

GARMIN LTD
Form 10-Q
October 31, 2018

United States

Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 29, 2018

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-31983

GARMIN LTD.

(Exact name of Company as specified in its charter)

Switzerland

98-0229227

(State or other jurisdiction)

(I.R.S. Employer identification no.)

of incorporation or organization)

Mühlentalstrasse 2

8200 Schaffhausen

N/A

Switzerland

(Zip Code)

(Address of principal executive offices)

Company's telephone number, including area code: **+41 52 630 1600**

Indicate by check mark whether the Company (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-accelerated Filer (Do not check if a smaller reporting company)
Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. YES NO

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

Number of shares outstanding of the registrant's common shares as of October 29, 2018

CHF 0.10 par value: 198,077,418 (including treasury shares)

Garmin Ltd.

Form 10-Q

Quarter Ended September 29, 2018

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Part I - Financial Information

Item I - Condensed Consolidated Financial Statements

Garmin Ltd. And Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited)

(In thousands, except per share information)

	September 29, 2018	December 30, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$1,056,397	\$891,488
Marketable securities	173,697	161,687
Accounts receivable, net	467,784	590,882
Inventories	556,640	517,644
Deferred costs	28,235	30,525
Prepaid expenses and other current assets	117,866	153,912
Total current assets	2,400,619	2,346,138
Property and equipment, net	650,805	595,684
Restricted cash	145	271
Marketable securities	1,301,111	1,260,033
Deferred income taxes	186,445	195,981
Noncurrent deferred costs	29,732	33,029
Intangible assets, net	424,776	409,801
Other assets	102,334	107,352
Total assets	\$5,095,967	\$4,948,289
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$197,069	\$169,640
Salaries and benefits payable	101,190	102,802
Accrued warranty costs	35,960	36,827
Accrued sales program costs	59,708	93,250
Deferred revenue	97,604	103,140
Accrued royalty costs	27,213	32,204
Accrued advertising expense	24,213	30,987
Other accrued expenses	67,426	93,652
Income taxes payable	43,519	33,638
Dividend payable	200,124	95,975

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Total current liabilities	854,026	792,115
Deferred income taxes	82,846	76,612
Noncurrent income taxes	126,893	138,295
Noncurrent deferred revenue	77,634	87,060
Other liabilities	1,860	1,788
Stockholders' equity:		
Shares, CHF 0.10 par value, 198,077 shares authorized and issued; 188,809 shares outstanding at September 29, 2018; and 188,189 shares outstanding at December 30, 2017;	17,979	17,979
Additional paid-in capital	1,842,551	1,828,386
Treasury stock	(433,274)	(468,818)
Retained earnings	2,520,828	2,418,444
Accumulated other comprehensive income	4,624	56,428
Total stockholders' equity	3,952,708	3,852,419
Total liabilities and stockholders' equity	\$5,095,967	\$4,948,289

See accompanying notes.

Garmin Ltd. And Subsidiaries

Condensed Consolidated Statements of Income (Unaudited)

(In thousands, except per share information)

	13-Weeks Ended		39-Weeks Ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Net sales	\$810,011	\$751,244	\$2,415,336	\$2,224,241
Cost of goods sold	329,264	313,721	984,783	929,782
Gross profit	480,747	437,523	1,430,553	1,294,459
Advertising expense	31,140	32,449	100,000	105,983
Selling, general and administrative expense	114,669	101,794	352,234	309,095
Research and development expense	138,979	129,632	422,649	379,083
Total operating expense	284,788	263,875	874,883	794,161
Operating income	195,959	173,648	555,670	500,298
Other income (expense):				
Interest income	11,089	9,207	32,310	26,931
Foreign currency (losses) gains	(6,868)	8,579	(3,405)	(13,808)
Other income (expense)	1,147	(1,520)	6,800	(805)
Total other income (expense)	5,368	16,266	35,705	12,318
Income before income taxes	201,327	189,914	591,375	512,616
Income tax provision (benefit)	17,113	38,840	87,445	(53,840)
Net income	\$184,214	\$151,074	\$503,930	\$566,456
Net income per share:				
Basic	\$0.98	\$0.81	\$2.67	\$3.01
Diluted	\$0.97	\$0.80	\$2.66	\$3.00
Weighted average common shares outstanding:				
Basic	188,799	187,616	188,554	187,902
Diluted	190,005	188,490	189,586	188,671

Dividends declared per share	\$—	\$—	\$2.12	\$2.04
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See accompanying notes.

Garmin Ltd. And Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(In thousands)

	13-Weeks Ended		39-Weeks Ended	
	September	September	September	September
	29,	30,	29,	30,
	2018	2017	2018	2017
Net income	\$184,214	\$151,074	\$503,930	\$566,456
Foreign currency translation adjustment	(3,940)	5,689	(30,308)	71,591
Change in fair value of available-for-sale marketable securities, net of deferred taxes	(1,168)	536	(21,044)	11,938
Comprehensive income	\$179,106	\$157,299	\$452,578	\$649,985

See accompanying notes.

