

GERRARD INVESTMENT MANAGEMENT LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

REGISTERED NUMBER: 2752982

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GERRARD INVESTMENT MANAGEMENT LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

INDEX

	Page
DIRECTORS' REPORT	1
AUDITORS' REPORT	5
INCOME STATEMENT	6
STATEMENT OF RECOGNISED INCOME AND EXPENSE	6
BALANCE SHEET	7
CASH FLOW STATEMENT	8
NOTES TO THE FINANCIAL STATEMENTS.....	9

GERRARD INVESTMENT MANAGEMENT LIMITED

DIRECTORS' REPORT YEAR ENDED 31 DECEMBER 2006

The Directors present their report together with the audited financial statements for the year ended 31 December 2006.

Business review and principal activities

The principal activity of Gerrard Investment Management Limited ('the Company') is to manage investments and provide dealing facilities for private clients, pension funds and charities on an agency basis. The Company is regulated by the Financial Services Authority.

The results of the Company show a profit before taxation of £36,462,000(2005: £16,994,000) for the year and total recognised income of £25,542,000 (2005: £12,031,000). Net cash inflow from operating activities for 2006 was £10,068,000 (2005: £18,380,000).

Future outlook

We remain confident that we will maintain our current level of performance in the future.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks and uncertainties of the Barclays PLC group and are not managed separately. The principal risks and uncertainties of the Barclays PLC group, which include those of the Company, are discussed in the annual report of Barclays PLC which does not form part of this report.

Key performance indicators

The Directors of Barclays PLC manage the group's operations on a business cluster basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of Barclays Wealth, the relevant business cluster for the Company, is discussed in the Barclays PLC annual report which does not form part of this report.

Results and dividends

During the year the Company made a profit after taxation of £25,542,000 (2005: £12,031,000). The Directors do not recommend the payment of a final dividend (2005: £nil). No interim dividends have been paid (2005: £7,000,000).

Directors

The Directors of the Company, who served during the year, together with their dates of appointment and resignation, where appropriate, are as shown below:

H I Georgeson	(resigned 8 November 2006)
R Greenshields	(resigned 6 April 2006)
M A Kibblewhite	
S J Weld	(appointed 22 March 2006)

Since the year end F Riza was appointed as a director on 7 February 2007.

GERRARD INVESTMENT MANAGEMENT LIMITED

DIRECTORS' REPORT (continued) YEAR ENDED 31 DECEMBER 2006

Directors' interests in shares (as defined by section 325 of the Companies Act 1985)

The Directors have no interests in the shares of the Company. The Directors' interests in the ordinary shares of Barclays PLC, the ultimate holding company, are shown below:

Directors' interests in Barclays PLC ordinary shares of 25p each

	At 1 January 2006 (a)	At 31 December 2006
M A Kibblewhite	72,705	-
S J Weld	7,836	8,444

(a) or date appointed to the Board if later.

Beneficial interests in the table above represent shares held by Directors, either directly or through a nominee, their spouses and children under eighteen. They include any interests held through the Barclays PLC Group SharePurchase Plan, details of which can be found in the financial statements of Barclays PLC.

In addition, at 31 December 2006 the Directors, together with senior executives of the Barclays Group, were potential beneficiaries in respect of a total of 165,645,889 Barclays PLC ordinary shares of 25p each (1 January 2006 147,145,847 ordinary shares of 25p each in Barclays PLC) held by the trustees of the Barclays Group Employees' Benefit Trusts.

Directors' interests in ordinary shares in Barclays PLC under option under open incentive schemes

Executive Share Award Scheme (ESAS)

	Number held at 1 January 2006	During the year			Number held at 31 December 2006
		<u>Granted</u>	<u>Exercised</u>	<u>Released</u>	
M A Kibblewhite	-	169,129	169,129	-	-

More information on this scheme can be found in the financial statements of Barclays PLC.

Sharesave

	Number held at 1 January 2006 (a)	During the year			Number held at 31 December 2006
		<u>Granted</u>	<u>Exercised</u>	<u>Lapsed</u>	
M A Kibblewhite	2,134	-	-	-	2,134
S J Weld	6,381	-	-	-	6,381

(a) or date appointed to the Board if later.

More information on Sharesave can be found in the financial statements of Barclays PLC.

