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WORLD GOLD COUNCIL

**CONSOLIDATED  
FINANCIAL STATEMENTS  
2009**

WEDNESDAY



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COMPANIES HOUSE



# WORLD GOLD COUNCIL

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# WORLD GOLD COUNCIL

## INTRODUCTION TO THE WORLD GOLD COUNCIL

THE WORLD GOLD COUNCIL'S MISSION IS

**TO STIMULATE AND SUSTAIN THE DEMAND FOR GOLD**

**AND TO CREATE ENDURING VALUE FOR ITS STAKEHOLDERS**

Founded in 1987, the World Gold Council ("WGC") is an organisation formed and funded by the world's leading gold mining companies. The organisation represents the world's leading gold mining companies, who produce more than 60% of the world's annual corporate gold production in a responsible manner and whose Chairmen and CEO's form the Board of the World Gold Council (WGC).

The WGC is a not-for-profit-organisation and is focused on creating a new prominence for gold. It has its headquarters in London and operations in the key gold demand centres of India, China, the Middle East and United States. The WGC is the leading source of independent research and knowledge on the international gold market and on gold's role in meeting the social and economic demands of society.

The World Gold Council's mission is to stimulate and sustain the demand for gold and to create enduring value for its stakeholders.

As the gold industry's key market development body, WGC works with multiple partners to create structural shifts in demand and to promote the use of gold in all its forms, as an investment by opening new market channels and making gold's wealth preservation qualities better understood, in jewellery through the development of the premium market and the protection of the mass market, in industry through the development of the electronics market and the support of emerging technologies and in government affairs through engagement in macro-economic policy issues, lowering regulatory barriers to gold ownership and the promotion of gold as a reserve asset.

As the global advocate for gold, the World Gold Council is committed to playing a key role in the development of a responsible gold mining industry.

Gold mining companies regard the management of the local environment, and relationships with local communities as paramount considerations during the lifetime of any mine project, and the industry as a whole is striving to develop and integrate best practice.

WGC and its members are committed to the principles of the International Council on Mining and Metals (ICMM). These principles seek continual improvement in sustainable development performance. WGC is a member of the ICMM and, where relevant, follows the same principles in the way it conducts its own business.

WGC and its members also support the International Cyanide Management Code, a voluntary industry programme that promotes the responsible management of cyanide used in gold mining, enhancing the protection of human health and reducing the potential for environmental impacts.

# WORLD GOLD COUNCIL

WGC has a sharp awareness of its social responsibilities, and devotes significant resources to this area. In particular WGC researches the impact gold has on the following:

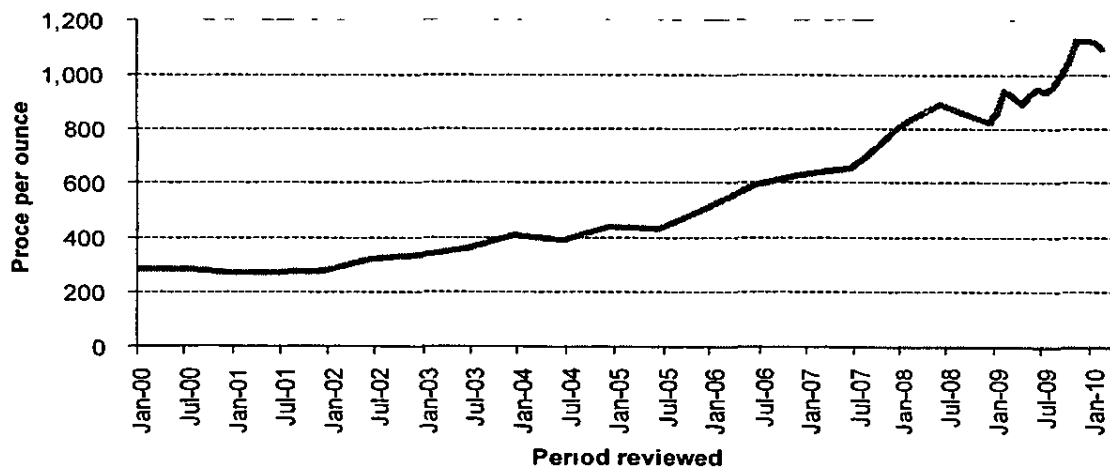
- **Society** WGC explores the social, monetary and cultural value of gold in societies around the world, including the effects of gold mining on developing economies
- **Production** how gold is mined and the resolve of issues surrounding mining
- **Science** discovering gold's many scientific and medical applications which have a positive impact on humanity and the environment
- **Jewellery** WGC explores gold jewellery's significance in key markets and 'dirty' gold
- **Money** the role of gold as a monetary asset and the why and how to investing in gold
- **Sustainability** researching sustainability principles through member company reports and independent reports

Our investment research programme provides investors around the world with key information about gold. This includes the publication of a wide range of research papers - by acknowledged academics and our own in-house experts alike - looking at gold's investment characteristics, as well as a wealth of information on the structure of the market, demand and supply flows and regular updates on gold market statistics.

WGC devotes resources to the research of industrial uses for gold. As more and more commercially viable uses for gold are being put into production by manufacturers, this area has the potential to be of increased focus in the future. Currently WGC has an investment in a US company Nanostellar Inc which is using gold to partly replace the more costly platinum in their manufacture of catalysts for diesel engine systems.

For thousands of years, gold has been valued as a global currency, a commodity, an investment and simply an object of beauty. As financial markets developed rapidly during the 1980s and 1990s, gold receded into the background and many investors lost touch with this asset of last resort. Recent years have seen a striking increase in investor interest in gold. While a sustained price rally, underpinned by the fact that demand consistently outstrips supply, is clearly a positive factor in this resurgence, there are many reasons why people and institutions around the world are once again investing in gold. The graph below shows the upward trend in the gold price since January 2000 through to January 2010.

**Gold price, dollar per ounce, London PM fix**



# WORLD GOLD COUNCIL

For management purposes, the Group is currently organised into six distinct segments due to the diverse operational aspects of each of these areas. The principal activities of each of the six segments are as follows:

**Investment** - WGC's mission is to transform the role of gold in the new financial landscape, influencing asset allocation strategies, financial planning, product design, availability and accessibility to an international audience of institutional, retail and Sovereign Wealth Fund investors.

Investment demand for gold has risen steadily over the last decade and the market opportunity is still significant, as gold represents less than 1% of total global investment assets. To help maximise this demand, WGC has developed and launched a series of gold ETFs, trading on 12 stock exchanges globally, with current AUM of over US\$45 billion. Additional investment products are being developed for future launch. WGC also publishes leading research to ensure it remains the authoritative voice on the world gold market.

**Jewellery** - Our jewellery strategy has two strands – to defend gold's volume base in the mass market, and to grow sales value and market share in the premium market.

WGC acts to create new demand and combat commoditisation in the mass market through the creation of key volume occasions, the development of the rural market and the incorporation of 'lifetime value benefit' into gold jewellery products. Driven by shifts in the premium market, WGC works closely with its trade partners, extending market share through successful partner brand programmes. These are focused on high-potential consumer targets and on driving the transformation of a full customer experience in the retail market. Additionally, WGC-owned products and brands will be created and marketed, maximising gold's core values and benefits and driving additional demand.

**Industrial** - In the industrial sector, WGC promotes the application of gold in the electronics industry based on its proven durability and reliability. The organisation's unrivalled breadth and depth of understanding of the industrial uses for gold affords it a unique position to help facilitate and accelerate commercialisation of cost effective, gold-based innovations. WGC achieves this through innovation partnerships and venture investments which support research and development of new practical applications for the metal by industrial partners.

**Government Affairs** - WGC's Government strategy has three key strands:

- Engaging with central banks and the IMF through research, value propositions and a campaign-driven approach to ensure the stature of gold is maintained in reserve asset management policies.
- Actively engaging in the debate around the new financial architecture to identify opportunities for involvement and lobbying as required.
- Continuing to research and pursue opportunities to reduce regulatory barriers to gold investment around the world.

**Corporate Communications** - Corporate Communications is responsible for the overall protection and development of WGC's reputation and brand identity. It develops, executes and monitors marketing standards throughout the organisation and provides central resources in public relations, public affairs, brand management and digital marketing. Corporate communications develops global WGC policies and position statements whilst measuring WGC's voice in the marketplace. It acts as the liaison point for member companies and ensures the value of WGC is effectively communicated to all key stakeholders.

**Infrastructure** - This segment is a support base for the other segments' operations and activities. A robust human resources department, finance department and operations support network are not only necessary but add significant value to WGC's operations and activities.

# WORLD GOLD COUNCIL

## THE REPORT OF THE CHIEF EXECUTIVE OFFICER

The year has seen a change in direction for the World Gold Council ("WGC"), with the new strategy being implemented during the latter half of 2009. The WGC is in a strong financial position and was further strengthened during 2009 as the highlights for the year indicate.

Highlights for 2009	2009	2008
Increase in revenue	US\$26.6 million	US\$5.5 million
Reduction / (increase) in expenditure	US\$4.0 million	(US\$5.7 million)
Increase in net current assets	US\$24.5 million	US\$13.7 million
Increase in reserves	US\$48.8 million	US\$152.4 million

## RESULTS FOR THE YEAR

The financial year ended 31 December 2009 has seen the World Gold Council's ("the Association's") revenue grow by US\$26.6 million as a result of the increase in sponsor fees from the SPDR® Gold Trust.

Operational expenditure for the Association for the year was controlled to 94.5% of the expenditure level of the previous financial year. For 2009, operational expenditure represents 67% of the turnover (2008: 95.9%).

The Association's surplus after tax for the year was US\$28.2 million. Of this, the net effect of fair value adjustments, write-offs against equity accounted for investments and exchange losses represent US\$10.7 million of the total increase in reserves for the year.

### Revenue

Dues are calculated on members' production levels for the year. Member dues for 2009 were US\$1.85 per ounce of production for Regular Dues (2008: US\$1.75 per ounce) and US\$1.00 for Reduced Dues (2008: US\$1.00 per ounce). Associate members pay a fixed annual fee.

Income from the sponsor fees payable by SPDR® Gold Trust in 2009 was significantly higher at US\$49.9 million (2008: US\$26.5 million) due to growth in the volume of gold held by the Trust, along with an increase in the average price of gold during 2009. At the end of 2009 the London PM spot price was US\$1,087.50 per ounce (2008: US\$869.75 per ounce) which represents a 25% increase.

### Expenditure

Expenditure in 2009 totalled US\$68.9 million (2008: US\$72.9 million).

Market development expenditure reduced by US\$9.7 million to US\$53.6 million in comparison to the previous year due to a deferral in programme spend whilst the Association realigned its activities spend with its new strategic direction.