Garmin Ltd. And Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In thousands)

	39-Weeks Ended	
	September 29, 2018	September 30, 2017
Operating activities:		
Net income	\$503,930	\$566,456
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	47,902	44,011
Amortization	23,574	19,688
Gain on sale or disposal of property and equipment	(491)	(184)
Provision for doubtful accounts	1,265	551
Provision for obsolete and slow moving inventories	17,719	16,504
Unrealized foreign currency loss	4,158	17,786
Deferred income taxes	20,177	(143,314)
Stock compensation expense	42,094	32,441
Realized losses on marketable securities	481	594
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	111,955	84,982
Inventories	(69,139)	(86,631)
Other current and non-current assets	5,102	(9,635)
Accounts payable	32,601	(24,526)
Other current and non-current liabilities	(57,245)	(37,403)
Deferred revenue	(14,923)	(21,478)
Deferred costs	5,581	3,459
Income taxes payable	27,041	(724)
Net cash provided by operating activities	701,782	462,577
Investing activities:		
Purchases of property and equipment	(122,846)	(85,211)
Proceeds from sale of property and equipment	1,296	264
Purchase of intangible assets	(2,982)	(9,069)
Purchase of marketable securities	(314,179)	(438,046)
Redemption of marketable securities	229,066	455,376
Acquisitions, net of cash acquired	(29,170)	(12,400)
Net cash used in investing activities	(238,815)	(89,086)
Financing activities:		
Dividends	(296,149)	(287,318)
Proceeds from issuance of treasury stock related to equity awards	14,524	10,316

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Purchase of treasury stock related to equity awards	(6,909)	(3,587)
Purchase of treasury stock under share repurchase plan	—	(74,523)
Net cash used in financing activities	(288,534)	(355,112)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(9,650)	26,021
Net increase in cash, cash equivalents, and restricted cash	164,783	44,400
Cash, cash equivalents, and restricted cash at beginning of period	891,759	846,996
Cash, cash equivalents, and restricted cash at end of period	\$ 1,056,542	\$ 891,396

See accompanying notes.

Garmin Ltd. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

September 29, 2018

(In thousands, except per share information)

1. Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Additionally, the condensed consolidated financial statements should be read in conjunction with Item 2 of Management's Discussion and Analysis of Financial Condition and Results of Operations, included in this Form 10-Q. Operating results for the 13-week and 39-week periods ended September 29, 2018 are not necessarily indicative of the results that may be expected for the year ending December 29, 2018.

The condensed consolidated balance sheet at December 30, 2017 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 30, 2017.

The Company's fiscal year is based on a 52-53 week period ending on the last Saturday of the calendar year. Therefore, the financial results of certain 53-week fiscal years, and the associated 14-week quarters, will not be exactly comparable to the prior and subsequent 52-week fiscal years and the associated 13-week quarters. The quarters ended September 29, 2018 and September 30, 2017 both contain operating results for 13 weeks.

As previously announced and discussed below within the “Recently Adopted Accounting Standards” section of this footnote, effective beginning in the 2018 fiscal year, we adopted the requirements of Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606), using the full retrospective method. All amounts and disclosures set forth in this Form 10-Q reflect these changes. Further, as a result of the adoption of certain other accounting standards described below, effective beginning in the 2018 fiscal year, certain amounts in prior periods have been reclassified to conform to the current period presentation.

Recently Adopted Accounting Standards

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”), which supersedes previous revenue recognition guidance. The FASB issued several updates amending or relating to ASU 2014-09 (collectively, the “new revenue standard”). The Company has adopted the new revenue standard effective beginning in the 2018 fiscal year using the full retrospective method, which requires the Company to restate each prior reporting period presented in future financial statement issuances. The impacts of the new revenue standard relate to our accounting for certain arrangements within the auto segment.

A portion of the Company’s auto segment contracts have historically been accounted for under Accounting Standards Codification (ASC) Topic 985-605 Software-Revenue Recognition (Topic 985-605). Under Topic 985-605, the Company deferred revenue and associated costs of all elements of multiple-element software arrangements if vendor-specific objective evidence of fair value (VSOE) could not be established for an undelivered element (e.g. map updates). In applying the new revenue standard to certain contracts that include both software licenses and map updates, we will recognize the portion of revenue and costs related to the software license at the time of delivery rather than ratably over the map update period.

Additionally, for certain multiple-element arrangements within the Company's auto segment, the Company's policy has been to allocate consideration to traffic services and recognize the revenue and associated cost of royalties ratably over the estimated life of the underlying product. Under the new revenue standard, we will recognize revenue and associated costs of royalties related to certain traffic services at the time of hardware and/or software delivery. Specifically, the new revenue standard emphasizes the timing of the Company's performance, and upon delivery of the navigation device and/or software, the Company has fully performed its obligation with respect to the design and production of the product to receive and interpret the broadcast traffic signal for the benefit of the end user.

The changes in accounting policy described above collectively result in reductions to deferred costs (asset) and deferred revenue (liability) balances, and accelerate the recognition of revenue and deferred costs in the auto segment going forward.

Summarized financial information depicting the impact of the new revenue standard is presented below. The Company's historical net cash flows provided by or used in operating, investing, and financing activities are not impacted by adoption of the new revenue standard.