GERRARD INVESTMENT MANAGEMENT LIMITED

DIRECTORS' REPORT (continued) YEAR ENDED 31 DECEMBER 2006

Directors' interests in shares in Barclays PLC under option under closed incentive schemes

Incentive Share Option Plan (ISOP)

Number held at 1 January 2006 (a)			During the year			Number held at 31 December 2006		
			<u>Granted</u>		<u>Exercised</u>	<u>Lapsed</u>		
Target Award Shares	Maximum number over which potentially exercisable		Target Award Shares	Maximum number over which potentially exercisable			Target Award Shares	Maximum number over which potentially exercisable
S J Weld								
EP	20,000	30,000	-	-	20,000	-	10,000	10,000
TSR	10,000	40,000	-	-	-	-	10,000	40,000

(a) or date appointed to the Board if later.

Under the ISOP, participants are granted options over Barclays PLC ordinary shares which are exercisable at the market price set at the time of grant. The number of shares over which options can be exercised depends upon the performance of Barclays PLC. More information on this scheme can be found in the financial statements of Barclays PLC.

Statement of Directors' responsibilities

The following statement, which should be read in conjunction with the Auditors' Report set out on page 5, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the Auditors in relation to the financial statements.

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

The Directors consider that in preparing the financial statements on pages 6 to 19,

- the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and
- that all the accounting standards, which they consider to be applicable have been followed, and
- that the financial statements have been prepared on a going concern basis.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure the financial statements comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Financial risk management

The main financial risks that the Company is exposed to, and its risk management policies and objectives in relation to those risks, are set out in note 21 to the financial statements.

GERRARD INVESTMENT MANAGEMENT LIMITED

DIRECTORS' REPORT (continued) YEAR ENDED 31 DECEMBER 2006

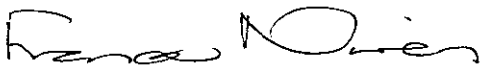
Auditors

On 20 December 2004, an Elective Resolution was passed by the shareholders of the Company pursuant to Section 386 of the Companies Act 1985 to dispense with the obligation to appoint Auditors annually. PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

BY ORDER OF THE BOARD

For and on behalf of Barcosec Limited



Corporate Secretary
29 March 2007

GERRARD INVESTMENT MANAGEMENT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GERRARD INVESTMENT MANAGEMENT LIMITED

We have audited the financial statements of Gerrard Investment Management Limited for the year ended 31 December 2006 which comprise the Income Statement, the Statement of Recognised Income and Expense, the Balance Sheet, the Cash Flow Statement and the related notes on pages 6 to 19. These financial statements have been prepared under the accounting policies set out on pages 9 to 10.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is not consistent with the financial statements. In addition we report to you if, in our opinion, the Company 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 directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

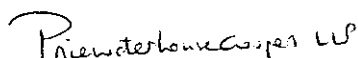
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 December 2006 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
29 March 2007

GERRARD INVESTMENT MANAGEMENT LIMITED

INCOME STATEMENT YEAR ENDED 31 DECEMBER 2006

	Note	2006 £000	2005 £000
Continuing operations			
Revenue	4	112,029	110,417
Gross profit		112,029	110,417
Administrative expenses		(81,659)	(98,044)
Operating profit		30,370	12,373
Income from disposal of subsidiary		-	12
Finance income - net	5	6,092	4,609
Profit before taxation	6	36,462	16,994
Taxation	8	(10,920)	(4,963)
Profit after taxation		25,542	12,031

STATEMENT OF RECOGNISED INCOME AND EXPENSE YEAR ENDED 31 DECEMBER 2006

	2006 £000	2005 £000
Profit after taxation	25,542	12,031
Total recognised income for the year	25,542	12,031

The notes on pages 9 to 19 form an integral part of these financial statements.

GERRARD INVESTMENT MANAGEMENT LIMITED

BALANCE SHEET AT 31 DECEMBER 2006

	Note	2006 £000	Restated 2005 £000
ASSETS			
Non-current assets			
Investment in subsidiaries	10	4	4
Deferred tax assets	14	278	376
Total non-current assets		<u>282</u>	<u>380</u>
Current assets			
Trade and other receivables	11	56,369	61,123
Cash and cash equivalents		75,680	65,612
Total current assets		<u>132,049</u>	<u>126,735</u>
Total assets		<u>132,331</u>	<u>127,115</u>
LIABILITIES			
Current liabilities			
Trade and other payables	12	(56,644)	(75,901)
Current tax liabilities	13	(10,822)	(6,337)
Provisions	15	(3,368)	(8,922)
Total current liabilities		<u>(70,834)</u>	<u>(91,160)</u>
Net current assets		<u>61,215</u>	<u>35,575</u>
Net assets		<u>61,497</u>	<u>35,955</u>
SHAREHOLDERS' EQUITY			
Called up share capital	16	22,325	22,325
Share premium account	17	7,425	7,425
Retained earnings	18	31,747	6,205
Total shareholders' equity		<u>61,497</u>	<u>35,955</u>