During 2009 General and Administrative expenditure rose by US\$5.7 million to US\$15.3 million as staff numbers increased from 53 to 87 in order to support these new initiatives.

# WORLD GOLD COUNCIL

## **Operating surplus**

Revenue exceeded operating expenditure by US\$33.7 million (2008: US\$3.1 million) before interest, other income, exchange differences and taxation

## **Net finance and other income**

Interest income in 2009 amounted to US\$0.2 million (2008: US\$1.1 million), whilst interest expenditure amounted to US\$0.18 million (2008: US\$0.11 million). Interest expenditure arose from the unwinding of the amortised cost and effective interest on last year's purchase of shares held in Gold Bullion Holdings by Gold Bullion Investment Trust on a deferred payment basis.

Net exchange differences showed a loss of US\$0.49 million (2008: a gain of US\$2.4 million).

## **Income tax**

The tax charge for 2009 was US\$16.3 million (2008: US\$1.2 million), mainly arising from a taxable profit in World Gold Trust Services LLC, which is the recipient of the sponsor fees earned from the SPDR® Gold Trust. The majority of the 2008 tax charge was also as a result of WGTS's profitable position.

## **Net cash**

The cash holdings of the Association rose from US\$45.6 million at the end of 2008 to US\$54.5 million at the end of the 2009 financial year. Operating activities generated a surplus of US\$12.4 million, whilst investing activities resulted in a net outflow of US\$2.4 million. The current cash balance is being held in reserve for new infrastructure spend.



Aram Shishmanian  
**Chief Executive Officer**  
31 March 2010

## COMPANY SECRETARIAL REPORT

### General

The consolidated financial statements of the World Gold Council (the "WGC" or the "Association") for the year ended 31 December 2009 are presented. The WGC is established under Swiss law with the purpose of promoting, researching and developing the uses of gold for jewellery, investment and industrial applications. Since the WGC is registered in Switzerland, it is not subject to the laws and codes of practice relating to the operation of companies in the UK.

The Board of Directors ("the Board") of the WGC agreed during the year ended 31 December 2008 that going forwards it would apply, the spirit of the (UK) Combined Code of Corporate Governance ("The Code"), and, the principles of The Code that can be applied to a not-for-profit organisation. In preparing the Annual Financial Statements for the current financial year, the Board believes that it has carried this out.

The Association has also complied with the International Financial Reporting Standards ("IFRS") in compiling its financial statements for the year ended 31 December 2009, even though it is not required to do so by virtue of it being a not-for-profit organisation registered in Switzerland.

The WGC carries out its activities through a number of subsidiaries, branches and representative offices and which are detailed in note 13 to the financial statements.

### Membership

Members of the Association are made up of gold mining companies of all sizes, with operations spanning six continents. The World Gold Council is funded by gold mining companies who pay an annual fee based on an agreed price per ounce of gold produced. Membership confers the right to elect Directors to the board of the World Gold Council.

During the financial year ended 31 December 2009 one mining company resigned its membership and left the WGC.

During 2008 The Board of Directors established that the Membership Dues to be applied for the financial year ending 31 December 2009 would be:

- Regular Dues - US\$1.85 per oz. of declared production (2008 US\$1.75 per ounce)
- Reduced Dues - US\$1.00 per oz. of declared production (2008 US\$1.00 per ounce)
- Associate Dues - US\$20,000 per annum (2008 US\$20,000 per annum)

During the Board meeting held in December 2009, the Directors approved the following membership dues for the year ending 31 December 2010:

- Regular Dues - US\$2.00 per oz. of declared production
- Reduced Dues - US\$1.15 per oz. of declared production
- Associate Dues - US\$20,000 per annum

Membership of the WGC, as at 31 December 2009, is to be found on Page 11 of these Financial Statements.



## COMPANY SECRETARIAL REPORT (Continued)

### Governance

The Board is responsible for the Group's system of internal control. In the context of the Group's business any such system can only reasonably be expected to manage rather than eliminate risks arising from its operations. It can therefore only provide reasonable and not absolute assurance against material loss or misstatement.

The Code requires the Directors to review the effectiveness of the Group's system of internal control in the wider sense, encompassing operational and compliance matters in addition to the traditional financial issues.

The Board is committed to the principles of corporate governance and has continued to apply the Code in a manner which it considers appropriate for the size of the Group. The Board regularly reviews the process, which has been in place from the start of the year to the date of approval of this report and which is in accordance with revised guidance on internal control. The Board's monitoring covers all controls including financial, operational and compliance controls along with that of risk management. It is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are properly remedied and indicate a need for more extensive monitoring.

The main areas of risk in relation to the governance of subsidiaries in foreign jurisdictions arise as result of

- The 100% owned subsidiary World Gold Trust Services LLC ("WGTS") is based in the United States. WGTS is the recipient of the sponsor fees from the SPDR® Gold Trust which is in itself SOX compliant and audited on an external basis every quarter.
- The Association is responsible for filing its accounts in Switzerland. As a result of Swiss regulations the Directors need to ensure that there is an internal control matrix operating within the Association and its branches. The internal control matrix needs to be reviewed at least annually, where the board considers its effectiveness and instigates further additional controls and measures where it believes these are necessary.

### The Board of Directors

The Board is responsible for the management, control and direction of the activities, affairs and property of the WGC in accordance with the Articles of Association. The composition of the Board is shown on Page 12. A Board Director, and their alternate, holds office for one year, which is renewable annually. The Chairman holds office for two years, which is renewable once.

### Responsibilities of the Board

- The Board's role is to provide leadership of the organisation within an internal control framework which enables risks to be assessed and managed.
- The Board sets the organisation's strategic aims, ensures that the necessary financial and human resources are in place for the organisation to meet its objectives and reviews management performance.
- The Board sets the organisation's values and standards and ensures that its obligations to the members and others are understood and met.

There is a clear distinction between the responsibilities of the Chairman of the Board and the Chief Executive Officer of the World Gold Council.

# WORLD GOLD COUNCIL

## COMPANY SECRETARIAL REPORT (Continued)

- The Chairman is responsible for the leadership of the Board and ensuring its effectiveness on all aspects of its role and the setting of the Board's agenda
- The Chief Executive Officer is responsible for the day to day operations of the Association, along with the setting of the Association's strategy and direction

### Election of Directors and Committees

The election of Directors by Members and Associates is governed by the WGC's Articles of Association

- Members each nominate their representative as a Director to represent them on the Board, and their alternative representative to be their Alternate Director
- Associates are entitled to nominate one representative as a Director to represent them on the Board, and an alternative representative, to be their Alternate Director. If there is more than one nomination, the Associates will each have one vote to select, by simple majority, one representative (and their alternate) from those nominated. If there are more than 15 Associates, the Associates may be entitled to nominate an additional representative to the Board
- Board Directors and Alternate Board Directors of the WGC, as at the current date are to be found on Page 12 of these Financial Statements

### The Audit Committee

The Audit Committee's role is to assist the Board in meeting its responsibilities in the areas of financial systems and control, reporting, ethical standards, and in overseeing the processes by which the WGC identifies measures and manages risk

The Committee comprises the Chairman and at least two other Directors. The Committee operates under terms of reference determined by the Board. Reports of the Committee's proceedings are made available to the Board. The Committee has unlimited access to both internal and external auditors. The Committee meets on a regular basis and met four times during the 2009 financial year.

- Details of the members of the Audit Committee of the WGC, as at the current date are to be found on Page 12 of these Financial Statements

The Audit Committee is responsible for

- Monitoring the integrity of the financial statements of the organisation and any formal announcement relating to the organisation's financial performance and reviewing significant financial reporting judgements contained therein
- Reviewing the organisation's financial controls and the internal control and risk management systems
- Monitoring and reviewing the effectiveness of the organisation's internal audit function
- Making recommendations to the board on the appointment and the approval of the remuneration and the terms of engagement of the external auditors
- Reviewing and monitoring the external auditors' independence and objectivity, the effectiveness of the audit process, whilst taking into consideration the relevant professional and regulatory requirements

## COMPANY SECRETARIAL REPORT (Continued)

- Developing and implementing a policy on the engagement of the external auditors to supply additional non audit services, taking into account relevant guidance regarding the provision of non audit services by an external audit firm

### The Remuneration Committee

The company has established a Remuneration Committee which is constituted in accordance with the recommendations of the code. The Remuneration Committee, which operates under terms of reference determined by the Board, comprises the Chairman and at least two other Directors. The Chief Executive Officer and the Operations Director attend all the Remuneration Committee meetings, however no director plays a part in any discussion about their own remuneration. Details of the members of the Remuneration Committee of the WGC, as at the current date are to be found on Page 12 of these Financial Statements. The Remuneration Committee met twice in 2009.

The Committee is responsible for all aspects of remuneration policy, bonuses, retirement and all other benefit arrangements. The Committee determines the individual remuneration packages of the Chief Executive Officer and members of the leadership team. During 2009 the Committee signed off a new compensation strategy. The Committee evaluated WGC's performance based on a dual measurement approach. The first six months of the year were measured against a balanced scorecard and the second half of the year against a transitional scorecard. All salaries and bonus payments for 2009 were approved by the Remuneration Committee.

### Employees and the World Gold Council's Treatment of Employees

WGC is developing a programme of cultural change. The focus is on innovation, delivery and engagement. Each employee has been engaged in the production of our 'Big Picture', and will shortly be involved in the development of our core values.

- We manage our people with great care, continuing our commitment to recruit high calibre individuals.
- The WGC's overall policy is to consult and discuss with employees, through meetings, both formal and informal, those matters likely to affect employees' interests.

Employees are incentivised directly through the WGC's bonus scheme, performance reviews and training and development opportunities. The Association's aim is to recruit and retain sufficiently skilled and motivated employees to meet the needs of the business. The required skills are defined and employees are encouraged to continually develop their skills. The training and development strategy encourages individuals to take ownership of their development.

It is the WGC's policy to give full and fair consideration to all applications for employment from disabled persons, having regard to their particular aptitudes and abilities and to encourage the training and career development of all personnel employed by the WGC. Should an employee become disabled, the Association would, where practicable, seek to continue the employment making all adaptations required.

## GOING CONCERN STATEMENT

The Directors of the WGC have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the WGC has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

The Directors' judgement is based on the following:

- The members of the WGC have a contractual obligation to give 12 months' notice of their intention to withdraw from membership. This provides the WGC security and sufficient time to alter plans and budgets.
- The revenue generated from SPDR® Gold Trust is independent of the level of membership and covers a significant proportion of the WGC's fixed costs.
- There is a substantial asset in the form of deferred consideration receivable in gold which is paid in instalments each year.
- There are no material contractual obligations, except property leases, that are longer than one year.
- The WGC has no borrowings and maintains a strong cash position that is adequate for working capital requirements.
- The WGC aims to operate a "balanced budget" where income equals or exceeds expenditure. The WGC continuously monitors expenditure commitments to ensure compliance.

## DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and its financial statements in accordance with applicable laws and regulations. In preparing these financial statements, the Directors are required to:

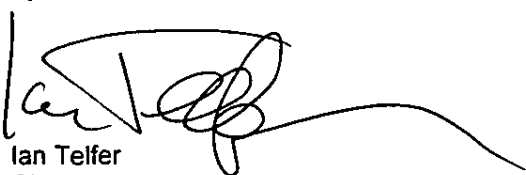
- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- Present information including the accounting policies in a manner that provides relevant, reliable, comparable and understandable information.
- Maintain proper books and records that show and explain the Association's financial position.
- Prepare the financial statements of the Association on a going concern basis.

## DIRECTORS' RESPONSIBILITY STATEMENT


We confirm to the best of our knowledge:

- a The financial statements, prepared in accordance with the International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and surplus in reserves for the Association, its branches and subsidiary undertakings included in the consolidation as a whole.
- b The various reports within the annual report include a fair review of the development and performance of the business and the position of the Association, its subsidiaries, branches and representative offices together with a description of the principal risks and uncertainties that they face.

By Order of the Board



Ian Telfer  
Chairman  
31 March 2010



Aram Shishmanian  
Chief Executive Officer  
31 March 2010

# WORLD GOLD COUNCIL

## MEMBERS OF THE ASSOCIATION

AS AT 31 DECEMBER 2009

- 1 Agnico-Eagle Mines Limited
- 2 Alamos Gold Inc
- 3 AngloGold Ashanti Limited
- 4 Barrick Gold Corporation
- 5 Cedimin – Buenaventura
- 6 China National Gold Group Corporation
- 7 Coeur d'Alene Mines Corporation
- 8 Compañía de Minas Buenaventura
- 9 Eldorado Gold Corporation
- 10 Franco-Nevada Corporation
- 11 Goldcorp Inc
- 12 Gold Fields Limited
- 13 Hutti Gold Mines Company Limited
- 14 IAMGOLD Corporation
- 15 Kinross Gold Corporation
- 16 Mitsubishi Materials Corporation
- 17 Minera Yanacocha
- 18 New Gold Inc
- 19 Newmont Mining Corporation
- 20 Royal Gold, Inc
- 21 Yamana Gold Inc

All the above are still members at the date of signing this report

# WORLD GOLD COUNCIL

## DIRECTORS, OFFICERS AND COMMITTEES

The Directors, Officers and Committees who served during 2009 and to the date of this report were:

DIRECTORS	ALTERNATE	MEMBER
I Telfer (Chairman)		Goldcorp Inc
J Garver		Barrick Gold Corporation
A Shishmanian (CEO of WGC)		
R Benavides	P Solis	Compañía de Minas Buenaventura
S Boyd	D Allan	Agnico-Eagle Mines Limited
T Burt	J Crossland	Kinross Gold Corporation
N Holland	R Jordaan	Gold Fields Limited
P Lassonde	D Harquail	Franco-Nevada Corporation
P Marrone	C Main	Yamana Gold Inc
J McCluskey		Alamos Gold Inc
C Nelsen	R Oliphant	New Gold Inc
R O'Brien	R Ball	Newmont Mining Corporation
J Conway	L Philips	IAMGOLD Corporation
T Setiloane	M Cutifani	AngloGold Ashanti Limited
D Wheeler	M Krebs	Coeur d'Alene Mines Corporation
P Wright	E Price	Eldorado Gold Corporation

Directors who resigned during 2009 P Hambro (February 2009), G Wilkins (November 2009)

### AUDIT COMMITTEE

I Telfer (Chairman)  
S Boyd  
R O'Brien  
T Setiloane  
D Wheeler

### REMUNERATION COMMITTEE

T Setiloane (Chairman)  
R Benavides  
N Holland  
P Lassonde  
I Telfer

### OFFICERS

I Telfer, Chairman  
R Benavides, Vice-Chairman  
A Shishmanian, CEO of WGC  
R Lee, CFO & Company Secretary of WGC

### KEY MANAGEMENT PERSONNEL

J D Calnon, Managing Director, America  
A Cheng, Managing Director, Far East  
M Grubb, Managing Director, Investment  
A Mitra, Managing Director, India and ME  
J Toussaint, Managing Director, Investment

Officers appointed during 2009 N Hanrahan (December 2009)

Officers who resigned during 2009 J Lowe (December 2009), N Hanrahan (February 2010)

### PRINCIPAL BANKERS

Barclays PLC  
54 Lombard Street  
London EC3V 9EX  
UK

### PRINCIPAL PLACE OF BUSINESS

55 Old Broad Street  
London  
EC2M 1RX  
UK

**AUDITORS:** Deloitte SA Geneva

### REGISTERED COMPANY NUMBERS:

UK Companies House  
Switzerland Federal Registry Number

FC014324  
CH-660-0135992-5

## Report of the statutory auditor

To the Board of Directors of the  
World Gold Council, Geneva

## Report on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of the World Gold Council for the year ended 31 December 2009, presented on pages 14 to 47, which comprise the statement of financial position, statement of comprehensive surplus, cash flow statement, statement of changes in reserves and notes

### *Board of Directors' Responsibility*

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements for the year ended 31 December 2009, give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

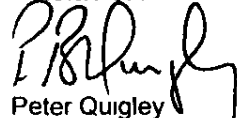
## Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Deloitte SA



Peter Quigley  
Licensed audit expert  
Auditor in charge



Michèle Costafrolaz  
Licensed audit expert

Geneva, 31 March 2010

# WORLD GOLD COUNCIL

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Note	2009 US\$ 000's	2008 US\$ 000's
<b>Non-Current Assets</b>			
Fixed assets	3	709	345
Other non-current assets	5	565	352
VAT recoverable in Italy	6	536	573
Research and development gold	4	65	-
Deferred tax asset	10	299	418
Deferred consideration on the GBH transaction	15 3	169,627	147,905
<b>Total Non-Current Assets</b>		<b>171,801</b>	<b>149,593</b>
<b>Current Assets</b>			
Investments	14	2,274	1,472
Gold reserve	4	6,610	2,276
Dues receivable from members	16	407	1,070
Other current assets	5	7,608	5,566
Prepaid expenses		2,766	1,214
Cash and cash equivalents		54,523	45,572
Deferred consideration on the GBH transaction	15 3	7,250	5,577
<b>Total Current Assets</b>		<b>81,438</b>	<b>62,747</b>
<b>Current Liabilities</b>			
Market development payables		(3,112)	(12,857)
Other payables and accrued expenses	7	(10,519)	(6,615)
Provisions	8	(1,447)	(2,990)
Deferred consideration payable on the GBH transaction	15 1	(584)	(569)
Income taxes	10	(1,625)	(54)
<b>Total Current Liabilities</b>		<b>(17,287)</b>	<b>(23,085)</b>
<b>Net Current Assets</b>		<b>64,151</b>	<b>39,662</b>
<b>Non-Current Liabilities</b>			
Provisions	8	(1,630)	(3,120)
Deferred consideration payable on the GBH transaction	15 1	(5,968)	(6,552)
<b>Total Non-Current Liabilities</b>		<b>(7,598)</b>	<b>(9,672)</b>
<b>Net Assets</b>		<b>228,354</b>	<b>179,583</b>
<b>CAPITAL EMPLOYED</b>			
Reserves		228,354	179,583
<b>Total Capital Employed</b>		<b>228,354</b>	<b>179,583</b>

The annual financial statements were approved by the Board on 31 March 2010 and signed on their behalf by

Ian Telfer  
Chairman

Aram Shishmanian  
Chief Executive Officer



# WORLD GOLD COUNCIL

## CONSOLIDATED STATEMENT OF COMPREHENSIVE SURPLUS

For the year ended 31 December 2009

		2009 US\$ 000's	Restated 2008 US\$ 000's Note 15
	Note		
<b>REVENUE</b>			
Members' dues		51,370	49,485
Sponsor fees		49,850	26,498
Other income		1,387	9
<b>Total revenue</b>		<b>102,607</b>	<b>75,992</b>
<b>EXPENDITURE</b>			
Market development expenditure		(53,590)	(63,289)
General and administrative expenditure	9	(15,317)	(9,596)
<b>Operating expenditure</b>		<b>(68,907)</b>	<b>(72,885)</b>
<b>Operating surplus</b>		<b>33,700</b>	<b>3,107</b>
Interest income		230	1,127
Interest expense		(181)	(111)
Associate related results	14	(588)	1,361
Net foreign exchange transaction (losses) / gains	9	(488)	2,391
Net gain on the GBH transaction*	15	-	173,540
Changes in fair value of financial instruments	15	11,779	39,875
Release of negative goodwill to income	15	-	4,821
<b>Surplus before tax</b>		<b>44,452</b>	<b>226,111</b>
Income taxes	10	(16,272)	(1,195)
<b>Surplus after tax</b>		<b>28,180</b>	<b>224,916</b>
Exchange differences on translation		20,591	(72,702)
<b>Total comprehensive surplus for the year</b>		<b>48,771</b>	<b>152,214</b>

\* The comparatives for 2008 show a net gain on the GBH transaction above. In the 2008 Financial Statements, this number was shown separately under gross proceeds on sale and minority interest (see note 15)

The entire operating surplus has been derived from the activities of continuing operations

# WORLD GOLD COUNCIL

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2009

	2009 US\$ 000's	2008 US\$ 000's
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Operating surplus	33,700	3,107
Depreciation on property, plant and equipment	174	154
(Profit) on disposal of property, plant and equipment	(5)	(4)
Bad debt expense	877	-
(Decrease) in provisions	(3,033)	(3,865)
Net movement in gold	4,573	-
(Increase) / decrease in working capital	(9,258)	7,222
Taxes paid	(14,582)	(2,605)
<b>Cash inflow from operating activities</b>	<b>12,446</b>	<b>4,009</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest and other income received	230	1,016
Proceeds on disposal of property, plant and equipment	5	8
Purchase of property, plant and equipment	(491)	(254)
Investment in associate	(588)	-
Purchase of investment	(802)	(400)
Deferred consideration paid	(750)	(1,749)
<b>Cash outflow from investing activities</b>	<b>(2,396)</b>	<b>(1,379)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Loans advanced to associate	(611)	-
<b>Cash outflow from investing activities</b>	<b>(611)</b>	<b>-</b>
Effect of exchange rate (loss) / gain on cash and cash equivalents	(488)	2,391
<b>Net increase in cash and cash equivalents</b>	<b>8,951</b>	<b>5,021</b>
Cash and cash equivalents at beginning of year*	45,572	40,551
<b>Cash and cash equivalents at end of year*</b>	<b>54,523</b>	<b>45,572</b>

