETAINED (DEFICIT)/SURPLUS FOR THE YEAR</b>		<u>(88,189)</u>	<u>29,815</u>

The notes form part of these financial statements

Church of Scientology  
Religious Education College Inc

BALANCE SHEET  
31 December 2005

	Notes	31 December 2005		31 December 2004	
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	7		8,881,988		9,032,503
Subsidiary undertakings	8		<u>451,000</u>		<u>451,000</u>
			9,332,988		9,483,503
<b>CURRENT ASSETS</b>					
Stocks	9	1,488,629		1,560,808	
Debtors					
- amount due in more than one year	10	817,000		768,000	
- amount due in less than one year	10	2,391,920		2,415,668	
Cash at bank and in hand		<u>6,749,972</u>		<u>5,601,247</u>	
		11,447,521		10,345,723	
<b>CREDITORS</b>					
Amounts falling due within one year	11	<u>1,076,120</u>		<u>921,832</u>	
<b>NET CURRENT ASSETS</b>			<u>10,371,401</u>		<u>9,423,891</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			19,704,389		18,907,394
<b>CREDITORS</b>					
Amounts falling due after more than one year	12		-		1,818
			<u>19,704,389</u>		<u>18,905,576</u>
<b>RESERVES</b>					
Amounts due to associated churches			11,445,794		10,570,598
Parishioners' donations received in advance			212,390		200,584
Long term loans	13		484,913		484,913
Accumulated funds	15		<u>7,561,292</u>		<u>7,649,481</u>
			<u>19,704,389</u>		<u>18,905,576</u>

The notes form part of these financial statements

**Church of Scientology  
Religious Education College Inc**

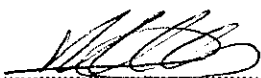
**BALANCE SHEET - continued  
31 December 2005**

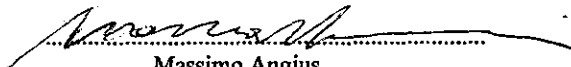
For the year ended 31 December 2005 the Church was exempt from audit of its financial statements.

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 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 4<sup>th</sup> of January 2007

**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended 31 December 2005**

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% 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 Year Ended 31 December 2005

**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 loss) is stated after charging/(crediting):

	Year to 31/12/05 £	Period 2/1/04 to 31/12/04 £
Depreciation - owned assets	421,178	458,695
Loss on disposal of fixed assets	8,692	4,142
Foreign exchange differences	<u>108,539</u>	<u>(9,539)</u>

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

	Year to 31/12/05 £	Period 2/1/04 to 31/12/04 £
Income	444,237	427,534
Expenditure	<u>2,803,093</u>	<u>2,291,602</u>

**4. TRUSTEES**

	Year to 31/12/05 £	Period 2/1/04 to 31/12/04 £
Management remuneration in respect of trustees	<u>3,499</u>	<u>5,520</u>



Church of Scientology  
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NOTES TO THE FINANCIAL STATEMENTS - continued  
For The Year Ended 31 December 2005

5. INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable and similar charges includes the following:

	Year to 31/12/05 £	Period 2/1/04 to 31/12/04 £
On bank overdrafts and other loans repayable within 5 years		
- otherwise than by instalments	290,551	105,326
- by instalments	<u>4,485</u>	<u>9,019</u>
	<u>295,036</u>	<u>114,345</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 31/12/05 £	Period 2/1/04 to 31/12/04 £
UK corporation tax:		
- Current period	-	3,114
- Prior period	<u>(20,363)</u>	<u>-</u>
Total current tax	<u>(20,363)</u>	3,114
Deferred tax (note 14)	<u>(49,000)</u>	<u>5,000</u>
	<u>(69,363)</u>	<u>8,114</u>

Church of Scientology  
Religious Education College Inc

NOTES TO THE FINANCIAL STATEMENTS - continued  
For The Year Ended 31 December 2005

