WORLD GOLD COUNCIL

FINANCIAL STATEMENTS AND REPORTS 2002

gold

REPORT OF THE SECRETARY

Membership

In 2002, the trend towards consolidation within the gold mining industry continued, impacting global production patterns. It is estimated that the top five producer organisations in 2003 will be responsible for more than 30% of the world's gold production. This trend – particularly Placer Dome's acquisition of Aurion – was reflected in World Gold Council membership in the course of 2002. Following merger and acquisition activity, the restructuring of some members also occurred.

Further changes within the World Gold Council during 2002 included: the resignations of Harmony, effective from 31 December 2002; of the Western Mining Corporation Ltd, on 20 September 2002; of Western Areas, from 18 January 2003; of Sons of Gwalia, from 31 December 2002; and the membership lapse of the Gold Mines of Sardinia and Gutnick Resources. Golden Star Resources Limited rejoined the *World Gold Council in 2002 and one* of the Jewellery Marketing Initiative contributors, *McWatters Mining Inc*, joined on 1 January 2003.

At its meeting on 10 December 2002, the Board of Directors established a regular dues rate at an amount not to exceed US$1.78 (2002: US$2.30) per ounce of declared production for the year 2003.

As part of the significant project to develop gold as an investment product, on 17 July 2002, the Board of Directors agreed to establish *World Gold Trust Services LLC* as a wholly owned subsidiary of the World Gold Council, An Association.

Governance

Board of Directors

The Bain Report of July 2002 recommended that the structure of the World Gold Council be changed to a smaller board with fewer directors. Consequently, the Board of Directors now comprises 15 directors, the names of whom, together with the names of Officers, appear on page two. During the period between 1 January 2002 and 21 March 2003, the following changes to the Board occurred:

At the 2002 Annual Meeting of Members, Mr R M Godsell (Chairman) resigned and Mr C M T Thompson was appointed in his place. Miss H Fukuda (Chief Executive Officer) resigned, effective from 30 June 2002, having completed her term of service with the World Gold Council, and was replaced by Mr James E Burton on 1 October 2002.

There were further resignations from the *Board of Directors* in 2002 and early 2003:
Mr J F Brownrigg (Western Areas Ltd),
Mr A R Fleming (Harmony Gold Mining Co Ltd),
Mr J I Gutnick (Gutnick Resources NL),
Mr R Oliphant (Barrick Gold Corporation),
Mr P K Lalor (Sons of Gwalia) and
Mr D Mackay-Coghill (Gold Corporation).
The following were elected to the Board:
Mr R McLennan (Placer Dome (CLA) Limited),
Mr I D Cockerill and Mr N Holland (Gold Fields Limited) and Mr R Rajhavjee (AngloGold Limited).

REPORT OF THE SECRETARY

Executive Committee
The current Executive Committee is composed of the following:

C M T Thompson (Chairman)
R Benavides
J E Burton (Chief Executive Officer)
I D Cockerill
W W Murdy
J K Taylor
J E Thompson
K H Williams

Other committees
Membership of the Audit and Remuneration Committees comprises:

Audit:
W W Murdy (Chairman)
J E Thompson
R McLennan

Remuneration:
C M T Thompson (Chairman)
R Benavides
J E Thompson

Directors

R Benavides	R P Menell
J E Burton	W W Murdy
I D Cockerill	R Rajhavjee
S Dempsey	J K Taylor
P J Garver	C M T Thompson
N Holland	J E Thompson
P Lassonde	K H Williams
R McLennan	

Officers
C M T Thompson, Chairman
R Benavides, Vice-Chairman
W W Murdy, Vice-Chairman
J E Burton, Chief Executive Officer
D A Pointet, Secretary
J R Lowe, Treasurer

World Gold Council staff
J E Burton, Chief Executive Officer
M Barakat, Managing Director, Middle East
M C Barlerin, Managing Director, Americas
A Cheng, Managing Director, Far East
C W Corti, Managing Director, International Technology
J R Lowe, Finance Director and Treasurer
P Olden, Managing Director, Marketing and Jewellery
D A Pointet, Managing Director, Corporate Services
R Pringle, Managing Director, Public Policy
S Thomas, Managing Director, World Gold Trust Services
S Village, Managing Director, Gold Investment Services

Auditors
Deloitte & Touche, London, were reappointed as auditors at the Annual Meeting of the Association on 17 April 2002.