\* This comprises bank balances and cash

# WORLD GOLD COUNCIL

## STATEMENT OF CHANGES IN RESERVES

For the year ended 31 December 2009

	Donation of net assets US\$000's	Translation reserve US\$000's	Revaluation reserve US\$000's	Retained surplus US\$000's	Total reserves US\$000's
<b>Balance at 1 January 2008</b>	152	1,000	53	26,164	27,369
Exchange differences on translation of overseas operations	-	(72,702)	-	-	(72,702)
Net excess of revenue over expenditure for period	-	-	-	224,916	224,916
<b>Balance at 31 December 2008</b>	<b>152</b>	<b>(71,702)</b>	<b>53</b>	<b>251,080</b>	<b>179,583</b>
Exchange differences on translation of overseas operations	-	20,591	-	-	20,591
Net excess of revenue over expenditure for period	-	-	-	28,180	28,180
<b>Balance at 31 December 2009</b>	<b>152</b>	<b>(51,111)</b>	<b>53</b>	<b>279,260</b>	<b>228,354</b>

# WORLD GOLD COUNCIL

## THE WORLD GOLD COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### GENERAL

The World Gold Council (the "WGC" or the "Association") is a not-for-profit organisation 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 fix 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

- Promoting the use of gold for jewellery, investment and industrial applications and as a store of value
- Research and development leading to new uses of gold and gold products
- Collecting and disseminating information about gold

These financial statements are presented in the functional currency of the Association which is United States Dollars ("US\$") as a substantial portion of the Association's revenue and expenditure incurred is in US\$.

### 1. SIGNIFICANT ACCOUNTING POLICIES

The Association prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS").

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain gold based assets. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

There has been no material impact on the Association's financial results as a result of adopting the new standards listed below. Other than the adoption of these standards (listed below as standards adopted in 2009), there were no changes in accounting policies applied to these financial statements in comparison to the policies that were adopted in the Association's 2008 financial statements.

#### **Applicable Standards adopted in 2009 (with nil effect on the Association's results)**

<u>Standard</u>	<u>Details of standard</u>	<u>When effective</u>
IAS 1 (revised)	Presentation of financial statements	1 January 2009
IFRS 1 and IAS 27	Cost of an investment in an associate	1 January 2009

#### **Applicable Standards adopted in 2009 (which affect the Association's results/disclosure)**

<u>Standard</u>	<u>Details of standard</u>	<u>When effective</u>
IFRS 7	Reclassification of financial assets	1 July 2008

Adopting IFRS 7 has not impacted the financial results in any way.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Applicable Standards and interpretations which will become effective in future periods**

<u>Standard</u>	<u>Details of standard</u>	<u>When effective</u>
IFRS 9	Financial instruments	1 January 2013 (1)

#### **Notes on the adoption of standards**

1 – The directors do not expect the adoption of this standard to have a material impact on the financial statements

#### **1.1 Basis of consolidation**

The consolidated financial statements incorporate the financial statements

- The consolidated financial statements include the financial statements of the Association, its subsidiaries, branches and representative offices ("the Group") made up to 31 December each year (see note 13). Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.
- 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 intergroup transactions and balances have been eliminated.

#### **1.2 Business combinations**

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the statement of comprehensive surplus.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 1.3 Investments in associates

An associate is an entity over which the Association is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee

The results of any associate, along with their assets and liabilities are incorporated in these financial statements using the equity method of accounting as follows

- Investments in associates are initially carried in the statement of financial position at cost
- The investment is adjusted by post-acquisition changes in the Association's share of the net assets of the associate
- An adjustment to the investment value is made for any impairment in the value of the individual investment

Losses of the associates in excess of the Group's interest in those associates are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate

The amount by which the Group's share of the associate's loss exceeds its investment in the associate will be disclosed by way of a note to these financial statements and will show the amount for the year and the accumulative amount to date

The share of results of associates included in the statement of comprehensive surplus is the Group's share of the profit after taxation of the associate as stated in the financial statements of the associate

#### 1.4 Fixed assets

Leasehold Property, Furniture and Fittings, Office Equipment, Computer Equipment and Motor Vehicles are carried at cost less accumulated depreciation and any recognised impairment loss

Depreciation is recognised so as to write off the cost or valuation of the respective asset less any residual value over the anticipated useful life of the asset, using the straight line method on the following basis

Leasehold Property	Over the period of the lease
Furniture and Fittings	5 to 7 years
Office Equipment	3 to 5 Years
Computer Equipment	3 years
Motor Vehicles	3 years

The gains or losses arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income

Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 1.5 Gold holdings

Within the financial statements, Gold Holdings are broken down into Research and development gold and Gold reserve

- Research and development gold Gold held for the research and development process which is valued at the lower of cost or net realisable value This asset is considered to be a non current asset due to the usage rate of the gold in the research and development process
- Gold reserve Gold received is recorded at fair value based on the London PM Fix on the date that it is received The Gold reserve is classified as Fair Value Through Profit or Loss

#### 1.6 Cash and cash equivalents

Cash and cash equivalents, comprises cash on hand and deposits with banks with maturities of less than three months

#### 1.7 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 where a reasonable estimate of the obligation can be made

Provisions are the Group's best estimate of the expenditure required to settle the obligation at the statement of financial position date, and are discounted to present value where the effect is material

#### 1.8 Market development expenditure

Market development expenditure comprises all programme related costs including marketing, promotions, PR campaigns, advertisement and publications Personnel related costs of those staff members that are engaged full-time in market related activities are also charged to this line within the statement of comprehensive surplus

#### 1.9 Revenue

##### Members' dues and voluntary contributions

Members' dues are assessed and recognised on a quarterly basis when invoiced These revenues are recorded at their estimated net collectible amounts

##### Sponsor fees

This represents the fee payable to the Association's subsidiary, World Gold Trust Services, LLC, by the SPDR® Gold Trust This fee is recognised on an accruals basis in accordance with the terms of the Trust Indenture governing the administration of the Trust This revenue is recorded at its collectible amount



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Other income

This primarily represents royalty fees recognised on an accruals basis in accordance with the substance of the underlying agreement relating to GBS/ETFS products

#### 1.10 Taxation

The Association provides for income taxes on the basis of taxable earnings for the year. The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year and imputed return on annual expenditure.

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws relevant to the various jurisdictions in which the Group operates.

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.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated statement of comprehensive surplus.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced by the value that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

#### 1.11 Foreign currencies

The individual financial statements of each group company are recorded in the currency of the primary economic environment in which it operates (its functional currency).

On consolidation, statements of Income and Expenditure of foreign operations are translated into US dollars at the average exchange rates for the year. At each statement of financial position date monetary assets and liabilities that are denominated in foreign currencies are translated at the year-end exchange rates. Any resulting exchange differences are recognised as foreign translation reserves in the period in which they occur. Non-monetary items that are measured in terms of historic cost in a foreign currency are not retranslated.

Foreign currency transactions in the Group's entities are accounted for at the exchange rates prevailing at the previous month end. 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 comprehensive surplus. The resulting balances are translated at year-end exchange rates.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the statement of financial position date. Income and expenditure are translated at the average exchange rates for the period. Exchange differences arising if any are recognised in other comprehensive income and accumulated in reserves.

**1.12 Retirement benefit costs**

The Group 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 Group entities.

The Group's contributions to the defined contribution pension plans are charged to the statement of comprehensive surplus and recognised in the year to which they relate.

Payments made to state managed pension schemes are dealt with as payments to defined contribution schemes, where the Group's obligations under the schemes are equivalent to those arising in a defined contribution plan.

**1.13 Financial instruments**

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

In 2007 the WGC adopted IFRS 7 "Financial Instruments: Disclosures". The detailed accounting policies and the effects in respect of such instruments are set out in note 12.

**Financial assets**

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. The relevant transactions are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories:

- Financial assets 'at Fair Value Through Profit or Loss' ("FVTPL")
- 'Held-to-maturity' investments
- 'Available-for-sale' ("AFS") financial assets
- 'Loans and receivables'

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dues receivable from Members and any outstanding costs recoverable from partners are carried at original invoice amount less an estimate made for doubtful debts, based on a review of all outstanding amounts at the year-end. Bad debts are charged to the statement of comprehensive surplus as and when identified.

The deferred consideration in gold is classified as FVTPL.

#### **Financial assets at FVTPL**

Financial assets are classified as at FVTPL where the financial asset is either held for trading or designated as at FVTPL.

A financial asset is classified as held for trading if

- It has been acquired principally for the purpose of selling in the near future
- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking
- It is a derivative that is not designated and effective as a hedging instrument

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the Group is provided internally on that basis, or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the statement of comprehensive surplus. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in the relevant notes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gold received in lieu of cash pertaining to the sale of the GBS entities in 2008 has been designated as FVTPL financial asset. The Association's intention is to sell this asset in the normal course of business when the gold is received, as it is not the intention of the Association to speculate on the gold price.

#### **Available for sale financial assets**

Investments in the shares of companies that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are classified as Available For Sale and are valued at cost.

An impairment review is undertaken on these investments on a yearly basis to determine whether the carrying value is supported. Investments are impaired and written down to lower than cost as and when circumstance dictate, or as and when it is considered appropriate to do so as determined on a case by case basis.

#### **Loans and receivables**

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### **Financial liabilities**

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

#### **Derecognition of financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or when they naturally expire.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Hedging policy**

The Group may enter into foreign exchange forward contracts to match anticipated future cash outflows in foreign currencies. The Group'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 Group 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 statement of comprehensive surplus in the same period in which the hedged firm commitment or forecasted transaction affects net profit or loss.

**1.14 Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

**1.15 Critical accounting judgements required and key sources of estimation uncertainty**

In the application of the Group's accounting policies which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These judgements and estimates are based on the directors' best knowledge of the relevant facts and circumstances, having regard to previous experience. The estimates and underlying assumptions are reviewed on an ongoing basis.

Information about judgements and estimations is contained in the accounting policies and/or the notes to the financial statements, and the key areas below.