	13-Weeks Ended September 30, 2017	
	Six Months Ended	
	Mar-31, 2011	Year Ended Sep-30, 2010
(All amounts are in 000 \$)		
Number of Redeemable Shares:		
Opening Balance	429,200	358,900
Creations	35,600	114,000
Redemptions	(65,600)	(43,700)
Closing Balance	399,200	429,200

SPDR® GOLD TRUST**Notes to the Unaudited Condensed Financial Statements****2. Significant accounting policies (continued)**

(Amounts in 000 s of US\$ except per Share)	Six Months Ended Mar-31, 2011	Year Ended Sep-30, 2010
Redeemable Shares:		
Opening Balance	\$ 54,809,779	\$ 35,054,043
Creations	4,779,733	13,221,048
Redemptions	(8,756,342)	(5,023,591)
Adjustment to redemption value	5,184,078	11,558,279
Closing Balance	\$ 56,017,248	\$ 54,809,779
Redemption Value per Redeemable Share at Period End	\$ 140.32	\$ 127.70

2.5. Revenue Recognition Policy

BNY Mellon Asset Servicing, a division of The Bank of New York Mellon (the Trustee), will, at the direction of the Sponsor or in its own discretion, sell the Trust's gold as necessary to pay the Trust's expenses. When selling gold to pay expenses, the Trustee will endeavor to sell the smallest amount of gold needed to pay expenses in order to minimize the Trust's holdings of assets other than gold. Unless otherwise directed by the Sponsor, when selling gold, the Trustee will endeavor to sell at the price established by the London Fix at 3 p.m. London time (London PM Fix). The Trustee will place orders with dealers (which may include the Custodian) through which the Trustee expects to receive the most favorable price and execution of orders. The Custodian may be the purchaser of such gold only if the sale transaction is made at the next London gold price fix (either AM or PM) following the sale order. A gain or loss is recognized based on the difference between the selling price and the average cost of the gold sold.

2.6. Income Taxes

The Trust is classified as a grantor trust for US federal income tax purposes. As a result, the Trust itself will not be subject to US federal income tax. Instead, the Trust's income and expenses will flow through to the Shareholders, and the Trustee will report the Trust's proceeds, income, deductions, gains, and losses to the Internal Revenue Service on that basis. The Sponsor of the Trust has evaluated whether or not there are uncertain tax positions that require financial statement recognition and has determined that no reserves for uncertain tax positions are required as of March 31, 2011 or September 30, 2010.

SPDR® GOLD TRUST**Notes to the Unaudited Condensed Financial Statements****3. Investment in Gold**

The following represents the changes in ounces of gold and the respective values for the six months ended March 31, 2011 and for the year ended September 30, 2010:

(Ounces of gold are in 000 s and value of gold is in 000 s of US\$)	Six Months Ended Mar-31, 2011	Year Ended Sep-30, 2010
Ounces of Gold:		
Opening Balance	41,813.1	35,176.6
Creations <i>(excluding gold receivable at March 31, 2011 - 0 and at September 30, 2010 - 195.4)</i>	3,670.4	11,001.2
Redemptions <i>(excluding gold payable at March 31, 2011 - 19.5 and at September 30, 2010 - 58.6)</i>	(6,442.1)	(4,218.0)
Sales of gold	(79.7)	(146.7)
Closing Balance	38,961.7	41,813.1
Investment in Gold (lower of cost or market):		
Opening Balance	\$ 37,736,064	\$ 28,463,669
Creations <i>(excluding gold receivable at March 31, 2011 - \$0 and at September 30, 2010 - \$255,409)</i>	5,035,143	13,004,707
Redemptions <i>(excluding gold payable at March 31, 2011 - \$28,065 and at September 30, 2010 - \$76,622)</i>	(5,968,395)	(3,607,548)
Sales of gold	(73,323)	(124,764)
Closing Balance	\$ 36,729,489	\$ 37,736,064

4. Related Parties - Sponsor, Trustee, Custodian and Marketing Agent Fees

Fees are paid to the Sponsor as compensation for services performed under the Trust Indenture and for services performed in connection with maintaining the Trust's website and marketing the Shares. The Sponsor's fee is payable monthly in arrears and is accrued daily at an annual rate equal to 0.15% of the adjusted net asset value (ANAV) of the Trust, subject to reduction as described below. The Sponsor will receive reimbursement from the Trust for all of its disbursements and expenses incurred in connection with the Trust.

Fees are paid to the Trustee, as compensation for services performed under the Trust Indenture. The Trustee's fee is payable monthly in arrears and is accrued daily at an annual rate equal to 0.02% of the ANAV of the Trust, subject to a minimum fee of \$500,000 and a maximum fee of \$2 million per year. The Trustee's fee is subject to modification as determined by the Trustee and the Sponsor in good faith to account for significant changes in the Trust's

administration or the Trustee's duties. The Trustee will charge the Trust for its expenses and disbursements incurred in connection with the Trust (including the expenses of the Custodian paid by the Trustee), exclusive of fees of agents for services to be performed by the Trustee, and for any extraordinary services performed by the Trustee for the Trust.

Affiliates of the Trustee may from time to time act as Authorized Participants or purchase or sell gold or Shares for their own account, as agent for their customers and for accounts over which they exercise investment discretion.

