

THE ALNWICK GARDEN TRUST
(Limited by Guarantee)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2006



Ryecroft Glenton

INCORPORATING RAINBOW GILLESPIE

Chartered Accountants

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55 Newgate Street,
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THE ALNWICK GARDEN TRUST
(Limited by Guarantee)

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THE ALNWICK GARDEN TRUST
(Limited by Guarantee)

REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISERS
For the year ended 31 March 2006

Trustees

Dr John Bridge, Chairman
Philip Deakin
Richard Middleton
The Duchess of Northumberland
Sir John Riddell Bt.
Lord Stevens of Kirkwhelpington (appointed 22/05/2006)
The Hon. Matthew Ridley (resigned 31/08/2005)

Company registered number

04584694

Charity registered number

1095435

Registered office

1 St James' Gate
Newcastle upon Tyne
NE99 1YQ

Principal operating address

The Alnwick Garden
Denwick Lane
Alnwick
Northumberland
NE66 1YU

Company secretary

WB Company Secretaries Ltd

Chief executive officer

Mr John Lovett C.A.

Auditors

Ryecroft Glenton
Chartered Accountants
32 Portland Terrace
Newcastle upon Tyne
NE2 1QP

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REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISERS
For the year ended 31 March 2006

Advisers (continued)

Bankers

Bank of Scotland
41-51 Grey Street
Newcastle upon Tyne
NE1 6EE

Barclays Bank
PO Box 36
Morpeth
Northumberland
NE61 3YY

Solicitors

Watson Burton LLP
1 St James' Gate
Newcastle upon Tyne
NE99 1YQ

THE ALNWICK GARDEN TRUST
(Limited by Guarantee)

TRUSTEES' REPORT
For the year ended 31 March 2006

The Trustees, who are also directors of the charity for the purposes of the Companies Act, submit their annual report and the audited financial statements of The Alnwick Garden Trust (the charitable company) for the year ended 31 March 2006. The Trustees confirm that the annual report and financial statements of the charitable company comply with current statutory requirements, the requirements of the charitable company's governing document and the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005.

This is the first year in which the new charities SORP has been applied and some restatement is required of the comparative figures and related notes to comply with the SORP. In particular, changes in accounting policies have required a recalculation of the opening net asset position so that opening funds are increased by £196,400 more than the figure reported last year. Further details of the prior year adjustments are given in the notes to the financial statements.

STRUCTURE, GOVERNANCE AND MANAGEMENT

a. Constitution

The charitable company is registered as a charitable company limited by guarantee and was set up by a Memorandum of Association on 29 October 2002.

The charitable company is constituted under its Memorandum of Association and is a registered charity (number 1095435).

The principal objects of the charitable company as stated in the Memorandum of Association are the acquisition, preservation and improvement for the benefit of the public of places of historical or archaeological interest or of natural or cultivated beauty in the County of Northumberland and the provision of ready access to them by the public. The charitable company is fulfilling its charitable objectives through the development of The Alnwick Garden.

b. Method of appointment or election of Trustees

The management of the charitable company is the responsibility of the Trustees. Trustees are appointed by Members of the Trust at the Trust's annual general meeting.

The Trustees hold no shares in the charitable company but each Trustee, as a member, is a guarantor of the charitable company to an amount not exceeding £1 in the event of the charitable company being wound up.

c. Policies adopted for the induction and training of Trustees

The Trustees have established a procedure to ensure all new Trustees receive a full induction on appointment to the Board.

d. Organisational structure and decision making

The charitable company is responsible for the development of The Garden. It has delegated the management of the other day to day charitable activities of The Garden to its subsidiary company, Alnwick Garden Enterprises Limited. The charitable company is the sole member of Alnwick Garden Enterprises Limited and has the power to appoint or remove directors of that company.

The charitable activities of the subsidiary company involve dealing with admissions of visitors to The Garden, maintenance and preservation of The Garden's plants, encouragement of the arts within The Garden and education of the general public. In addition to performing these charitable functions, the subsidiary company performs some non-charitable retailing, catering and events activities. In total these activities are self-financing and are carried out to support the development of The Garden to the public and to assist in keeping admission prices to The Garden to a minimum.

The day-to-day running of the charitable company and its subsidiary company is delegated to appropriate members of staff and to the directors of the subsidiary company. Trustees exercise financial control over the activities of the subsidiary company by means of an agreed Annual Budget, substantial variations thereto

THE ALNWICK GARDEN TRUST
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TRUSTEES' REPORT (continued)
For the year ended 31 March 2006

having to be agreed in advance. Trustees meet quarterly to review the activities of the charitable company and its subsidiary. Between these meetings, Trustees are informed on a monthly basis of actual performance of the subsidiary.

OBJECTIVES AND ACTIVITIES

a. Policies and objectives

The vision of The Alnwick Garden is to ensure that everyone has the opportunity to experience, explore, enjoy, consider and value their natural and cultural environment through contact with The Alnwick Garden in ways that have personal meaning.

The mission of The Alnwick Garden is to develop The Garden into a transformational cultural project which will dramatically change the cultural environment for the better and to help people transform their conceptions, expectations and aspirations and that of our communities through six areas:

- Learning and Skill Development;
- Access and Activity addressing disabilities;
- Play;
- Promoting activity as a means to improving quality of life for all;
- Experience of the Arts; and
- Economic Renaissance

b. Strategies for achieving objectives

The goals of The Alnwick Garden are to:

- be a unique, contemporary, public garden of world standard;
- welcome visitors of all ages and abilities, 364 days of the year;
- contribute to the economic renaissance of Alnwick and the North East;
- stimulate the imagination and curiosity of visitors and foster aesthetic, scientific, recreational, naturalistic and humanistic values;
- offer an excellent resource for activity, skill development, learning and exploration;
- widen opportunities for young people to play;
- engage people in a broad range of arts;
- be economically sustainable as one of the UK's top visitor attractions whilst ensuring price does not prevent access;
- create a bold and imaginative, modern experience through the integration of technology, horticulture, architecture, civil engineering and art, of the highest standard; and
- operate in an environmentally responsible manner.

c. Activities for achieving objectives

Primarily the charitable company achieves its objectives through the provision of visits to The Alnwick Garden by the public. Apart from developing all the infrastructure within The Garden the charitable company actively encourages visits to The Alnwick Garden through extensive marketing. Admissions pricing is maintained at affordable levels to encourage visits. A 'Friends' scheme is used to encourage regular and repeat visits. The Garden offers much to its visitors beyond just a day visit. Both Arts and Education programmes are important to enhancing the visitor experience. The Garden also runs other programmes to deliver other key objectives. These include Health Eating, Elderberries (older people) and Routeway (employment) projects.

The charitable company maintains a Fundraising department in order to raise the necessary capital funding to complete the full development of the project and fund the establishment of the aforementioned revenue projects. The charitable company has adopted financial and funding strategies to permit current capital and revenue projects to proceed.