Prior year comparatives for cash and cash equivalents and trade and other payables have been restated. See note 12 for details.

The notes on pages 9 to 19 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 29 March 2007. They were signed on its behalf by:

M A Kibblewhite

M A Kibblewhite
Director
29 March 2007

GERRARD INVESTMENT MANAGEMENT LIMITED

CASH FLOW STATEMENT YEAR ENDED 31 DECEMBER 2006

	2006 £000	Restated 2005 £000
Continuing operations		
Profit before taxation	36,462	16,994
Adjustment for finance costs – interest paid	49	27
Adjustment for finance income – interest received	(6,141)	(4,636)
Depreciation and amortisation charge	-	37
Net (decrease)/increase in other provisions for liabilities and charges	(4,764)	3,754
Net decrease/(increase) in trade and other receivables	4,912	(9,497)
Net (decrease)/increase in trade and other payables	(11,665)	8,863
Net decrease in balances due to group undertakings	(8,330)	(1,454)
Cash from operating activities	10,523	14,088
 Interest received	 5,931	 4,319
Interest paid	(49)	(27)
Tax paid	(6,337)	-
Net cash from operating activities	10,068	18,380
 Cash flows from financing activities		
Dividends paid	-	(7,000)
Net cash used in financing activities	-	(7,000)
 Net increase in cash and cash equivalents	10,068	11,380
Cash and cash equivalents at 1 January	65,612	54,232
Cash and cash equivalents at 31 December	75,680	65,612
 Cash and cash equivalents comprise:		
Cash at bank and in hand	75,680	65,612
	75,680	65,612

The notes on pages 9 to 19 form an integral part of these financial statements.

GERRARD INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2006

1 REPORTING ENTITY

These financial statements are prepared for the Company, the principal activity of which is to manage investments and provide dealing facilities for private clients, pension funds and charities on an agency basis. The financial statements are prepared for the Company only. The Company is a wholly owned subsidiary of Barclays Bank PLC and its ultimate parent company is Barclays PLC, both of which prepare consolidated financial statements in accordance with IFRS.

The Company is a private limited company, incorporated in the United Kingdom. The address of the registered office of the Company is 1 Churchill Place, London E14 5HP.

2 COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. In all respects, this is also in accordance with IFRS, including the interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC').

IFRS 7 (Financial Instruments Disclosures) and an amendment to IAS 1 (Presentation of Financial Statements) on capital disclosures were issued by the IASB in August 2005 for application in accounting periods beginning on or after 1 January 2007 and have been adopted by the European Commission. The new or revised disclosures will be adopted by the Company for reporting in 2007.

3 ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These accounting policies have been consistently applied.

Basis of preparation

The financial statements have been prepared under the historical cost convention. They are stated in thousands of pounds sterling, (£000), the currency of the country in which the Company is incorporated.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out those areas involving a higher degree of judgement or complexity where relevant, or areas where assumptions are significant to the financial statements.

a) Investments in subsidiaries

A subsidiary is an entity in which the Company controls the operating and financial policies, by holding directly or indirectly more than 50% of the equity shares, or by other means.

Investments in subsidiaries are stated at cost.

b) Foreign currency translation

The financial statements are presented in sterling, which is the presentational and functional currency of the Company.

Foreign currency transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions. Balances denominated in foreign currencies are retranslated at the rate prevailing at the period end. Foreign exchange gains and losses resulting from the retranslation and settlement of these items are recognised in the income statement.

c) Fees, commissions and other income arising from customer deposits

Fees, commission and other income arising from customer deposits are recognised on an earned basis.

GERRARD INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) YEAR ENDED 31 DECEMBER 2006

d) Interest

Interest income or expense is recognised on all interest bearing financial assets classified as held to maturity, available for sale or other loans and advances, and on financial liabilities, using the effective interest method.

