NEW WORLD RESOURCES PLC

ANNUAL REPORT AND ACCOUNTS 2015

Note: The average exchange rate for 2015 used throughout the report is 27.279 EUR/CZK, unless stated otherwise. All the forward-looking price guidance for 2016 is based on an exchange rate of EUR/CZK of 27.00. Prices are expressed as a blended average between the different qualities of coal and are ex-works. Final realised prices can be influenced by a range of factors including, but not limited to, exchange rate fluctuations, quality mix, timing of deliveries and flexible provisions in individual agreements. Thus, the actual realised price for the period may differ from the average agreed prices previously announced.

'NWR' or the 'Company' refers to New World Resources Plc. The 'Group' or 'NWR Group' refers to New World Resources Plc and its subsidiaries.

Directors' Report

For the purpose of the Disclosure and Transparency Rules 4.1 ('DTR 4.1'), the Directors' Report comprises the Strategic Report, Corporate Governance, the Audit and Risk Management Committee Report, the Remuneration Report, Shareholder and ancillary information for the shareholders sections. The report has been prepared in accordance with the requirements of the Companies Act 2006.

The Directors' report was approved by the Board of Directors and authorised for issue on 23 February 2016 and signed on its behalf by Zuzanna Wronkowska, Company Secretary.

Zuzanna Wronkowska

Company Secretary

Content

Overview

Who we are

New World Resources Plc ('NWR' or the 'Company') is a Central European hard coal producer. It is headquartered in Amsterdam, with listings on stock exchanges in London, Prague and Warsaw.

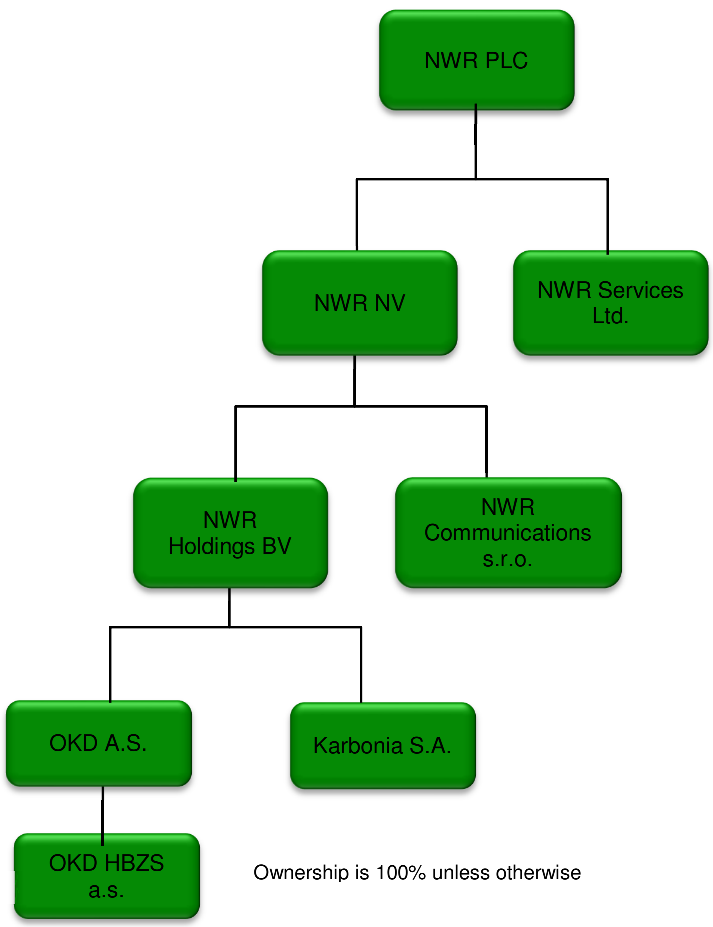
What we do

Our principal mining assets are in the Czech Republic and we have several development projects in the Czech Republic and Poland. The Company employs around 13,800 people including contractors. As at 31 December 2015, coal reserves at NWR's operating mines were estimated at 48 million tonnes, of which 4 million tonnes are in sensitive areas.

We produce coking coal as well as thermal coal and supply to a blue-chip steel and energy customer base in Central Europe.

Structure Chart

The following chart shows the corporate structure of NWR and its subsidiaries:



Key

New World Resources Plc ('NWR Plc') — Holding company of the NWR Group with management activities related to the Group.

New World Resources NV ('NWR NV') — Holding company and borrower/issuer in respect of the majority of the Group's financial indebtedness.

NWR Holdings BV ('NWR BV') — Holding company and borrower in respect of the Super Senior Credit Facility (the 'SSCF'). It is a wholly owned subsidiary of NWR NV. Headquartered in Amsterdam, it holds our main subsidiaries, OKD and NWR KARBONIA.

New World Resources Communications s.r.o. — A subsidiary with limited activities related to certain advisory services, including PR in connection with listing of the Group on regulated markets.

New World Resources Services Ltd — A subsidiary with limited activities in the UK related to services to the Executive Chairman and corporate finance activities to the Group.

OKD, a.s. ('OKD') — Our principal wholly owned subsidiary OKD is the Czech Republic's only hard coal mining company and one of its largest private employers. Its four operating mines are located in Northern Moravia, south of the Polish border and are a part of the Upper Silesian Coal Basin.

NWR KARBONIA S.A. ('NWR KARBONIA') — NWR KARBONIA oversees two development projects in southern Poland, Debieńsko and Morcinek.

Our strategy

In October 2014, we completed the restructuring of the Group's balance sheet. This restructuring was triggered by the prolonged decline in coal prices. With the support and participation of our stakeholders, an agreement was reached that led to the raising of EUR 185 million in new capital, reduced the nominal amount of our outstanding total debt by 35 % from EUR 825 million to EUR 535 million, extended the term of our senior notes to 2020, and significantly reduced our debt servicing costs.

Throughout 2015, we have witnessed a further deterioration in the global coal market. Benchmark coking coal prices continued to decline, falling by 20% in 2015 and a cumulative 60% since 2011. The international price of thermal coal has followed a similar trajectory, with prices falling by 22% in 2015 and a cumulative 40% since 2011.

Against this backdrop, management has been focused on achieving further optimisation of operational and overhead costs. Despite these efforts, at the present market prices of coal, the Group is cash flow negative even before any servicing of its existing financial indebtedness. The continuing low coal price environment has placed significant pressure on the Group's liquidity position and its solvency.

The Group has undertaken a detailed strategic review of its operations. Management's preliminary conclusion is that, absent a significant and near-term increase in coal prices, the Group will need to reduce costs yet further across its entire portfolio and to secure substantial additional liquidity. Also, while a number of the Group's mines clearly have potential, some do not. Therefore, as part of the strategic review process, the Group is evaluating its options for those low-potential mines.

In parallel with this strategic review, the Group has undertaken negotiations with certain key stakeholders as to an appropriate way forward, including its noteholders and shareholders and the Czech Government. These negotiations, which are ongoing, are focused on securing a viable business for the Group, with a sustainable portfolio of cash-generative mines at the current price levels; a capital structure appropriate to allow that portfolio to operate as a going concern through the anticipated extended period of low coal prices; and clarity for employees.

Negotiations with key stakeholders are underway. All stakeholders recognise that the Group's current debt structure is unsustainable and that all stakeholders (i.e. including financial creditors, shareholders, Czech Government and employees) will need to contribute to achieve a consensual restructuring solution.

NWR is facing exceptional challenges. With no sign of an upturn in global coal prices, the Company has been obliged to review all options as it seeks a way to ensure a commercially viable hard coal mining business. This will entail optimisation of our mining assets and might, absent of any stakeholder support, lead to the closure of mines and a reduction in our workforce.

For further detail and for the current status, please refer to the section headed 'Material developments since 31 December 2015 and strategy going forward' of the Chairman's Statement on page 10 and the section headed 'Going concern basis of accounting' in the Consolidated Financial Statements.

Key performance indicators

Total coal sales
2015: 8.0Mt
2014: 8.3Mt
2013: 9.7Mt (includes sales to OKK)
2012: 10.2Mt (includes sales to OKK)
2011: 10.6Mt

Revenues
2015: EUR 630 million (from continuing operations)
2014: EUR 676 million (from continuing operations)
2013: EUR 850 million (from continuing operations)
2012: EUR 1,179 million (from continuing operations)
2011: EUR 1,632 million (including the results from discontinued operations)

Cash mining costs per tonne
2015: EUR 66
2014: EUR 67
2013: EUR 78
2012: EUR 71
2011*: EUR 82

* All costs incurred in coal mining including general and administrative costs.

EBITDA
2015: EUR (4) million (from continuing operations)
2014: EUR 11 million (from continuing operations)
2013: EUR (10) million (from continuing operations)
2012: EUR 210 million (from continuing operations)
2011: EUR 454 million (including the results from discontinued operations)

Operating profit/loss
2015 EUR (248) million (from continuing operations)
2014: EUR (258) million (from continuing operations)
2013: EUR (973) million (from continuing operations)
2012: EUR 50 million (from continuing operations)
2011: EUR 276 million (including the results from discontinued operations)

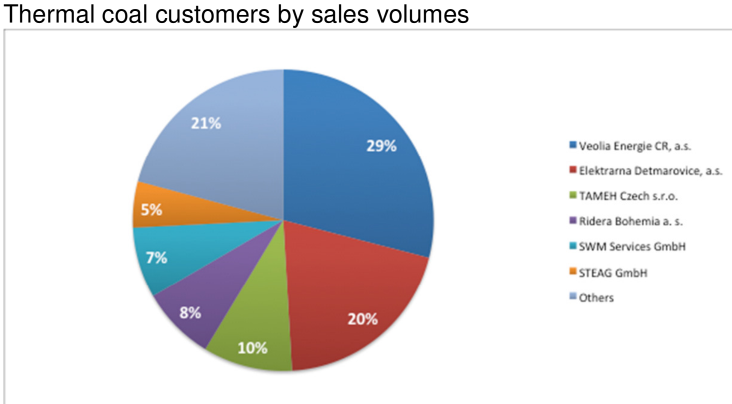
LTIFR*
2015: 5.63
2014: 8.18
2013: 7.41 (excluding OKK)
2012: 7.45 (7.61 excluding OKK)
2011: 7.64

* Lost Time Injury Frequency Rate ('LTIFR') represents the number of reportable injuries in NWR's operations causing at least three days of absence per million hours worked, including contractors.

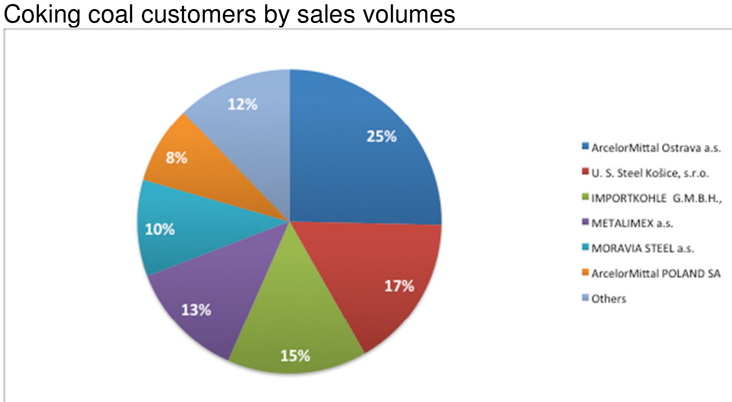
Our customers

Our customer base is located inland and depends on local supplies. We have long-standing customer relationships based on trust and reliability. We run cost-effective production compared to local competition and we possess a deep understanding of our customers' technical setups and coking techniques and requirements.

Thermal coal customers by sales volumes



Coking coal customers by sales volumes



Strategic Report

The Strategic Report on pages 9 to 34 was approved by the Board of Directors and authorised for issue on 23 February 2016 and signed on its behalf by Zuzanna Wronkowska, Company Secretary.

Zuzanna Wronkowska
Company Secretary

Chairman's Statement

2015 Review

Throughout 2015, NWR had to manage its way through a very difficult market environment, characterised by a worldwide decline in the price of coking and thermal coal, and, in our region, by an over-supply of aggressively priced thermal coal.

International coking and thermal coal prices have fallen continuously over the past four years in the wake of slower global industrial output. Coking coal prices have fallen by a cumulative 60% since 2011, and fell by 20% in 2015 alone. The international price of thermal coal has followed a similar trajectory, with prices falling by a cumulative 40% since 2011. Last year, the international price of thermal coal fell by 22%.

NWR's average realised price for coking coal in 2015 was EUR 90/t, and our thermal coal sold for an average realised price of EUR 50/t, up by 6% and down by 7% respectively on 2014. Around three quarters of the coking coal prices were locked in for the year 2015. We achieved our targeted production of 8.0 million tonnes of coal in 2015, 7% less than in 2014, and we sold our projected 8.0 million tonnes, of which approximately 53% was coking coal. Lower production and sales volumes combined with the lower prices were obviously reflected in our revenues, which were down 7% to EUR 630 million for the year.

Against this backdrop, we were obliged to maintain our focus on reducing operational and overhead costs throughout 2015. Our cost of sales were managed down by 9% while our selling and administrative expenses fell by 12% and 11% respectively. Our total headcount fell by 6% over the course of the year, and our CAPEX was down 42%, and within our target range, at EUR 34 million. Our cash mining unit costs in 2015 were EUR 66/t, against EUR 67/t in 2014.

At the end of September 2015 our agreement with the Czech Government regarding the closure of the loss-making Paskov mine, under which the Czech Republic would contribute CZK 600 million towards the social costs associated with the closure of the mine at the end of 2017, was rendered void as the international benchmark price of coking coal remained below $110 a tonne for the third consecutive quarter.

Despite our cost saving efforts and our restructured balance sheet, it became increasingly clear as we entered the final quarter of 2015 and opened price negotiations with our customers for 2016 that the low price environment would continue, and quite possibly deteriorate still further, and that NWR could remain cash flow negative for several years to come.

We were therefore impelled to undertake a strategic review of the Company's realistic options and, in parallel, to open a discussion with all of our stakeholders, including the Czech Government, about how we can maintain a viable hard coal mining business.