Fees are paid to the Custodian under the Allocated Bullion Account Agreement (as amended, the Allocated Bullion Account Agreement) as compensation for its custody services. Under the Allocated Bullion Account Agreement, the Custodian's fee is computed at an annual rate equal to 0.10% of the average daily aggregate value of the first 4.5 million ounces of gold held in the Trust's allocated gold account (Trust Allocated Account) and the Trust's unallocated gold account (Trust Unallocated Account) and 0.06% of the average

SPDR® GOLD TRUST

Notes to the Unaudited Condensed Financial Statements

4. Related Parties - Sponsor, Trustee, Custodian and Marketing Agent Fees (continued)

daily aggregate value of all gold held in the Trust Allocated Account and the Trust Unallocated Account in excess of 4.5 million ounces. The Custodian does not receive a fee under the Unallocated Bullion Account Agreement.

The Custodian and its affiliates may from time to time act as Authorized Participants or purchase or sell gold or Shares for their own account, as agent for their customers and for accounts over which they exercise investment discretion.

Fees are paid to the marketing agent for the Trust, State Street Global Markets, LLC (the Marketing Agent), by the Trustee from the assets of the Trust as compensation for services performed pursuant to the agreement, as amended, between the Sponsor and the Marketing Agent (the Marketing Agent Agreement). The Marketing Agent's fee is payable monthly in arrears and is accrued daily at an annual rate equal to 0.15% of the ANAV of the Trust, subject to reduction as described below.

The Marketing Agent and its affiliates may from time to time act as Authorized Participants or purchase or sell gold or Shares for their own account, as agent for their customers and for accounts over which they exercise investment discretion.

Until the earlier of November 11, 2011, or the termination of the Marketing Agent Agreement, if at the end of any month during such period the estimated ordinary expenses of the Trust exceed an amount equal to 0.40% per year of the daily ANAV of the Trust for such month, the fees payable to the Sponsor and the Marketing Agent from the assets of the Trust for such month will be reduced by the amount of such excess in equal shares up to the amount of their fees. Investors should be aware that if the gross value of the Trust's assets is less than approximately \$1.2 billion, the ordinary expenses of the Trust will be accrued at a rate greater than 0.40% per year of the daily ANAV of the Trust, even after the Sponsor and the Marketing Agent have completely reduced their combined fees of 0.30% per year of the daily ANAV of the Trust. This amount is based on the estimated ordinary expenses of the Trust and may be higher if the Trust's actual ordinary expenses exceed those estimates. Additionally, if the Trust incurs unforeseen expenses that cause the total ordinary expenses of the Trust to exceed 0.70% per year of the daily ANAV of the Trust, the ordinary expenses will accrue at a rate greater than 0.40% per year of the daily ANAV of the Trust, even after the Sponsor and the Marketing Agent have completely reduced their combined fees of 0.30% per year of the daily ANAV of the Trust.

Upon the earlier of November 11, 2011, or the termination of the Marketing Agent Agreement, the fee reduction will expire and the estimated ordinary expenses of the Trust which are payable from the assets of the Trust each month may be more than they would have been during the period when the fee reduction was in effect, thus reducing the NAV of the Trust more rapidly than if the fee reduction was in effect and adversely affecting the value of the Shares.

For the three and six months ended March 31, 2011, the fees payable to the Sponsor and the Marketing Agent were each reduced by \$0 and \$6,798 respectively. For the three and six months ended March 31, 2010, the comparable reduction in fees was \$63,032 and \$132,146 respectively.

Amounts Payable to Related Parties

(Amounts in 000 s of US\$)	Mar-31, 2011	Sep-30, 2010
Payable to Custodian	\$ 3,095	\$ 2,841
Payable to Trustee	170	164
Payable to Sponsor	7,085	6,530
Payable to Marketing Agent	7,085	6,530
Accounts Payable to related parties	\$ 17,435	\$ 16,065

SPDR® GOLD TRUST

Notes to the Unaudited Condensed Financial Statements

5. Concentration of Risk

The Trust's sole business activity is the investment in gold. Several factors could affect the price of gold: (i) global gold supply and demand, which is influenced by such factors as forward selling by gold producers, purchases made by gold producers to unwind gold hedge positions, central bank purchases and sales, and production and cost levels in major gold-producing countries such as China, Australia, South Africa and the United States; (ii) investors' expectations with respect to the rate of inflation; (iii) currency exchange rates; (iv) interest rates; (v) investment and trading activities of hedge funds and commodity funds; and (vi) global or regional political, economic or financial events and situations. In addition, there is no assurance that gold will maintain its long-term value in terms of purchasing power in the future. In the event that the price of gold declines, the Sponsor expects the value of an investment in the Shares to decline proportionately. Each of these events could have a material effect on the Trust's financial position and results of operations.