Areas of judgement that have the most significant effect on the amounts recognised in the financial statements are:

- Identification of functional currencies – note 1.11
- The fair value of the deferred consideration receivable in gold – note 15
- The fair value of the investment in Nanostellar – note 17

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### 2. DETAILED ANALYSIS OF PERFORMANCE

The Group's main activities can be broken down into six sectors: Investment, Jewellery, Industrial, Government Affairs, Corporate Communications and Infrastructure. Currently these activities are carried out by the Group in the following geographical locations: Europe, the Far East, India, the Middle East and the United States of America.

The detailed analysis included in these financial statements is in accordance with the measures reported to decision makers for the purpose of allocating resources to the segments and assessing their performance from January 2010. The Group is not required to comply with the disclosure requirements of IFRS 8 Operating Segments and this analysis does not purport to address those requirements.

#### Major Customers

In 2009 two members contributed 22.16% (2008: 29.3%) of the Association's total revenue, with the largest member being responsible for 13.7% (2008: 17.6%) of total revenue. The Association's 21 members consist of the main Gold Producers in the world. Membership dues are based on the Member's production level for that year at a cost per ounce.

Sponsor fees from the SPDR® Gold Trust represent 49% (2008: 35%) of total revenue earned by the Group.

#### Business Sector

The Group is divided into six distinct sectors due to the diverse operational aspects of each of these areas; the principal activities of the six segments are as follows:

##### Investment

The investment sector aims to transform the role of gold in the new financial landscape, influencing asset allocation strategies, financial planning, product design, availability and accessibility to an international audience of institutional, retail and Sovereign Wealth Fund investors.

##### Jewellery

The jewellery sector aims to defend gold's volume base in the mass market, and to grow sales value and market share in the premium market.

##### Industrial

The industrial sector aims to promote the application of gold in the electronics industry based on its proven durability and reliability.

##### Government Affairs

The Government Affairs sector aims to engage with central banks and the IMF whilst continuing to research and pursue opportunities to reduce regulatory barriers to gold investment around the world.

##### Corporate Communications

The Corporate Communications sector is responsible for the overall protection and development of WGC reputation and brand identity.

##### Infrastructure

The Infrastructure sector is the support base for the other segments' operations and activities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

## 2. DETAILED ANALYSIS OF PERFORMANCE (Continued)

### Geographical Split for 2009 in US\$ 000's

	EUROPE	FAR EAST	INDIA	MIDDLE EAST	USA	GROUP Consolidation Adjustments	TOTAL
<b>Revenue</b>							
Members' dues	-	-	-	-	51 370	-	51 370
Income from ETF products	161	1	-	1	51 074	-	51 237
Inter group trading	23 950	13 710	6 955	8 110	(52 737)	12	-
<b>Total revenue</b>	<b>24,111</b>	<b>13 711</b>	<b>6,955</b>	<b>8,111</b>	<b>49,707</b>	<b>12</b>	<b>102 607</b>
<b>Costs</b>							
Marketing expenditure	(10 990)	(10 779)	(5 700)	(5 088)	(10 571)	-	(43 128)
Marketing expenditure (re-allocated field staff)	(3 629)	(2,182)	(698)	(1 774)	(3 809)	1 630	(10 462)
Staff costs	(8 237)	(1 889)	(572)	(1 954)	(4 540)	-	(17 192)
Depreciation	(24)	(41)	(40)	(31)	(38)	-	(174)
Governance	(346)	-	-	-	-	-	(346)
Other G&A overheads	(4 355)	(864)	(560)	(1 020)	(1 268)	-	(8 067)
G&A overheads (re-allocated field staff)	3 629	2,182	698	1 774	3 809	(1 630)	10 462
<b>Operating expenditure</b>	<b>(23,952)</b>	<b>(13,573)</b>	<b>(6,872)</b>	<b>(8,093)</b>	<b>(16,417)</b>	<b>-</b>	<b>(68,907)</b>
<b>Operating surplus</b>	<b>159</b>	<b>138</b>	<b>83</b>	<b>18</b>	<b>33,290</b>	<b>12</b>	<b>33,700</b>
Interest received	28	-	-	-	202	-	230
Interest paid	-	-	-	-	(181)	-	(181)
Share of associates	(588)	-	-	-	-	-	(588)
Currency exchange differences	(79)	(68)	(79)	(11)	(239)	(12)	(488)
Other income	11,779	-	-	-	-	-	11,779
<b>Surplus before tax</b>	<b>11,299</b>	<b>70</b>	<b>4</b>	<b>7</b>	<b>33,072</b>	<b>-</b>	<b>44,452</b>
<b>Taxation</b>	<b>(342)</b>	<b>(10)</b>	<b>(4)</b>	<b>(7)</b>	<b>(15,909)</b>	<b>-</b>	<b>(16 272)</b>
<b>Surplus after tax</b>	<b>10,957</b>	<b>60</b>	<b>-</b>	<b>-</b>	<b>17,163</b>	<b>-</b>	<b>28,180</b>
Segment reserves	(194,686)	(1,088)	-	-	(57,111)	24,531	(228,354)
Segment assets	245,828	14,317	10,517	11,253	137,774	(166,450)	253,239
Segment liabilities	(51,142)	(13,229)	(10,517)	(11,253)	(80,663)	141,919	(24,885)

### Geographical Split for 2008 in US\$ 000's

	EUROPE	FAR EAST	INDIA	MIDDLE EAST	USA	GROUP Consolidation Adjustments	TOTAL
<b>Revenue</b>							
Members' dues	-	-	-	-	49 485	-	49 485
Income from ETF products	-	-	-	-	26,554	(47)	26 507
Inter group trading	21 644	13,113	8,556	9,987	(50,957)	(2 343)	-
<b>Total revenue</b>	<b>21,644</b>	<b>13,113</b>	<b>8,556</b>	<b>9,987</b>	<b>25,082</b>	<b>(2,390)</b>	<b>75,992</b>
<b>Costs</b>							
Marketing expenditure	(13,225)	(10 297)	(7 440)	(8 078)	(17 890)	3 689	(53 241)
Marketing expenditure (re-allocated field staff)	(3 270)	(2 098)	(725)	(1,560)	(2 375)	-	(10 028)
Staff costs	(8 717)	(1,760)	(534)	(1 631)	609	-	(12 033)
Depreciation	(33)	(40)	(25)	(15)	(41)	-	(154)
Governance	(436)	-	-	-	-	-	(436)
Other G&A overheads	(3 528)	(899)	(536)	(542)	(1 516)	-	(7 021)
G&A overheads (re-allocated field staff)	3 270	2,098	725	1,560	2,375	-	10,028
<b>Operating expenditure</b>	<b>(25,939)</b>	<b>(12,996)</b>	<b>(8,535)</b>	<b>(10,266)</b>	<b>(18,838)</b>	<b>3,689</b>	<b>(72,885)</b>
<b>Operating surplus</b>	<b>(4,295)</b>	<b>117</b>	<b>21</b>	<b>(279)</b>	<b>6,244</b>	<b>1,299</b>	<b>3,107</b>
Interest received	306	-	-	302	531	(12)	1,127
Interest paid	-	-	-	-	(111)	-	(111)
Share of associates	-	-	-	-	-	1,361	1,361
Currency exchange differences	63	(77)	(4)	(18)	2 172	255	2 391
Other income	241,610	-	-	-	-	(23,374)	218 236
<b>Surplus before tax</b>	<b>237,684</b>	<b>40</b>	<b>17</b>	<b>5</b>	<b>8,836</b>	<b>(20,471)</b>	<b>226,111</b>
<b>Taxation</b>	<b>(301)</b>	<b>(13)</b>	<b>(17)</b>	<b>(5)</b>	<b>(2,415)</b>	<b>1 556</b>	<b>(1 195)</b>
<b>Surplus after tax</b>	<b>237,383</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>6,421</b>	<b>(18,915)</b>	<b>224,918</b>
Segment reserves	(184,412)	(967)	-	-	(39,949)	25,745	(179,583)
Segment assets	206,269	13,526	9,700	8,475	123,222	(148,852)	212,340
Segment liabilities	(41,857)	(12,559)	(9,700)	(8,475)	(83,273)	123,107	(32,757)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

## 2. DETAILED ANALYSIS OF PERFORMANCE (Continued)

Sector Split for 2009 in US\$ 000's		INVESTMENT	JEWELLERY	INDUSTRIAL	GOVERNMENT AFFAIRS	CORPORATE COMMUNICATION	INFRA- STRUCTURE	GROUP Consolidation Adjustments	TOTAL
Revenue									
Members dues		-					51 370		51 370
Income from ETF products		51 237						-	51 237
Inter group trading		-					(12)	12	0
Total Revenue		51 237	-	-	-	-	51,358	12	102 607
Costs									
Marketing expenditure		(11 999)	(24 632)	(647)	(517)	(3 698)	(1 635)		(43 128)
Marketing expenditure (re allocated field staff)		(3 441)	(5 696)	(369)	(620)	(1 966)		1 630	(10 462)
Staff costs		(431)					(18 761)		(17 192)
Depreciation		-	-				(174)		(174)
Amortisation of intangibles		-	-						
Impairment of intangibles		-	-						
Governance		(4)					(342)		(346)
Other G&A overheads		(138)	(9)			(119)	(7 801)		(8 067)
Other G&A (re allocated field staff)		-					12 092	(1,630)	10,462
Operating expenditure		(16,013)	(30 337)	(1,016)	(1,137)	(5,783)	(14,621)	-	(68,907)
Operating Surplus		35,224	(30 337)	(1,016)	(1,137)	(5,783)	36,737	12	33 700
Interest received		-					230	-	230
Interest paid		-					(181)		(181)
Share of associates		(588)							(588)
Currency exchange differences		(39)					(437)	(12)	(488)
Other income		-					11,779		11 779
Surplus before tax		34 597	(30 337)	(1,016)	(1,137)	(5,783)	48,128		44 452
Taxation		(15 896)					(376)	-	(16 272)
Surplus after tax		18,701	(30,337)	(1,016)	(1,137)	(5,783)	47,752	-	28,180
Segment reserves							(252,885)	24,531	(228 354)
Segment assets							419,689	(166,447)	253,242
Segment liabilities							(166,604)	141,916	(24,688)