THE ALNWICK GARDEN TRUST
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TRUSTEES' REPORT (continued)
For the year ended 31 March 2006

ACHIEVEMENTS AND PERFORMANCE

a. Review of activities

During the year under review The Garden continued with the construction of Phase 2b of its capital project. This phase has provided the Pavilion and Visitor Centre. This new facility opened to the public on 4 April 2006 and will now allow the charitable company to deliver much more to its visitors.

During the year The Garden welcomed 502,913 visitors. All areas of the Garden performed well and Alnwick Garden Enterprises Ltd reported an 88% increase in turnover during the year. A significant part of this turnover has been generated by the opening of the Treehouse. This new facility has provided much needed covered space. Previously this was only provided by a marquee.

With the Treehouse, Car Park and three themed gardens opening in Spring 2005, the charitable activities have been developed to maximize the opportunities arising from these new capital elements of The Garden. During the year, the charitable objectives, outputs, outcomes and their evaluation mechanisms were defined and approved and were made available through a range of media including a DVD incorporating interviews with key stakeholders. This work identified the six areas of activity that The Trust aims to deliver in order to achieve its Vision over the next ten years. These were Learning, Disability, Play, Art, Healthy Living and Economic Renaissance.

Music at The Garden took another form with the introduction of Jazz Thursdays and Live Fridays in The Treehouse on those evenings, bringing a new range of music available to the Northumberland community. Two educational DVD's were produced for the enjoyment of visitors; the Serpent Garden DVD showing how the sculptor William Pye selected the water sculptures and his passion for mixing science and art. The Poison Garden DVD expanded on the tour presented by the guides and includes a strong Drug Awareness message in partnership with the local and regional press. A number of Drug Awareness training sessions were provided for volunteers and staff using the Poison Garden as the backdrop which were aimed at helping them speak more freely with visitors about the impact of drug abuse and the benefit of talking about drugs. Some 187,000 adults and children experienced a learning opportunity during the year with most of these being delivered through the Poison Garden tours.

The Routeway pilot was launched to provide a path back to work for long term unemployed or young people lacking in qualifications and direction. As a result 16 participants started on the 1st February after a screening process. In addition, work continued with the provision of vocational learning to 14-19yr olds from the local high school. This programme continues to be highly commended and the Education Development Manager is frequently asked to present our work in this area to other employers and agencies as a case of Best Practice. The Learning and Skills Development Agency made a film about The Alnwick Garden as a resource for the GCSE / A level subject "Leisure and Tourism". The film was distributed to every secondary school and college in the UK.

The first themed Christmas was organised and will be an event to build upon as The Trust aims to address visitor seasonality. There was a sharp expansion in arts activities throughout the summer with 4-5 arts activities each week and with yet another highly successful Play Week in June, the Education Development Manager was asked to sit on the work group pulling the Alnwick Play Strategy together. This then progressed to the Northumberland Play Strategy. The Garden employed 200 people during the year in which 62 of these jobs were created.

b. Factors relevant to achieve objectives

The major risks to which the charitable company is exposed have been identified, and systems have been established to mitigate those risks. The risk management procedures adopted by Trustees are reviewed at every Trustees' meeting and annually with external assistance.

The charitable company's risk analysis identifies many factors that can have a negative impact on the delivery of its objectives. These include the weather, tourism trends and regional and national marketing initiatives. In addition the charitable company is very dependant on its staff for the successful operation of all areas of activity. Staff training is vital to ensure all staff possess the necessary skills to perform their tasks and deliver to the highest possible standards.

THE ALNWICK GARDEN TRUST
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TRUSTEES' REPORT (continued)
For the year ended 31 March 2006

FINANCIAL REVIEW

a. Financial summary

The year under review was one of great activity. Full details of the charitable company's financial position can be found in the accompanying financial statements attached to this report.

Alnwick Garden Enterprises Ltd reported an increase in turnover from £1.99m to £3.74m. This increase in income largely reflects the opening of the Treehouse in early 2005. The Treehouse now provides The Garden with permanent covered space for the first time. The opening of the Pavilion and Visitor Centre in April 2006 increases the business opportunities available to the subsidiary company.

During the year under review the charitable group reported a total of £7.63m of incoming resources and a total of £5.24m of resources expended.

The year under review also reflects the final twelve months of the construction of the Pavilion and Visitor Centre. This facility was opened to the public in April 2006. All costs associated with the construction of this complex had been incurred by 31st March 2006 and are therefore included in the 2006 balance sheet. Conversely secured grants for this project (amounting to approximately £1.7m) not claimed at the year end are not included in the financial statements as, at that date, the charitable company was not entitled to receive these funds. Additionally the portion of the long term loan shown as due within one year was, subsequent to the year end, rescheduled such that it has become due after one year.

Since the year end, up to 20 November 2006, £1,451,217 of the secured grant claims have been received including £744,070 which was claimed subsequent to the year end and not included in debtors at the year end. Although the balance of net current liabilities has reduced since the year end to the date of this report the charitable company still has significant net current liabilities. These net current liabilities are represented by short-term funding from the charitable company's bankers and scheduled payments to the construction contractors.

The completion of the Pavilion and Visitor Centre and its opening in April 2006 means that the Trustees and Management expect increased revenues from this attraction in the current and future years. Additionally, the Trustees are pleased to note that the changes in the gift aid regime from 1st April 2006 have resulted in a significant increase in donations which is likely to continue. Therefore the Trustees anticipate increased revenues which will be available to meet the financial commitments as they fall due and to assist in future developments.

Moving forward the charitable company is now developing its next capital project. Fundraising for this next phase of construction is under way.

b. Reserves policy

As with many charities which are in the development phase of their activities, The Alnwick Garden's reserves are represented by a combination of fixed assets open to the general public and assets in the course of construction to be made available to the public in accordance with the Trust's objects. At this stage, the Trustees are concentrating on fundraising to meet the financing requirements of the development phase. In due course, the Trustees will develop a reserves policy appropriate to securing the long term future of The Alnwick Garden Trust.

c. Principal funding

During the year under review £3.8m was generated through fundraising activity. Grants and donations were received from Friends, private individuals, trusts and corporate donors together with public sector funding from the European Regional Development Fund and local government sources.

THE ALNWICK GARDEN TRUST
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TRUSTEES' REPORT (continued)
For the year ended 31 March 2006

PLANS FOR THE FUTURE

a. Future developments

The charitable company remains committed to completing the development of The Alnwick Garden. The remaining features include:

- The remaining five themed gardens within the main garden
- An orchard, grotto and pond area
- The Treehouse adventure play area
- Pedestrian bridge linking main car park to The Garden
- Additional visitor infrastructure
- Permanent offices

TRUSTEES' RESPONSIBILITIES

The Trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice applicable to charities.

