

Report of the Secretary

FC14324

Membership

Whilst much change was, and is, happening within the gold mining industry, the overall level of membership of the World Gold Council remained stable in 2001. One member resignation took place, namely that of Sumitomo Metal Mining Company, and the restructuring by some members occurred following merger and acquisition activity. The first member from India, The Hutti Gold Mines Company Limited, submitted its application during the year and joined on 1 January 2002. A list of members is to be found on page 32.

Governance

Board of Directors

The Board of Directors is currently comprised of 18 directors, the names of whom, together with the names of Officers, appear below. During the period between 1 January 2001 and 31 December 2001, the following changes to the Board occurred:

Mr S. Dempsey joined the Board of Directors following the Annual Meeting of Members, other Members listed being re-elected;

On the resignation of Sumitomo Metal Mining Company, Mr K. Fukushima left the Board of Directors.

Messrs J.M. Willson, A.M. O'Neill and D.E. Wheeler resigned from the Board.

Officers

At the meeting of the Board of Directors immediately following the Fifteenth Annual Meeting, Mr R.M. Godsell was elected Chairman of the Board, with Mr R. Benavides and Mr W.W. Murdy elected Vice-Chairmen.

Committees

The Articles of Association require the establishment of an Executive Committee consisting of the Chairman and not less than four, nor more than nine, other directors or their designated alternates. In addition, the Executive Committee has the authority to appoint the Chief Executive Officer to the Committee.

The current Executive Committee is composed of the following:

R.M. Godsell (Chairman)
R. Benavides
H. Fukuda (Chief Executive Officer)
P.K. Lalor
W.W. Murdy
R. Oliphant
Z.B. Swanepoel
J.K. Taylor
C.M.T. Thompson
J.E. Thompson
K.H. Williams.

Other Committees

Membership of the Audit and Remuneration Committees comprises:

Audit

W.W. Murdy (Chairman)
J.E. Thompson.

Remuneration

R. Benavides (Chairman)
R.M. Godsell.

Directors

R. Benavides
J.F. Brownrigg
S. Dempsey
A.R. Fleming
H. Fukuda
P.J. Garver
R.M. Godsell
J.I. Guthrie
P.K. Lalor
P. Lassonde
D. Mackay-Coghill
R.P. Menell
W.W. Murdy
R. Oliphant
J.K. Taylor
C.M.T. Thompson
J.E. Thompson
K.H. Williams.

Officers

R.M. Godsell, Chairman
R. Benavides, Vice-Chairman
W.W. Murdy, Vice-Chairman
H. Fukuda, Chief Executive Officer
T.S. Greenwood, Secretary
J. R. Lowe, Treasurer.

Auditors

Deloitte and Touche, London, were appointed as auditors at the Annual Meeting of the Association on 18 May 2001, replacing PricewaterhouseCoopers, London.

Principal bankers

Barclays Plc.



Cheque
705501/15

Report of the Treasurer

World Gold Council revenue totalled US\$50.0 million in 2001; an increase of US\$24.8 million compared to US\$25.2 million in 2000. In 2001 the member dues rate was increased to US\$2.00 per ounce of production (US\$1.00 in 2000) to generate this additional revenue.

Expenditure in 2001 totalled US\$49.3 million compared to US\$30.1 million in the previous year.

Market Development expenditure rose to US\$41.0 million (US\$21.5 million in 2000) in line with the increase in funding.

General and Administrative expenditure, at US\$8.2 million, was similar to 2000.

Revenue exceeded expenditure resulting in a surplus, for the year, of US\$0.8 million (US\$4.9 million deficit in 2000) before interest and other income, exchange differences and taxation.

The total surplus of US\$1.7 million was added to reserves, which as a result increased to US\$22.6 million (US\$20.9 million in 2000).

Interest income totalled US\$1.0 million in 2001 compared to US\$1.4 million in 2000 reflecting falling rates of interest offset by an increase in funds available for investment.

Net exchange differences showed a loss of US\$0.1 million (US\$0.5 million loss in 2000) which was mainly due to the decline in the value of assets held in foreign currencies as a result of the strengthening of the US dollar.