Safety

The inherent danger of deep underground mining was brought home to everyone within NWR as four of our colleagues lost their lives during the course of the year, three of them in a methane event triggered by a seismic event 1,000 metres below ground in our Darkov mine. These tragedies notwithstanding, our overall safety performance continues to improve. In 2015 our Lost Time Injury Frequency Rate ('LTIFR') of 5.63 was the lowest ever recorded at our mines, and we are, on track to meet our target of less than 5. We remain confident in our ability to be among the top five leaders in safety in deep underground coal mining globally by 2017.

Market conditions

As Global prices for both metallurgical and thermal coal continued to remain depressed in 2015, it is unlikely that our central case scenario will significantly improve in 2016. Reasons for such low prices and their prolonged nature, however, diverge between the two grades of coal.

With metallurgical coal, the principal driver is more a supply than a demand issue, although of course muted demand has played its part with decelerating growth in China and a deteriorating Eurozone economy. It is true that a degree of excess supply has gone off-line as high cost mines have not been able to cope with the depressed global prices for metallurgical coal but this has been more than offset by new capacity becoming operational, particularly in Australia. The high operational gearing of these mines has exacerbated this problem of excess supply as operators have aimed to maximise output in order to recover as much of their fixed costs as possible. However, there are now emerging signs of increased discipline surrounding production among some of the world's leading coking coal producers, and of new mining capacity beginning to unwind with fewer new mining projects in the late stage pipeline.

With thermal coal, the problem is both cyclical and structural with US shale gas continuing to displace thermal coal, leading to increased volumes being redirected to Europe. Furthermore, aggressive pricing strategies of our direct competitors, environmental pressures, including legislation to reduce the amount of coal burned in power stations and the advocacy of renewable power, continue to be felt.

2016 Outlook

Global market conditions in our industry remain unfavorable, with slower industrial output exerting pressure on coking coal prices, even though the CEE is structurally short of coking coal. The dynamics of our regional thermal coal market are equally challenging, owing to the oversupply of coal and aggressive pricing by certain competitors.

Given the difficult trading environment, NWR remains cautious with its outlook and will closely monitor the economic situation going forward. Production volumes and revenues in 2016 are expected to be below the levels of 2015.

In spite of the prevailing conditions, we are not standing by idly. The Group is beginning to benefit from previously introduced cost-saving initiatives and we will continue to focus on optimization of operational and overhead costs in the coming quarters. However, despite these efforts, the Group is currently cash flow negative and could remain cash flow negative for several years.

In light of this and against this difficult backdrop, one of the key priorities for 2016 will be ensuring that the Group has sufficient liquidity to finance operations on an ongoing basis. The availability of funds will influence strategic decision-making in respect of the current portfolio of assets, as well as outlays for CAPEX or development projects, such as Debiensko.

Corporate Governance

Effective corporate governance remains a cornerstone of our operations, and NWR is committed to upholding the high standards set out in the UK Corporate Governance Code.

There were several changes to our Board of Directors and Executive Management team during the course of 2015. Zdeněk Bakala stepped down as Vice Chairman and resigned from the Board of Directors at our Annual General Meeting in April. Mr. Bakala and the BXR Group supported the 2014 restructuring of NWR's balance sheet with EUR 75 million of equity capital

In the summer of 2015 Marek Jelínek resigned from the Board and as NWR's Chief Financial Officer after 11 years with the Company. Marek was succeeded by Boudewijn Wentink, who was appointed Finance and Legal Director of NWR and who joined the Board as an Executive Director.

On 23 February 2016, Peter Kadas and Charles Harman resigned from the Board of Directors in connection with the Majority Shareholder Exit.

Material developments since 31 December 2015 and strategy going forward
Negotiations with key stakeholders are underway. All stakeholders recognise that the Group's current debt structure is unsustainable and that all stakeholders (i.e. including financial creditors, shareholders, government and employees) will need to contribute to achieve a consensual restructuring solution. Recent correspondence from the Czech Government indicates they are willing to negotiate regarding their contribution to the restructuring and in particular in relation to the employee costs resulting from mine closures. In addition, based on the discussions to date, the Directors expect the ongoing negotiations to focus on a restructuring involving all or a combination of extension of debt maturities, debt-for-equity swap and/or additional cash injection, together with contributions from operational stakeholders in the form of discounts/cost reductions.

The directors are continuing to progress discussions with key stakeholders and a number of key steps have already been achieved, including the following:

— CERCL Mining Holdings B.V. (together with its owners and affiliated entities 'CERCL') agreed with, among others, the Company, to transfer (subject to certain conditions) to the Company for nil consideration all of its shares in the Company in order to facilitate the restructuring process by reducing the number of stakeholders involved in its negotiation and implementation; and

— NWR NV and the requisite majority of lenders under the Super Senior Credit Facility (who are also holders of a significant amount of the Senior Secured Notes) agreed the terms of a standstill and temporary waiver agreement which reduce the threshold of Available Cash required to be maintained by the Group, as well as the waiver of certain other defaults which may arise as a result of the strategic options being explored in connection with the anticipated comprehensive restructuring of the Group.

For further details on of these key steps, please refer to the section headed 'Going concern basis of accounting' in the Consolidated Financial Statements.

Conclusion
NWR is facing exceptional challenges. With no sign of an upturn in global coal prices, the Company has been obliged to review all options as it seeks a way to ensure a commercially viable hard coal mining business. This will entail optimisation of our mining assets and might, absent of any stakeholder support, lead to the closure of mines and a reduction in our workforce, something that will be difficult, to say the least, for everyone involved. But I am

confident that the Company and all of its stakeholders will work together to find a solution that will result in a sustainable business for OKD for the future.

Gareth Penny
Executive Chairman of the Board

Our business model

Our business model rests on the following propositions:

1. **Location within the industrial heartland of Central Europe** — Our assets are strategically located in the industrial heartland of Central Europe, a region underpinned by strong secular drivers whose industries, in particular the automotive sector, have remained resilient compared with counterparts in Western Europe during the recent downturns. Manufacturers along with the heavy industries are attracted by the region's strong fundamentals including a business friendly environment, a competitive and skilled labour force as well as access to an existing infrastructure for the entire carbon-steel supply chain.

2. **Proximity to blue-chip customers** — Through longstanding relationships with our customers, we have gained an insight into their specific requirements, enabling us to anticipate future changes in demand for different qualities. This encompasses both the quantity and mix of the grade of coal required. Coal is predominantly transported via the railway network directly to our customers.

3. **European Union being structurally short of coking coal** — Central Europe and the wider European Union are structurally short of coking coal and have to import a proportion of its requirements. This is a trend that persists despite economic pressures.

4. **Operational excellence** — We operate world-class deep underground mining equipment and possess a high level of technical expertise for longwall production and gate road development.

5. **Responsible corporate citizen** — Ensuring that the business is both economically and environmentally sustainable enables the Company to maintain its social license to operate. As one of the largest private employers in the Czech Republic, we are fully committed to open and regular dialogue with all relevant stakeholders on a whole range of social and environmental issues. Our core areas of focus alongside safety are: land rehabilitation, enhanced employee training and continuing to make a significant positive economic contribution to our region.

Viability statement

In accordance with provision C.2.2 of the 2014 revision of the Code, the Directors have assessed the prospect of the Company to be able to continue in operation and to meet liabilities as they fall due.

Principal risks facing the Group
The Board monitors the Group's risk management and internal control systems on an ongoing basis, and carries out a robust assessment of the principal risks, their potential impact and the mitigating strategies in place as described in the section headed 'Principal risks and uncertainties' starting on page 17. The principal risks include those that would threaten the Group's strategic business model, future performance, liquidity and solvency.

For the purposes of assessing the Group's viability, the directors focused their attention on the following principal risks that are critical to the Group's success:

Volatility of coal prices and currency — Factors exist which are outside the control of management that can have a significant impact on the business, especially the volatility of the commodity prices and, to a lesser extent, the volatility in the EUR/CZK exchange rate.

Liquidity and going concern risk — At the present market prices of coal, the Group is cash flow negative at an operational level, even before any servicing its debt, and the current low coal price environment has placed significant pressure on the Group's liquidity position and also on its solvency. Despite the significant cost savings and operational transformation that the Group has managed to achieve during 2015, the continued deterioration of international coal prices has meant that the Group is cash flow negative at the operational level. The SSCF, which is fully drawn, requires the Group to maintain a minimum cash balance of EUR 40 million and this is tested quarterly on a calendar-year basis. The Group expects to fall below its required minimum cash balance in Q2 2016. Absent any refinancing, the ECA Facility would also be capable of acceleration and, should that acceleration be reasonably probable, all of the remaining debt of the Group could become immediately repayable.

For further details on of these key steps, please refer to the section headed 'Going concern basis of accounting' in the Consolidated Financial Statements.

How the Group assesses its prospects
Within the Risk management framework, the risk assessment is performed on an annual basis where the Board and executive management discuss and debate the Group's strategy and risks.

Budget and scenarios are based on various processes
Annual coal production, operating cost, and capital expenditures are based on the Life of Mine plan, which is reviewed by an independent party and modified according to their independent analysis of reserves with economic potential. Short term prices are based on agreed prices and long-term prices continue to apply percentage adjustments to current. The annual trends are based on the consensus of six analyst forecasts, including a mix of reports made publicly available by major investment banks and proprietary reports by other financial entities.

The 18-months forward-looking cash flows are being prepared on a monthly basis with latest available information on prices and volumes; the 12-weeks detailed cash flow projections are being prepared on a weekly basis; and the daily cash balances are being compared and analysed versus projections.

The Board considers scenario analysis to encompass a wide spectrum of potential outcomes for the main principal risks.

Alongside the scenarios, various trends and triggering events alert the Board to the potential advent of a scenario. Management updates the executive directors on a weekly basis as to key performance indicators such as cash balances, global coal prices, actual drivage and production volumes. The executive directors challenge management with the outcomes and the assumptions applied.

The financial forecasts are subjected to stress testing using the key downside risks of weaker coal selling prices, lower than planned production, higher than planned costs, later closure of mines than planned, and similar sensitivities.

Confirmation of longer-term viability

As detailed in the section headed 'Going concern basis of accounting' in the Consolidated Financial Statements, the continued liquidity and going concern of the Group, are conditional, among other things, on agreements being executed by key stakeholders of the Company, including the Czech Government, noteholders and shareholders. The successful completion of negotiations being reached with all relevant stakeholders in the available time (if at all) to secure the objectives described above represents a material uncertainty that may cast significant doubt about the Group's and Company's ability to continue as a going concern and viability such that they may be unable to realise their assets and discharge their liabilities in the normal course of business.

Accordingly, the Directors cannot provide assurance over the viability of the Group of a period in excess of the period applied for going concern as documented in the section headed 'Going concern basis of accounting' in the Consolidated Financial Statements.

Principal risks and uncertainties

Summary of risk management processes in 2015

In 2015, we enhanced our Group risk management policies and processes, and harmonised practices at our operational subsidiaries in respect of risk identification, assessment, mitigation and reporting.

Leading principle of our risk management is that the safety risk of our employees is our top priority as well as compliance with legal and regulatory requirements.

The table below discusses in more detail the principal individual risks that the Company faced in 2015, the mitigations actions taken and the anticipated impact of such risks in the following period.

Principal risks, actions taken and outlook

Strategic risks	***Risk of going concern*** <u>Risk description</u> Accumulation of operating losses and following gap in cash flow can lead to the impossibility of doing business in the following 12 months.	**2015:** During the year, there was a further drop in selling prices and an overall deterioration of coal market. The Company tried to compensate for these adverse factors by exerting a strong pressure towards the reduction of all operating costs, but due to the high proportion of fixed costs, the potential for further cost reductions is limited. **Mitigation:** A further continuity of business within the current organisational structure does not provide sufficient space for cost reduction in the long term and increases the risk that the Company will not be able to adequately respond to a potential further decline in prices. For this reason, a project of major organizational transformation was launched during December in order to downsize an unprofitable part of the business and keep operations running only if such operations have a potential to generate profit in the future. **Outlook**: Please refer to the section headed 'Going concern basis of accounting' in the Consolidated Financial Statements.

Strategic risks	***Risk of operational transformation*** <u>Risk description</u> The risk that the operating transformation is not in line with lowering the mining volumes. It could lead to	**2015:** The negative economic development in 2015, along with a growing risk of cash shortages and business interruption, pointed out the necessity of continuing the transformation of the Company**.** **Mitigation:** In order to increase the coal mining efficiency, the Karviná and Darkov Mines were merged into Mine Site 1 in January 2015. This step will be followed by a project of

	NWR not achieving the requested results.	comprehensive review of the organisational structure. The project will aim to reduce the number of management levels and increase the efficiency and flexibility, as well as establish an organisational structure such that its core will only include operations that have a potential for further development and long-term business sustainability. **Outlook:** The risk evolution largely depends on the timely finalisation of the proposal for the Company reorganisation, and in particular, on its successful implementation. Changes to the organisational structure have been initiated in Q1 2016 and will be implemented further during the course of 2016, subject to the Company receiving support from stakeholders.

Strategic risks	***Investment resources risk*** <u>Risk description</u> Insufficient own resources or unavailability of external financial resources can threaten the realisation of the Company's significant investment projects.	**2015:** The negative development of the economic situation of the Company had an impact on the amount of available financial resources for the implementation of investment projects. The Company was forced to reduce its capital expenditures from EUR 60 million in 2014 to EUR 34 million in 2015. This situation resulted in slowing down the development of most of the key capital-intensive development projects (Debiensko, Morcinek, Staré Město near Karviná**).** **Mitigation:** During 2015, a new software tool (Microsoft Project) was purchased and implemented. This product is used for a more thorough economic analysis of all new projects and more accurate calculations of the return on investment, which should minimise the risk of allocating funds to loss-making or unprofitable activities. **Outlook:** In the Business Plan for the next period, the investment amount is determined by efforts to maintain a positive cash flow, which means that until the financial situation improves, the development projects will be postponed so that their continuity would not be completely disrupted and it will be possible to resume them under changed external economic conditions.