Company and charity law applicable to charities in England/Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the surplus or deficit of the charitable company for that period. In preparing those financial statements the Trustees have:

- selected suitable accounting policies and applied them consistently
- made judgements and estimates that are reasonable and prudent
- prepared the financial statements on the going concern basis (unless it is inappropriate to presume that the charitable company will continue in operation)

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the detection and prevention of fraud and other irregularities.

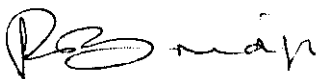
So far as each of the Trustees is aware at the time the report is approved there is no relevant audit information of which the charitable company's auditors are unaware and the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDITORS

A resolution proposing that Ryecroft Glenton be re-appointed as auditors of the charitable company will be put to the Annual General Meeting.

This report was approved by the Trustees on 19 December 2006 and signed on its behalf, by:



Dr John Bridge

THE ALNWICK GARDEN TRUST
(Limited by Guarantee)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ALNWICK GARDEN TRUST

We have audited the group and parent charitable company financial statements of The Alnwick Garden Trust for the year ended 31 March 2006 which comprise the Statement of Financial Activities, Balance Sheet and Cash Flow Statement, with the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Statement of Recommended Practice: 'Accounting by Charities'.

This report is made solely to the charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members, as a body, those matters we are required to state to them in an auditors' 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 charitable company and the charitable company's members, as a body, for our audit work, for this report, or for the opinion we have formed.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

As described in the Statement of Trustees' Responsibilities the group's Trustees (who also act as company directors of The Alnwick Garden Trust) are responsible for the preparation of the Trustees' Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether in our opinion the information given in the Trustees' report is consistent with the financial statements. We also report to you if, in our opinion, the charitable group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Trustees' remuneration and other transactions is not disclosed.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

THE ALNWICK GARDEN TRUST

(Limited by Guarantee)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ALNWICK GARDEN TRUST

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to charities, of the state of the group's and charitable company's affairs as at 31 March 2006 and of the incoming resources and application of resources of the group, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985.
- The information given in the Trustees' Report is consistent with the financial statements.



RYECROFT GLENTON

Chartered Accountants
Registered Auditors

32 Portland Terrace
Newcastle upon Tyne
NE2 1QP

19 December 2006

THE ALNWICK GARDEN TRUST
(Limited by Guarantee)

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(incorporating income and expenditure account)
For the year ended 31 March 2006

		Restricted Funds 2006 £	Unrestricted Funds 2006 £	Total Funds 2006 £	As restated Total Funds 2005 £
	Note				
INCOMING RESOURCES					
Incoming resources from generated funds:					
Voluntary income	2	3,028,160	801,973	3,830,133	5,434,456
Activities for generating funds	3	-	2,094,366	2,094,366	1,065,325
Investment income	4	-	1,600	1,600	5,709
Incoming resources from charitable activities	5	-	1,655,714	1,655,714	927,701
Other incoming resources	6	-	45,005	45,005	41,902
TOTAL INCOMING RESOURCES		3,028,160	4,598,658	7,626,818	7,475,093
RESOURCES EXPENDED					
Costs of generating funds:					
Costs of generating voluntary income	7	25,000	224,720	249,720	369,133
Fundraising trading: costs of goods sold and other costs	3	-	1,968,753	1,968,753	1,015,329
Charitable activities	9	128,285	2,845,733	2,974,018	2,173,879
Governance costs	12	-	51,789	51,789	37,400
TOTAL RESOURCES EXPENDED		153,285	5,090,995	5,244,280	3,595,741
NET INCOMING RESOURCES / (RESOURCES EXPENDED) BEFORE TRANSFERS		2,874,875	(492,337)	2,382,538	3,879,352
Transfers between Funds	23	(4,166,020)	4,166,020	-	-
NET INCOMING RESOURCES / (RESOURCES EXPENDED)		(1,291,145)	3,673,683	2,382,538	3,879,352
NET MOVEMENT IN FUNDS FOR THE YEAR		(1,291,145)	3,673,683	2,382,538	3,879,352
<i>Total funds at 1 April 2005</i>		<i>1,375,922</i>	<i>14,027,610</i>	<i>15,403,532</i>	<i>11,524,180</i>
TOTAL FUNDS AT 31 MARCH 2006		84,777	17,701,293	17,786,070	15,403,532

All activities relate to continuing operations.

The Statement of Financial Activities includes all gains and losses recognised in the year.

The notes on pages 14 to 32 form part of these financial statements.

THE ALNWICK GARDEN TRUST
(Limited by Guarantee)

CONSOLIDATED BALANCE SHEET
As at 31 March 2006

	Note	£	2006 £	As restated 2005 £
FIXED ASSETS				
Tangible fixed assets	16		28,245,492	21,550,345
CURRENT ASSETS				
Stocks	18	177,281		190,798
Debtors	19	1,360,554		788,728
Cash at bank and in hand		69,428		1,920,802
		<u>1,607,263</u>		<u>2,900,328</u>
CREDITORS: amounts falling due within one year	20	<u>(5,959,583)</u>		<u>(3,644,351)</u>
NET CURRENT LIABILITIES			<u>(4,352,320)</u>	<u>(744,023)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>23,893,172</u>	<u>20,806,322</u>
CREDITORS: amounts falling due after more than one year	21		<u>(6,107,102)</u>	<u>(5,402,790)</u>
NET ASSETS			<u><u>17,786,070</u></u>	<u><u>15,403,532</u></u>
CHARITY FUNDS				
Restricted funds	23		84,777	1,375,922
Unrestricted funds	23		17,701,293	14,027,610
			<u><u>17,786,070</u></u>	<u><u>15,403,532</u></u>

The financial statements were approved by the Trustees on 19 December 2006 and signed on their behalf, by:



Dr John Bridge, Chairman

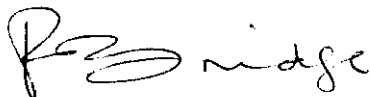
The notes on pages 14 to 32 form part of these financial statements.

THE ALNWICK GARDEN TRUST
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CHARITABLE COMPANY BALANCE SHEET
As at 31 March 2006

	Note	£	2006 £	£	As restated 2005 £
FIXED ASSETS					
Tangible fixed assets	16		27,826,617		21,204,634
Fixed asset investments	17		468,136		442,969
			<u>28,294,753</u>		<u>21,647,603</u>
CURRENT ASSETS					
Debtors	19	1,318,131		708,100	
Cash at bank		17,342		1,686,946	
		<u>1,335,473</u>		<u>2,395,046</u>	
CREDITORS: amounts falling due within one year	20	(5,628,664)		(3,124,124)	
NET CURRENT LIABILITIES			<u>(4,293,191)</u>		<u>(729,078)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>24,001,562</u>		<u>20,918,525</u>
CREDITORS: amounts falling due after more than one year	21		(6,107,102)		(5,402,790)
NET ASSETS			<u><u>17,894,460</u></u>		<u><u>15,515,735</u></u>
CHARITY FUNDS					
Restricted Funds			84,777		1,375,922
Unrestricted funds			17,809,683		14,139,813
			<u><u>17,894,460</u></u>		<u><u>15,515,735</u></u>

The financial statements were approved by the Trustees on 19 December 2006 and signed on their behalf, by:



Dr John Bridge, Chairman

The notes on pages 14 to 32 form part of these financial statements.