Liquid funds increased by US\$4.1 million during the year and were US\$24.5 million as at 31 December 2001.

The process of the recovery of Italian VAT balances continues at a slow pace. During 2000, the Italian VAT authorities conceded the eligibility to reimbursement of US\$1.0 million relating to the 1991 and part of 1992 assessments in favour of the Association. It is anticipated that these funds will be recovered during the course of 2002. Progress is being made in the courts for the recovery of the remaining funds outstanding, which now amount to the equivalent of US\$3.1 million. World Gold Council management and its advisors continue to ensure that all possible steps are being taken for the recovery of these amounts. The current status of the recovery of these amounts is detailed under note 12 of the financial statements.

Prior to moving the Head Office of the Association from Geneva to London, the Association sought and received agreement from the United Kingdom Customs and Excise on its position with respect to United Kingdom VAT. United Kingdom Customs and Excise are currently reviewing this status and the Association is awaiting re-confirmation of the original agreement.

Report of the Auditors

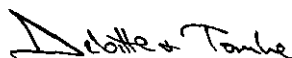
31 December 2001

To the Members of World Gold Council, an Association

We have audited the accompanying consolidated balance sheet of the World Gold Council and its subsidiaries (the 'Association'), as of 31 December 2001, and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly in all material respects the financial position of the Association as of 31 December 2001, and of the results of its operations, its changes in equity and its cash flows for the year then ended in accordance with International Accounting Standards.



Deloitte & Touche

Chartered Accountants and
Registered Auditors
Hill House, 1 Little New Street
London EC4A 3TR
27 March 2002

Consolidated Balance Sheets

As at 31 December 2001
and 2000

	Notes	2001 US\$ 000's	2000 US\$ 000's
Capital employed			
Reserves	3	22 575	20 930
Employment of capital			
Non-current assets			
Fixed assets	4	1 912	1 731
Other non-current assets	5	4 417	5 638
		6 329	7 369
Current assets			
Cash and cash equivalents		24 524	20 400
Stocks		56	55
Dues receivable from Members		3	189
Other accounts receivable		3 613	1 062
Prepaid expenses		534	458
		28 730	22 164
Current liabilities			
Market development payables		(5 128)	(2 381)
Miscellaneous payables and accrued expenses	6	(5 712)	(4 259)
Provisions	7	(664)	(807)
Income taxes	10	(260)	(392)
		(11 764)	(7 839)
Net current assets		16 966	14 325
Non-current liabilities	7	(720)	(764)
Net assets		22 575	20 930

Commitments-note 11

The accompanying notes form an integral part of these financial statements.

Consolidated Statements of Revenue and Expenditure

For the years ended
31 December 2001
and 2000

	Notes	2001 US\$ 000's	2000 US\$ 000's
Revenue			
Members' dues		50 024	23 688
Members' voluntary contributions		-	1 502
		50 024	25 190
Expenditure			
Market development expenditure	8	(41 040)	(21 473)
General and administrative expenditure	9	(8 214)	(8 625)
Restructuring costs	7	-	20
		(49 254)	(30 078)
Excess/(deficit) of revenue over operating expenditure		770	(4 888)
Other income/(expense):			
Interest income		1 044	1 402
Exchange differences-net		(144)	(495)
Other income		19	117
		919	1 024
Excess/(deficit) of revenue over expenditure before income taxes		1 689	(3 864)
Income taxes	10	(44)	(361)
Excess/(deficit) of revenue over expenditure		1 645	(4 225)
Balance at beginning of year		19 778	24 003
Balance at end of year	3	21 423	19 778

The accompanying notes form an integral part of these financial statements.