Principal bankers
Barclays Plc
54 Lombard Street
London EC3V 9EX

REPORT OF THE TREASURER

World Gold Council revenue totalled US$63.4 million in 2002, an increase of US$13.4 million compared to US$50.0 million in 2001. In 2002, the member dues rate was increased to US$2.30 per ounce of production (US$2.00 in 2001) to generate this additional revenue.

Expenditure in 2002 totalled US$61.8 million compared to US$49.3 million in the previous year. Market development expenditure rose US$3.8 million to US$44.8 million. General and administrative expenditure, at US$11.6 million, was US$3.4 million higher than in 2001. This reflected the higher average number of staff employed during 2002. Expenditure in 2002 includes a restructuring charge of US$5.5 million to cover redundancies, office closures and the anticipated costs of relocating the London office of the Association. The restructuring programme was initiated by the Board of Directors at their meeting on 17 July 2002.

Revenue exceeded expenditure, resulting in a surplus for the year of US$1.5 million (US$0.8 million in 2001) before interest and other income, exchange differences and taxation.

Interest income in 2002 and 2001 was US$1.0 million. In 2002, lower rates of interest on funds available for investment were offset by the receipt of US$0.6 million interest due on the Italian VAT repayment received by the Association.

Net exchange differences showed a gain of US$0.3 million (US$0.1 million loss in 2001) which was primarily due to fair value gains on forward contracts.

The total surplus of US$2.5 million was added to reserves, which as a result increased to US$25.1 million (US$22.6 million in 2001).

Liquid funds increased by US$7.8 million compared to 2001 and were US$32.3 million as at 31 December 2002.

The process of the recovery of Italian VAT balances continues. During 2000, the Italian VAT authorities conceded the eligibility to reimbursement of US$1.1 million relating to the 1991, and part of the 1992, assessments in favour of the Association. US$0.4 million has already been received and the Italian VAT authorities have issued payment confirmation in respect of the remaining US$0.7 million. Progress is being made in the courts for the recovery of the balance of funds outstanding, which now amount to the equivalent of US$3.7 million. The Association's 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 13 of the financial statements.

REPORT OF THE AUDITORS

AT 31 DECEMBER 2002

To the Members of the
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 2002, and the related consolidated statement of revenue and expenditure, changes in equity and cash flow 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.

This report is made solely to the Association's members, as a body, in accordance with para 8.9 of the *Articles of Association of the Association*. Our audit work has been undertaken so that we might state to the Association's members 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 Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 2002, and of the results of its operations, its changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
London

21 March 2003

CONSOLIDATED BALANCE SHEETS

AT 31 DECEMBER 2002 AND 2001

	Notes	2002 US$ 000's	2001 US$ 000's
CAPITAL EMPLOYED			
Reserves	3	25,070	22,575
EMPLOYMENT OF CAPITAL			
Fixed assets	4	1,149	1,912
Other non-current assets	5	4,098	4,417
Non-current assets		5,247	6,329
Cash and cash equivalents		32,278	24,524
Stocks		67	56
Dues receivable from Members		–	3
Other current assets		4,117	3,613
Prepaid expenses		462	534
Current assets		36,924	28,730
Market development payables		(7,710)	(5,128)
Other payables and accrued expenses	6	(4,073)	(5,712)
Provisions	7	(4,319)	(664)
Income taxes	11	(260)	(260)
Current liabilities		(16,362)	(11,764)
Net current assets		20,562	16,966
Non-current liabilities	7	(739)	(720)
Net assets		25,070	22,575

Commitments – Note 12
The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURE

FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

	Notes	2002 US$ 000's	2001 US$ 000's
REVENUE			
Members' dues		63,378	50,024
EXPENDITURE			
Market development expenditure	8	(44,785)	(41,040)
General and administrative expenditure	9	(11,581)	(8,214)
Office closure and restructuring costs	7	(5,476)	-
Operating expenditure		(61,842)	(49,254)
Excess of revenue over operating expenditure		1,536	770
Net finance and other income	10	1,292	919
Excess of revenue over expenditure before income taxes		2,828	1,689
Income taxes	11	(333)	(44)
Excess of revenue over expenditure		2,495	1,645
Balance at beginning of year		21,423	19,778
Balance at end of year	3	23,918	21,423