THE ALNWICK GARDEN TRUST
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CASH FLOW STATEMENT
For the year ended 31 March 2006

	Note	2006 £	As restated 2005 £
Net cash flow from operating activities	25	2,323,550	6,353,437
Returns on investments and servicing of finance	26	(248,509)	(47,733)
Capital expenditure and financial investment	26	(5,121,564)	(7,968,490)
CASH OUTFLOW BEFORE FINANCING		(3,046,523)	(1,662,786)
Financing	26	(262,218)	1,912,145
(DECREASE)/INCREASE IN CASH IN THE YEAR		(3,308,741)	249,359

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
For the year ended 31 March 2006

	2006 £	As restated 2005 £
(Decrease)/Increase in cash in the year	(3,308,741)	249,359
Cash outflow from decrease in debt and lease financing	262,218	(1,912,145)
MOVEMENT IN NET DEBT IN THE YEAR	(3,046,523)	(1,662,786)
Net debt at 1 April 2005	(4,781,851)	(3,119,065)
NET DEBT AT 31 MARCH 2006	(7,828,374)	(4,781,851)

The notes on pages 14 to 32 form part of these financial statements.

STATEMENT OF CHANGES IN RESOURCES APPLIED FOR FIXED ASSETS FOR CHARITY USE
For the year ended 31 March 2006

	Restricted Funds 2006 £	Unrestricted Funds 2006 £	Total Funds 2006 £	As restated Total Funds 2005 £
Net movement in funds for the year	(1,291,145)	3,673,683	2,382,538	3,879,352
Resources used for net acquisitions of tangible fixed assets	-	(6,695,147)	(6,695,147)	(8,596,032)
NET MOVEMENT IN FUNDS AVAILABLE FOR FUTURE ACTIVITIES	(1,291,145)	(3,021,464)	(4,312,609)	(4,716,680)

The notes on pages 14 to 32 form part of these financial statements.

THE ALNWICK GARDEN TRUST
(Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in March 2005, applicable accounting standards and the Companies Act 1985.

The statement of financial activities (SOFA) and balance sheet consolidate the financial statements of the charitable company and its subsidiary undertaking. The results of the subsidiary are consolidated on a line by line basis.

Certain prior year figures have been restated due to SORP 2005.

No separate SOFA has been presented for the charitable company alone as permitted by section 230 of the Companies Act 1985 and paragraph 397 of the SORP.

The financial statements have been prepared on the going concern basis which assumes that the charitable company and its subsidiary will continue in operation for the foreseeable future. The validity of this assumption rests on the success of the current fundraising strategy and the satisfactory performance of Alnwick Garden Enterprises Ltd. and is more fully explained in the Financial Review in the Trustees' Report.

1.2 COMPANY STATUS

The charitable company is a company limited by guarantee. The members of the company are the Trustees named on page 1. In the event of the charitable company being wound up, the liability in respect of the guarantee is limited to £1 per member of the charitable company.

1.3 FUND ACCOUNTING

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the charitable company and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charitable company for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Funds received for expenditure on capital projects and other fixed assets are held within restricted funds until the completion of the capital project. At that point, the purpose for which the funds were received is deemed to have been satisfied and funds are transferred to unrestricted reserves.

THE ALNWICK GARDEN TRUST
(Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

1. ACCOUNTING POLICIES (continued)

1.4 INCOMING RESOURCES

All incoming resources are included in the Statement of Financial Activities when the charitable company is legally entitled to the income and the amount can be quantified with reasonable accuracy.

Donated services are included in income at a valuation which is an estimate of the financial cost borne by the donor where such a cost is quantifiable and measurable. No income is recognised where there is no financial cost borne by a third party.

Gifts in kind are included at a valuation which is an estimate of the value to the charitable company.

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Income from Friends is deferred over the period in which the Friends are entitled to obtain access to the Garden in line with the requirements of SORP 2005.

Government grants receivable for ongoing capital projects are generally receivable after the expenditure has been made by the charitable company. Grants receivable are recognised in these financial statements if a claim has been made by the charitable company against a known commitment by the grant provider for expenditure incurred prior to the year end.

Donations from individuals and charitable trusts are recognised when notification of payment has been received.

1.5 RESOURCES EXPENDED

All expenditure is accounted for on an accruals basis and has been included under expense categories that aggregate all costs for allocation to activities. Where costs cannot be directly attributed to particular activities they have been allocated on a basis consistent with the use of the resources.

Overheads have been allocated on the basis of management/support staff time

Premises overheads have been allocated on the basis of premises usage

Other overheads including office costs and depreciation have been allocated on the basis of facilities usage

Fundraising costs are those incurred in seeking voluntary contributions and include all publicity and information costs along with all information supplied to visitors of the Garden. Support costs are those costs incurred directly in support of expenditure on the objects of the charitable company and include project management costs. Governance costs are those incurred in connection with compliance with constitutional and statutory requirements.

1.6 BASIS OF CONSOLIDATION

The financial statements consolidate the accounts of The Alnwick Garden Trust and its subsidiary undertaking Alnwick Garden Enterprises Limited.

1.7 VALUE ADDED TAX

Incoming resources are shown exclusive of Value Added Tax.

THE ALNWICK GARDEN TRUST
(Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

1. ACCOUNTING POLICIES (continued)

1.8 TANGIBLE FIXED ASSETS AND DEPRECIATION

All assets costing more than £500 are capitalised.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Garden infrastructure	-	between 48 and 50 years
Assets under construction	-	are not depreciated
Temporary buildings	-	between 3 and 9 years
Fixtures, fittings and equipment	-	between 3 and 10 years
Replaceable elements within Garden Infrastructure	-	between 10 and 40 years

The charitable company owns donated historic and artistic sculptures. These assets have been capitalised in line with the requirements of the SORP 2005 at the best estimate of their value at the time of the donation.

1.9 OPERATING LEASES

Rentals under operating leases are charged on a straight line basis over the lease term.

1.10 STOCKS

Stocks of retail goods are valued at the lower of cost and net realisable value.

1.11 PENSIONS

The charitable company operates a defined contribution pension scheme for its own employees and for those of its subsidiary company and the pension charge represents the amounts payable by the charitable company to the fund in respect of the year.