Consolidated Statements of Cash Flows

For the years ended
31 December 2001
and 2000

	2001 US\$ 000's	2000 US\$ 000's
Funds derived/(absorbed) from/(by) operations		
Excess/(deficit) of revenue over operating expenditure	770	(4 888)
Adjustments for:		
Depreciation and other non cash items	313	306
Exchange differences on non cash balances	(149)	(457)
Taxes paid	(310)	(402)
Operating cash inflow/(outflow)	624	(5 441)
(Increase)/decrease in dues receivable and other receivables	(2 208)	209
(Increase)/decrease in stocks	(1)	5
Increase/(decrease) in current liabilities excluding taxation and the provision for restructuring costs	4 200	(650)
Net cash generated/(applied) from/(to) operations	2 615	(5 877)
Cash flows from investing activities		
Interest received	945	1 142
Other income received	19	100
Decrease in non-current assets	1 221	421
(Decrease)/increase in non-current liabilities	(187)	305
Purchase of fixed assets	(550)	(797)
Proceeds on disposal of fixed assets	56	54
Net cash generated from investing activities	1 504	1 225
Net increase/(decrease) in cash and cash equivalents	4 119	(4 652)
Effect of exchange rate gain on cash and cash equivalents	5	(78)
Cash and cash equivalents at beginning of period	20 400	25 130
Cash and cash equivalents at end of period	24 524	20 400

No funds were derived from financing activities in either year.
The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity

As at 31 December 2001
and 2000

	Donation of net assets at formation US\$ 000's	Reserve for currency fluctuations US\$ 000's	Accumulated excess of revenue over expenditure US\$ 000's	Total US\$ 000's
Balance at 1 January 2001	152	1 000	19 778	20 930
Excess of revenue over expenditure for period	—	—	1 645	1 645
Balance at 31 December 2001	152	1 000	21 423	22 575

Notes to the Consolidated Financial Statements

As at 31 December 2001

1 General

The World Gold Council (the 'WGC' or the 'Association') is an Association established under Swiss law. The liability of its members is limited to the amounts of their assessed dues as laid out in the Association's Articles of Association.

Under the Articles of Association, the Board of Directors fixes the dues to be paid to WGC by each member in order to defray the known and anticipated expenses of the Association.

The Association is organised for the purposes of:

- a) promoting the use of gold for jewellery, investment and industrial applications and as a store of value;
- b) research and development leading to new uses of gold and gold products; and
- c) collecting and disseminating information about gold.

2 Significant accounting policies

The Association considers that the International Accounting Standards promulgated by the International Accounting Standards Committee may, by analogy, be taken as applicable to the WGC. Thus the accompanying financial statements are prepared in accordance with, and comply with, International Accounting Standards (IAS) under the historical cost convention. The Association's consolidated financial statements are expressed in United States dollars (US\$), the currency in which revenues are earned and a substantial portion of expenditures incurred.

2.1 Consolidation

The consolidated financial statements include the financial statements of the Association, its branches and its wholly owned subsidiaries (see note 15). Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intragroup transactions and balances have been eliminated.

2.2 Fixed assets

Fixed assets are carried at cost less accumulated depreciation and amortisation. Leasehold improvements are written off over the period of the respective leases whilst other assets are depreciated on a straight line basis calculated on the estimated life of each asset, generally between 5 to 13 years. Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount.

2.3 Stocks

Stocks, principally gold held for research purposes, are stated at the lower of cost or net realisable value.

2.4 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits with banks with maturities of 12 months or less.

2.5 Provisions

The Association recognises provisions when it has a present legal or constructive obligation to transfer economic benefits as a result of past events and a reasonable estimate of the obligation can be made.

2.6 Market development expenditure

Salary and related costs of those personnel engaged full-time in market development work are allocated to market development expenditure.

2.7 Members' dues and voluntary contributions

Members' dues are assessed and recognised on a calendar year basis once they are invoiced. These revenues are recorded at their estimated net collectible amounts.

2.8 Foreign currencies

Statements of Revenue and Expenditure of foreign operations are translated into US dollars at average exchange rates and the balance sheets are translated at the year-end exchange rates. The resulting exchange differences are recognised in the Statement of Revenue and Expenditure.

Foreign currency transactions in Association entities are accounted for at the exchange rates prevailing at the date of the transactions: gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Revenue and Expenditure. Such balances are translated at year-end exchange rates.

2.9 Taxation

The Association provides for income taxes on the basis of taxable earnings for the year.

Deferred income tax is provided, using the liability method, for all temporary difference arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Current rates are used to determine deferred income tax.