Sector Split for 2008 in US\$ 000's		INVESTMENT	JEWELLERY	INDUSTRIAL	GOVERNMENT AFFAIRS	CORPORATE COMMUNICATION	INFRA- STRUCTURE	GROUP Consolidation Adjustments	TOTAL
Revenue									
Analysis Code									
Members dues		-					49 486		49 486
Income from ETF products		35 038						(8 532)	26 506
Inter group trading		-					(142)	142	-
Total Revenue		35 038	-	-	-	-	49 344	(8,390)	75 992
Costs									
Marketing expenditure		(14 568)	(32 492)	(771)	(370)	(8 637)	(91)	3 689	(53 240)
Marketing expenditure (re allocated field staff)		(1 694)	(5 392)	(283)	(587)	(2 073)			(10 029)
Staff costs					(1)		(12 033)		(12 034)
Depreciation		(16)					(138)		(154)
Amortisation of intangibles		-							
Impairment of intangibles		-							
Governance		-					(436)		(436)
Other G&A overheads		(428)		(5)	(2)	(201)	(8 384)		(7 020)
Other G&A (re allocated field staff)		-					10 028		10 028
Operating expenditure		(16 706)	(37,884)	(1,059)	(960)	(10 911)	(9,054)	3 689	(72,885)
Operating Surplus		18,332	(37,884)	(1,059)	(960)	(10 911)	40 290	(4 701)	3 107
Interest received		-					1 139	(12)	1 127
Interest paid		-					(111)		(111)
Share of associates		-						1 361	1 361
Currency exchange differences		-					2 137	254	2 391
Other income		-					241,610	(23,374)	218 236
Surplus before tax		18 332	(37,884)	(1,059)	(960)	(10,911)	285,065	(26 472)	226 111
Taxation		-					(2 751)	1 558	(1 195)
Surplus after tax		18,332	(37,884)	(1,059)	(960)	(10,911)	282,314	(24,916)	224 916
Segment reserves							(205,326)	25,745	(179,581)
Segment assets							361,192	(148,852)	212,340
Segment liabilities							(155,864)	123,107	(32,757)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

## 3. FIXED ASSETS

	Leasehold Improvements US\$ 000's	Furniture and Fittings US\$ 000's	Office Equipment US\$ 000's	Computer Equipment US\$ 000's	Motor Vehicles US\$ 000's	Total US\$ 000's
<b>Cost</b>						
At 1 January 2008	330	529	106	477	160	1,602
Additions	33	110	19	92	-	254
Disposals	(239)	-	(4)	(46)	-	(289)
At 1 January 2009	124	639	121	523	160	1,567
Additions	248	41	38	115	49	491
Movement on exchange	6	27	7	(4)	10	46
Transfers	(13)	-	-	13	-	-
Disposals	-	(5)	(18)	(69)	(33)	(125)
<b>At 31 December 2009</b>	<b>365</b>	<b>702</b>	<b>148</b>	<b>578</b>	<b>186</b>	<b>1,979</b>
<b>Accumulated depreciation</b>						
At 1 January 2008	311	525	81	356	80	1,353
Depreciation charge for the year	20	19	6	79	30	154
Disposals	(239)	-	(2)	(44)	-	(285)
At 1 January 2009	92	544	85	391	110	1,222
Depreciation charge for the year	30	24	10	76	34	174
Movement on exchange	2	(4)	2	(5)	4	(1)
Transfers	(1)	-	-	1	-	-
Disposals	-	(5)	(18)	(69)	(33)	(125)
<b>At 31 December 2009</b>	<b>123</b>	<b>559</b>	<b>79</b>	<b>394</b>	<b>115</b>	<b>1,270</b>
<b>Net book value</b>						
<b>At 31 December 2009</b>	<b>242</b>	<b>143</b>	<b>69</b>	<b>184</b>	<b>71</b>	<b>709</b>
At 31 December 2008	32	95	36	132	50	345

## 4. GOLD HOLDINGS

This is made up of research and development gold and gold reserve as detailed below

Research and development gold	2009 oz.	2008 oz.
At 1 January	-	-
Transfer from gold holding	179	-
Received in respect of deferred consideration	-	-
Received in respect of licence fee	-	-
Utilised for research	(4)	-
Sales of gold	-	-
At 31 December	175	-
Cost (US\$ 000's)	65	-
Market value (US\$ 000's)	196	-

Research and development gold is valued at the lower of cost or net realisable value. The gold is used in research and development purposes and is held by a third party which accounts for its usage on a yearly basis.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**4. GOLD HOLDINGS (Continued)**

<b>Gold Reserve</b>	<b>2009 oz</b>	<b>2008 oz</b>
At 1 January	3,528	184
Transfer from research and development stock	(179)	-
Received in respect of deferred consideration	6,567	3,283
Received in respect of licence fee	1,114	66
Utilised for research	-	(5)
Sales of gold	(5,050)	-
<b>At 31 December</b>	<b>5,980</b>	<b>3,528</b>
 <b>Cost (US\$ 000's)</b>	 <b>5,788</b>	 <b>2,276</b>
<b>Market value (US\$ 000's)</b>	<b>6,610</b>	<b>3,052</b>

Gold reserve is principally gold bullion that is received by the Group through

- The deferred sales consideration on the sale of the GBS entities in 2008. A fixed amount of 3,283 ounces of gold are received each year in March and September until March 2058, and commenced September 2008 (see note 15)
- A royalty fee that is received monthly in gold

It is the intention of the Association to sell the gold received within a short period of time as it is not the policy of the WGC to speculate on the gold price

During 2009, the Group transferred 179 ounces to research and development gold

The gold reserve represents a level 1 fair value measurement as this is derived from quoted gold prices

**Sensitivity to movement in Gold Price**

For every US\$10 movement in the gold price, the Group is subject to an approximate US\$61,000 fluctuation in the value of its gold holdings (2008 US\$ Nil due to being previously recorded as research and development stock valued at cost)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

## 5. OTHER NON-CURRENT ASSETS AND OTHER CURRENT ASSETS

	2009 US\$ 000's	2008 US\$ 000's
<b>Other non-current assets</b>		
Lease and utility deposits	551	337
Other non-current assets	14	15
	<u>565</u>	<u>352</u>
	2009 US\$ 000's	2008 US\$ 000's
<b>Other current assets</b>		
Receivable from the SPDR Gold Trust	5,211	2,575
Trade partner receivables	388	1,185
VAT receivable	643	600
Other current assets	1,366	1,206
	<u>7,608</u>	<u>5,566</u>

## 6. VAT RECOVERABLE IN ITALY

	2009 US\$ 000's	2008 US\$ 000's
Total VAT recoverable	<u>536</u>	<u>573</u>

The amount of €357,000 outstanding at the end of December 2009 represents the final amount that is due from the Italian Tax authorities for VAT reclaims that date back to 1992 and which amounted to €3.6 million

The process of recovering the final amount of VAT from the Milan tax authorities has proven to be a protracted process. The management of the Association believes, based on legal advice that this amount will be paid by the Italian tax authorities. Thus, no provision has been made against this amount.

## 7. OTHER PAYABLES AND ACCRUED EXPENSES

	2009 US\$ 000's	2008 US\$ 000's
Accrued expenses	9,252	6,340
Other payables	1,267	275
	<u>10,519</u>	<u>6,615</u>

A major portion of the Group's marketing activity has traditionally been geared towards the fourth quarter of the year. Also, performance-based incentive pay is accrued for at each year-end but is not approved until after the year-end. As a result, accrued expenses represent a significant proportion of total annual expenditure.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### 8. PROVISIONS

	Post employment medical benefits US\$ 000's	LTIP US\$ 000's	Stock Appreciation Plan US\$ 000's	Contractual benefits US\$ 000's	Other US\$ 000's	Total US\$ 000's
Current liabilities	-	906	1 959	2,865	125	2 990
Non-current liabilities	987	2 133	-	3,120	-	3,120
Balance at 1 January 2009	987	3,039	1 959	5,985	125	6 110
Released from provisions	(10)	-	-	(10)	-	(10)
Increase in provisions	-	1 149	-	1,149	-	1,149
Amounts utilised	(65)	(2,092)	(1 959)	(4,116)	(125)	(4 241)
Exchange difference	106	(37)	-	69	-	69
Balance at 31 December 2009	1,018	2,059	-	3,077	-	3,077
Analysis between non-current and current liabilities						
Current liabilities	68	1,379	-	1,447	-	1,447
Non-current liabilities	950	680	-	1,630	-	1,630
Balance at 31 December 2009	1,018	2,059	-	3,077	-	3,077

#### Contractual benefits

These are analysed below

#### 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 increased by US\$31,000 during the year (2008 US\$59,000 increase). There are currently 11 (2008 12) surviving Geneva retirees and their spouses. The Association pays a maximum of 50% of their total medical insurance costs for the year for the retirees and their surviving spouses.

#### Long Term Incentive Plan (LTIP)

A Long Term Incentive Plan ("LTIP") has been in operation since the Remuneration Committee approved the plan for senior employees in 2003. During the year there was an increase in provisions of US\$1.96 million (2008 US\$535,000). In accordance with the terms of the LTIP US\$1.90 million was exercised (2008 US\$1.31 million). The total amount provided at 31 December 2009 is US\$2.1 million (2008 US\$3.04 million). The terms of the LTIP are such that US\$1.38 million will vest within the next financial year with the balance vesting in subsequent periods.

#### Stock Appreciation Plan ("SAP")

The SAP was in favour of the former Chief Executive Officer. The SAP was fully paid up on his retirement from the Group in the current year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### 9. OPERATING EXPENDITURE

General and administrative expenditure is made up as follows

	2009 US\$ 000's	2008 US\$ 000's
Membership and Governance	346	436
General management and finance and administration staff		
Staff related	9,012	4,681
Infrastructure costs		
Premises	1,889	1,574
Office equipment and supplies	535	607
Communication	467	358
Professional fees	2,083	1,706
Bank expenses	78	72
Other	907	162
Total infrastructure costs	5,959	4,479
<b>Total general and administrative expenditure</b>	<b>15,317</b>	<b>9,596</b>

The surplus for the year has been arrived at after charging/(crediting):

	2009 US\$ 000's	2008 US\$ 000's
Auditors' remuneration	374	827
Depreciation of fixed assets	174	154
Impairment loss recognised on receivables	877	-
Net foreign currency differences	488	(2,391)
Operating lease and rental costs		
Premises	1,918	1,535
Other	57	102
Personnel related costs	17,192	12,033
Professional fees	1,709	1,706
Profit on sale of fixed assets	(5)	(4)

Employee numbers and contributions to retirement plans (all staff)

	2009 No	2008 No.
Number of employees (at year end)	87	53
	2009 US\$ 000's	2008 US\$ 000's
Contributions made to retirement plans	1,215	1,049

The impairment loss recognised on receivables in 2009 includes an amount provided against a loan to WGC Holdings associate company Dubai Gold Investments DMCC ("DGI")

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**10. TAXATION**

The WGC is incorporated in Switzerland but operates in various countries that have differing tax laws and rates