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

	2002 US$ 000's	2001 US$ 000's
FUNDS ABSORBED BY OPERATIONS		
Excess of revenue over operating expenditure	1,536	770
Adjustments for:		
- Depreciation	617	336
- Loss/(profit) on disposal of fixed assets	11	(23)
- Increase/(decrease) in provisions	3,674	(187)
Operating cash inflows before movements in working capital	5,838	896
Decrease/(increase) in receivables	253	(987)
Increase in stocks	(11)	(1)
Increase in payables	943	4 200
Net cash generated by operations	7,023	4,108
Taxes paid	(333)	(310)
Net cash from operating activities	6,690	3,798
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and other income received	673	964
Proceeds on disposal of fixed assets	273	56
Purchase of fixed assets	(138)	(550)
Net cash generated from investing activities	808	470
Net increase in cash and cash equivalents	7,498	4,268
Effect of exchange rate gain on cash and cash equivalents	256	(144)
Cash and cash equivalents at beginning of year*	24,524	20,400
Cash and cash equivalents at end of year*	32,278	24,524

* This comprised bank balances and cash.

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

AT 31 DECEMBER 2002 AND 2001

	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 2002	152	1,000	21,423	22,575
Excess of revenue over expenditure for period	-	-	2,495	2,495
Balance at 31 December 2002	152	1,000	23,918	25,070

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2002

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 the World Gold Council 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 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 made up to 31 December each year (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, while other assets are depreciated on a straight line basis calculated on the estimated life of each asset, generally between three to ten years. Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount.

AT 31 DECEMBER 2002

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
On consolidation, statements of revenue and expenditure of foreign operations are translated into US dollars at average exchange rates and the assets and liabilities are translated at the year-end exchange rates. The resulting exchange differences, if any, are classified as equity and transferred to the reserve for currency fluctuations. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

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 differences 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2002

2.10 Retirement benefit costs
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 Expenditure 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
During the year ended 31 December 2001, the Association 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 14.

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

	2002 US$ 000's	2001 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	23,918	21,423
	25,070	22,575

AT 31 DECEMBER 2002

4 FIXED ASSETS

	Leasehold improvements US$ 000's	Furniture, equipment and motor vehicles US$ 000's	Total US$ 000's
Cost at 1 January 2002	1,287	2,551	3,838
Additions	14	124	138
Disposals	(316)	(682)	(998)
Cost at 31 December 2002	985	1,993	2,978
Accumulated depreciation at 1 January 2002	771	1,155	1,926
Depreciation charge for the year	81	536	617
Disposals	(293)	(421)	(714)
Accumulated depreciation at 31 December 2002	559	1,270	1,829
Net book value 31 December 2002	426	723	1,149
Net book value 31 December 2001	516	1,396	1,912

AT 31 DECEMBER 2002

5 OTHER NON-CURRENT ASSETS

	2002 US$ 000's	2001 US$ 000's
Other non-current assets		
Lease and utility deposits	433	1,265
VAT recoverable in Italy – see below and Note 13	3,654	3,096
Other non-current assets	11	56
	4,098	4,417

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

	2002 € 000's	2001 € 000's
1991	697	697
1992	626	998
1993	713	713
1995	848	848
1996	690	690
1997	335	335
1998	213	213
1999	27	27
2000	23	23
2001	4	4
2002	4	-
Total	€4,180	€4,548

All the original Italian lira figures have been re-stated to their equivalent euro values.

	2002 US$ 000's	2001 US$ 000's
Total VAT recoverable	4,386	4,049
Less: recoverable within 12 months (see Note 13)*	(732)	(953)
	3,654	3,096

* The amount recoverable within 12 months has been reclassified under current assets as 'Other current assets'.