2.10 Retirement benefit plans/pension obligations

The Association operates a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant Association entities. The Association's contributions to the defined contribution pension plans are charged to the statement of revenue and recognised in the year to which they relate.

All Association liabilities in respect of pension benefits are maintained on a fully funded basis.

2.11 Derivative financial instruments

In the current year, the Association has adopted IAS 39—Financial Instruments: Recognition and Measurement. IAS 39 has introduced a comprehensive framework for accounting for all financial instruments. The detailed accounting policies and the effects in respect of such instruments are set out in note 13.

2.12 Outstanding debtors

Dues receivable from members and any outstanding costs recoverable from partners are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off when identified.

3 Reserves	2001 US\$ 000's	2000 US\$ 000's
Donation of net assets at formation	152	152
Reserve for currency fluctuations	1 000	1 000
Accumulated excess of revenue over expenditure	21 423	19 778
	22 575	20 930

4 Fixed assets	Leasehold improvements US\$ 000's	Furniture, equipment and motor vehicles US\$ 000's	Total US\$ 000's
Cost at 1 January 2001	1 321	2 380	3 701
Additions	96	454	550
Disposals	(130)	(283)	(413)
Cost at 31 December 2001	1 287	2 551	3 838
Accumulated depreciation at 1 January 2001	836	1 134	1 970
Depreciation charge	65	271	336
Disposals	(130)	(250)	(380)
Accumulated depreciation at 31 December 2001	771	1 155	1 926
Net book value 31 December 2001	516	1 396	1 912
Net book value 31 December 2000	485	1 246	1 731

5 Other non-current assets	Notes	2001 US\$ 000's	2000 US\$ 000's
Other non-current assets			
Lease and utility deposits		1 265	1 293
VAT recoverable in Italy—see below	12	3 096	4 265
Other non-current assets		56	80
		4 417	5 638

The total VAT recoverable is composed of Italian VAT in respect of the following years:

	2001 Lire millions	2000 Lire millions
1991	1 350	1 350
1992	1 932	1 932
1993	1 380	1 380
1995	1 641	1 641
1996	1 336	1 336
1997	648	648
1998	411	411
1999	53	53
2000	45	45
2001	8	—
Total VAT recoverable	8 804	8 796

	Notes	2001 US\$ 000's	2000 US\$ 000's
Total VAT recoverable		4 049	4 265
Less: Recoverable within 12 months *	12	(953)	—
		3 096	4 265

* The amount recoverable within 12 months has been reclassified under current assets as other accounts receivable.

6 Miscellaneous payables and accrued expenses	2001 US\$ 000's	2000 US\$ 000's
Accrued expenses	5 473	4 097
Miscellaneous payables	239	162
	5 712	4 259

7 Provisions	Restructuring Costs US\$ 000's	Contractual Benefits US\$ 000's	Office Move Costs US\$ 000's	Other US\$ 000's	Total US\$ 000's
Balance at 1 January 2001					
Current liabilities	620	45	127	15	807
Non-current liabilities	-	723	-	41	764
	620	768	127	56	1 571
Charged to provisions*	-	(47)	(125)	1	(171)
Amounts released	-	-	(2)	(14)	(16)
Amounts reclassified	(620)	620	-	-	-
Balance at 31 December 2001	-	1 341	-	43	1 384
Analysis between non-current/current liabilities					
Current liabilities	-	664	-	-	664
Non-current liabilities	-	677	-	43	720

* Includes movements on foreign exchange.

Contractual benefits

The provision for retiree benefits did not require to be increased during the year (2000-US\$305,000 provided). The provision covers the projected cost of contractual retiree benefits and is calculated on contributions to health insurance premiums payable each year for the expected life span of the individual based on actuarial tables.

Employee related contractual obligations arising as a result of the closure of the Geneva headquarters and estimated at US\$620,000 (2000-US\$620,000) have been reclassified, as the restructuring is now complete but the contractual obligations remain.

Office move costs

During 2001 the leases to which these provisions relate were assigned to third parties. The balance of the unused provision was written back to the Revenue and Expenditure statement.