6. Indemnification

The Sponsor and its shareholders, members, directors, officers, employees, affiliates and subsidiaries are indemnified from the Trust and held harmless against certain losses, liabilities or expenses incurred in the performance of its duties under the Trust Indenture without gross negligence, bad faith, willful misconduct, willful malfeasance or reckless disregard of the indemnified party's obligations and duties under the Trust Indenture. Such indemnity includes payment from the Trust of the costs and expenses incurred in defending against any claim or liability under the Trust Indenture. Under the Trust Indenture, the Sponsor may be able to seek indemnification from the Trust for payments it makes in connection with the Sponsor's activities under the Trust Indenture to the extent its conduct does not disqualify it from receiving such indemnification under the terms of the Trust Indenture. The Sponsor will also be indemnified from the Trust and held harmless against any loss, liability or expense arising under the Marketing Agent Agreement or any agreement entered into with an Authorized Participant which provides the procedures for the creation and redemption of Baskets and for the delivery of gold and any cash required for creations and redemptions insofar as such loss, liability or expense arises from any untrue statement or alleged untrue statement of a material fact contained in any written statement provided to the Sponsor by the Trustee. Any amounts payable to the Sponsor are secured by a lien on the Trust.

The Sponsor has agreed to indemnify certain parties against certain liabilities and to contribute to payments that such parties may be required to make in respect of those liabilities. The Trustee has agreed to reimburse such parties, solely from and to the extent of the Trust's assets, for indemnification and contribution amounts due from the Sponsor in respect of such liabilities to the extent the Sponsor has not paid such amounts when due. The Sponsor has agreed that, to the extent the Trustee pays any amount in respect of the reimbursement obligations described in the preceding sentence, the Trustee, for the benefit of the Trust, will be subrogated to and will succeed to the rights of the party so reimbursed against the Sponsor.

7. Subsequent Events

The Trust has evaluated events subsequent to the March 31, 2011 quarter end through to the date of filing of this Form 10-Q. During this period, no material disclosable subsequent events were identified.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This information should be read in conjunction with the financial statements and notes included in Item 1 of Part I of this Quarterly Report. The discussion and analysis which follows may contain trend analysis and other forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 which reflect our current views with respect to future events and financial results. Words such as anticipate, expect, intend, plan, believe, seek, outlook and estimate as well as similar words and phrases signify forward-looking statements. SPDR® Gold Trust's forward-looking statements are not guarantees of future results and conditions and important factors, risks and uncertainties may cause our actual results to differ materially from those expressed in our forward-looking statements.

Trust Overview

SPDR® Gold Trust is an investment trust that was formed on November 12, 2004. The Trust issues baskets of Shares, or Baskets, in exchange for deposits of gold and distributes gold in connection with the redemption of Baskets. The investment objective of the Trust is for the Shares to reflect the performance of the price of gold bullion, less the expenses of the Trust's operations. The Shares are designed to provide investors with a cost effective and convenient way to invest in gold.

Investing in the Shares does not insulate the investor from certain risks, including price volatility. The following chart illustrates the movement in the price of the Shares and NAV of the Shares against the corresponding gold price (per 1/10 of an oz. of gold) since inception:

Share price & NAV v. gold price from fund inception to March 31, 2011

The divergence of the price of the Shares and NAV of the Shares from the gold price over time reflects the cumulative effect of the Trust expenses that arise if an investment had been held since inception.

Valuation of Gold, Definition of NAV and ANAV

As of the London PM Fix on each day that the NYSE Arca is open for regular trading or, if there is no London PM Fix on such day or the London PM Fix has not been announced by 12:00 PM New York time on such day, as of 12:00 PM New York time on such day (the Valuation Time), the Trustee values the gold held by the Trust and determines both the ANAV and the NAV of the Trust.

At the Valuation Time, the Trustee values the Trust's gold on the basis of that day's London PM Fix or, if no London PM Fix is made on such day or has not been announced by the Valuation Time, the next most recent London gold price fix (AM or PM) determined prior to the Valuation Time will be used, unless the Trustee, in consultation with the Sponsor, determines that such price is inappropriate as a basis for valuation. In the event the Trustee and the Sponsor determine that the London PM Fix or last prior London gold price fix (AM or PM) is not an appropriate basis for valuation of the Trust's gold, they will identify an alternative basis for such valuation to be employed by the Trustee.

Once the value of the gold has been determined, the Trustee subtracts all estimated accrued but unpaid fees (other than the fees to be computed by reference to the value of the ANAV of the Trust or custody fees computed by reference to the value of gold held in the Trust), expenses and other liabilities of the Trust from the total value of the gold and all other assets of the Trust (other than any amounts credited to the Trust's reserve account, if established). The resulting figure is the ANAV of the Trust. The ANAV of the Trust is used to compute the fees of the Trustee, the Sponsor, and the Marketing Agent.

To determine the Trust's NAV, the Trustee subtracts from the ANAV of the Trust the amount of estimated accrued but unpaid fees computed by reference to the value of the ANAV of the Trust and computed by reference to the value of the gold held in the Trust (i.e., the fees of the Trustee, the Sponsor, the Marketing Agent and the Custodian). The Trustee determines the NAV per Share by dividing the NAV of the Trust by the number of Shares outstanding as of the close of trading on the NYSE Arca.