AT 31 DECEMBER 2002

6 OTHER PAYABLES AND ACCRUED EXPENSES

	2002 US$ 000's	2001 US$ 000's
Accrued expenses	3,691	5,473
Other payables	382	239
	4,073	5,712

7 PROVISIONS

	Restructuring costs US$ 000's	Contractual benefits US$ 000's	Other US$ 000's	Total US$ 000's
Balance at 1 January 2002				
Current liabilities	-	664	-	664
Non-current liabilities	-	677	43	720
	-	1,341	43	1,384
Charged to provisions*	5,476	418	250	6,144
Amounts utilised	(1,825)	(602)	(8)	(2,435)
Amounts reclassified as current liabilities	-	-	(35)	(35)
Balance at December 31, 2002	3,651	1,157	250	5,058
Analysis between non-current/current liabilities				
Current liabilities	3,651	418	250	4,319
Non-current liabilities	-	739	-	739

* Includes movements on foreign exchange.

AT 31 DECEMBER 2002

7 PROVISIONS (continued)

Restructuring

The Association recorded a charge of US$5,476,000 in 2002 in respect of a restructuring programme instigated this year. This charge relates to the closure of 11 offices and related employee redundancies. The full amount of those costs payable to those made redundant and for office closures has been recognised in the current period. Office closure costs chiefly comprise expenses incurred on the early termination of leases on vacated property and the cost of providing for moving out of the London office. It is anticipated that the remaining provision of US$3,651,000 will be utilised during 2003.

Contractual benefits

• Post-employment medical benefits

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. *The provision for retiree benefits did* not require to be increased during the year (2001: US$ nil provided).

• Other long-term employee benefits

Employee-related contractual obligations arising as a result of the termination of contracts relating to former employees of the Geneva headquarters are estimated at US$418,000 which should be utilised in 2003.

Other provision

The Association provided for US$250,000, in respect of an agreement reached after the year end to resolve a potential contractual disagreement.
This provision will be utilised in 2003.

8 MARKET DEVELOPMENT EXPENDITURE

Market development expenditure is analysed by sector as follows:

	2002 US$ 000's	2001 US$ 000's
Jewellery	24,657	26,612
Retail Investment	3,559	3,398
Institutional Investment	7,446	4,329
Public Policy Sector	2,684	3,021
Industrial	1,147	568
Market Communications and corporate projects	5,292	3,112
	44,785	41,040

Included in market development expenditure are salary and related costs of personnel engaged in market development work totalling US$11,767,000 (2001: US$10,823,000).

AT 31 DECEMBER 2002

9 GENERAL AND ADMINISTRATIVE EXPENDITURE

General and administrative expenditure is made up as follows:

	2002 US$ 000's	2001 US$ 000's
Membership and Governance	405	337
General management and finance and administration staff		
Staff related	5,622	3,258
Infrastructure costs		
Premises	2,434	2,276
Office equipment and supplies	826	550
Communication	445	438
Professional fees	1,758	927
Bank expenses	61	66
Other	30	362
	5,554	4,619
	11,581	8,214

Included in the above are the following expenses:

	2002 US$ 000's	2001 US$ 000's
Loss/(profit) on disposal of fixed assets	11	(23)
Depreciation	617	336
Operating lease and rental costs		
Premises	1,667	1,696
Other	67	53
Auditors' remuneration	98	95
Bad debts	(286)	286

Included in the restructuring charge are the following expenses:

	2002 US$ 000's	2001 US$ 000's
Write-down of property, plant and equipment	175	-

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9 GENERAL AND ADMINISTRATIVE EXPENDITURE (continued)

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

	2002	2001
Number of employees (at the year end)	64	102

	2002 US$ 000's	2001 US$ 000's
Contributions made to retirement plans		
Association-initiated schemes	1,061	903
State-run schemes	196	201

10 NET FINANCE AND OTHER INCOME

	2002 US$ 000's	2001 US$ 000's
Interest income	1,005	1,044
Net foreign exchange transaction losses	(70)	(164)
Fair value gains on forward contracts (see Note 14)	326	20
Other income	31	19
	1,292	919

AT 31 DECEMBER 2002

11 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 2002, 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 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 revenue over expenditure is not therefore possible.

The income tax expense consists of the following for the year ended:

Analysis of tax charge	2002 US$ 000's	2001 US$ 000's
Current taxes on profit for year	333	333
Adjustments concerning prior years	-	(289)
Total	333	44

Reconciliation of taxation	UK tax US$ 000's	Foreign tax US$ 000's	Total US$ 000's
Balance at 1 January 2002	244	16	260
Tax paid	(345)	(29)	(374)
Charge for current year	291	42	333
Exchange differences	36	5	41
Balance at 31 December 2002	226	34	260

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

12 COMMITMENTS

12.1 Capital commitments

No capital commitments were undertaken in 2002 (2001: US$nil).