The majority of the WGC'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 2009 US\$15.9 million (2008 US\$2.2 million) of the WGC's taxes were the US taxes on WGTS's profits of US\$34.4 million (2008 US\$5.1 million) at an effective tax rate of 46% (2008 42%). The effective rate of tax in the US is greater than 28% due to a higher rate of tax in the US and permanent disallowable expenditure

The WGC is regarded as a mutual organisation for UK tax purposes. As a result its UK income taxes are not directly related to its deficit or excess of revenue over expenditure of but on its non-mutual trading income

**The income tax expenses consist of the following for the year ended**

<b>Analysis of Tax Charge</b>	<b>2009 US\$ 000's</b>	<b>2008 US\$ 000's</b>
Current taxes on profit for year	16,153	2,440
Deferred taxation	119	(1,245)
<b>Total</b>	<b>16,272</b>	<b>1,195</b>

<b>Reconciliation of Taxation - Current Liability</b>	<b>UK Tax \$ 000's</b>	<b>Foreign Tax \$ 000's</b>	<b>Total \$ 000's</b>
Balance at 1 January 2009	428	(374)	54
Tax paid	(662)	(13,905)	(14,567)
Charge for current year	480	15,792	16,272
Exchange differences	(143)	9	(134)
<b>Balance at 31 December 2009</b>	<b>103</b>	<b>1,522</b>	<b>1,625</b>

<b>Reconciliation of Deferred Taxation Asset</b>	<b>Unutilised Losses \$ 000's</b>	<b>Total \$ 000's</b>
Balance at 1 January 2009	(418)	(418)
Charge for current year	119	119
<b>Balance at 31 December 2009</b>	<b>(299)</b>	<b>(299)</b>
<b>Non-current assets</b>	<b>299</b>	<b>299</b>
<b>Non-current liabilities</b>	<b>-</b>	<b>-</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### 11. COMMITMENTS

#### 11.1 Capital commitments

No capital commitments were undertaken in 2009 (2008 US\$ Nil)

#### 11.2 Non-cancellable operating lease commitments

Relating to the rental of office space and equipment

	2009 US\$ 000's	2008 US\$ 000's
Due within one year	1,189	1,395
Due between 2 and 5 years	1,946	2,385
Due beyond 5 years	1,515	1,790
	<b>4,650</b>	<b>5,570</b>

The London based office has served notice on its current rental agreement, with a move likely to happen in the early part of 2010. In the above figure only three months rental is included for the London based office, as the lease agreement for the new premises is still to be signed.

All leases terminate within five years other than for the New York office. During 2009 and early 2010 various changes in office location have occurred, the above numbers reflect the new commitments in this respect.

### 12. FINANCIAL INSTRUMENTS

Risk management is carried out by the finance department 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. The finance function identifies, evaluates and hedges financial risks where required to do so.

#### 12.1 Capital risk management

The Group manages its reserves in order to ensure that the entities within the Group will be able to continue as going concerns, whilst the Group delivers on its strategic objectives. The Group operates a balanced budget methodology whilst ensuring that programme related costs and overheads do not exceed revenue earned.

The Group is risk averse and operates without leverage. It is not the intention of the Group to borrow in order to deliver on its objectives, but instead utilises cash flow to fund current expenditure and potential investments.

An annual assessment is made of the Group's strategic direction at board level, considering the risk factors facing the Group and the world gold market.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**12. FINANCIAL INSTRUMENTS (Continued)**

**12.2 Credit risk**

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

During 2009 one of our members dues accounted for 13.7% (2008: 18%) of the Association's total revenue. This member's dues arise from revenue calculated on production spread across eight mines within the members' group. This therefore reduces the overall risk to the Association as it is not dependant on one actual source of revenue.

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

**12.3 Interest rate risk**

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

**12.4 Fair values**

At 31 December 2009 and 31 December 2008 the carrying amounts of cash and short-term deposits, other accounts receivable, market development payables and miscellaneous payables and accrued expenses approximate 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 their carrying amounts.

**12.5 Hedging policy**

At 31 December 2009, there were no forward exchange contracts in operation. No forward exchange contracts were taken out in 2009.

**12.6 Foreign exchange rates**

The Group's revenues are received in US dollars whereas sizeable portions of its expenditure is incurred in currencies other than the US dollar and currencies linked to the US dollar.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### 13. SUBSIDIARIES, BRANCHES AND REPRESENTATIVE OFFICES

The Consolidated Financial Statements incorporate the assets and liabilities and revenue and expenditure (other than intra-group items) of the following subsidiaries, branches and representative offices through which the WGC conducts its operations

<b>Subsidiaries (all 100% owned)</b>	<b>Location</b>
World Gold Council Srl	Italy
World Gold Council, Inc	United States of America (Dormant)
World Gold Trust Services, LLC	United States of America
World Gold Council KK	Japan
World Gold Council (Far East) Pte Limited	Singapore
WGC Financial Services SA	Switzerland
Exchange Traded Gold Limited	England (Dormant)
Gold Bullion Securities Limited	England (Dormant)
WGC Holdings Limited	Jersey
Gold Bullion Holdings Limited	Jersey (note 1)
Gold Bullion Nominees Limited	Hong Kong (Dormant) (note 2)
Gold Bullion Securities Limited	Hong Kong (Dormant) (note 2)

<b>Branches and Representative Offices</b>	<b>Location</b>
United Kingdom	London
United Arab Emirates	Dubai
China	Beijing and Shanghai
India	Mumbai and Chennai
Turkey	Istanbul

#### Notes:

1 The Association increased its holding to 100% on 18 July 2008

2 Owned by Gold Bullion Holdings

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**14. INTERESTS IN ASSOCIATES**

During 2009 the Association through its 100% owned subsidiary World Gold Council Holdings ("WGCH") which is registered in Jersey, invested in Dubai Gold Investments ("DGI") which is based in Dubai. DGI is an Exchange Traded Fund ("ETF"), which was set up in 2009. WGCH owns 39% of the equity of DGI, on which WGCH is able to exert significant influence, but not control over the operations or the decision making process of DGI. As a result of this, WGCH accounts for its investment in DGI as an associate using the equity accounting methodology.

The results for the year for DGI are shown in the table below. The comparatives are of Gold Bullion Holdings which ceased to be an associate in 2008 when the transaction took place that is described in note 15.

	2009 US\$ 000's	2008 US\$ 000's
Aggregated amounts relating to associates		
Total assets	699	-
Total liabilities	(2,680)	-
Net (liabilities)/assets	(1,981)	-
Group's share of net assets (liabilities)	(772)	-
Revenues	66	384,603
Revenues - excluding increase in market value of holders' gold	17	6,033
Profit before tax	(1,470)	2,462
Profit after tax	(1,470)	2,299
The Group's share of the (loss)/profit of associates	(573)	1,361
Amount of investment impaired	(15)	-
Total impairment on investment in associate	(588)	1,361
Loan to DGI	611	-
Provision against loan	(611)	-
Net Receivable	-	-

During 2009 DGI made a loss of US\$1.47 million of which WGCH's share amounts to US\$588,000. The Directors assessed whether the carrying value of the investment in DGI was supported by its recoverable amount. As a result of undertaking discounted cash flows and consideration of the future prospect of the business, management impaired the carrying value of the investment in DGI to nil.

A loan of US\$611,000 to DGI was also provided for as it is unlikely that this amount will be repaid in the near future as the associate is currently undergoing a change in focus.

WGCH's share of DGI's net liabilities amounts to a US\$772,000 debit which has not been reflected in the Group's investment in DGI in accordance with IAS 28. WGCH's losses have therefore been limited to its share of DGI's losses to date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### 15. DEFERRED CONSIDERATION ON THE GBH TRANSACTION

#### 15.1 Purchase

On 11 July 2008, the Association acquired the 28% shareholding in Gold Bullion Holdings Ltd ("GBH") which was owned by Gold Bullion Investment Trust ("GBIT") for a deferred cash consideration of US\$10 million making GBH a 67% subsidiary of the WGC. The US\$10 million is payable in instalments through to December 2019 and the investment has been accounted for at its fair value of US\$7.1 million (2008 US\$8.8 million). The liability at 31 December 2009 was US\$6.6 million (2008 US\$7.1 million), broken down as follows:

<b>Movement on deferred payable</b>	<b>2009 US\$ 000's</b>	<b>2008 US\$ 000's</b>
Amount payable to GBIT	7,121	10,000
Fair value adjustment	-	(1,239)
Fair value of payable	7,121	8,761
Effective interest	181	110
Payments in 2009	(750)	(1,750)
At 31 December 2009	6,552	7,121
 Current liabilities	 584	 569
Non-current liabilities	5,968	6,552
	6,552	7,121
 Shareholding acquired		28%
Economic interest acquired		5%
Net assets acquired		13,582
Negative goodwill		(4,821)
<b>Total consideration</b>		<b>8,761</b>

#### 15.2 Sale

On 18 July 2008 GBH completed the sale of its subsidiaries, Gold Bullion Securities Jersey and Gold Bullion Securities Australia (collectively called the "GBS entities"), to ETF Securities Limited ("ETFS"). In return for the sale of its subsidiaries GBH will receive a total deferred consideration in gold of 328,333 ounces, payable in equal instalments every six months, between 2008 and March 2058 ("the Deferred Consideration"). The fair value of this consideration at the time of sale was US\$174.19 million and the gain on disposal was US\$173.54 million.

#### 15.3 Financial instrument

The accounting treatment adopted for the consideration receivable for the GBS entities is based on a discounted cash flow projection utilising the closing price of gold, the gold curve for a maximum period of ten years and an applied relevant discount factor over the period of the deferred consideration.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### 15. DEFERRED CONSIDERATION ON THE GBH TRANSACTION (Continued)

The future receivable is dependent on the market price of gold, and it is therefore considered that the Deferred Consideration is a financial instrument as it constitutes a compound instrument which includes an embedded derivative

#### Method of fair valuing the deferred consideration

The present value of each instalment of the Deferred Consideration is valued by multiplying by the forward price of gold for that instalment and discounting the resulting value at an appropriate rate to determine the net present value. The London PM fix (AM fix if no PM fix) is used as the fair value per ounce of gold.

The Deferred Consideration represents a level 2 fair value measurement as this is derived from quoted gold prices and inputs, other than quoted prices, that are observable for gold.

#### Financial asset at fair value through the statement of comprehensive surplus

The whole Deferred Consideration contract was designated at the time of the transaction as a financial asset at FVTPL, accordingly movements in the fair value of the contract will be taken to the statement of comprehensive surplus over the life of the Deferred Consideration.