Gold acquired, or disposed of, by the Trust is recorded at the lower of average cost or market value. The table below summarizes the impact of unrealized gains or losses on the Trust's gold holdings at March 31, 2011 and September 30, 2010:

(Amounts in 000 s of US\$)	Mar-31, 2011	Sep-30, 2010
Investment in gold - average cost	\$ 36,729,489	\$ 37,736,064
Unrealized gain on investment in gold	19,336,433	16,913,610
Investment in gold - market value	\$ 56,065,922	\$ 54,649,674

Critical Accounting Policy

Valuation of Gold

Gold is held by the Custodian on behalf of the Trust and is valued, for financial statement purposes, at the lower of cost or market. The cost of gold is determined according to the average cost method and the market value is based on

the London Fix used to determine the NAV of the Trust. Realized gains and losses on sales of gold, or gold distributed for the redemption of Shares, are calculated on a trade date basis using average cost.

Review of Financial Results

Financial Highlights

	Three Months Ended Mar-31, 2011	Three Months Ended Mar-31, 2010	Six Months Ended Mar-31, 2011
Items in the following table and paragraphs except per share, are in 000 s of US\$)			
on gold	\$ 1,693,418	\$ 325,123	\$ 2,872,681
om operations	\$ 1,639,230	\$ 286,007	\$ 2,761,255
er Share	\$ 4.04	\$ 0.78	\$ 6.64
ows from operating activities	\$ 0	\$ 0	\$ 0

The Trust's total gain on gold for the three months ended March 31, 2011 of \$1,693,418 is made up of a gain of \$17,392 on the sale of gold to pay expenses plus a gain of \$1,676,026 on gold distributed on the redemption of Shares.

The Trust's total gain on gold for the three months ended March 31, 2010 of \$325,123 is made up of a gain of \$10,021 on the sale of gold to pay expenses plus a gain of \$315,102 on gold distributed on the redemption of Shares.

The Trust's total gain on gold for the six months ended March 31, 2011 of \$2,872,681 was made up of a gain of \$36,177 on the sale of gold to pay expenses plus a gain of \$2,836,504 on gold distributed on the redemption of Shares.

The Trust's total gain on gold for the six months ended March 31, 2010 of \$580,515 is made up of a gain of \$19,961 on the sale of gold to pay expenses plus a gain of \$560,554 on gold distributed on the redemption of Shares.

Selected Supplemental Data - For the six months ended March 31, 2011 and for the year ended September 30, 2010.

(All amounts, except per ounce and per share, are in 000 \$)	Six Months Ended Mar-31, 2011	Year Ended Sep-30, 2010
Ounces of Gold:		
Opening Balance	41,813.1	35,176.6
Creations <i>(excluding gold receivable at March 31, 2011 0 and at September 30, 2010 195.4)</i>	3,670.4	11,001.2
Redemptions <i>(excluding gold payable at March 31, 2011 19.5 and at September 30, 2010 58.6)</i>	(6,442.1)	(4,218.0)
Sales of gold	(79.7)	(146.7)
Closing Balance	38,961.7	41,813.1
<i>Gold price per ounce - London PM Fix</i>	\$ 1,439.00	\$ 1,307.00
<i>Market value of gold holdings</i>	\$ 56,065,922	\$ 54,649,674
Number of Shares:		
Opening Balance	429,200	358,900
Creations	35,600	114,000
Redemptions	(65,600)	(43,700)
Closing Balance	399,200	429,200
Net Asset Value per share:		
Creations	\$ 134.26	\$ 115.97
Redemptions	\$ 133.48	\$ 114.96
<i>Shares at redemption value to investors at Period End</i>	\$ 56,017,248	\$ 54,809,779

<i>Redemption Value per Redeemable Share at Period End</i>	\$	140.32	\$	127.70
<i>Change in Redemption Value through Period End</i>		2.2%		56.4%
<i>% Difference between Net Asset Value per share and market value of ounces represented by each share</i>		(0.037)%		(0.034)%

Results of Operations

In the six months ended March 31, 2011, 35,600,000 Shares (356 Baskets) were created in exchange for 3,474,995 ounces of gold, 65,600,000 Shares (656 Baskets) were redeemed in exchange for 6,402,955 ounces of gold including 19,503 ounces of gold payable and 79,674 ounces of gold were sold to pay expenses.

As at March 31, 2011, the amount of gold owned by the Trust was 38,942,222 ounces with a market value of \$56,037,857,087 (cost \$36,701,424,046), including gold payable of 19,503 ounces with a market value of \$28,064,754 based on the London PM Fix on March 31, 2011.

As at March 31, 2011, the Custodian held 38,961,725 ounces in its vault (38,961,316 ounces of allocated gold in the form of London Good Delivery gold bars and 409 ounces of unallocated gold), excluding gold payable, with a market value of \$56,065,921,840 (cost \$36,729,488,799).

As at September 30, 2010, the amount of gold owned by the Trust was 41,949,855 ounces, with a market value of \$54,828,461,021 (cost \$37,914,851,219), including gold receivable of 195,416 ounces with a market value of \$255,409,156 and gold payable of 58,624 ounces with a market value of \$76,622,029, based on the London PM fix on September 30, 2010 (in accordance with the Trust Indenture).