Strategic risks	***Bad reputation risk*** <u>Risk description</u> From a historical perspective, the Company's reputation in the region is relatively bad. These facts can negatively affect the	**2015:** The increased number of news regarding the deteriorating financial situation, forthcoming dismissal of employees and the risk of insolvency have led to a noticeable deterioration of the Company image in most media. Negative development in the media image of the Company culminated after the discussions between the representatives of NWR / OKD and the Czech government in December 2015**.**

	public opinion, standpoints of state bodies, regulatory bodies and representatives of local governments.	**Mitigation:** In the area of communication with journalists, investors and analysts, NWR applies a conservative approach, where a lower profile is generally maintained in communication without creating overly optimistic expectations, along with maintaining a straightforward approach to the media and investors. Developments in the communities of journalists and investors are continually monitored, and there are immediate and strong responses to the spreading of false information and speculations. **Outlook:** In 2016 it is possible to expect a continuation of the challenging situation in the global and regional coal markets and thus also an increased media pressure on the Company. The Company's communication strategy will depend on the progress of discussions of all stakeholders, including the Czech Government, addressing solutions for the Company's situation.
Market risks	***Volatility of prices risk*** Risk description Greatly changing and unpredictable prices of coal can significantly influence the Company's final economic results, which do not need to correspond to the approved Business Plan.	**2015:** In 2015 the market prices of coal continued to decline, and this trend was also reflected in the selling prices of the Company's products. However, due to the fact that year-round contracts were concluded with most of the customers for 2015, the decline in the selling prices was mitigated. The average selling price for all our production realised in 2015 amounted to EUR 72 per tonne, the same level as in 2014. **Mitigation:** The Company's Sales Department makes continuous efforts to negotiate the prices with customers above the level of import parity and in case of mining or dispatch outages, prefer customers with better price conditions. We managed to conclude the year-round contracts for 2015, including fixed prices, with most of our customers, which appeared to be a far-sighted strategy in view of the steady decline in price benchmarks and spot prices. **Outlook:** In the 2016 sales contracts, we have agreed on the coal delivery volumes, but the prices will be negotiated on a quarterly basis with individual customers. This sales strategy will enable us to take advantage of a possible improvement on the coal market.
Financial risks	***Liquidity risk*** Risk description	**2015:** Despite significant cost savings, the cash available declined by about 33 % on a year-on-year basis (in absolute terms, from the amount of EUR 128 million as of 31 December

	Ineffective liquidity management can reduce Company's ability to settle its liabilities in the given time and the required amount.	2014 to EUR 86 million as of the end of 2015) mainly due to the decrease in selling prices and sales volume. **Mitigation:** In December 2015, a program was launched with the aim to identify other areas for cost reductions in the order of tens of millions of EUR, as well as to increase other revenues apart from coal sales (e.g. from sales of methane, services, or idle assets). As for the key subsidiary company, OKD, a decision was made on an adjustment of the cash flow management so that any significant payments would be released only after an assessment performed by the newly established Liquidity Management Committee. **Outlook:** Since the Company is not in a position where it could influence the selling prices, cash management largely depends on cost reductions and consistent monitoring of expenditures. The Company has used factoring of its trade receivables, although this is becoming increasingly difficult.

Financial risks	***Exchange rate fluctuation risk*** <u>Risk description</u> Due to the use of local currencies, the Company is exposed to exchange rate risk (significant part of total revenues is denominated in Euros). High volatility of local currency exchange rate may strongly influence the amount of the Company's revenues and costs and affect the Company's profitability.	**2015:** The declaration by the Czech National Bank Board (the 'Bank Board') to continue the regime of foreign exchange interventions in order to keep the Czech crown (koruna) ("CZK") exchange rate close to CZK 27 per Euro was fulfilled in 2015. Therefore, the Company was not significantly exposed to this risk. **Mitigation:** In early 2015, the exposure of the Group and individual entities to the exchange rate risk was analysed and specific steps were taken towards less dependence on exchange rate changes, in particular, through the matching of revenues and expenses in individual currencies. **Outlook**: During 2015, the Bank Board repeatedly stated that the Czech National Bank would not terminate the exchange rate commitment validity before the second half of 2016. At its last meeting on 16 December 2015, the Bank Board also reiterated that the exchange rate commitment would likely be terminated around the end of 2016. The Czech National Bank commitment and the current development of the Czech economy indicate that the exchange rate will continue to be very close to CZK 27 per € from the top. The Company will continue its initiative to bring the amounts of revenues and expenses in individual currencies closer to each other.

Operational risks - Safety	***Exposure to mining hazards*** Risk description Inability to respond adequately to events of a natural character (e.g. bounces, fire, spontaneous combustion) may have serious implications for production and continuity of the Company's activities.	**2015:** In 2015 the number of emergencies (major and fatal injuries, death, fire, mine bumps, roof collapses and methane ignition) decreased to 12 cases from 22 emergencies that occurred in 2014, which is a 45% decrease. However, some of those events unfortunately had fatal impacts on the health and lives of our employees. **Mitigation:** Safety in the mining and surface operations is a vital imperative to which there are no exceptions. In the complicated geological conditions in which coal is mined in the Ostrava-Karviná coal district, the occurrence of geomechanical phenomena, spontaneous ignition and mining gas outbursts is a permanent threat that should be permanently taken into account when performing any activities in the mine. To reduce the risk, a number of procedures and measures are established, including regular inspections of gate roads, emergency action and evacuation plans, regular training of employees, preventive blasting, fire drills and gas outburst alarm training. **Outlook:** Development in this area is difficult to predict. In general, it is possible to say that the probability of risk occurrence increases with (i) diminishing the recoverable area of the coalfield and (ii) increasing the density of longwalls in a rock mass (massif); in particular, there is an increasing frequency of geomechanical phenomena, which manifest through mine bumps and collapses.

Operational risks - Safety	***Employees' health risk*** Risk description Inability to protect employees' health at risk-exposed workplaces and ensure a relevant level of work safety at such workplaces can seriously influence the Company's business activity and eventually result in licence withdrawal.	**2015:** In 2015 there was a significant improvement in safety at work. The lost-time injury frequency rate ('LTIFR') decreased to 5.63, while in 2014 this indicator equalled 8.18. However, four fatal injuries suffered by our employees continue to be a "memento" (in 2014 there were eight fatalities). **Mitigation:** Regardless of the financial situation, occupational health and safety continues to be a key priority of the Company. In 2015 the safety campaign was enhanced by adding elements of the so-called 'shock therapy', which visually familiarised the employees with the consequences of fatalities. Furthermore, the Near-Miss Program, which is preventive by its nature, was developed in order to involve all employees in finding and reporting risk situations (i.e. near misses) that can lead to injuries. Safety training of employees continued and the safety training schedule was extended last year to include first aid courses and psychological interviews. **Outlook:** Our commitment for 2016 is to achieve a lost-time

		injury frequency rate lower than five, and rank, in the longer term, among the top five safest companies in the sector of underground coal mining. The primary task will consist in making every effort to work without any fatality next year.

Operational risks - Others	***Information leak risk*** <u>Risk description</u> Sensitive Company information may be leaked or stolen by employees or people with the access to this information (external consultants, project managers etc.).	**2015:** In 2015 the risk of information being leaked increased significantly because the Company made some fundamental decisions whose premature disclosure or even publication could harm the Company's interests and jeopardise strategic objectives of the Company. **Mitigation:** During the year, a comprehensive analysis of the information leak risk was performed, including a review of the measures to prevent information leaks in order to minimise the exposure to this risk. On the basis of the completed analysis, a few other preventive measures will be implemented with the aim to reduce the information leak risk. **Outlook:** As a result of the planned reorganisation and intense communications with the stakeholders in the forthcoming period, it is possible to expect an increased pressure towards obtaining unofficial and unconfirmed information before it is officially published by the Company.

Legal & Regulatory risks	***Licencing risk*** <u>Risk description</u> Potential difficulties related to gaining and keeping the licence for mining operations in the Czech Republic may have a negative impact on the Company's business activities. Obtaining the licence may be also costly due to land purchases and compensations.	**2015**: The process of permitting mining activities in the Czech Republic was affected by changes in the legislation, and the most significant change was the amendment to the Environment Act. However, in the end, thanks to the measures taken, the anticipated negative impacts, in particular, the approval process prolongation only manifested themselves to a limited extent. **Mitigation**: To avoid possible delays in the permitting process, caused by the above-mentioned legislative changes, we decided to expedite the processing and preparation of inputs for permitting our mining activities, and anticipated conflicts of interest with the owners of buildings potentially affected by mining are addressed a longer time (at least one year) in advance. There is an ongoing monitoring of forthcoming changes to legal acts concerning the environment and mining activities so that the Company will be able to flexibly respond to changing external conditions in time. **Outlook:** At present, the Company already possesses all necessary permits for mining until autumn 2016. Inputs for further permits will be continuously prepared and discussed in

		relation to the Mining Plan development.
Social & Environmental risks	***Environmental damage risk*** <u>Risk description</u> Inadequate reparation of environmental damage and providing incomplete information relating to damages occurred can result in penalties and sanctions and significantly worsen Company's reputation.	**2015:** Last year there were no significant changes in the environmental legislation affecting the Company. In compliance with our long-term plan, the reclamation of lands affected by mining, and the sludge extraction and reclamation of sludge lagoons are in progress. Emissions of harmful substances into the atmosphere have been quite negligible in recent years. The necessary drainage of mine water and normal waste production are the only operations that cause some environmental burden. **Mitigation:** At the individual mine sites, a number of measures have been taken to prevent the leakage of harmful substances and other negative environmental impacts. The mine water composition is regularly analysed in laboratories and surveillance camera systems are installed at the discharge points for early detection of any anomalies. All waste is sorted and hazardous waste is delivered to companies authorized for hazardous waste treatment and disposal. **Outlook:** In the future, it is possible to expect a tightening of legislation, particularly in the area of waste management, where in the long term (after 2020), we expect a complete ban on the waste landfilling. For the Company, this will mean even greater emphasis on the sorting and recovery of recyclable waste and additional costs for the disposal of non-recoverable waste in incineration plants.

Sustainability

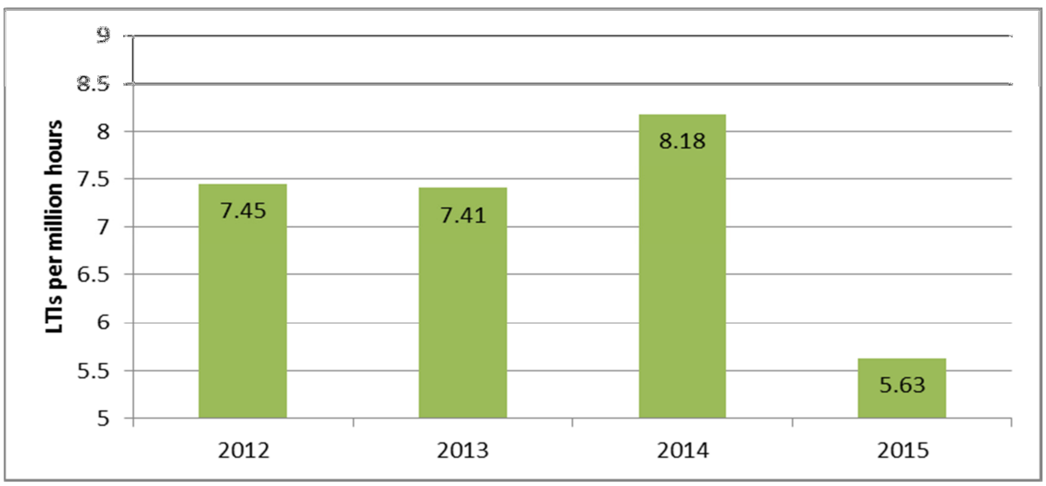
Sustainability lies at the heart of everything we do and is key to the long-term viability of our business. It is an integral part of NWR‘s business strategy; priorities are agreed and supported by the Board’s Safety, Health and Sustainability Committee.

The present downturn in the coal industry is putting even greater emphasis on NWR’s responsibilities in the region where it operates: safety indicators are as important as our financial ones, and transparent communication with all stakeholders, especially in the Moravian-Silesian region, is critical success factor. All this closely monitored by the Board.

In this chapter, the 2015 sustainability performance indicators are compared to those of the previous year. There are three categories of indicators: our people, the environment and corporate governance.

Our People

NWR operations Lost Time Injury Frequency Rate (LTIFR)

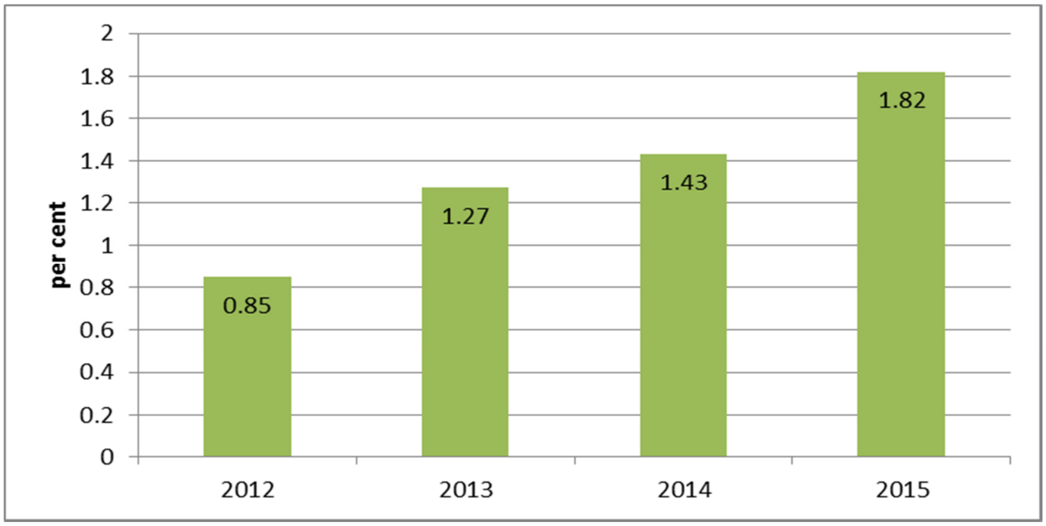


Note: Data for 2013 - 2015 for NWR continuing operations only

Definition — The LTIFR represents the number of reportable injuries in NWR's operations causing at least three days of absence per million hours worked including contractors.