12.2 Non-cancellable operating lease commitments

Relating to the rental of office space and equipment:

	2002 US$ 000's	2001 US$ 000's
Due within one year	1,338	1,474
Due between one and five years	3,567	3,507
Due beyond five years	3,720	4,191
	8,625	9,172

AT 31 DECEMBER 2002

13 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 €4.7 million (US$4.9 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 €0.7 million (US$0.8 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 totalling €3.6 million (US$3.8 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 2002 have not, to date, been subject to review by the Milan tax authorities. The VAT declaration for 2002 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 €1.1 million (US$1.1 million). In respect of 1992 (part) VAT of €0.4 million (US$0.4 million) together with interest of €0.2 million (US$0.2 million) was received in 2002. The Association received confirmation from the Milan tax authorities that the 1991 VAT of €0.7 million (US$0.7 million) together with interest of €0.4 million (US$0.4 million), would be paid. The latter amounts are now in the process of being reimbursed. The Association is of the *opinion that these amounts will be reimbursed* during 2003 and has therefore shown them as part of 'Other current assets'.

c) Tax years 1992-1994

A separate case is underway relating to the years 1992-1994 for VAT reimbursement claims totalling €2.1 million (US$2.2 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*

AT 31 DECEMBER 2002

13 CONTINGENT LIABILITIES (continued)

reimbursements for the years 1995 and 1996 totalling €1.5 million (US$1.6 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 and their appeal was rejected by the second level court in October 2002. The VAT office has appealed to the third and final level court. 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$1.5 million as at 31 December 2002 (2001: US$1.7 million).

f) Bank guarantees

In connection with the recovery of Italian VAT, bank guarantees totalling €1.1 million (US$1.2 million) have been issued in favour of Banca Nazionale del Lavoro (2001: €2.0 million; US$1.7 million) as specifically required by the Italian VAT authorities as a condition of the reimbursement process. During February 2002 the VAT authorities had agreed to cancel guarantees totalling €0.8 million.

14 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 and credit risk, as well as the use and investment of excess liquidity. Central Treasury identifies, evaluates and hedges financial risks.

14.1 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.

14.2 Interest rate risk

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

AT 31 DECEMBER 2002

14 FINANCIAL INSTRUMENTS (continued)

14.3 Fair values

At 31 December 2002 and 2001, the carrying amounts of cash and short-term deposits, other accounts receivable, market development payables, 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 2002 (31 December 2001: nil).

14.4 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 remeasured 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.*

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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	Location
Brazil	São Paulo*
United Arab Emirates	Dubai
United Kingdom	London

Representative offices	Location
China	Beijing and Shanghai
India	Mumbai, New Delhi*, Chennai and Kolkatta*
Indonesia	Jakarta*
Malaysia	*Kuala Lumpur**
Mexico	Mexico City*
South Korea	Seoul*
Taiwan	Taipei*
Thailand	Bangkok*
Turkey	Istanbul
Vietnam	Ho Chi Minh City*

Subsidiaries (all 100% owned)	Location
World Gold Council Srl	Milan
World Gold Council Inc	New York
World Gold Trust Services LLC	New York
World Gold Council Ltd	Hong Kong*
World Gold Council KK	Tokyo
World Gold Council (Far East) Pte Ltd	Singapore
WGC Financial Services SA	Geneva

* These offices were all closed by 31 December 2002, in accordance with the restructuring programme implemented by the Association.

World Gold Trust Services LLC is a new subsidiary incorporated on 17 July 2002.

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Agnico-Eagle Mines Limited
AngloGold Limited
Avgold 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
Gold Fields Limited
Golden Star Resources Limited
McWatters Mining Inc
Minera Barrick Misquichilca S.A.
Minera Yanacocha S.R.L.
Mitsubishi Materials Corporation
Newmont Mining Corporation
Placer Dome Asia Pacific Limited
Placer Dome (CLA) Limited
River Gold Mines Ltd
Royal Gold, Inc
Saudi Arabian Mining Company
The Hutti Gold Mines Company Limited

NOTES

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