8 Market development expenditure	2001 US\$ 000's	2000 US\$ 000's
Market development expenditure is analysed by sector as follows:		
Jewellery	26 612	14 158
Retail Investment	3 398	-
Institutional Investment	4 329	1 309
Public Policy Sector	3 021	3 233
Industrial	568	-
Market Communications and Corporate Projects	3 112	2 773
	41 040	21 473

Included in market development expenditure are salary and related costs of personnel engaged in market development work totalling US\$10,823,000 (2000-US\$9,560,000).

A reclassification of US\$628,000 has been made from general and administrative expenditure to market development expenditure in the comparative figures for 2000. This has been done to present a more appropriate allocation of staff related costs.

9 General and administrative expenditure	2001 US\$ 000's	2000 US\$ 000's
General and administrative expenditure is made up as follows:		
Membership/Governance	337	663
General management and finance and administration staff		
Staff related	3 258	3 778
Infrastructure costs		
Premises	2 276	2 241
Office equipment and supplies	550	493
Communication	438	466
Professional fees	927	865
Bank expenses	66	80
Other	362	39
	4 619	4 184
	8 214	8 625

Included in the above are the following expenses:	2001 US\$ 000's	2000 US\$ 000's
(Profit)/ Loss on disposal of fixed assets	(23)	19
Depreciation and amortisation	336	352
Operating lease and rental costs		
Premises	1 696	1 844
Other	53	51
Auditors' remuneration	73	154

Employee numbers and contributions to retirement plans (all staff):

	2001 No.	2000 No.
Number of employees (at the year-end)	102	92

	2001 US\$ 000's	2000 US\$ 000's
Contributions made to retirement plans		
Association initiated schemes	903	879
State run schemes	201	50

10 Taxation

The Association is incorporated in Switzerland but operates in various countries that have differing tax laws and rates. The majority of the Association's foreign operations are not subject to any income taxes and those that are taxed are on the basis of an imputed return on annual expenditure (cost plus method). In 2001 the major portion of the Association's taxes were UK taxes which are based only on interest income earned and related foreign exchange movements. The Association is expected to be regarded as a mutual organisation for UK tax purposes, so that its UK income taxes are not directly related to its deficit or excess of revenue over expenditure. A reconciliation of current taxes to the excess of expenditure over revenue is not therefore possible.

The income tax expense consists of the following for the year ended:	2001 US\$ 000's	2000 US\$ 000's
Current provision		
Income taxes (UK at 30%)	307	383
Income taxes (non UK)	26	29
Over estimate for prior years	(289)	(51)
Total	44	361

Reconciliation of Taxation	UK Tax US\$ 000's	Foreign Tax US\$ 000's	Total US\$ 000's
Balance at 1 January 2001	304	88	392
Tax (paid)/refunded	(427)	117	(310)
Tax refundable-other accounts receivable	2	146	148
Charge for current year	307	26	333
(Over)/under estimate for prior years	64	(353)	(289)
Exchange differences	(6)	(8)	(14)
Balance at 31 December 2001	244	16	260

There are no significant deferred tax timing differences at the year-end.

11 Commitments

11.1 Capital commitments

No capital commitments were undertaken in 2001 (2000-nil).

11.2 Non-cancellable operating lease commitments

Relating to the rental of office space and equipment:	2001 US\$ 000's	2000 US\$ 000's
Due within one year	1 474	1 598
Due between one and five years	3 507	3 701
Due beyond five years	4 191	5 093
	9 172	10 392

12 Contingent liabilities

Italian VAT receivable

a) Overview

The Association has received assessments for Value Added Tax (VAT) from the Milan tax authorities relating to reimbursement claims made by the Association for VAT paid on funds transferred to Italy. The assessments annulled the reimbursement claims made by the Association for the years 1991, 1992, 1993, 1994, 1995 and 1996 amounting to Lit.9.1 billion (US\$4.2 million).

These amounts are shown in the balance sheet as a receivable under both current assets and non-current assets (see note 5), except for the claim for the year 1994 for Lit.1.4 billion (US\$0.7 million) which has already been reimbursed but is being reclaimed by the tax authorities. In addition to the annulment of the reimbursement requests, as indicated above, the Association may be liable to penalties totaling Lit.7.0 billion (US\$3.2 million) which have not been provided for in the accounts. The Association has appealed against these assessments which are being dealt with as separate legal cases.