Performance — The LTIFR decreased significantly by 31.1 % to 5.63 on year-on-year basis. This was caused mainly by a lower number of reportable injuries that dropped by 58 % year-on-year while the number of hours worked decreased slightly by 8 % year-on-year. Strong emphasis continued to be placed on avoiding the conditions under which the injury can occur. We remain at our long-term target to achieve LTIFR below 5 in 2016.

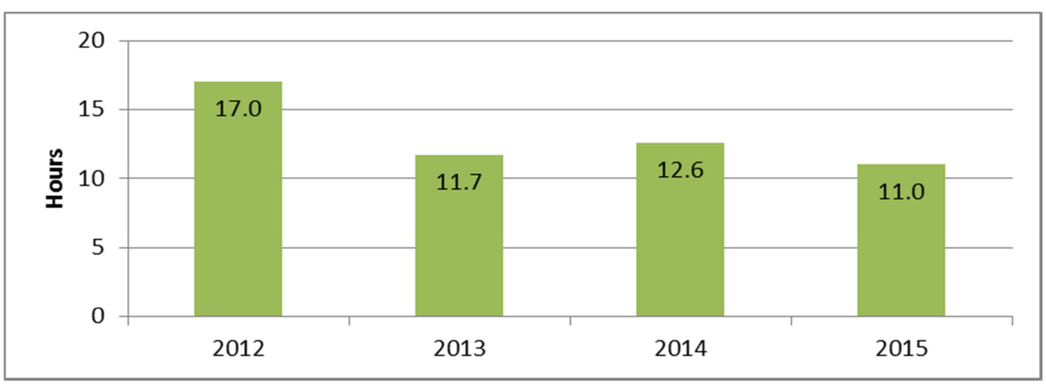
NWR operations employee turnover



Definition — The employee turnover rate is a calculation of the total number of employees who have left the Company minus employees who have left due to dismissal, retirement, death in service or health reasons and it is expressed as a percentage of the average number of employees in the year. It does not include contractors.

Performance — NWR operations voluntary employee turnover went up by almost 27% year-on-year to 1.82%. The increase was caused primarily by uncertainty in OKD's future development which encouraged employees to look for new job opportunities. In case they find one they leave the Company voluntarily. This trend will continue in the future and is in line with the Company's long-term optimisation plan. For employees who decided to leave voluntary participation in the Company's New Shift Programme proved to be effective in finding new employment elsewhere. The programme was launched in 2015 and as a result more than 50 people found a new job.

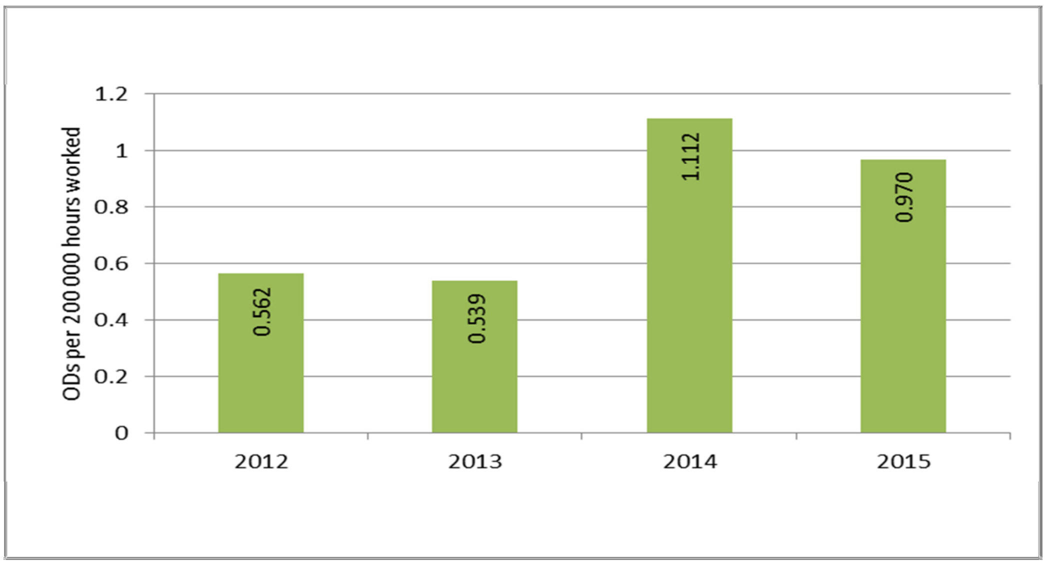
NWR operations average hours of training per employee



Definition — Average hours of training per employee is calculated as the total number of hours dedicated to training divided by the average number of employees in the reporting period. It does not include contractors.

Performance — The average number of training hours per employee decreased over 12% year-on-year to 11 hours in 2015. The reasons for further reduction are savings being implemented throughout the Company. Only mandatory training required by the law and safety trainings were held in 2015.

NWR operations occupational disease rate (‘ODR’)

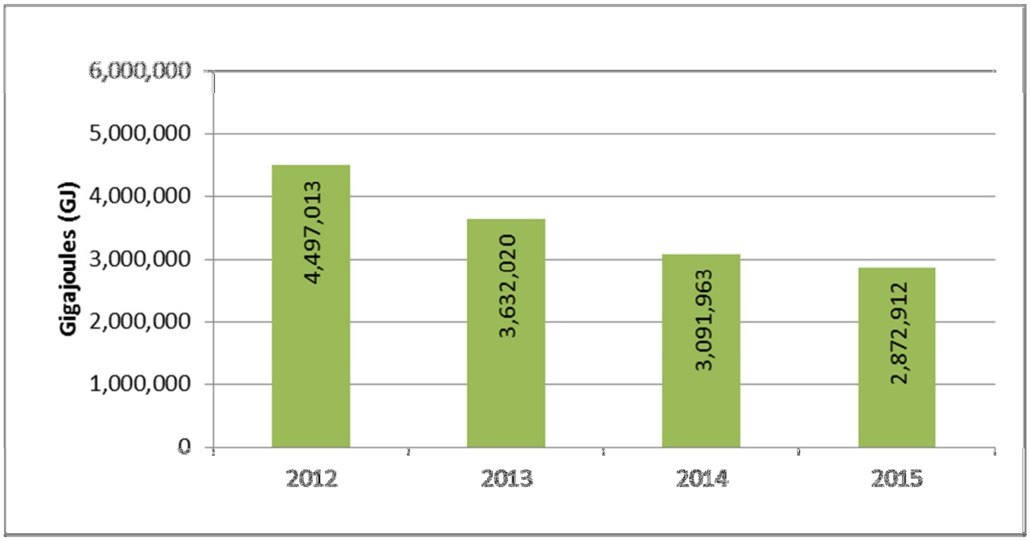


Definition — The frequency of occupational diseases relative to the total time worked in the reporting period. The Occupational Disease Rate ('ODR') represents the number of occupational diseases in NWR operations per 200,000 hours worked. It does not include contractors.

Performance — The total number of occupational diseases decreased by almost 30 % year-on-year. The significant decrease of occupational diseases was reported in respiratory diseases thanks to the extraordinary targeted information campaign dedicated to the use of personal protection gear (dust mask) in dust exposed working environment. The number of other diseases remained unchanged - vibrations (25), unilateral long-term limb strain (ULLS) (10) and others (1). We continue to focus on providing preventative health checks and educational trainings dedicated to the use of personal protective gear.

Environment

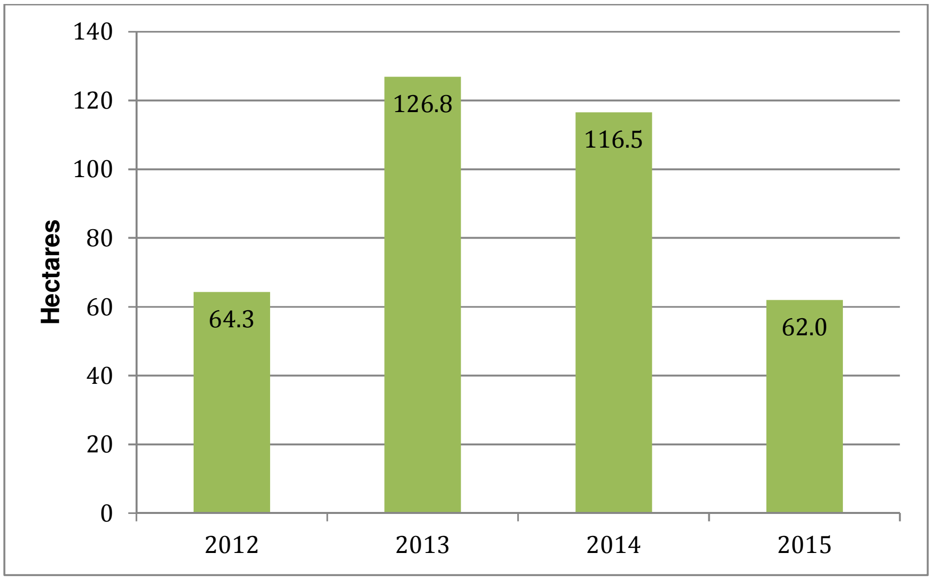
NWR operations total energy consumption



Definition — Total energy consumption in NWR operations includes direct primary energy purchased (diesel, petrol and natural gas) and indirect energy purchased (electricity, heat, compressed air, natural gas) minus direct primary energy sold (electricity, heat) excluding production and sales of coke-oven gas (2012 only) and coal mine gas.

Performance — Total energy consumption decreased by 7% (219,051 GJ) year-on-year to 2,872,912 GJ. The decrease was driven primarily by the lower electricity consumption itself and also indirectly by the lower consumption of compressed air (generated in electricity powered compressors). The decrease of electricity consumption (especially for longwall machinery, conveyor belts and mine fans) is dependent on the amount of coal extracted. As the coal output decreased by 6% year-on-year, the energy consumption has decreased proportionally.

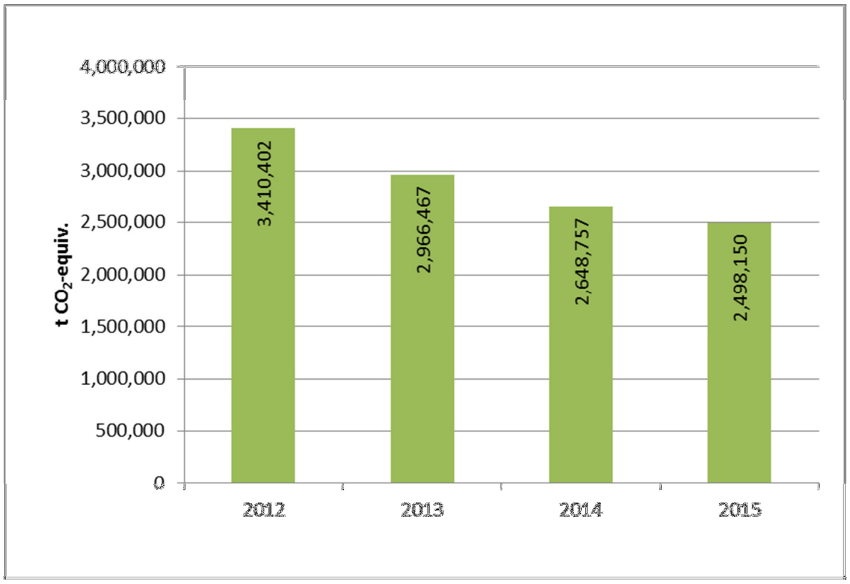
NWR operations total incremental amount of land rehabilitated



Definition — Land rehabilitated is the area of land disturbed by operational activities, which is then reshaped and restored into a new ecosystem in accordance with natural principles. The total amount of land rehabilitated in reclamation projects is set by a 'Comprehensive Rehabilitation and Reclamation Plan' for a five-year period. The plan is closely linked to the closure of mining operations and the goal is to mitigate the damages.

Performance — The total incremental area of rehabilitated land in 2015 amounts to 62 hectares. The trend in the amount of land rehabilitated is uneven as it reflects operation closures from the past. NWR spent EUR 12.1 million on reclamation projects in 2015, up by EUR 0.4 million compared to 2014. As reclamation projects are long-term, the amount spent during the year does not correspond to reclamations completed within the year as some future projects are already financed from previous periods. The obligation to reclaim is stated by the Czech law.

NWR operations greenhouse gas ('GHG') emissions



NWR operations - GHG emissions data for the period 2012 - 2015	Unit	2012	2013	2014	2015
Emissions from combustion of fuel	**t CO_2e**	**3,543**	**3,422**	**2,871**	**2,687**
of which					
Stationary combustion (natural gas, coal mine gas)	t CO_2e	660	690	977	1,053
Mobile combustion (gasoil, diesel, transport other)	t CO_2e	2,883	2,733	2,733	1,634
Emissions from the operation of facilities	**t CO_2e**	**2,609,148**	**2,256,432**	**2,075,228**	**2,001,969**
of which					
Process emissions (coke-oven gas, supply chain, waste)	t CO_2e	387,928	299,303	136,296	94,967
Fugitive emissions (methane)	t CO_2e	2,221,219	1,957,129	1,938,931	1,907,002
Emissions resulting from purchase of electricity, heat and steam	**t CO_2e**	**797,877**	**706,613**	**570,659**	**493,386**
Total	**t CO_2e**	**3,410,568**	**2,966,467**	**2,648,757**	**2,498,042**
GHG emissions per 1 tonne of coal production	t CO_2e	0.532	0.605	0.308 *	0.311 **

Note: Data for 2014 and 2015 from NWR continuing operations only.

