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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
FOR
Church of Scientology
Religious Education College Inc

THURSDAY



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For The Year Ended 31 December 2012**

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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 2012, 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 2012 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 2012, 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

Solely in respect of information relating to subsidiaries, we have not received audited accounts for the subsidiary undertaking SOR Services (UK) Limited as this audit was not completed at the time of our signing our audit report and therefore the figures disclosed in note 8 relating to that subsidiary is for the previous period. As the subsidiary companies are carried at cost in the financial statements and the results for 2012 are not expected to be materially different to 2011, the lack of information for 2012 does not affect our audit opinion.



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 26 June 2013

**Church of Scientology
Religious Education College Inc**

**INCOME AND EXPENDITURE ACCOUNT
For The Year Ended 31 December 2012**

	Notes	Year to 31/12/12 £	Year to 31/12/11 £
INCOME			
From ordinary activities		12,837,570	13,082,416
 Expenditure			
On ordinary activities		<u>12,713,815</u>	<u>13,072,387</u>
OPERATING SURPLUS	3	123,755	10,029
 Interest receivable and similar income			
From ordinary activities		<u>28,733</u>	<u>28,987</u>
		152,488	39,016
 Interest payable and similar charges	5	<u>635,894</u>	<u>607,423</u>
 DEFICIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(483,406)	(568,407)
 Tax on deficit on ordinary activities	6	<u>(28,000)</u>	<u>(291,000)</u>
 DEFICIT FOR THE YEAR AFTER TAXATION		<u>(511,406)</u>	<u>(859,407)</u>
 RETAINED DEFICIT FOR THE YEAR		<u>(511,406)</u>	<u>(859,407)</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 2012**

			31 December 2012		31 December 2011
	Notes	£	£	£	£
FIXED ASSETS					
Tangible assets	7		27,190,427		27,171,668
Subsidiary undertakings	8		<u>451,000</u>		<u>451,000</u>
			27,641,427		27,622,668
CURRENT ASSETS					
Stocks	9	1,301,273		1,241,975	
Debtors	10	591,950		671,119	
Cash at bank and in hand		<u>6,909,173</u>		<u>6,944,538</u>	
		8,802,396		8,857,632	
CREDITORS					
Amounts falling due within one year	11	<u>7,703,802</u>		<u>7,137,965</u>	
NET CURRENT ASSETS			<u>1,098,594</u>		<u>1,719,667</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			28,740,021		29,342,335
CREDITORS					
Amounts falling due after more than one year	12		18,175,555		18,294,463
PROVISION FOR LIABILITIES			<u>938,000</u>		<u>910,000</u>
			<u>9,626,466</u>		<u>10,137,872</u>
RESERVES					
Accumulated funds	15		<u>9,626,466</u>		<u>10,137,872</u>
			<u>9,626,466</u>		<u>10,137,872</u>

The notes form part of these financial statements

**Church of Scientology
Religious Education College Inc**

**BALANCE SHEET - continued
31 December 2012**

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

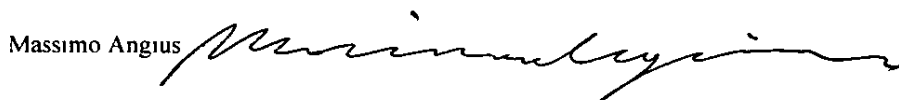
25/06/13 and signed on their behalf by

NAMES OF TRUSTEES

Francoise Springall

A handwritten signature in black ink, appearing to be 'Francoise Springall', written over a horizontal line.

Massimo Angius

A handwritten signature in black ink, appearing to be 'Massimo Angius', written over a horizontal line.

The notes form part of these financial statements

**Church of Scientology
Religious Education College Inc**

**CASH FLOW STATEMENT
31 December 2012**

	31 December 2012		31 December 2011	
	£	£	£	£
Cash generated from operations				
Operating surplus	123,755		10,029	
Reconciliation to cash generated from operations				
Depreciation	996,964		966,821	
(Profit)/Loss on disposal of fixed assets	(192)		818	
Grant released	(189,747)		(118,732)	
(Increase)/Decrease in stocks	(59,298)		21,748	
Decrease in debtors	76,169		221,232	
Increase in creditors	566,396		373,291	
		1,517,047		1,475,207
Cash from other sources				
Interest received	28,733		28,987	
Capital grants for fixed assets	-		2,753,905	
Sale of fixed assets	3,092		800	
Loans advanced	70,278		150,096	
		102,103		2,933,788
Application of cash				
Interest paid	635,894		607,423	
Purchase of tangible fixed assets	1,018,622		3,360,989	
		1,654,516		3,968,412
Net (decrease)/increase in cash		(35,366)		440,583
Cash at bank and in hand at the beginning of the year		6,944,538		6,503,954
Cash at bank and in hand at the end of the year		6,909,173		6,944,538

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 2012**

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

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 December 2012

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.