2. VOLUNTARY INCOME

	Restricted Funds 2006 £	Unrestricted Funds 2006 £	Total Funds 2006 £	<i>As restated Total Funds 2005 £</i>
Donations and appeals	25,084	625,996	651,080	592,455
Charitable and non-government grants	97,173	-	97,173	59,538
Government grants	2,905,903	-	2,905,903	4,632,242
Friends' subscriptions	-	175,977	175,977	150,221
	<hr/>	<hr/>	<hr/>	<hr/>
Voluntary income	3,028,160	801,973	3,830,133	5,434,456

THE ALNWICK GARDEN TRUST
(Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

3. TRADING ACTIVITIES

	Restricted Funds 2006 £	Unrestricted Funds 2006 £	Total Funds 2006 £	Total Funds 2005 £
TRADING INCOME				
Subsidiary trading activities	-	2,094,366	2,094,366	1,065,325
FUNDRAISING TRADING: SUBSIDIARY COSTS OF GOODS SOLD AND OTHER COSTS				
Cost of sales	-	855,789	855,789	416,351
Other direct costs	-	200,500	200,500	136,519
Share of indirect costs within the subsidiary	-	110,200	110,200	36,315
Staff salaries	-	675,807	675,807	350,282
Staff NI costs	-	64,831	64,831	32,014
Staff pensions	-	10,999	10,999	6,085
Share of subsidiary depreciation charge	-	50,627	50,627	37,763
	-	1,968,753	1,968,753	1,015,329
Net income from trading activities	-	125,613	125,613	49,996

4. INVESTMENT INCOME

	Restricted Funds 2006 £	Unrestricted Funds 2006 £	Total Funds 2006 £	Total Funds 2005 £
Bank interest receivable	-	1,600	1,600	5,709

5. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	Restricted Funds 2006 £	Unrestricted Funds 2006 £	Total Funds 2006 £	Total Funds 2005 £
Garden visitor income	-	1,651,347	1,651,347	927,507
Arts development	-	2,066	2,066	-
Education events	-	2,301	2,301	194
	-	1,655,714	1,655,714	927,701

THE ALNWICK GARDEN TRUST

(Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

6. OTHER INCOMING RESOURCES

	Restricted Funds 2006 £	Unrestricted Funds 2006 £	Total Funds 2006 £	Total Funds 2005 £
Service charge to Northumberland Estates	-	40,000	40,000	38,500
Other income	-	5,005	5,005	3,402
	<u>-</u>	<u>45,005</u>	<u>45,005</u>	<u>41,902</u>

7. COSTS OF GENERATING VOLUNTARY INCOME

	Restricted Funds 2006 £	Unrestricted Funds 2006 £	Total Funds 2006 £	Total Funds 2005 £
Garden marketing	25,000	74,334	99,334	94,258
Government grants	-	37,711	37,711	145,740
Friends' publications	-	25,250	25,250	27,242
Fundraising - other costs	-	22,044	22,044	31,111
Fundraising - staff costs	-	64,898	64,898	70,299
Fundraising - depreciation	-	483	483	483
	<u>25,000</u>	<u>224,720</u>	<u>249,720</u>	<u>369,133</u>

8. ANALYSIS OF RESOURCES EXPENDED BY EXPENDITURE TYPE

	Staff costs 2006 £	Depreciation 2006 £	Other costs 2006 £	Total 2006 £	Total 2005 £
Costs of generating voluntary income	64,898	483	184,339	249,720	369,133
Fundraising expenses	751,637	50,627	1,166,489	1,968,753	1,015,329
Subtotal costs of generating funds	<u>816,535</u>	<u>51,110</u>	<u>1,350,828</u>	<u>2,218,473</u>	<u>1,384,462</u>
Garden facilities	332,350	456,123	311,354	1,099,827	804,769
Visitor services	341,340	86,853	516,231	944,424	601,085
Education and Arts	75,496	21,663	73,089	170,248	122,726
Capital projects	76,253	5,257	678,009	759,519	645,299
Subtotal charitable activities	<u>825,439</u>	<u>569,896</u>	<u>1,578,683</u>	<u>2,974,018</u>	<u>2,173,879</u>
	<u>1,641,974</u>	<u>621,006</u>	<u>2,929,511</u>	<u>5,192,491</u>	<u>3,558,341</u>

THE ALNWICK GARDEN TRUST
(Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

9. ANALYSIS OF RESOURCES EXPENDED BY ACTIVITIES

	Activities undertaken directly 2006 £	Support costs 2006 £	Total 2006 £	Total 2005 £
Garden facilities	704,765	395,062	1,099,827	804,769
Visitor services	383,939	560,485	944,424	601,085
Education and Arts	147,109	23,139	170,248	122,726
Capital projects	223,134	536,385	759,519	645,299
Total	<u>1,458,947</u>	<u>1,515,071</u>	<u>2,974,018</u>	<u>2,173,879</u>

10. ACTIVITIES UNDERTAKEN DIRECTLY

	Basis of Allocation	Garden facilities £	Visitor services £	Education and Arts £
Direct costs	Direct	37,357	22,675	55,901
Premises costs	Direct	-	40,557	-
Repairs and maintenance	Direct	-	93,922	-
Capital project running costs	Direct	-	-	-
Other staff costs	Direct	3,731	8,499	1,106
Other costs	Direct	22,216	111	3,457
Wages and salaries	Direct	206,266	164,391	62,849
National insurance	Direct	9,030	13,629	6,636
Pension cost	Direct	6,839	5,870	6,011
Depreciation	Direct	419,326	34,285	11,149
		<u>704,765</u>	<u>383,939</u>	<u>147,109</u>
		Capital projects £	Total 2006 £	Total 2005 £
Direct costs		-	115,933	82,425
Premises costs		-	40,557	-
Repairs and maintenance		-	93,922	97,178
Capital project running costs		194,116	194,116	205,500
Other staff costs		-	13,336	24,883
Other costs		-	25,784	38,143
Wages and salaries		26,323	459,829	333,341
National insurance		2,695	31,990	26,651
Pension cost		-	18,720	20,536
Depreciation		-	464,760	248,384
		<u>223,134</u>	<u>1,458,947</u>	<u>1,077,041</u>

THE ALNWICK GARDEN TRUST
(Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

11. SUPPORT COSTS

	Basis of Allocation	Garden facilities £	Visitor services £	Education and Arts £
Premises costs	Premises	64,304	88,418	-
Repairs and maintenance	Premises	8,389	11,535	-
Office costs (stationery, computer, phone etc.)	Facilities	44,186	63,124	12,625
Capital project running costs	Direct	-	-	-
Legal, professional and consultancy	Time	39,522	56,460	-
Bank interest and charges	Direct	-	-	-
Other staff costs	Time	23,096	32,996	-
Other costs	Time	68,553	97,934	-
Wages and salaries	Time	93,300	133,286	-
National insurance	Time	9,204	13,148	-
Pension cost	Time	7,711	11,016	-
Depreciation	Facilities	36,797	52,568	10,514
		395,062	560,485	23,139
		Capital projects £	Total 2006 £	Total 2005 £
Premises costs		8,038	160,760	100,188
Repairs and maintenance		1,049	20,973	16,112
Office costs (stationery, computer, phone etc.)		6,312	126,247	71,359
Capital project running costs		142,168	142,168	47,423
Legal, professional and consultancy		16,938	112,920	138,384
Bank interest and charges		270,109	270,109	53,444
Other staff costs		9,899	65,991	24,827
Other costs		29,380	195,867	100,679
Wages and salaries		39,986	266,572	407,812
National insurance		3,944	26,296	32,441
Pension cost		3,305	22,032	20,972
Depreciation		5,257	105,136	83,198
		536,385	1,515,071	1,096,839