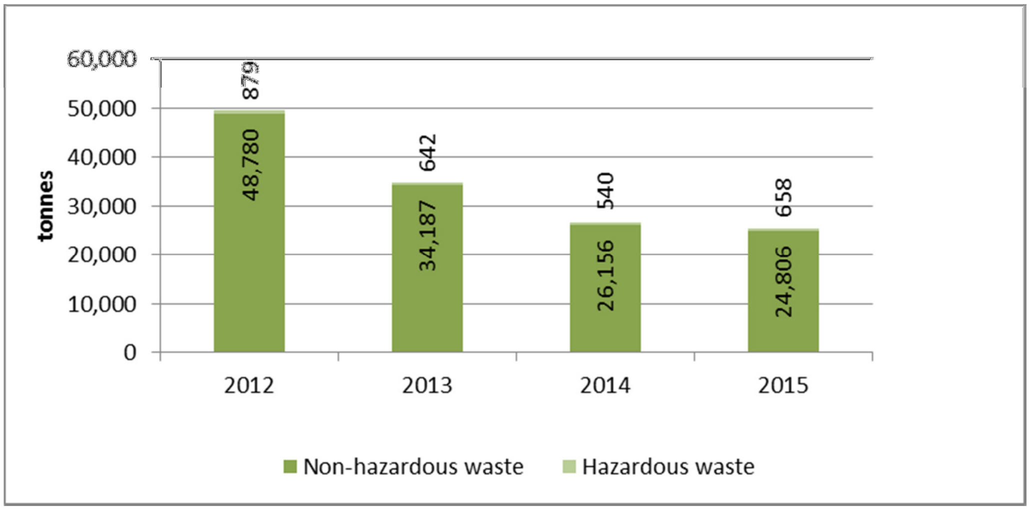
* GHG emissions per 1 tonne of coal production for 2014 were subject to an additional technical correction.

** GHG emissions per 1 tonne of coal production increased by 1.15% year-on-year despite the total GHG emissions declined by 5.7% due to the change of CML2001 methodology in April 2015 (more information at http://cml.leiden.edu/software/data-cmlia.html and http://www.gabi-software.com/fileadmin/GaBi_Databases/GaBi_changelog_SP28_October2015.pdf).

Definition — The NWR operations total GHG emissions are measured through the method of lifecycle assessment which is drawn up according to ISO 14040 and ISO 14044. NWR Group is reporting direct and indirect GHG emissions which correspond to Scope 1 and Scope 2 of The Greenhouse Gas Protocol. The direct GHG emissions include fugitive emissions from mine ventilation. GHG emissions are reported in tonnes of CO_2 equivalent ('CO_2e'). Data for 2014 and 2015 from NWR continuing operations only, ie. excluding OKK Koksovny.

Performance — The total GHG emissions in NWR operations decreased to 2,498,150 tonnes of CO_2e, down by 5.7% year-on-year. The largest shares of GHG emissions account for fugitive emissions (76%) and electricity consumption (17%). Total direct emissions (Scope 1) decreased by 1.6% and indirect emissions (Scope 2) by 16.8%. The decrease was driven by the lower coal production and corresponding lower electricity consumption, lower purchase of materials and lower fugitive emissions.

NWR operations waste generation

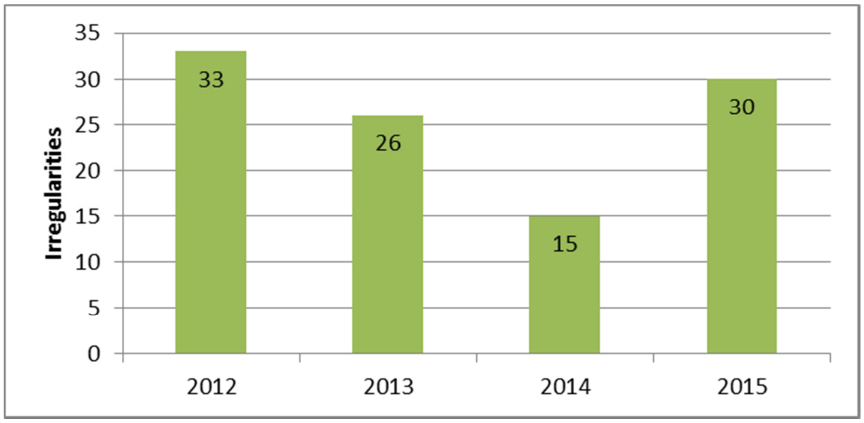


Definition — The total weight of generated waste includes the total volume of hazardous waste and non-hazardous waste defined by the Czech legislation. Non-hazardous waste contains all other forms of solid or liquid waste excluding waste water, waste rock and flotation tailings. Data for 2013 - 2015 for NWR continuing operations only.

Performance — The total weight of generated waste decreased by 5.7% in 2015. The most significant decrease was in generated non-hazardous waste especially metal scrap. There was a 21% year-on-year increase in NWR's generation of hazardous waste due to closure of machine wash (Karviná Mine) and corresponding disposal of oiled water. No significant environmental contamination occurred in NWR's operations and no fines were imposed in 2015.

Corporate Governance

NWR Group suspected irregularities



Definition — The number of suspected irregularities reported within the Company's established Whistleblower Procedure, which is part of NWR's Code of Ethics and Business Conduct and Business Integrity Policy. Data for 2013 - 2015 for NWR continuing operations only.

Performance — The number of irregularities reported within the Group increased by 100% to 30 cases. The most reported irregularities were related to fraud (16 cases), followed by labour-law issues (6 cases) and mobbing (5 cases). From the total number of reported irregularities only 4 were confirmed, 22 were unconfirmed / impossible to investigate and at 4 cases the investigation is in progress.

NWR Group's directors and senior managers breakdown by gender

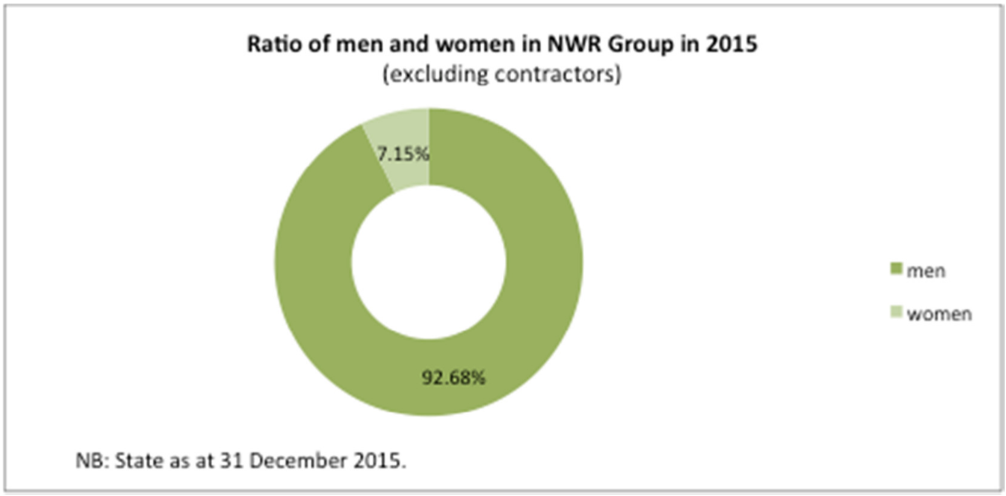
NWR Group	Men	Women
Directors	**7**	**1**
of which NWR	7	1
Senior managers	**28**	**3**
of which		
OKD	12	1
HBZS	9	0
NWR KARBONIA	7	2

State as at 31 December 2015

For more information on the Directors, please refer to the section headed 'Corporate governance' on page 38.

Senior managers include also directors of subsidiary undertakings.
Number of persons who were senior managers excludes Directors.

Number of men and women in the NWR Group



State as at 31 December 2015

Financial review

Revenues. The Group's revenues decreased by 7% from EUR 676 million in 2014 to EUR 630 million in 2015. This is mainly attributable to lower sales volumes of coking coal and to lower realised prices of thermal coal.

Cost of sales. Cost of sales decreased from EUR 616 million to EUR 559 million or by 9% in 2015 compared to 2014. This is mainly attributable to lower depreciation following the impairment charge recognised in 2014; lower production volumes as well as lower input costs per equipped coal panel resulting in lower consumption of mining material and spare parts.

Selling expenses. Selling expenses decreased from EUR 64 million to EUR 56 million or by 12% in 2015, primarily attributable to lower sales volumes resulting in lower transport costs.
Administrative expenses. Administrative expenses of EUR 63 million decreased from EUR 71 million or by 11%, attributable to a decrease in administrative headcount, resulting in lower personnel expenses.

Impairment loss on property, plant and equipment. The continuing challenging market environment and a further decrease in long term forecasted coking and thermal coal prices resulted in the Group undertaking an impairment review of its cash generating units and subsequently recognised an impairment charge of EUR 199 million to reflect non-current assets' recoverable value. The impairment review was carried out as at 31 December 2015. This compares to the impairment charge taken at 31 December 2014 of EUR 183 million.

Selected financial and operational data

(EUR m, unless stated otherwise)	**FY 2015**	**FY 2014**	**Chg**
Revenues	630	676	(7%)
Cost of sales	559	616	(9%)
Excluding Change in inventories	568	635	(11%)
Cash mining unit costs (EUR/t)†	66	67	(1%)
Gross profit	71	60	18%
Selling and administrative expenses	119	135	(11%)
EBITDA	(4)	11	-
Impairment loss on PPE	199	183	-
Capital restructuring	-	342	-
Change in fair value of convertible notes	67	0	-

† Cash mining costs per tonne reflect the operating costs incurred in production of both coking and thermal coal. They are principally calculated by deducting the Change in inventories and D&A from the Cost of sales and then divided by total coal production. Further non-cash adjustments to Cost of sales may apply in the calculation.

Operating loss	(248)	(258)	-
(Loss) for the period	(223)	(21)	-
Basic (loss) per A share (eurocents)	(3.40)	(1.09)	-
Total assets	319	583	(45%)
Cash and cash equivalents	86	128	(33%)
Net debt	298	281	6%
Net cash flow from operations	(7)	(56)	-
CAPEX	34	60	(42%)
Total headcount incl. contractors	13,816	14,657	(6%)
LTIFR	5.63	8.18	(31%)

Production & Sales (kt)	**FY 2015**	**FY 2014**	**Chg**
Coal production	8,020	8,601	(7%)
Total coal sales	7,952	8,315	(4%)
Coking coal‡	4,249	4,768	(11%)
Thermal coal§	3,703	3,547	4%
Period end inventory	742	668	11%
Average realised prices (EUR/t)			
Coking coal	90	85	6%
Thermal coal	50	54	(7%)

‡ In FY 2015 approx. 49% of coking coal sales were mid-volatility hard coking coal, 37% were semi-soft coking coal and 14% were PCI coking coal.

§ In FY 2015 approx. 77% of thermal coal sales were thermal coal and 23% middlings.

Business review

Introduction

OKD maintained a disciplined and prudent approach to managing its business in 2015. We adhered to our operational budget throughout the year as we delivered on both production and sales targets of 8 million tonnes. We kept our cost base under control, with overall costs down 10% over 2014, and our CAPEX, at EUR 34 million for the year, was on budget. Our realised pricing for the year was reasonably stable at EUR 90/t for coking coal and EUR 50/t for thermal coal. We delivered a balanced sales mix, with coking coal comprising around 53% of sales volumes. And our cash mining unit costs were on target at EUR 66/t, which was a good achievement given that production was 7% lower than in 2014.

But despite our ability to successfully manage costs and to meet our targets, the world around us was changing. International coking coal and thermal coal prices fell for the fifth consecutive year, by around 20% for coking coal and by some 22% for thermal coal, as global industrial output slowed. And in our region we also had to contend with an over-supply of cheaply priced Polish thermal coal, which caused a spike in our thermal coal inventory during the summer.

The international benchmark price for coking coal remained under $110 per tonne for three consecutive quarters, thus at the end of September 2015 our European Commission-approved agreement with the Czech Government, under which the Czech state would contribute CZK 600 million towards the social costs associated with the 2017 closure of the loss-making Paskov mine, was rendered void.

This was a difficult matter for everyone at OKD because of the tremendous efforts to reduce costs and to seek a viable way forward for Paskov, which produces high quality coking coal. Paskov is technically difficult to mine due to the depth and the narrowness of its coal seams, which makes it expensive to operate.

As we prepared to open talks with the Czech Government regarding the future of Paskov, we also began our 2016 pricing negotiations with customers. It quickly became clear that the low price environment would continue, with the likelihood of further price declines going into 2016, and that our business would remain cash flow negative for the foreseeable future, and quite possibly for years. We were therefore obliged to undertake a Strategic Review of all our operations and at the same time engage with all of our stakeholders, including the Czech Republic, about how OKD can best maintain a sustainable coal mining business.

Safety

I am pleased to report that our overall safety performance improved in 2015, with a LTIFR of 5.63, the lowest ever recorded at OKD and within touching distance of our targeted rate of below 5. This performance demonstrates what can be achieved when we all maintain our focus and discipline. There are some aspects to deep underground mining that unfortunately are outside of our control, such as seismic activity. Everyone within the Company and the community were saddened by the loss of four colleagues during the course of the year, three of whom died in a single methan event triggered by a seismic incident almost a kilometre below ground at our Darkov mine.

Our focus on safety will continue. It is the responsibility of everyone at OKD, especially of our miners and mine managers, who must remain aware that shortcuts can, quite literally, be fatal, and that the tidiness of their working environment before commencing, and during, their shifts is vital. If we all continue working on behaviour and responsibility we shall be able to make our mines safer and our LTIFR low.

Sales and marketing

In 2015 we met our sales target of 8 million tonnes, and maintained a good sales mix while doing so, with premium-priced coking coal making up 53% of everything sold. But as noted earlier, the local market for thermal coal saw a sharp increase in Polish imports. This led to an increase in our thermal coal inventory during the summer months, something that we addressed in the fourth quarter of the year as demand increased with the onset of winter.

Development projects

The Strategic Review process that we initiated towards the end of 2015 is clearly the priority, and we must identify the best way to achieve sustainable coal mining for OKD. With this in mind we shall have to put plans for our long-term and strategically important Debiensko project in Poland on hold. Likewise with our medium-term project for Morcinek, also in Poland. Last year, I reported that we would move forward with what I termed ‘Morcinek Lite’, whereby we can access about 10 million tonnes of coking coal on the Polish side of the border from OKD’s CSM mine on the Czech side of the border by going in with a decline, rather than sinking a shaft. This remains a smart, workable and efficient option, and we will return to this as and when the market turns.

Labour relations

We work closely with our trade unions, which are fair and reasonable partners, and we maintain with them an open and transparent working dialogue about the Company and its business. Management and trade unions share the same goal, to keep OKD in good shape, and throughout 2015 everyone at OKD worked to budget and together in order to keep our costs down, our mines safe and our customers served. But as recent years have shown, we cannot control the price of our coal. And the price environment has deteriorated to such a degree that OKD has now entered a critical phase.