The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

e) Taxation

Corporation tax payable on taxable profits ('current tax') is recognised as an expense in the period in which the profits arise. Corporation tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits.

Deferred tax is provided in full, using the liability method, on temporary timing differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and legislation enacted or substantially enacted by the balance sheet date and is expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

f) Dividends

Dividends are recognised when declared by the Directors, which in the case of interim dividends, is generally the date of payment.

g) Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote.

h) Cash and cash equivalents

For the purposes of the cash flow statement, cash comprises cash in hand, demand deposits and cash equivalents. Cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of less than 3 months. Trading balances are not considered to be part of cash equivalents.

i) Balances with client and market counterparties

In accordance with market practice, balances with clients, Stock Exchange member firms and settlement offices are included in trade and other receivables and trade and other payables gross for their bought and sold transactions.

j) Segregated cash

Segregated cash held by the Company on behalf of clients in accordance with the Client Money Rules of the Financial Services Authority, and the corresponding liability to the clients, is not shown on the face of the Balance Sheet as the Company is not beneficially entitled thereto.

GERRARD INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) YEAR ENDED 31 DECEMBER 2006

Changes in accounting presentation

In order to provide greater clarity and to add to the comparability of its financial statement presentation, the Company has reformatted the cash flow statement on page 8. Previously reported amounts were not affected by the changes.

4 REVENUE

All of the Company's revenue is derived from the provision of services.

5 FINANCE INCOME - NET

Finance income - net comprises the following:

	2006 £000	2005 £000
Interest income		
Other	6,141	4,636
Total interest income	<u>6,141</u>	<u>4,636</u>
Interest expense		
Bank borrowings	-	10
Other interest payable	49	17
Total interest expense	<u>49</u>	<u>27</u>
FINANCE INCOME - NET	<u>6,092</u>	<u>4,609</u>

6 PROFIT BEFORE TAXATION

The following items have been charged/(credited) in arriving at profit before taxation:

	Note	2006 £000	2005 £000
Amortisation of Wimbledon Debentures		-	37
Management service charges		77,908	92,262
Exceptional other management service charges		7,764	1,417
Provision for client compensation	15	(4,764)	3,754

The audit fees for 2006 and 2005 have been met by a group undertaking.

Exceptional other management service charges relate to restructuring activities undertaken on behalf of the Company.

GERRARD INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) YEAR ENDED 31 DECEMBER 2006

7 EMPLOYEES AND KEY MANAGEMENT, INCLUDING DIRECTORS

The Company had no direct employees in 2006 or 2005 but relied instead on the services of staff employed and remunerated by other Barclays Group Companies.

Directors' remuneration

The aggregate emoluments of the Directors of the Company disclosed in accordance with Schedule 6 of the Companies Act 1985 were as follows:

	2006 £000	2005 £000
Directors' emoluments in respect of their services to the Company:		
Aggregate emoluments	2,646	1,692
Aggregate emoluments receivable under long term incentive schemes	759	-
	<u>3,405</u>	<u>1,692</u>

One Director is accruing benefits under a defined benefit pension scheme operated by another Barclays Group Company (2005: four). One Director is accruing benefits under a defined contribution pension scheme operated by another Barclays Group Company (2005: three). During the year, no additional contributions were made to these pension schemes (2005: £19,839 in respect of two Directors).

Three Directors exercised options under the Barclays PLC Sharesave scheme and Long Term Incentive Schemes during the year (2005: three).

Highest paid director

	2006 £000	2005 £000
Aggregate emoluments and benefits under long term incentive schemes	<u>3,162</u>	<u>1,009</u>

Directors' and Officers' Loans

As at 31 December 2006, there were no amounts outstanding under transactions, arrangements and agreements made by the Company with parties who are, or were during the year, directors of the Company and persons connected with them and for officers, within the meaning of the Financial Services and Markets Act 2000.