Key to basis of allocation:

Premises	Allocation of costs is by premises usage
Facilities	Allocation of costs is by use of facilities
Time	Allocation of costs is by estimated time spent by management and support staff

THE ALNWICK GARDEN TRUST
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

12. GOVERNANCE COSTS

	Restricted Funds 2006 £	Unrestricted Funds 2006 £	Total Funds 2006 £	Total Funds 2005 £
Auditors' remuneration: audit work	-	18,000	18,000	18,000
Auditors' remuneration: non-audit work	-	33,789	33,789	19,400
	<u>-</u>	<u>51,789</u>	<u>51,789</u>	<u>37,400</u>

13. NET INCOMING RESOURCES / (RESOURCES EXPENDED)

This is stated after charging:

	2006 £	2005 £
Depreciation of tangible fixed assets:		
- owned by the charity	621,005	371,311
Auditors' remuneration - audit work	18,000	18,000
Auditors' remuneration for non-audit work	33,789	19,400
	<u>672,794</u>	<u>408,711</u>

Auditors fees for the charitable company were £8,000 (2005 - £8000)

During the year, no Trustees received any remuneration (2005 - £NIL).

During the year, no Trustees received any benefits in kind (2005 - £NIL).

During the year, no Trustees received any reimbursement of expenses (2005 - £NIL).

THE ALNWICK GARDEN TRUST
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

14. STAFF COSTS

Staff costs were as follows:

	2006 £	2005 £
Wages and salaries	1,455,917	1,150,593
Social security costs	129,231	97,293
Other pension costs	56,826	52,546
	<u>1,641,974</u>	<u>1,300,432</u>

The average monthly number of employees during the year was as follows:

	2006 No.	2005 No.
Visitor services (including seasonal staff)	72	25
Gardeners	4	4
Retail	6	5
Education and arts	2	2
Fundraising	2	2
Marketing	4	4
Finance and administration	5	4
	<u>95</u>	<u>46</u>

The number of higher paid employees was:

	2006 No.	2005 No.
In the band £60,001 - £70,000	<u>1</u>	<u>1</u>

For this employee, contributions of £6,268 (2005:£6,891) were made by the Group for the provision of money purchase benefits within the Group Pension Scheme.

15. TAXATION

As a registered charity, the charitable company is exempt from direct tax on its charitable activities. Tax attributable to the subsidiary company, which has been included within the trading results of the subsidiary is as follows:

	2006 £	2005 £
UK Corporation tax credit	<u>(997)</u>	<u>(2,292)</u>

THE ALNWICK GARDEN TRUST
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

16. TANGIBLE FIXED ASSETS

GROUP	Garden infrastructure £	Assets under construction £	Temporary buildings £	Fixtures, fittings and equipment £	Total £
COST					
At 1 April 2005	15,564,825	5,903,547	419,710	327,833	22,215,915
Additions	99,352	7,225,416	5,417	72,199	7,402,384
Disposals	-	-	(186,782)	(72,760)	(259,542)
Transfer between classes	12,944,423	(12,944,423)	-	-	-
At 31 March 2006	28,608,600	184,540	238,345	327,272	29,358,757
DEPRECIATION					
At 1 April 2005	378,400	-	124,736	162,434	665,570
Charge for the year	400,564	-	88,098	132,343	621,005
On disposals	-	-	(120,136)	(53,174)	(173,310)
At 31 March 2006	778,964	-	92,698	241,603	1,113,265
NET BOOK VALUE					
At 31 March 2006	27,829,636	184,540	145,647	85,669	28,245,492
At 31 March 2005	15,186,425	5,903,547	294,974	165,399	21,550,345

CHARITABLE COMPANY	Garden infrastructure £	Assets under construction £	Temporary buildings £	Fixtures, fittings and equipment £	Total £
COST					
At 1 April 2005	15,564,825	5,903,547	157,866	5,533	21,631,771
Additions	99,352	7,225,416	-	9,268	7,334,036
Disposals	(42,562)	(184,540)	(95,112)	(2,595)	(324,809)
Transfer between classes	12,944,423	(12,944,423)	-	-	-
At 31 March 2006	28,566,038	-	62,754	12,206	28,640,998
DEPRECIATION					
At 1 April 2005	378,400	-	47,393	1,344	427,137
Charge for the year	400,564	-	47,393	2,696	450,653
On disposals	-	-	(63,409)	-	(63,409)
At 31 March 2006	778,964	-	31,377	4,040	814,381
NET BOOK VALUE					
At 31 March 2006	27,787,074	-	31,377	8,166	27,826,617
At 31 March 2005	15,186,425	5,903,547	110,473	4,189	21,204,634

THE ALNWICK GARDEN TRUST
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

16. TANGIBLE FIXED ASSETS (continued)

The charitable company occupies land from the Trustees of the 10th Duke of Northumberland's 1972 Referential settlement under a lease expiring in 2098. No capital payments have been made by the charitable company for this lease and no value has been attributed to the lease within these financial statements.

17. FIXED ASSET INVESTMENTS

	Shares in subsidiary £	Loan to subsidiary £	Total £
CHARITABLE COMPANY			
MARKET VALUE			
At 1 April 2005	4	442,965	442,969
Additions	-	25,169	25,169
Disposals	(2)	-	(2)
	<u>2</u>	<u>468,134</u>	<u>468,136</u>
At 31 March 2006	<u>2</u>	<u>468,134</u>	<u>468,136</u>
HISTORICAL COST	<u>2</u>	<u>468,134</u>	<u>468,136</u>

CHARITABLE COMPANY INVESTMENTS AT MARKET VALUE COMPRISE:

	2006 £	2005 £
Group	<u>468,136</u>	<u>442,969</u>

The loan to subsidiary undertaking represents amounts payable by Alnwick Garden Enterprises Limited to the charitable company. The loan is repayable on 31 March 2010 and attracts interest at the rate of 3% over the Bank of Scotland base rate per annum.