Our trade union partners are fully apprised of the Strategic Review process, and are cognisant of the painful measures that are to come, namely mine closures and job losses. The coming months will not be easy, but I am sure that our trade unions will, while seeking to safeguard their members’ interests, work with us and all of our stakeholders in order to maintain a viable coal mining business for OKD.

Community relations

Our relations with the local communities were good in 2015. I share with them everything that we are doing at OKD, insofar as it will impact their environment or their routine. The restructuring that we undertook in 2014 was hard but we were low-key in the way that we delivered and we maintained that low-key but informative approach through 2015. This will hopefully stand us in good stead as we enter the next phase of OKD’s journey. Obviously the implications of the Strategic Review will be felt by our communities and we shall be seeking to engage with community leaders, local politicians and all of our stakeholders as we all work through the next year or two.

The St. Barbora Association, which supports children orphaned as a result of mining accidents, continues to receive our support. The OKD Foundation is funded until 2043, so regardless of what happens to OKD over the coming three decades the support will be there for those that need it.

Outlook for 2016

As noted, our Strategic Review is aimed at identifying how OKD can continue viable commercial hard coal mining over the coming years. Unfortunately this will mean a reduction in the number of mines that we operate. Absent any stakeholder support, we expect that mine-closure and employee-restructuring costs related to the end of mining at the less profitable mines will be in the region of EUR 85-100 million, so securing support from all of our stakeholders, including the Czech Government, is vital for the Company and the wider community.

2015 was a very tough year for OKD but we did the right things. Unfortunately, the pricing environment deteriorated further in the later stages of the year, and we now face enormously challenging times. As we move through 2016 and come to grips with the task of closing mines in order to secure a future for the Company, we must continue to maintain our focus on safety, to maintain our cost discipline, and to go about our business of serving our customers with OKD premium quality coking coals.

Dale Ekmark
CEO of OKD

Corporate governance

The Company's policy is to achieve best practice in our standards of business integrity in all our activities. This includes a commitment to following the standards of corporate governance throughout the Group. The Corporate Governance Policy of NWR is based primarily on the UK Corporate Governance Code 2014 and also complies with the spirit of the broad requirements of codes in the Czech Republic and Poland. The policy formulates the standards of governance that the Board intends to uphold and ensures the maintenance of a coherent and effective system of governance and was last amended on 21 January 2015 to the extent that it varied from the Main Principles of the updated UK Corporate Governance Code 2014 and also to cover certain of the key supporting principles. It can be found on NWR's website.

2015 Highlights

- Continuous monitoring of the Group's financial situation;
- Increased focus on business strategy;
- Ongoing attention to safety at mining operations;
- New Executive Director;
- Two-day offsite strategy meeting in Darkov;
- Refresher training on UK Bribery Act 2010;

Articles of Association

The Articles were adopted by a special resolution passed on 8 April 2011 and amended by a special resolution at the extraordinary general meeting of shareholders on 20 August 2014. They are available on NWR's website.

Board of Directors

Composition of the Board
NWR has a one-tier Board comprising both Executive and Non-Executive Directors. The Board is presided over by its Executive Chairman, Gareth Penny. As at 31 December 2015, the Board had eight members in total (nine members in 2014). Of these, two were Executive Directors and four were Independent Non-Executive Directors. This is fully in line with provision B.1.2. of the UK Corporate Governance Code 2014, which provides that at least half of the board, excluding the chairman, should comprise independent non-executive directors.

The Chairman leads the Board and ensures its effectiveness on all aspects of its role. Assisted by the Company Secretary, the Chairman sets the Board agendas and ensures that Directors receive all the information and support necessary to carry out their role, including adequate induction and training. The Chairman has authority to act and speak for the Board between its meetings and, together with the Finance and Legal Director, acts as the main point of contact between Non-Executive Directors and management of the Group. He also ensures effective communication with stakeholders. Contrary to the provisions of A.2.1 and A.3.1 of the UK Corporate Governance Code 2014, Mr Penny continues as Executive Chairman, exercising the role of the Chief Executive and the Chairman. The fusion was carefully examined by the Nomination Committee upon his appointment in 2012 with a conclusion that the presence of an Executive Chairman was needed to provide strategic and operational leadership. The Board considered the Group's management structure in connection with the departure of the former Chief Financial Officer, Marek Jelínek, and decided to retain it until the ongoing reorganisation of the Group has completed. The presence of majority shareholder representatives on the Board alongside Independent Non-Executive Directors guaranteed that there were appropriate checks and balances in place. The Company also held individual discussions with the majority shareholder whenever necessary.

The Finance and Legal Director of NWR, Boudewijn Wentink, has delegated authority to achieve the corporate objectives of the NWR Group. He is responsible for the Group's finance and legal matters, and reports to the NWR Board and its Executive Chairman. He oversees planning, financial control, accounting, financial restructuring, internal control and risk management and investor relations functions throughout the Group. He is also responsible for ensuring that financial and other information disclosed publicly is timely, complete and accurate.

Directors' full biographical details

Gareth Penny became Executive Chairman of NWR and executive director of NWR NV as of 1 October 2012. He has been a member of the board of directors of OKD since 1 October 2012. In March 2013, Mr Penny became non-executive chairman of OJSC MMC Norilsk Nickel, a Russian listed mining company. Mr Penny also serves as a non-executive director of Julius Baer Holdings Limited, and a member of the Advisory Board of TowerBrook Capital Partners. Between 2006 and 2010, Mr Penny served as group chief executive of De Beers, the world's leading diamond mining business. Mr Penny became a member of the board of De Beers in 2003, having worked for the De Beers Group since 1991. Prior to joining De Beers Group, Mr Penny worked for the Anglo American Corporation in Johannesburg. Mr Penny also served as a director of AMG Mining between 2011 and 2012. Mr Penny graduated in 1985 from Oxford University, UK, with a Master of Arts (M.A.) in Philosophy, Politics and Economics. (South African, 24 December 1962)

Boudewijn Wentink was elected by the Directors as an Executive Director with effect from 19 August 2015. He joined NWR in March 2013 as the Chief Legal Officer and has since been instrumental in maintaining the financial stability and good stakeholder relationships of the Company. Before he joined NWR, from 2005 until 2013 he held various senior legal and compliance roles at TNT N.V. and TNT Express N.V. in Amsterdam, including Deputy General Counsel and Chief Compliance Officer and he also served as Chairman of the Ethics and Compliance Committee. From 2000 until 2005, he was Managing Partner and a member of the Executive Board at Bosselaar & Strengers in Utrecht, a well-established top 50 commercial law firm in the Netherlands, where he started his career in 1995. He also co-headed the corporate and finance department advising on mergers and acquisitions, banking, securities and insolvency. Mr Wentink graduated from Erasmus University in Rotterdam in 1994 with a degree in private law and from the Henley Management College in Henley-on-Thames in 2008. (Dutch, 5 June 1969)

Peter Kadas was a Non-Independent Non-Executive Director and Vice Chairman of NWR from 8 April 2011 until his resignation on 23 February 2016. Since 15 September 2011 he has served as Vice Chairman of the Board. Mr Kadas is currently director of Fotex Holding SE; Marex Spectron Group Limited; Central European Petroleum Ltd. and RPG Property B.V.. Mr Kadas previously served as a director of NWR NV and resigned in 2011 following its redomiciliation in the United Kingdom. He served as vice chairman of the board of directors of

OKD from 2006 to 2007, as a director of BXR Real Estate Investments B.V. between 2006 and 2014 as a director of Shred-It International from 2010 to 2015 and as a director of Domus N.V. from 2014 to 2015. Mr Kadas is a Senior Advisor of BXR Partners LLP, an affiliate of CERCL Group. From 2001 until 2010 he was a director of Bakala Crossroads Partners Ltd, a BXR Group affiliate. Between 1997 and 2001 he was a managing director of Croesus Central Europe and from 1996 to 1997 he worked as a managing director for MC Securities in London. In 1995 he co-founded Renaissance Capital, Russia's first private investment bank. In 1990 he acted as a Director of Credit Suisse First Boston in Budapest. Mr Kadas also served on numerous corporate boards in the region, including CSFB, the management committee of Renaissance Capital, and as vice chairman of the board of directors of České radiokomunikace, a.s. Mr Kadas graduated in 1986 from Trinity College, University of Toronto with a Bachelor of Arts degree in Economics and Politics. In 1990 he obtained a Master of Business Administration degree from Dartmouth College. (Canadian, 27 February 1962).

Charles Harman was a Non-Independent Non-Executive Director from 23 April 2015 until his resignation on 23 February 2016. He serves as Vice Chairman of EMEA Investment Banking at J.P. Morgan, as a member of the Advisory Board of the BXR Group, as a director of Malawi Mangoes (an African fruit production business partly owned by BXR) and as Chairman of Peters Fraser & Dunlop (UK literary agents). Mr Harman was a director of Sanditon Investment Trust PLC until November 2015 and also served as the chief executive officer at BXR Partners LLP from 2011 to 2014. His prior career was in investment banking at Credit Suisse First Boston (1984-1994), MC Securities (1994-1997), Donaldson Lufkin & Jenrette (1997-2001) and JP Morgan Cazenove (2001-2011). He was appointed Head of UK investment banking for J.P. Morgan in 2010. Mr Harman has a BA (Hons) and MA from Oxford University. Mr Harman will resign as a non-independent director of NWR upon the completion of the Majority Shareholder Exit (British, 1 January 1963).

Alyson Warhurst is an Independent Non-Executive Director of NWR and was appointed on 26 April 2013. She founded risk analytics and mapping company Maplecroft, which is a leading source of extra financial risk intelligence. She was Maplecroft's CEO until her retirement in 2014 and is an advisor to the senior executive of Verisk Maplecroft. She enjoyed a successful academic career at the Universities of Sussex, Bath and Warwick where she was appointed Professor and Chair of Strategy and International Development, received several prestigious awards and sat on the University Council. In 2010, she retired and became an Honorary Professor at Warwick Business School. Dr Warhurst has been a regular advisor to the World Economic Forum. She is on the Board of Trustees at Transparency International UK. Dr Warhurst comes from an academic background where she gained extensive expertise in the area of corporate responsibility and global risks, including political and societal risks, sustainability and corporate reputation and supply chain risk management. Dr Warhurst graduated in 1979 from the University of Bristol with a BSc in Geology. She also holds an MSc in Science, Technology and Industrialisation and a PhD from the University of Sussex. She has worked extensively in China, Africa and North & South America and has considerable expertise in the extractives and logistics industries, including advising global corporations in these sectors at board level. (British, 17 April 1958)

Barry Rourke is an Independent Non-Executive Director of NWR and was appointed with effect from 8 April 2011. Since 20 November 2007, Mr Rourke has served as a director of NWR NV where he currently holds the position of non-executive chairman. He served as an audit partner at PricewaterhouseCoopers from 1984 until 2001. Mr Rourke is currently an independent non-executive director of Afarak Group Plc., Anemka Resources Ltd., Avocet Mining Plc and TransFin-M OJSC. He is also chairman of the audit committee for each of these companies and a member of the remuneration committee for Avocet Mining Plc. Mr

Rourke is a Fellow of the Institute of Chartered Accountants in England and Wales, having qualified as a Chartered Accountant in 1973. (British, 19 August 1950)

Bessel Kok is the Senior Independent Director of NWR. He was appointed as a Director with effect from 8 April 2011. From 11 September 2007, Mr Kok had served as a director of NWR NV but resigned in 2011 following its redomiciliation in the United Kingdom. From 2005 to 2010, he served as chairman of the Ukrainian mobile operator LIFE. From 1995 to 2004, he was vice chairman and chief operating officer of Český Telecom in the Czech Republic. During that time he also served as chairman of the board of directors of Eurotel. Mr Kok was President of Belgacom from 1989 until the end of 1994 and oversaw its privatisation. In 1973, Mr Kok was a member of the team establishing SWIFT (Society for Worldwide Interbank Financial Telecommunication) in Belgium and became its president and CEO in 1981; he held such positions until 1989. Mr Kok graduated in 1963 from the Municipal University of Amsterdam with a degree in Economic Sciences. (Belgian, 13 December 1941)

Ian Ashby is an Independent Non-Executive Director of NWR and was appointed on 3 November 2014. Mr Ashby is a non-executive director at Nevsun Resources (appointed in January 2014), a non-executive director of Alderon Iron Ore Mining (appointed in June 2014), a non-executive director of Genco Shipping and Trading (appointed in July 2014) and is also a corporate advisor to Temasek, an investment company based in Singapore (appointed in August 2014). Mr Ashby has also advised Apollo Global Management in selected mining M&A projects since May 2013. Mr Ashby has over 30 years of international experience in the minerals industry across multi commodities and geographies. In his most recent role he was President of BHP Billiton's Iron Ore division, the most profitable and fastest growing division in the company, and previous to that, he held the role of Chief Operating Officer for the Base Metals division, which comprises world class copper, lead, zinc and silver assets. Mr Ashby has major capital development experience across multiple geographies, which includes value identification and economic justification, study, design and engineering and construction. With qualifications and experience in most aspects of the mining value chain, from opportunity development and project management through operations to the delivery of final product to a worldwide customer base, he has the ability to focus on both the big picture and detail, that enable mining businesses to be successful. Mr Ashby graduated from the University of Melbourne in 1979 with a Bachelor of Engineering (Mining) degree and has a First Class Mine Manager Certificate of Competency from Queensland (1983) and Western Australia (1987). (Australian, 2 October 1957)

Changes to the Board in 2015

Zdeněk Bakala resigned from the Board with effect from 23 April 2015. He served as a Non-Independent Non-Executive Director from 8 April 2011. Colin Keogh served as an Independent Non-Executive Director from 3 November 2014 until 19 August 2015. Marek Jelínek resigned as an Executive Director and as the Group's Chief Financial Officer with effect from 1 September 2015. He served on the board of directors of NWR NV since 6 March 2007. Boudewijn Wentink succeeded Marek Jelínek as Finance and Legal Director and as Executive Director. Charles Harman joined the Board as a Non-Independent Non-Executive Director with effect from 23 April 2015.