The Association is confident, based on legal advice, that all of the VAT receivable shown on the balance sheet will be recovered and that the penalties imposed will be cancelled.

The tax years from 1997 to 2001 have not, to date, been subject to review by the Milan tax authorities. The VAT declaration for 2001 is in the process of being filed.

b) Tax years 1991 and 1992 (part)

During 2000, the Milan tax authorities agreed to drop their assessments on the Association claims for reimbursements relating to 1991 and part of 1992 and amounting to Lit.2.1 billion (US\$1.0 million). These amounts are now in the process of being reimbursed. The Association is of the opinion that these amounts will be reimbursed during 2002 and has therefore shown them as part of Other Accounts Receivable.

c) Tax years 1992–1994

A separate case is underway relating to the years 1992–1994 for VAT reimbursement claims totaling Lit.4.0 billion (US\$1.9 million) plus penalties of an equivalent amount.

During 1998 the tax tribunal found in favour of the Association confirming the recoverability of the VAT balances. The Milan tax office appealed against this decision and their appeal was rejected by the second level court in October 1999. The VAT office has appealed to the third and final level court. The court hearing for these tax years has yet to be set.

d) Tax years 1995 and 1996

During 1999 the Milan VAT office raised assessments calling for the annulment of VAT reimbursements for the years 1995 and 1996 totaling Lit.3.0 billion (US\$1.3 million) and calling for penalties of equivalent amounts. The basis of the assessment was the same as for the years 1992–1994. During 2000 the tax tribunal found in favour of the Association confirming the recoverability of the VAT balances. The Milan tax office appealed against this decision. The court hearing for these tax years has yet to be set.

e) Interest due

Under provisions presently in force under Italian tax laws, interest accrues on any VAT amounts receivable from Italian authorities 90 days after the date of filing the tax return until the date that the VAT amounts have been reimbursed. However, given the long time period expected to elapse until collection, and the fact that in similar situations the payment of the interest portion was delayed even longer, the Association has decided to account for the interest portion only at the time of collection. The total estimated unrecorded interest receivable in respect of Italian VAT amounts to some US\$1.6 million as at 31 December 2001 (2000–US\$1.7 million).

f) Bank guarantees

In connection with the recovery of Italian VAT, bank guarantees totaling Lit.3.8 billion (US\$1.7 million) have been issued in favour of Banca Nazionale del Lavoro (2000–Lit.5.8 billion–US\$2.8 million) as specifically required by the Italian VAT authorities as a condition of the reimbursement process.

During February 2002 the VAT authorities have agreed to cancel guarantees totaling Lit.1.5 billion (US\$0.7 million). This leaves guarantees amounting to Lit.2.3 billion (US\$1.0 million).

13 Financial instruments

Risk management is carried out by a central treasury department (Central Treasury) under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, credit risk, as well as the use and investment of excess liquidity. Central Treasury identifies, evaluates and hedges financial risks.

13.1 Credit risk

The Association has significant concentrations of credit risk, with exposure spread over a limited number of members.

Financial assets, which potentially subject the Association to concentrations of credit risk, consist principally of cash and short-term deposits. The Association's cash equivalents and short-term deposits are placed with high credit quality financial institutions. At the year-end the Association's short-term deposits, which constitute the majority of its cash resources, were placed with more than one bank.

With respect to foreign exchange forward contracts, the Association's exposure is on the full amount of the foreign currency receivable on settlement. The Association minimises such risk by limiting the counterparties to major international banks, and does not expect to incur any losses as a result of non-performance by these counterparties.

13.2 Interest rate risk

The Association's short-term deposits are at fixed and variable interest rates and mature within 12 months.

13.3 Fair values

At 31 December 2001 and 2000 the carrying amounts of cash and short-term deposits, other accounts receivable, market development payables and miscellaneous payables and accrued expenses approximated their fair values given the short-term maturities of these assets and liabilities.

The fair values of other non-current assets and liabilities are not materially different from the carrying amounts.