As at September 30, 2010, the Custodian held 41,813,063 ounces of gold in its vault excluding gold receivable and gold payable, (41,812,885 ounces of allocated gold in the form of London Good Delivery gold bars and 178 ounces of unallocated gold), with a market value of \$54,649,673,894 (cost \$37,736,064,092). Subcustodians held nil ounces of gold in their vaults on behalf of the Trust and 195,416 ounces of gold were receivable and 58,624 ounces of gold were payable by the Trust in connection with the creation and redemption of Baskets.

Cash flow from operations

The Trust had no net cash flow resulting from operations in the six months ended March 31, 2011 and 2010. Cash received in respect of gold sold to pay expenses in the six months ended March 31, 2011 and 2010 was the same as those expenses, resulting in zero cash balances at March 31, 2011 and 2010.

Off-Balance Sheet Arrangements

The Trust is not a party to any off-balance sheet arrangements.

Cash Resources and Liquidity

At March 31, 2011 the Trust did not have any cash balances. When selling gold to pay expenses, the Trustee endeavors to sell the exact amount of gold needed to pay expenses in order to minimize the Trust's holdings of assets other than gold. As a consequence, we expect that the Trust will not record any cash flow from its operations and that its cash balance will be zero at the end of each reporting period.

Analysis of Movements in the Price of Gold

As movements in the price of gold are expected to directly affect the price of the Trust's Shares, investors should understand what the recent movements in the price of gold have been. Investors, however, should also be aware that past movements in the gold price are not indicators of future movements. This section identifies recent trends in the movements of the gold price and discusses some of the important events that have influenced these movements.

The following chart provides historical background on the price of gold. The chart illustrates movements in the price of gold in US dollars per ounce over the period from April 1, 2006 to March 31, 2011, and is based on the London PM Fix.

Daily gold price - April 1, 2006 to March 31, 2011

The average, high, low and end-of-period gold prices for the three and twelve month periods over the prior three years and for the period from the Date of Inception through March 31, 2011, based on the London PM Fix, were:

Period	Average	High	Date	Low	Date	End of period	Last business day ⁽¹⁾
Three months to June 30, 2008	\$ 896.29	\$ 946.00	Apr 17, 2008	\$ 853.00	May 01, 2008	\$ 930.25	Jun 30, 2008
Three months to September 30, 2008	\$ 871.60	\$ 986.00	Jul 15, 2008	\$ 740.75	Sep 11, 2008	\$ 884.50	Sep 30, 2008
Three months to December 31, 2008	\$ 796.52 ⁽³⁾	\$ 903.50	Oct 08, 2008	\$ 712.50	Oct 24, 2008	\$ 865.00	Dec 31, 2008 ⁽²⁾
Three months to March 31, 2009	\$ 908.41	\$ 989.00	Feb 20, 2009	\$ 810.00	Jan 15, 2009	\$ 916.50	Mar 31, 2009
Three months to June 30, 2009	\$ 922.18	\$ 981.75	Jun 01, 2009	\$ 870.25	Apr 06, 2009	\$ 934.50	Jun 30, 2009
Three months to September 30, 2009	\$ 960.00	\$ 1,018.50	Sep 17, 2009	\$ 908.50	Jul 13, 2009	\$ 995.75	Sep 30, 2009
Three months to December 31, 2009	\$ 1,099.77 ⁽³⁾	\$ 1,212.50	Dec 02, 2009	\$ 1,003.50	Oct 02, 2009	\$ 1,104.00	Dec 31, 2009 ⁽²⁾
Three months to March 31, 2010	\$ 1,109.12	\$ 1,153.00	Jan 11, 2010	\$ 1,058.00	Feb 05, 2010	\$ 1,115.50	Mar 31, 2010
Three months to June 30, 2010	\$ 1,196.74	\$ 1,261.00	Jun 28, 2010	\$ 1,123.50	Apr 01, 2010	\$ 1,244.00	Jun 30, 2010
Three month to	\$ 1,226.75	\$ 1,307.50	Sep 29, 2010	\$ 1,157.00	Jul 28, 2010	\$ 1,307.00	Sep 30, 2010

September 30, 2010								
Three months to December 31, 2010	\$ 1,367.68 ⁽³⁾	\$ 1,421.00	Nov 09, 2010	\$ 1,313.50	Oct 04, 2010	\$ 1,410.25	Dec 31, 2010 ⁽²⁾	
Three months to March 31, 2011	\$ 1,386.27	\$ 1,447.00	Mar 24, 2011	\$ 1,319.00	Jan 28, 2011	\$ 1,439.00	Mar 31, 2011	
Twelve months ended March 31, 2009	\$ 867.95	\$ 989.00	Feb 20, 2009	\$ 712.50	Oct 24, 2008	\$ 916.50	Mar 31, 2009	
Twelve months ended March 31, 2010	\$ 1,023.37	\$ 1,212.50	Dec 02, 2009	\$ 870.25	Apr 06, 2009	\$ 1,115.50	Mar 31, 2010	
Twelve months ended March 31, 2011	\$ 1,294.69	\$ 1,447.00	Mar 24, 2011	\$ 1,123.50	Apr 01, 2010	\$ 1,439.00	Mar 31, 2011	
November 12, 2004 to March 31, 2011	\$ 818.32	\$ 1,447.00	Mar 24, 2011	\$ 411.10	Feb 08, 2005	\$ 1,439.00	Mar 31, 2011	

- (1) The end of period gold price is the London PM Fix on the last business day of the period. This is in accordance with the Trust Indenture and the basis used for calculating the Net Asset Value of the Trust.
- (2) There was no London PM Fix on the last business day of December 2008, 2009 and 2010. The London AM Fix on such business days was \$865.00, \$1,104.00 and \$1,410.25 respectively. The Net Asset Value of the Trust on December 31, 2008, 2009 and 2010 was calculated using the London AM Fix, in accordance with the Trust Indenture.