Changes to the Board between 31 December 2015 and the date of this report

Peter Kadas (a non-independent director of NWR Plc and New World Resources Services Ltd) and Charles Harman (a non-independent director of NWR Plc), each nominated by CERCL, resigned their directorships in all companies in the NWR Group with effect from 23 February 2016.

Role of the Board

The role of the Board is to represent NWR, its shareholders and other stakeholders, promote the achievement of the corporate objectives and protect the long-term success of the Group. To this end, the Board ensures the strategic direction, management supervision and control of NWR and the Group. The Board is responsible for the quality of its own performance and appropriate balance of skills, experience, independence and knowledge of NWR.

Non-Executive Directors constructively challenge and help develop proposals on NWR's strategy and also monitor the performance of Executive Directors and the Group management. They are entrusted with such duties as determined by the articles of association of the Company (the 'Articles') or a resolution of the Board.

The Board is responsible for presenting a fair, balanced and understandable assessment of the Group's position and prospects. Matters specifically reserved for the Board's decision-making include the following approvals or determinations:

- Overall strategy and annual budgets;
- Principal risks the Group is facing, their review and management;
- Internal policies;
- Annual remuneration of Non-Executive Directors within the limits set out in the Articles and the remuneration policy;
- Consolidated financial statements and annual reports;
- Transactions in which Directors and related parties might have conflicts of interest;
- Matters related to the Group entities that are decided by their shareholders according to their articles of association; and Major transactions by NWR and the Group entities.

The Board further ensures that there are effective and transparent systems in place to ensure financial control, compliance and risk management, and evaluates the internal control system.

The Board manages the Mining Division and the Real Estate Division. To that end, the Board approves the Divisional Policy Statements and makes decisions related to their implementation. Day-to-day operational decisions relating to these divisions are taken by NWR's employees and overseen by the Board (as described in more detail in the report of the Real Estate Committee).

To assist the Board in its decision-making the Board maintains five committees described below.

The powers of the Directors in relation to the issue or buyback of the Company's shares are described in the section headed 'Shareholder information' on page 149.

Main activities of the Board in 2015

In 2015, the Board of NWR met ten times, including a two-day strategy session in Darkov, Czech Republic. Throughout the year, the Board monitored tightly the Group's liquidity and debt position through an internal early warning system for cash flow issues ('traffic lights'). Over the past three years, the Group had made enormous progress in lowering costs and improving efficiencies and had also restructured debt. To that end, the Board oversaw operational optimisation of NWR's mines and monitored cost management but all this proved insufficient, given the continued erosion of both thermal and coking coal prices.

Despite these efforts, the Group remained cash flow negative. The key priority for the Board in 2015 was therefore the consideration of the Group's strategy for the years ahead and identification of viable scenarios. The situation has necessitated a detailed strategic review process across the Group.

In parallel with this strategic review, negotiations with certain key stakeholders have commenced as to an appropriate way forward, including its noteholders and shareholders and the Czech Government. These negotiations, which are ongoing, are focused on securing (1) a viable business for the Group, with a sustainable portfolio of cash-generative mines; (2) a capital structure appropriate to allow that portfolio to operate as a going concern through the anticipated extended period of low coal prices; and (3) clarity for employees.

Each quarter, the Directors considered, together with the auditor, the going concern status of the Company and the quarterly financial statements.

For further detail on the status of the strategic review negotiations and the going concern status of the Company, please refer to the section headed 'Going concern basis of accounting' in the Consolidated Financial Statements.

The Board regularly discussed safety performance. Directors received detailed reports on extraordinary events at NWR's mines, health and safety issues and, sadly, also fatalities. The Board was informed in depth about causes of such events, investigations and courses of action.

Directors intensively discussed with management the Debiensko development project. As it did not attract funding for the estimated two-year feasibility stage the Board decided to put the project on hold.

The Directors also considered changes to the Board composition and management. Further to the resignations of Zdeněk Bakala and Marek Jelínek, the Board recommended to shareholders the appointment of Charles Harman as the Non-Executive Director and appointed Boudewijn Wentink as Executive Director until the next AGM. Charles Harman subsequently resigned as director with effect from 23 February 2016.

The Board also considered the Group risk register and monitored preparation of a longer term statement assessing the prospects of the Company published elsewhere in this report.

Lastly, the Board approved amendments to the Corporate Governance Policy and the committee terms of reference to the extent they varied from the Main Principles of the UK Corporate Governance Code 2014. Amended were also the policies on the Group treasury and internal audit. Approved were several minor real estate transactions as described in the report of the Real Estate Committee, and the adjustments of stock options and deferred shares on the rights issue, as described in detail in the section headed 'Remuneration Report' on page 79.

The Board acknowledges the low number of females in the organisation, however, as the main priority for NWR in 2015 was the strategic review of the Group's business, the Board did not set any measurable diversity targets for that year.

Attendance at Board and committee meetings
The Board has established several committees to assist its decision-making. The members of the committees are members of the Board (with the exception of Dale Ekmark who is a member of the Safety, Health and Sustainability Committee, thus providing direct insight into safety issues at operational level) and are appointed by the Board. Each committee has its own terms of reference, which are approved by the Board. The committee chairmen report at each Board meeting on their work, deliberations, findings and recommendations. Their activities in 2015 are described in the section headed 'Committee Reports' on page 46.

Attendance at Board meetings, including the two-day strategy meeting, and committee meetings during the year is outlined below. The Board and committee composition changed during the year. The number in brackets shows the number of the meetings each Director was eligible to attend.

	NWR Board meetings (10)	Audit and Risk Management Committee (6)	Remuneration Committee (4)	Nomination Committee (5)	Safety, Health and Sustainability Committee (3)	Real Estate Committee (4)
Ian Ashby	7(10)	-	2(2)	4(4)	3(3)	-
Zdeněk Bakala	1(3)	-	0(2)	-	-	-
Charles Harman	7(7)	-	-	1(1)	-	-
Marek Jelínek	5(5)	-	-	-	-	-
Peter Kadas	6(10)	-	-	2(5)	-	-
Colin Keogh	4(5)	5(5)	3(3)	-	-	3(3)
Bessel Kok	9(10)	6(6)	4(4)	-	-	4(4)
Gareth Penny	10(10)	-	-	-	3(3)	-
Barry Rourke	9(10)	6(6)	-	-	-	4(4)
Alyson Warhurst	10(10)	-	-	5(5)	3(3)	-
Boudewijn Wentink	6(6)	-	-	-	-	-

The Board receives regular reports on the financial and operational performance, cash position, safety issues and initiatives, coal sales and customer relationships, business development, legal affairs and sustainability matters. Its meetings are therefore attended by key executives of the Group, namely Dale Ekmark, managing director of OKD; Peter Dormann, Head of Sales and Trading; and Peter Carr, Head of Business Development.

Meeting of Non-Executive Directors

The Non-Executive Directors met once during 2015. They discussed the performance of the Executive Directors and also the key senior managers. The session was chaired by the Senior Independent Director.

Committee reports

The report of the Audit and Risk Management Committee ('ARMC') starts on page 73.

REMUNERATION COMMITTEE ('RC') REPORT

Bessel Kok (Chairman)
Ian Ashby

The RC consists of Independent Directors. Gareth Penny, NWR's Executive Chairman, regularly attends the meetings. Ian Ashby was appointed a RC member with effect from 23 April 2015 after the retirement of the former RC member, Zdeněk Bakala. Contrary to provision D.2.1. of the UK Corporate Governance Code 2014, Mr Bakala, who served as the Non-Independent Non-Executive Director, was a member of the RC due to his insight into shareholders' demands. Colin Keogh, who served as Independent Director, was an RC member since 3 November 2014 until his resignation on 19 August 2015. The Board expects to appoint a third member of the RC after the completion of the ongoing reorganisation of the Group.

Main responsibilities
The main responsibilities of the RC are:

- Set the remuneration policy for all Directors and their contractual terms, including (share-based) incentive plans, pension rights and compensation payments, if any (no member of the RC may participate in any discussions or make proposals in respect of his own remuneration);
- Prepare proposals to the Board on the contractual terms for Non-Executive Directors. The Board itself determines the remuneration of the Non-Executive Directors;
- Recommend and monitor the level and structure of remuneration for NWR senior managers and determine their total individual remuneration package including any performance targets, bonuses, incentive payments or share awards; and
- Produce a report on NWR's remuneration policy and practices to be included in NWR's annual report and ensure each year that it is put to shareholders for approval.

Activities undertaken during the year
The RC met four times during 2015. At its first meeting in January 2015, the RC reviewed the annual remuneration of the Executive Directors and recommended to the Board to maintain their salary levels. The fees of the Non-Executive Directors were reviewed in November 2014 and were reduced substantially in order to align them with NWR's peers and reflect the financial situation of the NWR Group. The RC further discussed NWR's bonus plans and whether they had the desired motivational aspect.

At its next meeting, in February 2015, the RC analysed the KPIs for the cash bonus and the Long-Term Incentive Plan agreed for 2014, the achievements against target, stretch and super-stretch and determined bonus payments to key executives of NWR and OKD. Please refer to the section headed 'Remuneration Report' on page 79 for information on bonuses to the Executive Directors. Secondly, the RC approved the performance criteria applicable to annual bonuses to six key executives of the Group for 2015. The Company now measures performance against coking coal sales and monitors operational performance against unit cost as that is appropriate in NWR's business. To ensure that the performance criteria are unambiguously measurable, the previously used qualitative criteria (customers and supplier relationships and organisational effectiveness) have been dropped. In the RC's view, the performance criteria continue to be strongly linked to safety, strategy and budget. In respect of the Group's key executives, the RC approved their individual deliverables in 2015 (with the exception of the Executive Directors whose bonus is subject to the remuneration policy approved by the shareholders). The RC also approved the remuneration report for 2014.

Following the changes to the Board and the NWR Group's management associated with the departure of the former CFO, Marek Jelínek, the RC met in June 2015 to review his remuneration arrangements and determine his exit package. In this regard, the RC also determined new terms and conditions for his successor, Boudewijn Wentink.

Finally, the RC approved certain good leaver proposals under the Company's share plans, minor changes to the new annual bonus plan which applies from 2015 and the fees to the members of the Board committees established in connection with the Group's strategic review. Further details on remuneration may be found in the section headed 'Remuneration report' on page 79.

The RC is of the opinion that it has carried out all the responsibilities set out in its charter, which can be found on the Company's website.

NOMINATION COMMITTEE ('NC') REPORT

Alyson Warhurst (Chairwoman)
Peter Kadas
Charles Harman

The composition of the NC changed on 23 April 2015 due to the changes to the Board. The NC is chaired by Alyson Warhurst, the Independent Non-Executive Director, which is in line with provision B.2.1 of the UK Corporate Governance Code 2014 and also with the 2014 Davies Review suggesting a presence of at least one woman on a nomination committee. Contrary to provision B.2.1 of the UK Corporate Governance Code 2014, other two members are Non-Independent Non-Executive Directors. The Board perceived their membership of the NC as beneficial due to their understanding of the Board's needs based on their extensive experience on boards of other companies. The meetings are regularly attended by Gareth Penny, NWR's Executive Chairman. The former member of the NC was Ian Ashby.

Main responsibilities

The main responsibilities of the NC are:

- Reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations to the Board with regard to any changes;

- Making recommendations to the Board concerning succession planning for both Executive and Non-Executive Directors and in particular for the key roles of the Chairman of the Board and the Chief Executive Officer (if appointed) and senior managers of the Group;

- Identifying and nominating, for the approval of the Board, candidates to fill Board vacancies and evaluating the balance of skills, knowledge, experience and diversity (gender) on the Board, and, in the light of this evaluation preparing a description of the role and capabilities required for a particular appointment;

- Reviewing the results of the Board performance evaluation process that relate to the composition of the Board; and

- Making recommendations to the Board on re-election by shareholders of Directors under the annual re-election provisions of the UK Corporate Governance Code 2014 and the retirement by rotation provisions in the Articles.

Activities undertaken during the year

In 2015, the NC met five times. Further to the resignation of Zdeněk Bakala, the NC met with Charles Harman nominated to serve as a Non-Independent Non-Executive Director and agreed that he would be able to contribute meaningfully to the Board. The NC sought to ensure that he was the best candidate for the role given his expertise and experience, as well as being representative of shareholder interests. It was important to the NC to take account of the diversity criteria that guide Board Director appointments and the NC was satisfied that sufficient effort had been made on this occasion to consider other potential candidates in accordance with the diversity criteria and to select the best overall candidate. Given the limited pool of candidates meeting the criteria and the desired specific profile, neither an external search consultancy nor open advertising was used in the search for the independent candidates contrary to provision B.2.4 of the UK Corporate Governance Code 2014. In that instance, the NC reviewed the structure and composition of the Board and concluded that the Board includes an appropriate combination of Executive and Non-Executive Directors and, in particular, Independent Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision taking, which is in line with provision B.1.2 of the UK Corporate Governance Code 2014.

The NC initiated that the Company Secretary put in place a more formal and flexible induction process for new Directors and encourage Directors to participate in training as needed. The NC also proposed to repopulate the RC and the NC to ensure the appropriate balance of skills.

In June 2015, the NC considered the Group's management structure. Marek Jelínek, the former Executive Director and Chief Financial Officer, announced his resignation and the NC debated his succession. Given the circumstances, it was considered more appropriate to build on NWR's own resources and promote them in line with the succession plan prepared earlier by the NC. The NC took into account the challenges facing NWR, and what skills and expertise were needed, and recommended the promotion of Boudewijn Wentink, the former Chief Legal Officer, to Finance and Legal Director. The NC prepared his job specification and considered his direct deputies to ensure continuity of the finance role. Lastly, the NC also considered the promotion of Dale Ekmark, managing director of OKD, to the Group's Chief Executive Officer. Following that change, Gareth Penny would have become the Non-Executive Chairman of the Board. That decision was later temporarily reversed and the existing management structure has been retained for the current period.

The meeting in August 2015 was to discuss the changes to the Board composition. The NC supported the nomination of Boudewijn Wentink as Executive Director and debated the resignation of Colin Keogh, who served as Independent Director and was member of three Board committees. While considering the desired profile of a nominee, the NC emphasised the importance of reference to the diversity criteria in the development of the short list of candidates, with considerations in respect of gender and nationality.