The fair value of foreign exchange forward contracts represents the estimated amounts (using rates quoted by the Association's bankers) that the Association would receive to terminate the contracts at the reporting date, thereby taking into account the unrealised gains or losses of open contracts. There were no open contracts at 31 December 2001 (31 December 2000-nil).

13.4 Hedging policy

The Association's revenues are received in US dollars whereas a sizeable portion of its expenditures are incurred in currencies other than the US dollar and currencies linked to the US dollar. The Association enters into foreign exchange forward contracts in order to manage its exposure to fluctuations in foreign currency exchange rates on this currency imbalance, the contracts being matched with anticipated future cash outflows in foreign currencies. The Association's policy is to enter into foreign exchange forward contracts up to a maximum of 100% of the anticipated foreign currency expenditures for up to 12 months in advance limited to the approved annual expenditure budget for those currencies.

The Association does not use derivative financial instruments for speculative purposes.

Foreign exchange forward contracts are initially recorded at cost and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of foreign exchange forward contracts that are designated and effective as cash flow hedges are recognised directly in equity. Amounts deferred in equity are recognised in the Revenue and Expenditure Statement in the same period in which the hedged firm commitment or forecasted transaction affects net profit or loss.

14 Subsequent events

Prior to moving the Head Office of the Association from Geneva to London, the Association sought agreement from the United Kingdom Customs and Excise that the dues charged to members would not require to have UK VAT added at 17.5%. This agreement was obtained in a letter from the United Kingdom Customs and Excise, dated 18 May 1998.

United Kingdom Customs and Excise are currently reviewing this status. The Association is awaiting confirmation that the current agreement will continue to remain in effect. On this basis, the Association is confident that there is no financial effect in respect of the Financial Statements for the year ended 31 December 2001.

15 Branches, representative offices and subsidiaries

The consolidated financial statements incorporate the assets and liabilities and revenue and expenditure (other than intragroup items) of the following branches, representative offices and subsidiary companies through which the Association conducts its operations:

Branches of WGC

Brazil
United Arab Emirates
United Kingdom

Location

São Paulo
Dubai
London

Representative Offices

China
India
Indonesia
Malaysia
Mexico
South Korea
Taiwan
Thailand
Turkey
Vietnam

Location

Beijing and Shanghai
Mumbai, New Delhi, Chennai and Kolkatta
Jakarta
Kuala Lumpur
Mexico City
Seoul
Taipei
Bangkok
Istanbul
Ho Chi Minh City

Subsidiaries (all 100% owned)

World Gold Council Srl
World Gold Council Inc
World Gold Council Ltd
World Gold Council KK
World Gold Council (Far East) Pte Ltd
WGC Financial Services SA

Location

Milan
New York
Hong Kong
Tokyo
Singapore
Geneva

World Gold Council Membership

As at 1 January 2002

Agnico-Eagle Mines Limited
AngloGold Limited
AngloGold North America Inc.
AngloGold South America Inc.
Aurogold Limited
Avocet Mining PLC
Barrick Gold Corporation
Barrick Goldstrike Mines, Inc.
China National Gold Corporation
Cia. de Minas Buenaventura S.A.A.
Coeur d'Alene Mines Corporation
Franco-Nevada Mining Corporation Limited
Gold Corporation
Gold Fields Limited
Gold Mines of Sardinia Limited
Golden Star Resources Ltd.
Gutnick Resources N.L.
Harmony Gold Mining Company Limited

Homestake Canada Inc.
Homestake Gold of Australia Limited
Homestake Mining Company
Minera Barrick Misquichilca S.A.
Minera Homestake Chile S.A.
Minera Yanacocha S.R.L.
Mitsubishi Materials Corporation
Newmont Mining Corporation
Placer Dome (CLA) Limited
Placer Dome Asia Pacific Limited
River Gold Mines Ltd.
Royal Gold, Inc.
Saudi Arabian Mining Company
Sons of Gwalia Ltd.
The Hutti Gold Mines Company Limited
Western Areas Limited
WMC (Olympic Dam Corp.) Pty. Ltd.
WMC Resources Ltd.