3 OPERATING SURPLUS

The operating surplus (2011 – operating surplus) is stated after charging/(crediting)

	Year to 31/12/12 £	Year To 31/12/11 £
Depreciation - owned assets	988,248	958,392
Depreciation - leased assets	8,716	8,428
(Profit)/loss on disposal of fixed assets	(192)	818
Grants released	(189,747)	(118,733)
Auditor's remuneration	29,750	26,250
Foreign exchange differences	<u>(245,725)</u>	<u>(104,202)</u>

4. TRUSTEES

	Year to 31/12/12 £	Year to 31/12/11 £
Management remuneration in respect of trustees	<u>10,038</u>	<u>6,969</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 December 2012

5 INTEREST PAYABLE AND SIMILAR CHARGES

	Year to 31/12/12 £	Year to 31/12/11 £
Bank charges	143,821	149,378
Loan interest	311,160	312,188
Interest on overdue debts	177,688	145,857
HMRC interest	3,226	-
	<u>635,894</u>	<u>607,423</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 31/12/12 £	Year To 31/12/11 £
UK corporation tax		
- Current year	-	-
- Prior year	-	-
Total current tax	-	-
Deferred tax	<u>28,000</u>	<u>291,000</u>
	<u>28,000</u>	<u>291,000</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 24% (2011 26%) The differences are explained below

	Year to 31/12/12 £	Year to 31/12/11 £
(Deficit)/Surplus on ordinary activities before tax	<u>(483,406)</u>	<u>(568,407)</u>
(Deficit)/Surplus on ordinary activities multiplied by standard rate of Corporation tax in the UK of 24%/26%	(116,017)	(147,786)
Effects of		
Expenses not deductible for tax purposes	45,600	61,674
Capital allowances for year in excess of depreciation	428	(82,438)
Utilisation of tax losses carried forward	224,907	280,596
Non taxable capital items	<u>(154,918)</u>	<u>(112,046)</u>
Current tax charge/(credit) for the year	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 December 2012

(c) Factors affecting future tax charge

There are tax losses of £6,622,570 (2011 £5,667,262) 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 2012	27,614,700	94,164	8,914,842	193,446	36,817,152
Additions	554,947	24,026	431,001	8,650	1,018,624
Disposals	-	-	(23,626)	(16,679)	(40,305)
At 31 December 2012	<u>28,169,647</u>	<u>118,190</u>	<u>9,322,217</u>	<u>185,417</u>	<u>37,795,471</u>
DEPRECIATION					
At 1 January 2012	2,911,145	78,023	6,512,882	143,435	9,645,485
Charge for year	489,321	5,925	466,557	35,161	996,964
Eliminated on disposal	-	-	(22,739)	(14,666)	(37,405)
At 31 December 2012	<u>3,400,466</u>	<u>83,948</u>	<u>6,956,700</u>	<u>163,930</u>	<u>10,605,044</u>
NET BOOK VALUE					
At 31 December 2012	<u>24,769,182</u>	<u>34,242</u>	<u>2,365,516</u>	<u>21,487</u>	<u>27,190,427</u>
At 31 December 2011	<u>24,703,555</u>	<u>16,141</u>	<u>2,401,960</u>	<u>50,011</u>	<u>27,171,668</u>

Included in the total net book value of tangible fixed assets held at 31 December 2012 was £30,449 (2011 £36,313) in respect of assets held under hire purchase contracts.

The cost of depreciable assets included in freehold property at 31 December 2012 was £14,215,061 (2011 £14,215,061).

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 31 December 2012

8 SUBSIDIARY UNDERTAKINGS

	Shares in group undertakings £
COST	
At 1 January 2012	
and 31 December 2012	<u>451,000</u>
NET BOOK VALUE	
At 31 December 2012	<u>451,000</u>
At 31 December 2011	<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

	31/12/12	31/12/11
	£	£
Aggregate capital and reserves	1,386,788	1,370,047
Loss for the year	<u>(440)</u>	<u>(1,609)</u>

SOR Services (UK) Limited

Nature of business Providing bookkeeping
services

	%
Class of shares	holding
1000 £1 ordinary	100 00

	31/12/11	31/12/10
	£	£
Aggregate capital and reserves	1,447	10,266
Loss for the year	<u>(8,819)</u>	<u>(10,627)</u>

As the 2012 accounts for SOR Services (UK) Limited have not yet been prepared the above information relates to 2011

9 STOCKS

	Year to 31/12/12 £	Year to 31/12/11 £
Religious books and artefacts	<u>1,301,273</u>	<u>1,241,975</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 2012