GERRARD INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) YEAR ENDED 31 DECEMBER 2006

8 TAXATION

The analysis of the charge for the year is as follows:

	2006 £000	2005 £000
Current tax		
United Kingdom corporation tax	10,822	4,337
Deferred tax		
United Kingdom corporation tax	98	626
Total charge	<u>10,920</u>	<u>4,963</u>

A numerical reconciliation of the applicable tax rate and the effective tax rate is as follows:

	2006 £000	2005 £000
Profit before taxation	<u>36,462</u>	<u>16,994</u>
Tax charge at average UK corporation tax rate of 30% (2005: 30%)	10,938	5,098
Prior year adjustments	(18)	(146)
Other non-allowable expenses	-	11
Overall tax charge	<u>10,920</u>	<u>4,963</u>
Effective tax rate %	<u>29.95%</u>	<u>29.20%</u>

9 DIVIDENDS

An analysis of dividends paid is as follows:

	2006 £000	2005 £000
Interim paid £nil (2005:31.35p) per share	<u>-</u>	<u>7,000</u>

GERRARD INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) YEAR ENDED 31 DECEMBER 2006

10 INVESTMENTS IN SUBSIDIARIES

Movements in, and details of, the Company's long term investments in subsidiaries are as follows:

	2006 £000	2005 £000
At 1 January and 31 December	<u>4</u>	<u>4</u>

None of the Company's subsidiaries traded or had a significant impact on its net assets in either year.

In the opinion of the Directors, the value of the Company's investment in its subsidiary undertaking is not less than the amount at which it is included in the balance sheet £4,000 (2005: £4,000).

11 TRADE AND OTHER RECEIVABLES

An analysis of trade and other receivables is as follows:

	2006 £000	2005 £000
Trade receivables	37,610	45,200
Due from related parties	-	52
Other receivables	4,013	2,662
Accrued income	14,746	13,209
	<u>56,369</u>	<u>61,123</u>

The Directors consider that the carrying amount of trade receivables approximates their fair value.

12 TRADE AND OTHER PAYABLES

An analysis of trade and other payables is as follows:

	2006 £000	Restated 2005 £000
Trade payables	36,053	38,995
Due to related parties	16,498	24,880
Accrued expenses	125	126
Deferred income	726	1,043
Other payables	3,242	10,857
	<u>56,644</u>	<u>75,901</u>

The Directors consider that the carrying amount of trade payables approximates their fair value.

The 2005 trade payables were overstated by £25,407,000, with cash and cash equivalents also being overstated by the same amount. This misstatement has been corrected in the comparative results, affecting trade payable, cash and cash equivalents and the cash flow disclosures. There is no impact on reserves.

GERRARD INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) YEAR ENDED 31 DECEMBER 2006

13 CURRENT TAX LIABILITIES

Current tax liabilities are as follows:

	2006 £000	2005 £000
United Kingdom corporation tax payable	10,822	6,337

14 DEFERRED TAX

The movement on the deferred tax account is as follows:

	2006 £000	2005 £000
At 1 January	376	1,002
Income statement charge	(94)	(169)
Adjustment in respect of prior year	(4)	(457)
Deferred tax asset	278	376

Deferred taxes are provided in full on temporary differences under the liability method using a principal tax rate of 30% (2005: 30%).

The deferred tax asset is attributable to temporary differences arising in respect of the following items:

	2006 £000	2005 £000
Accelerated tax depreciation	111	148
Other temporary differences	167	228
Deferred tax asset	278	376

The deferred tax charge in the income statement comprises the following temporary differences:

	2006 £000	2005 £000
Accelerated tax depreciation	(37)	(49)
Provisions	(57)	(120)
Prior year adjustments	(4)	(457)
Net deferred tax charge	(98)	(626)

GERRARD INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) YEAR ENDED 31 DECEMBER 2006

15 PROVISIONS

Movements on the Company's provisions in the year are as follows:

	2006 Client compensation £000	2005 Client compensation £000
At 1 January	8,922	6,612
Cash paid	(2,732)	(1,586)
Income statement (credit)/charge	(4,764)	3,754
Insurance grossings	1,942	142
At 31 December	3,368	8,922

The provision for client compensation, which encompasses split capital, has been determined by reference to industry averages, the number and type of reviewable cases, specific amendments of the expected outcomes of individual claims and actual payments made by the Company. It is stated gross of insurance recoveries of £1,338,000 (2005: £1,005,000).