18. STOCKS

	GROUP		CHARITABLE COMPANY	
	2006	2005	2006	2005
	£	£	£	£
Goods for resale	177,281	190,798	-	-

THE ALNWICK GARDEN TRUST
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

19. DEBTORS

	GROUP		CHARITABLE COMPANY	
	2006	2005	2006	2005
	£	£	£	£
DUE WITHIN ONE YEAR				
Trade debtors	3,034	10,092	-	-
Other debtors	1,285,736	727,095	1,318,131	708,100
Prepayments and accrued income	71,784	51,541	-	-
	<u>1,360,554</u>	<u>788,728</u>	<u>1,318,131</u>	<u>708,100</u>

20. CREDITORS:
AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		CHARITABLE COMPANY	
	2006	2005	2006	2005
	£	£	£	£
Bank loans and overdrafts	1,790,700	1,299,863	1,790,700	1,299,863
Trade creditors	165,449	348,077	-	-
Amounts owed to group undertakings	-	-	23,582	19,452
Social security and other taxes	60,675	73,729	3,163	3,035
Other creditors	2,500,109	1,089,085	2,400,108	989,085
Accruals and deferred income	1,442,650	833,597	1,411,111	812,689
	<u>5,959,583</u>	<u>3,644,351</u>	<u>5,628,664</u>	<u>3,124,124</u>

Included within group other creditors is an unsecured loan from the Duke of Northumberland of £100,000 (2005: £100,000) repayable on demand. No interest is payable on the loan.

DEFERRED INCOME

Accruals and deferred income above includes deferred income from friends subscriptions of £65,663 (2005: £53,600), the movement of which is as follows:-

	2006	<i>As restated</i> 2005
	£	£
Brought forward at 1 April 2005	53,600	50,800
Release to incoming resources	(53,600)	(50,800)
Deferred in the year	65,663	53,600
	<u>65,663</u>	<u>53,600</u>
At 31 March 2006		

THE ALNWICK GARDEN TRUST
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

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

	GROUP		CHARITABLE COMPANY	
	2006	2005	2006	2005
	£	£	£	£
Bank loans	2,626,667	1,922,355	2,626,667	1,922,355
Other loans - Duke of Northumberland	3,480,435	3,480,435	3,480,435	3,480,435
	6,107,102	5,402,790	6,107,102	5,402,790

Creditors include amounts not wholly repayable within 5 years as follows:

	GROUP		CHARITABLE COMPANY	
	2006	2005	2006	2005
	£	£	£	£
Repayable by instalments	1,293,334	1,922,355	1,293,334	1,922,355
Repayable other than by instalments	3,480,435	3,480,435	3,480,435	3,480,435
	4,773,769	5,402,790	4,773,769	5,402,790

The loan from the Twelfth Duke of Northumberland is repayable three years after notice of repayment is given to the charitable company which may be done at any time after 31 March 2024. The loan may not be recalled prior to that date. The loan is interest-free until 1 April 2009. After this date, interest will be added to the loan at a rate equal to the increase in the Retail Prices Index from that date up to the date at which the loan is repaid. The loan is unsecured.

Bank loans and overdrafts include overdrafts repayable on demand of £1,417,367 and a loan of £3,000,000. The loan is repayable by equal annual instalments ending within the year ended 31 March 2015 and attracts interest of 3% over the Bank of Scotland base rate.

Bank loans and overdrafts are secured over all the assets of the charitable group under a debenture dated 15 October 2004.

Total loans and overdrafts represent 28% of the tangible fixed assets of the charitable group.

22. PRIOR YEAR ADJUSTMENT

The introduction of the new SORP 2005 has required two changes to accounting policies. These are:

1) Value placed on two lead sphinxes donated to the Garden last year. Last year's financial statements attributed no value to these sphinxes under the historic and inalienable rules of the previous SORP. This is not acceptable under SORP 2005, which requires all fixed assets to have a carrying value. A value of £250,000 has been attributed to these assets, being the insurance value applied to them; and

2) Friends' income is now deferred. Friends are entitled without further payment to one year's access to the Garden from the point at which the donation is made. A relevant proportion of these donations are deferred and released to income over the period in which the Friends are entitled to obtain access to the Garden. Last year, no such deferral of income was made.

In line with Financial Reporting Standard 18, these changes in accounting policies have been reflected in the 2005 comparative figures. The overall changes in funds are as set out below:

THE ALNWICK GARDEN TRUST
(Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

	Restricted funds £	Unrestricted funds £	2006 Total £	2005 Total £
Fund balance brought forward as reported	1,375,922	13,831,210	15,207,132	11,574,980
Prior year adjustment - fixed assets	-	250,000	250,000	-
Prior year adjustment - Friends' income	-	(53,600)	(53,600)	(50,800)
Fund balance restated	1,375,922	14,027,610	15,403,532	11,524,180
Net movement in funds	(1,291,145)	3,673,683	2,382,538	3,879,352
Total funds carried forward	84,777	17,701,293	17,786,070	15,403,532

23. STATEMENT OF FUNDS

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Carried Forward £
UNRESTRICTED FUNDS					
General Funds - charitable	13,716,670	2,504,292	(3,075,992)	4,166,020	17,310,990
General funds - trading	310,940	2,094,366	(2,015,003)	-	390,303
	14,027,610	4,598,658	(5,090,995)	4,166,020	17,701,293

THE ALNWICK GARDEN TRUST
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

RESTRICTED FUNDS

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Carried Forward £
Visitor Centre and Pavilion	1,294,758	2,825,236	-	(4,119,994)	-
Tree house, car park and themed gardens	-	56,190	-	(56,190)	-
Enabling works	-	(5,397)	-	5,397	-
Establishment costs	-	(4,767)	-	4,767	-
Education and Arts development	81,164	82,280	(78,987)	-	84,457
Marketing	-	25,000	(25,000)	-	-
Orchard appeal	-	500	(500)	-	-
Other appeals	-	13,820	(13,500)	-	320
Staff training	-	24,536	(24,536)	-	-
Other revenue funding	-	10,762	(10,762)	-	-
	<u>1,375,922</u>	<u>3,028,160</u>	<u>(153,285)</u>	<u>(4,166,020)</u>	<u>84,777</u>
Total of Funds	<u>15,403,532</u>	<u>7,626,818</u>	<u>(5,244,280)</u>	<u>-</u>	<u>17,786,070</u>

Transfers from restricted funds to unrestricted funds represent completed fixed asset projects. Transfers from unrestricted funds to restricted funds are for restricted grants receivable provided for in 2005 against expenditure incurred, where the grant was not subsequently received.

The Visitor centre and pavilion, and the tree house, car park and themed gardens are capital projects all of which have been brought into use on or before the year end. Restricted funding was received from Government and public authorities, and other donors. Other unrestricted funds have also been applied to these capital projects.

Establishment costs are predominantly costs incurred in the management of the capital works but include some costs incurred in the development of IT systems and legal and professional costs incurred.

Restricted grants for education development have been received from the Learning and Skills Council, and other donors. Arts development was part funded by the Arts Council North East.