10 DEBTORS

	31/12/12 £	31/12/11 £
Corporation Tax	2,471	2,471
Other debtors	413,075	577,644
Prepayments and accrued income	<u>176,404</u>	<u>91,004</u>
	<u>591,950</u>	<u>671,119</u>

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31/12/12 £	31/12/11 £
Hire purchase contracts	11,139	14,408
Amounts owed to group undertakings	391,076	391,516
Social security and other taxes	7,499	12,837
Deferred receipts arising on capital grants	189,088	189,088
Deferred receipts	508,135	547,396
VAT payable	180,737	49,567
Accruals and other creditors	<u>6,416,128</u>	<u>5,933,153</u>
	<u>7,703,802</u>	<u>7,137,965</u>

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31/12/12 £	31/12/11 £
Hire purchase contracts	12,913	12,354
Loans from other churches	484,913	484,913
Deferred receipts arising on capital grants	3,677,921	3,867,667
Other creditors	13,999,808	13,929,529
	<u>18,175,555</u>	<u>18,294,463</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year to 31 December 2012

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 £154,628 (2011 £nil), purchased books and other literature to a value of £586,561 (2011 £734,425), and was charged £1,182,074 (2011 £1,088,680) for ecclesiastical management services and courses. At the year end, £9,614,177 (2011 £8,961,042) was due to Church of Scientology International and its subsidiaries and of this amount £1,226,133 (2011 £879,144) is included in Note 11 under "Accruals and other creditors" and £484,913 (2011 £484,913) and £7,903,130 (2011 £7,596,985) are included in Note 12 under "Loans from other churches" and "Other creditors" respectively. One of the two loans included was charged £306,144 (2011 £307,633) interest on a commercial basis and is repayable on terms yet to be agreed with COSRECI. The other loan of £484,913 (2011 £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 £279,295 (2011 £434,715) for courses provided to COSRECI. At the year end, £2,890,490 (2011 £2,683,800) 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 (2011 increased) in the period by exchange differences of £37,812 (2011 £15,818) and interest charged of £83,727 (2011 £59,739). The balance due was reduced in the period by repayments of £118,520 (2011 £119,035).

In summary, at the year end, £13,374,745 (2011 £12,392,864) was due to and £16,500 (2011 £16,500) was due from other churches.

In addition, COSRECI received donations from other churches amounting to £826,961 (2011 £1,169,539).

At the year end there was a loan outstanding from Church of Scientology Celebrity Centre International of £831,646 (2011 £730,799) and this amount is shown in Note 11 under "Accruals and other creditors". The loan was increased by £87,639 (2011 £26,834) in the period. The interest accrued was £31,783 (2011 £35,245). No terms of repayment have been agreed.

At the year end there was a loan outstanding from Scientology International Reserves Trust of £6,096,678 (2011 £6,332,543) and this is shown in Note 12 under "Other creditors". The loan was decreased (2011 increased) by exchange differences of £235,865 (2011 £109,813) 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 £391,076 (2011 £391,516) 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 leases at a peppercorn rent.

A grant of £Nil (2011 £3,106,101) was received in the year from the Church of Spiritual Technology for the renovations of Saint Hill Manor, a property owned by COSRECI.

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 £3,382,630 (2011 £3,451,656). The valuation was carried out at 31 December 2011, and is not considered to be materially different from this value at 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year to 31 December 2012

14 PROVISIONS FOR LIABILITIES

	£
Deferred tax balance at 1 January 2012	(910,000)
Movement in the year	<u>(28,000)</u>
Deferred tax balance at 31 December 2012	<u>(938,000)</u>

The balance at the end of the year comprises	31/12/2012	31/12/2011
	£	£
Tax losses	318,000	318,000
Accelerated capital allowances	<u>(1,256,000)</u>	<u>(1,228,000)</u>
	<u>(938,000)</u>	<u>(910,000)</u>

15 ACCUMULATED FUNDS

	Capital funds	General funds	Total funds
	£	£	£
At 1 January 2012	6,773,043	3,364,829	10,137,872
Retained deficit for the year	<u>-</u>	<u>(511,406)</u>	<u>(511,406)</u>
At 31 December 2012	<u>6,773,043</u>	<u>2,853,423</u>	<u>9,626,466</u>

16 OPERATING LEASE COMMITMENTS

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

Land and Buildings -

	2012	2011
	£	£
Expiring		
Within one year	4,601	11,351
Between one and five years	6,518	11,119
Over five years	<u>-</u>	<u>-</u>
	<u>11,119</u>	<u>22,470</u>

17 CONTINGENT LIABILITY

Of the amount recognised in income during the current and previous years, approximately £12m (2011 – approximately £12m) could be used by parishioners against future services