7. TANGIBLE FIXED ASSETS

	Freehold property £	Short leasehold £	Fixtures and fittings £	Motor vehicles £	Totals £
<b>COST</b>					
At 1 January 2005	8,978,432	88,802	4,824,642	231,243	14,123,119
Additions	78,753	677	196,485	6,842	282,757
Disposals	-	-	(13,975)	(46,163)	(60,138)
At 31 December 2005	<u>9,057,185</u>	<u>89,479</u>	<u>5,007,152</u>	<u>191,922</u>	<u>14,345,738</u>
<b>DEPRECIATION</b>					
At 1 January 2005	896,932	32,154	4,005,700	155,829	5,090,615
Charge for period	178,666	6,336	204,828	31,348	421,178
Eliminated on disposal	-	-	(4,193)	(43,850)	(48,043)
At 31 December 2005	<u>1,075,598</u>	<u>38,490</u>	<u>4,206,335</u>	<u>143,327</u>	<u>5,463,750</u>
<b>NET BOOK VALUE</b>					
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>
At 31 December 2004	<u>8,081,500</u>	<u>56,648</u>	<u>818,942</u>	<u>75,414</u>	<u>9,032,504</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
For The Year Ended 31 December 2005

8. SUBSIDIARY UNDERTAKINGS

	Shares in group undertakings £
<b>COST</b>	
At 1 January 2005 and 31 December 2005	<u>451,000</u>
<b>NET BOOK VALUE</b>	
At 31 December 2005	<u>451,000</u>
At 31 December 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		
		31.12.05	31.12.04
		£	£
Aggregate capital and reserves		959,696	958,064
(Loss)/Profit for the year		<u>(38)</u>	<u>72,479</u>

**SOR Services (UK) Limited**

Nature of business: Providing bookkeeping services

	%		
Class of shares:	holding		
1000 £1 ordinary	100.00		
		31.12.05	31.12.04
		£	£
Aggregate capital and reserves		25,026	25,248
(Loss)/Profit for the period		<u>(192)</u>	<u>3,814</u>

9. STOCKS

	Year to 31/12/05 £	Period 2/1/04 to 31/12/04 £
Religious books and artefacts	<u>1,488,629</u>	<u>1,560,808</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 2005

10. DEBTORS

	31.12.2005	31.12.2004
	£	£
Amounts due in more than one year:		
Deferred tax (note 14)	817,000	768,000
Amounts due in less than one year:		
Tax	1,906	-
Due from associated organisation	-	7,464
Loan receivable from other organisations	12,230	-
VAT	-	81,777
Prepayments and accrued income	<u>2,377,784</u>	<u>2,326,427</u>
	<u>2,391,920</u>	<u>2,415,668</u>

Prepayments and accrued income at 31 December 2005 includes £2,339,118 (31 Dec 04: £2,310,765) in respect of prepaid staff development costs.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.2005	31.12.2004
	£	£
Hire purchase contracts	218	18,785
Amounts owed to group undertakings	393,102	393,085
Tax	-	31,841
Social security and other taxes	10,189	8,768
VAT	16,282	-
Accruals and other creditors	<u>656,329</u>	<u>469,353</u>
	<u>1,076,120</u>	<u>921,832</u>

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

	31.12.2005	31.12.2004
	£	£
Finance leases and hire purchase contracts - due on 1 to 2 years	<u>-</u>	<u>1,818</u>

13. LONG TERM LOANS

	31.12.2005	31.12.2004
	£	£
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 Year to 31 December 2005

14. DEFERRED TAX

	£
Balance at 1 January 2005	768,000
Transfer from income and expenditure account	<u>49,000</u>
Balance at 31 December 2005	<u>817,000</u>

The balance at the end of the period comprises:

	31 December 2005	31 December 2004
	£	£
Tax losses	841,000	789,000
Accelerated capital allowances	<u>(24,000)</u>	<u>(21,000)</u>
	<u>817,000</u>	<u>768,000</u>

15. ACCUMULATED FUNDS

	Capital funds	General funds	Total funds
	£	£	£
At 1 January 2005	6,773,043	876,438	7,649,481
Retained deficit for the year	<u>-</u>	<u>(88,189)</u>	<u>(88,189)</u>
At 31 December 2005	<u>6,773,043</u>	<u>788,249</u>	<u>7,561,292</u>