	2009 US\$ 000's	2008 US\$ 000's
At 1 January 2009	153,482	-
Gross consideration on sale of subsidiaries	-	259,984
Minority interest on sale	-	(85,794)
Deferred consideration receivable	-	174,190
Gold received	(6,258)	(1,248)
Fair value adjustment	10,750	39,875
Exchange difference	18,903	(59,335)
<b>At 31 December 2009</b>	<b>176,877</b>	<b>153,482</b>
Current assets	7,250	5,577
Non-current assets	169,627	147,905
	<b>176,877</b>	<b>153,482</b>

In the statement of comprehensive surplus, profit on the GBH transaction has been presented as the net Deferred Consideration receivable of US\$174,190 in the 2008 comparative. This represents a restatement from the prior year financial statements where the statement of comprehensive surplus presented gross consideration of US\$259,984 and minority interest of US\$85,794. The directors consider the netting off of these numbers in 2009 to better reflect the substance of the deal as a single transaction and not two separate transactions.

The representation of the items in the statement of comprehensive surplus triggers the requirement to disclose a third statement of financial position at the beginning of the comparative period in accordance with IAS 1 Revised. As the representation does not result in a restatement to the statement of financial position it has been concluded that the presentation of the third statement of financial position is not material to the financial statements, and has therefore not been included.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### 15. DEFERRED CONSIDERATION ON THE GBH TRANSACTION (Continued)

The Deferred Consideration payable by ETFS to WGCH in 2008 was based on total ounces payable to WGCH of 328,333. At the end of December 2009 the number of ounces payable to WGCH by ETFS is 318,483 ounces after 3,283 ounces had been received in both March 2009 and September 2009.

Fair Value adjustment on Gold	2009	2008
	US\$ 000's	US\$ 000's
Fair value on deferred consideration	10,750	39,875
Fair value adjustment on Gold Holdings	1,029	-
	<b>11,779</b>	<b>39,875</b>

Gold is fair valued at current prices at the end of each financial year with the fair value adjustment going through the profit and loss.

#### Market risk

The value of the Deferred Consideration will vary directly in line with changes in the gold price, the discount factor used and the gold yield curve.

IFRS 7 requires disclosure of a "sensitivity analysis" for each type of market risk to which the entity is exposed to at the reporting date, showing how profit or loss and equity would have been affected by changing the relevant risk variable that were possible at that date.

#### Sensitivity summary

	2009	2008
Discount rate sensitivity		
1% Increase	\$26,349k decrease	\$24,502k decrease
1% Decrease	\$34,421k increase	\$32,602k increase
Gold price movement		
\$10 USD increase	\$1,576k increase	\$1,561k increase
\$10 USD decrease	\$1,627k decrease	\$1,561k decrease
Gold price 1% increase	\$1,744k increase	\$1,535k increase
Gold price 1% decrease	\$1,793k decrease	\$1,535k decrease

#### Credit risk

The Deferred Consideration is wholly payable by ETFS. However, the gold payable is secured on the gold sales charge generated by the assets held in the gold-backed securities issued by GBSJ and GBSA.

In the event of liquidation of the holding company (of GBSJ and GBSA), the right of WGC to receive payments in gold would revert to GBSJ and GBSA (i.e. GBSJ and GBSA would become liable to continue making the payments to GBH).

During the year the discount rate used to value the deferred consideration was increased from 5% to 7.75% to reflect current estimates on credit risks and gold price fluctuations applicable to the Deferred Consideration. The financial impact and cumulative financial impact of this change is to reduce the total deferred consideration by US\$124.47 million (2008: Nil).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**15. DEFERRED CONSIDERATION ON THE GBH TRANSACTION (Continued)**

At 31 December 2009 and to the date of this report, the assets of ETFs are more than sufficient to permit payments to be made. The following represents GBH's exposure in this respect:

	<b>2009</b>	<b>2008</b>
	<b>US\$ 000's</b>	<b>US\$ 000's</b>
In less than one year	7,250	5,577
In more than one year	169,627	147,905
Value of deferred consideration outstanding	<b>176,877</b>	<b>153,482</b>

**Currency risk**

The Deferred Consideration is based in monetary terms in US\$, however GBH and WGC pay expenses in the main for their operations in UK Pounds Sterling. There is thus a potential exposure to currency risk if the US\$ weakens against the pound.

**16. RELATED PARTY TRANSACTIONS**

In accordance with IAS 24 we believe that the following equate to related party transactions in respect of internal and external dealings that the Group may have:

**16.1 Trading transactions**

- Transactions between the Association, its subsidiaries and its branches, are eliminated on consolidation and are not disclosed in this note. Transactions with members of the Association are disclosed separately below.
- Transactions with trading partners who are joint shareholders in investments that the Group holds are disclosed below.

<b>Members dues</b>	<b>2009</b>	<b>2008</b>
	<b>US\$ 000's</b>	<b>US\$ 000's</b>
Top 10 members dues	48,860	47,528
Percentage over total members dues	95.12%	96.04%
Amounts due from members at 31 December	407	1,070

Total Members Dues in 2009 amounted to US\$51.3 million (2008: US\$49.5 million).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**16. RELATED PARTY TRANSACTIONS (Continued)**

<b>Trading/Investment transactions with Dubai Gold Investment (DGI)</b>	<b>2009 US\$ 000's</b>	<b>2008 US\$ 000's</b>
Amount receivable from DGI	611	-
Investment in DGI	588	-
Provision to write off DGI receivable	(611)	-
Investment write off in DGI	(588)	-

The above relates to WGCH's direct investment in DGI, along with the funding of part of its operations. The shareholders of DGI funded its operations in 2009 on the basis of their shareholding in DGI.

<b>Trading transactions with Gold Bullion Investment Trust (GBIT)</b>	<b>2009 US\$ 000's</b>	<b>2008 US\$ 000's</b>
Interest charge on deferred consideration	180	111
Amount receivable from GBIT	5	5
Accrued liability / loan to GBIT	165	23
Deferred consideration paid to GBIT	750	1,750
Deferred consideration current liability	584	569
Deferred consideration non-current liability	5,968	6,552

The above note represents all transactions associated with WGCH's holding in DGI. DMCC and GBIT are the other shareholders of DGI's capital. At the end of 2009, WGCH owed US\$541,000 to DMCC for costs expended by DMCC on behalf of DGI.

The members of GBIT are the members of the WGC, however the WGC is unable to influence the actions of GBIT.

<b>Key management personnel compensation</b>	<b>2009 US\$ 000's</b>	<b>2008 US\$ 000's</b>
Short-term employee benefits	1,894	2,836
Post-employment benefits	151	316
Other long-term benefits	680	161
Termination Benefits	460	-
<b>Total</b>	<b>3,185</b>	<b>3,313</b>
Compensation paid for loss of key staff	1,976	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### 16. RELATED PARTY TRANSACTIONS (Continued)

#### 16.2 Other significant trading parties

The following parties are significant in nature for the underlying operations of the Group, however, we are not able to influence these parties, but due to the nature, significance and timeframe of the relationship they have been detailed below

Trading transactions with ETF Securities	2009 US\$ 000's	2008 US\$ 000's
Monthly participation fee received	1,093	55
Monthly participation fee receivable	130	-
Semi-annual capital gold received	6,258	2,654

The above represents transactions with ETF Securities ("ETFS") in 2009. ETFS was the third party that the subsidiaries of GBH were sold to in 2008. The above transactions represent a flow of income to the Association and WGCH as a result of the 2008 transaction. The Group will receive gold from ETFS by way of the semi-annual payment until March 2058. The royalty fee is received monthly in gold.

ETFS has been detailed here due to the timeframe over which the gold will be received.

Trading transactions with SPDR Gold Trust	2009 US\$ 000's	2008 US\$ 000's
Sponsor fees received from the Trust	49,850	26,498
Amount receivable from the Trust	5,211	2,523

The above relates to all transactions undertaken with the SPDR® Gold Trust by the Group's US based subsidiary WGTS.

### 17. INVESTMENTS

Through its Jersey based subsidiary WGC Holdings ("WGCH"), the Group holds approximately 11.07% of the share capital of Nanostellar Inc.

In 2007 the WGC invested in Nanostellar Inc, a US start-up company that develops and manufactures catalysts for emissions control in automotive diesel engine systems. Using gold to partly replace the more costly platinum is the main reason for their interest in gold. The Nanostellar announcement represented a major breakthrough for gold in a high profile, environmentally important application.

This investment was made to support Nanostellar's commercialisation drive, accelerating the rate at which the gold technology is brought to market and has been used for marketing promotion and catalyst testing with car manufacturers.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### 17. INVESTMENTS (Continued)

The investment in Nanostellar stock is classified as an AFS investment. The value of the investment is carried in WGCH's books at the lower of cost or net realisable value, as the shares in Nanostellar do not have a quoted price in an active market and thus the fair value of the holding cannot be reliably measured.

An impairment review of the carrying value of Nanostellar for the year ended 31 December 2009 has indicated that the investment value is appropriate and need not be impaired.

At the end of December 2009, the US\$2.27 million investment in Nanostellar by WGCH comprises the following:

	US\$ 000's
Preferred share capital - Series C	1,802
Convertible Loan	400
Interest capitalised – Series C preferred share capital	72
<b>Total investment in Nanostellar</b>	<b><u>2,274</u></b>

WGCH holds 46.8 million units of preferred share capital made up of 36.8 million units of Series 2 preferred share capital and 10.5 million units of Series 3 preferred share capital of Nanostellar Inc, which represents 11.07% of the issued share capital of Nanostellar Inc.

# WORLD GOLD COUNCIL

## LOCATIONS OF THE WORLD GOLD COUNCIL

The WGC network covers the Americas, Europe, Middle East, India and the Far East including China and Japan. This network provides us with expertise in every aspect of the gold market and is fundamental to creating local and increasingly global initiatives with partners. Strong contacts with local governmental organisations and trade bodies enable the World Gold Council to play a leading role in liberalising markets.

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# WORLD GOLD COUNCIL

Strong local trade contacts have also allowed the development of joint marketing initiatives with retailers, manufacturers and trade organisations. Local offices develop the relationships with the key partners helping to create demand for specific partner pieces and to improve the image of gold as a category.

Our trade contacts are supplemented by in depth consumer knowledge about each market derived from global and local research. This gives the World Gold Council a deep understanding of consumer attitudes and behaviour.

## WEBSITES ASSOCIATED WITH THE WORLD GOLD COUNCIL

[WWW.GOLD.ORG](http://WWW.GOLD.ORG)

[//www.exchangetradedgold.com](http://www.exchangetradedgold.com)

[//www.spdrgoldshares.com](http://www.spdrgoldshares.com)

[//www.dubaigoldsecurities.com](http://www.dubaigoldsecurities.com)