16 SHARE CAPITAL

Particulars of the Company's share capital are as follows:

	2006 £000	2005 £000
Authorised:		
30,000,000 ordinary shares of £1 each	30,000	30,000
Allotted and fully paid:		
22,325,000 ordinary shares of £1 each	22,325	22,325

17 SHARE PREMIUM

Movements in share premium are as follows:

	2006 £000	2005 £000
At 1 January and 31 December	7,425	7,425

GERRARD INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) YEAR ENDED 31 DECEMBER 2006

18 RETAINED EARNINGS

Movements in retained earnings are as follows:

	Retained earnings £000
At 1 January 2006	6,205
Profit after taxation	25,542
At 31 December 2006	31,747
At 1 January 2005	1,174
Profit after taxation	12,031
Dividends paid	(7,000)
At 31 December 2005	6,205

19 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Movements in shareholders' equity are as follows:

	Called up share capital £000	Share premium account £000	Retained earnings £000	Total £000
At 1 January 2006	22,325	7,425	6,205	35,955
Profit after taxation	-	-	25,542	25,542
At 31 December 2006	22,325	7,425	31,747	61,497
At 1 January 2005	22,325	7,425	1,174	30,924
Profit after taxation	-	-	12,031	12,031
Dividends paid	-	-	(7,000)	(7,000)
At 31 December 2005	22,325	7,425	6,205	35,955

20 SEGREGATED CASH

As required by the United Kingdom's Financial Services Act, the Company maintains certain balances in segregated accounts totalling £811 million (2005: £640 million). These amounts and the related liabilities are not included in the Company's balance sheet.

GERRARD INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) YEAR ENDED 31 DECEMBER 2006

21 FINANCIAL RISKS

The main financial risks that the Company is exposed to and its management policy with respect to those risks are as follows:

- Interest rate risk; the possibility that changes in interest rates will result in higher financing costs and/or reduced income from the Company's interest bearing financial assets.
- Credit risk; the risk that counterparties to the Company's financial assets may default.

The Company assesses all counterparties for credit risk before contracting with them. There were no significant concentrations of credit risk.

- Liquidity risk; the risk that the Company's cash and committed facilities may be insufficient to meet its debts as they fall due.

The Company maintains a mixture of long term and short term committed facilities, including support from its ultimate parent undertaking, Barclays PLC, that are designed to ensure the Company has sufficient available funds for operations and planned expansion.

The Company's Directors are required to follow the requirements of the Barclays PLC Group risk management policies, which include specific guidelines on the management of foreign currency, interest rate and credit risks, and advise on the use of financial instruments to manage them.

22 CONTINGENT LIABILITIES

In the ordinary course of business the Company has been party to letters of indemnity in respect of lost certified stock transfers and share certificates. As a member of the Financial Services Authority, the Company is potentially liable to make contributions to the Investors' Compensation Scheme. The contingent liabilities arising there from cannot be quantified.

23 RELATED PARTY TRANSACTIONS

The definition of related parties includes parent company, ultimate parent company, subsidiary, associated and joint venture companies, as well as the Company's key management which includes its directors.

There were no transactions with key management personnel in either year.

Particulars of transactions with group companies, and the balances outstanding at the year end, are disclosed in the tables below:

For the year ended 31 December 2006	Parent company £000	Fellow subsidiaries £000	Total £000
Transactions			
Revenue	2,122	(2,288)	(166)
Administrative expenses	(85,671)	-	(85,671)
Finance income – net	6,092	-	6,092
Total	(77,457)	(2,288)	(79,745)
Balances outstanding at 31 December			
Assets	68,325	4	68,329
Liabilities	(16,416)	(82)	(16,498)
Total	51,909	(78)	51,831

GERRARD INVESTMENT MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) YEAR ENDED 31 DECEMBER 2006

23 RELATED PARTY TRANSACTIONS (continued)

For the year ended 31 December 2005	Parent company £000	Fellow subsidiaries £000	Total £000
Transactions			
Revenue	5,817	(658)	5,159
Administrative expenses	(98,044)	-	(98,044)
Finance income - net	2,397	-	2,397
Dividend paid	(7,000)	-	(7,000)
Total	(96,830)	(658)	(97,488)
Balances outstanding at 31 December			
Assets	76,901	56	76,957
Liabilities	(24,346)	(1,129)	(25,475)
Total	52,555	(1,073)	51,482

24 ULTIMATE HOLDING COMPANY

The parent undertaking of the smallest group that presents consolidated financial statements is Barclays Bank PLC. The ultimate parent company and the parent company of the largest group that presents group accounts is Barclays PLC. Barclays Bank PLC's and Barclays PLC's statutory accounts are available from the Barclays Corporate Secretariat, 1 Churchill Place, London E14 5HP.