- (3) There was no London PM Fix for both December 24th and December 31st for the periods ended 2008, 2009 and 2010. For comparative purposes, the average was calculated using the London AM Fix for those business days. Accordingly, the Net Asset Value of the Trust for December 24th and December 31st for the periods ended 2008, 2009 and 2010 was calculated using the London AM Fix.

The upward price trend that began in 2001 has continued for much of the period since the Date of Inception, except for a period of several months during which the gold price corrected between May and October 2006. After reaching a peak of \$725.00 at the London PM Fix on May 12, 2006, gold corrected down to a low of \$560.75 at the London PM Fix on October 6, 2006. The reason most often cited for the correction was a concern among investors that monetary authorities, especially in the U.S., would move to counter the threat of rising inflation by aggressively raising interest rates. These concerns quickly ebbed, however, and as the dollar continued to fall, the gold price rallied from the October 2006 low. In any event, beginning in August 2007, the U.S. authorities began to reduce interest rates in response to the subprime mortgage crisis. The continued reduction in the fed funds rate helped to drive gold to a new high of \$1,011.25 on March 17, 2008. As the subprime mortgage problems escalated into a global financial crisis, gold traded in a range from the mid-\$900s down to the low-\$700s. The higher prices have tended to coincide with investor buying on fresh news of distress for companies in the financial sector, and the lows appear to have been triggered by selling from investors in the search for liquidity. The gold price broke out of this range in the second half of 2009, once again breaching the symbolic \$1,000 per ounce level and reaching a new high of \$1,212.50 per ounce at the London PM fix on December 2, 2009. The reasons for this included increased investment inflows and a shift in behavior in central bank reserve management as western central banks slowed gold sales and emerging nations increased their gold reserves. This trend has continued during 2011 with the gold prices breaking a series of historic levels and trading as high as \$1,447.00 per ounce at the London PM fix on March 24, 2011. This has been supported by a recovery in jewelry consumption, strong investment demand on the back of currency concerns and a slow economic recovery, and a continuation of the trend in central bank reserve management. The average price for the six months ended March 31, 2011 was \$1,376.90 per ounce.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Trust Indenture does not authorize the Trustee to borrow for payment of the Trust's ordinary expenses. The Trust does not engage in transactions in foreign currencies which could expose the Trust or holders of Shares to any foreign currency related market risk. The Trust does not invest in any derivative financial instruments or long-term debt instruments.

Item 4. Controls and Procedures

Disclosure controls and procedures. Under the supervision and with the participation of the Sponsor, World Gold Trust Services, LLC, including its chief executive officer and chief financial officer, we carried out an evaluation of the effectiveness of the design and operation of the Trust's disclosure controls and procedures. Based upon that evaluation, our chief executive officer and chief financial officer concluded that the disclosure controls and procedures were effective as of the end of the period covered by this quarterly report.

Internal control over financial reporting. There has been no change in the internal control of the Trust over financial reporting that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the internal control over financial reporting.

PART II - OTHER INFORMATION:

Item 1. Legal Proceedings

Not applicable.

Item 1A. Risk Factors

You should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended September 30, 2010, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing the Trust. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

As of the date of the formation of the Trust on November 12, 2004, the NAV of the Trust, which represents the value of the gold deposited into the Trust, was \$13,081,500, and the NAV per Share was \$43.60. Since formation and through March 31, 2011, 6,912 Baskets (691,200,000 Shares) have been created and 2,920 Baskets (292,000,000 Shares) have been redeemed. As of May 4, 2011, 402,200,000 Shares were outstanding and the estimated NAV per Share as determined by the Trustee for May 4, 2011 was \$150.22.

Item 3. Defaults Upon Senior Securities

None.

Item 4. [Removed and Reserved.]

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits listed on the accompanying Exhibit Index, and such Exhibit Index, are filed or incorporated by reference as a part of this report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned in the capacities* indicated thereunto duly authorized.

WORLD GOLD TRUST SERVICES, LLC
Sponsor of the Equity Gold Trust

(Registrant)

/s/ Jason Toussaint
Jason Toussaint
Managing Director
(principal executive officer)

/s/ Robin Lee
Robin Lee
Chief Financial Officer and Treasurer
(principal financial officer and
principal accounting officer)

Date: May 6, 2011

* The Registrant is a trust and the persons are signing in their capacities as officers of World Gold Trust Services, LLC, the Sponsor of the Registrant.

EXHIBIT INDEX

Pursuant to Item 601 of Regulation S-K

Exhibit No.	Description of Exhibit
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended, with respect to the Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended, with respect to the Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011.
32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, with respect to the Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011.
32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, with respect to the Trust's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011.