The Grant for Marketing was received from the Northumberland Strategic Partnership and has been applied in developing signage for the Garden.

Income to assist in the training of staff was received from both the public and private sectors and has been applied both towards many aspects of staff training within the Garden, both externally and internally provided.

Other revenue funding represents payments made directly from businesslink to a service provider in respect of human resource consultancy.

SUMMARY OF FUNDS

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Carried Forward £
General Funds	14,027,610	4,598,658	(5,090,995)	4,166,020	17,701,293
Restricted Funds	1,375,922	3,028,160	(153,285)	(4,166,020)	84,777
	<u>15,403,532</u>	<u>7,626,818</u>	<u>(5,244,280)</u>	<u>-</u>	<u>17,786,070</u>

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For the year ended 31 March 2006

24. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Restricted Funds 2006 £	Unrestricted Funds 2006 £	Total Funds 2006 £	Total Funds 2005 £
Tangible fixed assets	-	28,245,493	28,245,493	21,550,346
Current assets	84,777	1,522,486	1,607,263	2,900,330
Creditors due within one year	-	(5,959,584)	(5,959,584)	(3,644,354)
Creditors due in more than one year	-	(6,107,102)	(6,107,102)	(5,402,790)
	<u>84,777</u>	<u>17,701,293</u>	<u>17,786,070</u>	<u>15,403,532</u>

25. NET CASH FLOW FROM OPERATING ACTIVITIES

	2006 £	2005 £
Net incoming resources before revaluations	2,382,538	3,879,352
Returns on investments and servicing of finance	248,509	47,733
Loss on disposal of tangible fixed assets	80,700	-
Depreciation of tangible fixed assets	621,005	371,311
Decrease/(increase) in stocks	13,517	(109,725)
(Increase)/decrease in debtors	(571,825)	1,021,983
(Decrease)/increase in creditors	(450,894)	1,392,783
Donation of fixed asset	-	(250,000)
NET CASH INFLOW FROM OPERATIONS	<u>2,323,550</u>	<u>6,353,437</u>

26. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2006 £	2005 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	1,600	5,711
Interest paid	(250,109)	(53,444)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	<u>(248,509)</u>	<u>(47,733)</u>
	2006 £	2005 £
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	(5,127,096)	(7,968,490)
Sale of tangible fixed assets	5,532	-
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	<u>(5,121,564)</u>	<u>(7,968,490)</u>

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26. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT (continued)

	2006 £	2005 £
FINANCING		
Other new loans	1,195,149	1,912,145
Repayment of other loans	-	-
New finance lease	-	-
Conversion of loan to bank overdraft	(1,457,367)	-
NET CASH (OUTFLOW)/INFLOW FROM FINANCING	<u>(262,218)</u>	<u>1,912,145</u>

27. ANALYSIS OF CHANGES IN NET DEBT

	1 April 2005 £	Cash flow £	Other non-cash changes £	31 March 2006 £
Cash at bank and in hand:	1,920,802	(1,851,374)	-	69,428
Bank overdraft	-	(1,457,367)	-	(1,457,367)
	<u>1,920,802</u>	<u>(3,308,741)</u>	<u>-</u>	<u>(1,387,939)</u>
DEBT:				
Debts due within one year	(1,299,863)	-	966,530	(333,333)
Debts falling due after more than one year	(5,402,790)	-	(704,312)	(6,107,102)
NET DEBT	<u>(4,781,851)</u>	<u>(3,308,741)</u>	<u>262,218</u>	<u>(7,828,374)</u>

28. PENSION COMMITMENTS

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £56,826 (2005 - £52,546). Contributions totalling £8,066 (2005 - £6,128) were payable to the fund at the balance sheet date and are included in creditors.

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29. OPERATING LEASE COMMITMENTS

At 31 March 2006 the Group had annual commitments under non-cancelable operating leases as follows:

GROUP	Land and buildings	
	2006	2005
	£	£
EXPIRY DATE:		
Between 2 and 5 years	11,500	6,500
After more than 5 years	5,000	10,000

30. RELATED PARTY TRANSACTIONS

The following related parties had transactions with the group during the period:

Mr J Lovett, a director of Alnwick Garden Enterprises Limited, provided consultancy work to the charitable company relating to the development of the capital project to the value of £100,036 (2005 : £100,711).

Mrs J Louw, a director of Alnwick Garden Enterprises Limited, provided systems development and project management services to the group to the value of £94,778 (2005 : £73,283) and made purchases of £427 (2005 : £nil). No amounts are outstanding at the year end (2005 : £nil)

Various trusts of Northumberland Estates are related parties of the group. Control of these Trusts is exercised by the Duke of Northumberland, who as the husband of the Duchess of Northumberland is a connected party, by reason of the Duchess being a director of this company.

Alnwick Garden Enterprises Limited operated a joint ticketing arrangement with Northumberland Estates and collected income on behalf of Northumberland Estates from visitors to the Alnwick Castle totalling £703,772 (2005 : £934,206) which was paid across to Northumberland Estates during the year. This arrangement ceased with effect from October 2005. The company received a management fee for this service and the company sold goods and services during the period to Northumberland Estates valued at £155,514 (2005 : £153,287), of which £6,460 (2005 : £54,446) was receivable at the year end and received goods and services from Northumberland Estates costing £68,551 (2005 : £80,217), of which £5,130 (2005 : £8,350) was owed at the year end.

The Duke of Northumberland provides a £100,000 interest free short term loan and a long term loan of £3,480,435 to the group, further details of which may be found in note 21. There have been no movements on these loan balances during the year.

Nicholas Craig, a director of the company, is a member of Watson Burton LLP which provided legal services valued at £39,568 (2005 : £89,269) during the year, of which £5,834 (2005 : £9,950) was owed at the year end.

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31. PRINCIPAL SUBSIDIARIES

Company name	Country	Percentage Shareholding	Description
Alnwick Garden Enterprises Ltd	England & Wales	100	Ordinary
AGT Enterprises Limited (dormant); dissolved 22 November 2005	England & Wales	100	Ordinary

Alnwick Garden Enterprises Limited carries out the day to day charitable activities of the Garden and performs some non-charitable retailing, catering and functions activities. Further information is given within the Trustees report. The results and summary of assets and liabilities of this company are as follows:-

	2006 £	2005 £
Turnover	3,749,477	1,993,032
Cost of sales	(1,087,633)	(600,220)
Administrative expenses	(2,755,420)	(2,022,263)
Other income	162,966	554,813
Interest payable	(20,326)	(38,019)
Donation to parent charitable company	(46,250)	-
Corporation tax receivable	997	2,292
Profit / (loss) for year	<u>3,811</u>	<u>(110,365)</u>
Total assets	760,497	908,466
Total Liabilities	(868,885)	(1,020,665)
Shareholders' funds	<u>(108,388)</u>	<u>(112,199)</u>