The NC continued to oversee the Board's policy on diversity. It is the NC's view that the Board has a strong spread of skills, nationalities and ages. In terms of gender balance, the

NC ensures that it is a core consideration in succession planning and has restated the overriding principle that NWR should use every opportunity to improve gender diversity and give priority to the female candidates if they are equally qualified as the male candidates and retain female workers to the extent possible. A breakdown of the number of persons of each sex who are directors, senior managers and employees is given in the ‘Sustainability’ section of the ‘Strategic Report’. The NC noted concrete suggestions for improving gender diversity set out in the 2014 Davies Review. In its view, NWR is compliant, as far as practicable, with those suggestions. Given financial pressures and the importance of ensuring the sustainability of the business in light of coal prices and also bearing in mind NWR’s sector and NWR’s membership of the FTSE Fledgling Index rather than the FTSE250, the NC did not propose any aspirational target for 2015.

In accordance with the Group’s Code of Ethics, the Group continues to give full and fair consideration to applications for employment made by disabled persons, having regard to their respective aptitudes and abilities. For example, the Group’s Code of Ethics includes commitment to refrain from making employment decisions based on gender, age, marital status, race, colour, sexual orientation, disability, nationality, political, belief, or religious affiliation. In 2013 the Group introduced the Diversity Policy, which confirms NWR’s approach of zero tolerance to any form of discrimination on the basis of age, gender, ethnicity, race, nationality, language, disability, religion, sexual orientation or marital status. The Group has continued its policy of employee involvement by making information available to employees on matters of concern to them and maintains formal processes to inform, consult and involve employees and their representatives. The subsidiaries additionally act in compliance with Czech and Polish law.

The NC regularly debated succession planning for Executive Directors, the first layer management and the Company Secretary. The identified back-up candidates are internal as well as external with the potential to fill key positions and gender balance is kept in mind. The NC also discussed quality, motivation and dedication of senior management in the light of the financial situation of NWR Group.

Finally, the NC followed up on the recommendations and comments received during the 2014 Board performance evaluation and examined the outcomes of the in-house evaluation in 2015. Please refer to the section headed ‘Board effectiveness’ on page 53 for further details.

The NC is of the view that its composition is appropriate and that its members have carried out all duties and responsibilities set out in the charter, which can be found on the Company’s website.

SAFETY, HEALTH AND SUSTAINABILITY COMMITTEE (‘SHSC’) REPORT

Ian Ashby (Chairman)
Alyson Warhurst
Gareth Penny
Dale Ekmark

The SHSC consists of the Executive Chairman and two Independent Non-Executive Directors, which is fully in line with its charter. Dale Ekmark, managing director of OKD, was appointed member in 2014 in order to provide insight in the safety and sustainability matters at OKD and assist directly in the SHSC’s discussions.

Main responsibilities
The SHSC assists the Board in its oversight of corporate and social responsibilities ('CSR') with a special emphasis on health, safety and environmental ('HSE') risks within NWR and its subsidiaries as well as the Group's compliance with applicable legal and regulatory requirements associated with CSR and HSE matters.

The SHSC's main duties in the CSR area are:

- Monitoring and reviewing the internal policies and systems within the Group for implementing the sustainability programmes, frameworks and objectives;

- Monitoring and reviewing the Group's performance in relation to sustainability matters and following up on the achievement of the respective key performance indicators and targets;

- Overseeing preparation of sustainability reports and CSR sections for the annual reports; and

- Supporting stakeholder dialogue and engagement on sustainability performance.

The SHSC's main responsibilities in the HSE area are:

- Overseeing the Group's performance on HSE matters;

- Reviewing reports and meeting with senior management of the subsidiaries to discuss the effectiveness of the Group's policies and systems for identifying and managing material HSE risks; and

- Monitoring the impact of operations on the Group's reputation.

For both CSR and HSE matters, the SHSC is responsible for:

- Reviewing the policies and systems within the Group for ensuring compliance with applicable social, HSE, legal and regulatory requirements as well as for effective and positive employee and community relations;

- Liaising with the Audit and Risk Management Committee to ensure adequate oversight of the Group's systems for managing the CSR and HSE risks;

- Reviewing and, if appropriate, making recommendations to the Board on the areas of CSR and HSE and others.

Activities undertaken during the year
In 2015, the SHSC met three times. The format and content of its meetings was refreshed upon the suggestion of the new chairman, Ian Ashby, to make them more effective whilst also covering the necessary governance requirements. The standing agenda items are: reports on compliance (safety statistics and regulatory matters); OKD's safety programme; corrective actions for fatal accidents; high potential incidents; and seismicity. Special items reported to the SHSC include description of fatal accidents, their causes and corrective actions, update on outplacement program for worker lay-offs ('New Shift'), health-related matters and emerging SHS risks.

The SHSC regularly reviewed the HSE reports of OKD and detailed reports on extraordinary events and, sadly, fatalities. The SHSC always discussed their cause and potential preventive measures and put emphasis on transparency of public disclosures.

At its first meeting last year, the SHSC discussed the fatal accident that occurred on 18 January 2015 at the Lazy site. A 44-year old worker died approximately 750 meters underground when he was undertaking maintenance on a shearer. The SHSC discussed how such accidents could be prevented from happening as OKD seemingly failed in this case to execute directives and corrective measures implemented in response to previous accidents and injuries. It has been recognised that cultural acceptance of risks is quite large. The SHSC encouraged management to take a targeted approach by focusing on supervisors who need to have demonstrated leadership characteristics and considering installing women in safety positions because women can have a different mind set managing risk. The 2015 OKD Safety Campaign includes a significant focus on behaviour and frontline as well as senior leadership. OKD has also engaged an external psychologist to drive this training and mind-set change. Unfortunately, underground qualified female employees are effectively non-existent. However, on the surface, women have been integrated into the safety process and the safety department.

Ian Ashby visited the mines in March 2015. He observed that the underground working conditions are difficult, that the mining staff appear to be very technically competent and that the quality of general infrastructure and operations support are high.

The SHSC was regularly informed on seismic activity at OKD’s mines and its trend. There were no material issues last year as the seismicity was subdued primarily to mining sequencing.

The SHSC further considered OKD’s safety programme running through the whole year, which included numerous safety initiatives such as a ‘shock therapy’ (a live dust and methane explosion and a fire training in a test shaft) and a special offsite for the foremen and technicians. The ongoing safety campaign also involves the miners’ families.

The SHSC noted an internal audit report on occupational safety and work related injuries and the legal background of health-related issues, classification of occupational diseases prevalent in miners, their compensation under the Czech law and the control of such diseases. Dust exposure remains the main reason for terminating miner’s work underground.

The SHCS was regularly informed on the ‘New Shift’ project of OKD helping outplaced employees develop skills and capabilities for finding new jobs or becoming entrepreneurs through training, requalification, counseling, advisory, etc. The project was launched in October 2014 and runs in co-operation with Czech Ministry of Labor and Social Affairs, District Labor Office and other authorities. The SHSC acknowledged its critical importance for the region. The initial scepticism around the project has subsided and the success stories are encouraging more outplaced employees to join the programme.

The 2016 Safety Campaign will be a continuation of the 2015 Safety Campaign with an emphasis on frontline and supervisor training in both leadership and communications. It will also include additional emphasis on Near Miss Reporting. The remainder of the 2015 programme will be refreshed and redeployed as the progress to date is significant.

The SHSC acknowledged that the future of the Company would very likely require a substantial reduction of underground employees, which might impact, amongst others, the safety in the mines, and advised to clearly recognise the full implications of that in the reorganisation strategy.

The SHSC believes that it has successfully fulfilled its duties and responsibilities set out in its charter, which can be found on NWR's website.

REAL ESTATE COMMITTEE ('REC') REPORT

Barry Rourke (Chairman)
Bessel Kok

The REC is wholly composed of Independent Non-Executive Directors. Colin Keogh was chairman of the REC until his retirement from the Board on 19 August 2015. The meetings are regularly attended by NWR's Legal and Finance Director. The Board expects to appoint a third member of the RC after the completion of the ongoing reorganisation of the Group.

Main responsibilities
The role of the REC is to oversee the assets and liabilities of the Real Estate Division and the interaction between the Mining Division and the Real Estate Division of NWR. In its advice the REC endeavours to ensure that the interests of NWR and its shareholders (of each separate class of shares) have been identified and adequately taken into consideration.

The REC supports and advises the Board in its work by:

- Advising the Board on matters regarding the Real Estate Division of NWR (except in relation to audit, accounting and financial disclosure matters, which fall within the remit of the Audit and Risk Management Committee);

- Monitoring interactions between the Mining Division and the Real Estate Division and all transactions affecting the assets of the Real Estate Division with third parties and advising the Board in respect thereof;

- Developing and interpreting the Divisional Policy Statements, proposing amendments, providing guidance on provisions and overseeing its implementation; and

- Overseeing NWR subsidiaries' compliance with the Divisional Policy Statements.

Activities undertaken during the year
The REC met four times in 2015. In line with its responsibility for supervising transactions between the Mining Division and the Real Estate Division, the REC monitored real estate transactions of NWR's core operations, including transactions with third parties (mainly sales of OKD property outside the NWR Group). There were no real estate transactions at NWR Karbonia in 2015. In line with the Divisional Policy Statements (as described below), the values of such real estate transactions have been set by independent experts and such transactions have been approved by the Board as well as by the holder of the B Shares. To that end, the REC annually reviews a list of valuation experts to ensure their independence. The REC further reviews, on a regular basis, the profit and loss accounts of the Real Estate Division.

Divisional Policy Statements
The Divisional Policy Statements were adopted by the Board on 8 April 2011 with effect from 6 May 2011. They refer to the Mining Division and the Real Estate Division that were originally created within the NWR Group on 31 December 2007. They have been prepared and adopted on the basis that the Mining Division has the right to: (i) the undisturbed

continuation of its mining, coking and related operations that are conducted on certain assets of the Real Estate Division; and (ii) unrestricted access to such assets of the Real Estate Division in connection with such mining, coking and related operations.

The Divisions operate separately for accounting and reporting purposes. Under the Divisional Policy Statements, OKD (and the other subsidiaries of NWR as the case may be) carries out the day-to-day operations of the Real Estate Division. In carrying out such day-to-day operations, they are required to seek prior approval from the Board, after the REC has provided its advice to the Board, when proposing to enter into transactions which: (i) are not considered by the Board to be in the ordinary course of business of the Real Estate Division; or (ii) relate to assets of the Real Estate Division, which have a book value of 5 % or more of the total book value of the assets of the Real Estate Division.

The Divisional Policy Statements as well as a book of procedures dealing with the accounting aspects of the Divisional Policy Statements have been implemented throughout the Group. Compliance is monitored by the REC through monthly reports received from the Company Secretary, who acts as an intermediary between the REC, NWR and its subsidiaries.

The REC believes that it has carried out all the responsibilities set out in its charter, which has been amended, with effect from 23 February 2015, to reflect the model terms of reference published by the ICSA. The amended charter and the Divisional Policy Statements are available on NWR's website.

Board effectiveness

Director independence
The Board determines whether or not a Director is independent, based on the independence criteria contained in NWR's Corporate Governance Policy. A Director shall not be deemed to be independent if the Director concerned (or his wife/her husband, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree) has been an employee of the NWR Group within the last five years; receives personal financial compensation from any NWR Group company other than the compensation received as Director; has had an important business relationship with NWR or a company associated with it in the last three years; holds a cross-directorship or has any significant links with other Directors through involvement in other companies or bodies where these cross-directorships or links would materially interfere with the Director's objective, unfettered, or independent judgment or ability to act in the best interests of NWR; holds directly or indirectly more than 10% of A Shares or B Shares; is a member of the (management or supervisory) board or senior management of an entity, which holds directly or indirectly at least 10% of A Shares or B Shares; or has served on the Board for more than nine years from the date of his/her first election.

Director appointment and re-appointment
Both the Company by ordinary resolution and the Directors have the power at any time to elect any person to be a Director, but the number of Directors shall not exceed the maximum number fixed by the Articles (20 Directors). Any person so appointed by the Directors shall retire at the next Annual General Meeting and shall then be eligible for election. In 2015, the Directors elected Boudewijn Wentink to be an Executive Director until the 2016 AGM. Under the Articles of Association each Director shall retire at the Annual General Meeting held in the fourth calendar year following the year in which he was elected or at such earlier Annual General Meeting as the Directors may decide. The office of a Director shall be terminated on the occurrence of any of the events listed in Article 81 of the Articles. The Company, by an ordinary resolution, may, in accordance with its Articles, remove any Director from office and

elect another person in place of a Director so removed.

In accordance with the UK Corporate Governance Code 2014 and in line with best practice, all Directors should be subject to annual (re-) elections. In any case, all Directors will retire at the forthcoming AGM currently scheduled for 26 April 2016 and will offer themselves for re-election.

To assist with the Directors' appointment and re-appointment, NWR has a Nomination Committee that is responsible for identifying suitable candidates for appointments to the position of Director and evaluating the Board's composition.

Board expertise
The Board believes that it has the appropriate balance of Executive and Non-Executive Directors who have the desired skills, experience, independence and knowledge of NWR, and recommends the re-election of each of the Directors at the forthcoming AGM.

Executive and Non-Executive Directors have the experience required to contribute meaningfully to the Board's deliberations and resolutions, including international operational and financial experience, knowledge of the mining sector and capital markets, as well as command of health, safety and sustainability issues.

Gareth Penny is a recognised and experienced professional in the international mining sector and brings to the Board his deep experience in many aspects of the mining business. He focuses, in particular, on the development of the Company's strategy and its response to evolving conditions in the coal markets and provides the Board with strategic and organisational leadership at Group level.

Boudewijn Wentink possesses the legal, commercial and financial skills necessary in today's economic environment. In his role of the Finance and Legal Director, he manages the capital structure of the Group and is responsible for funding and treasury management, preparation of the consolidated financial statements and financial reporting to the Board. He is further responsible for the legal matters of the Group including compliance and internal controls. He provides the Board with feedback on his regular contact with NWR's stakeholders. In 2015, he initiated and was extensively involved in the Group's strategic review.

Alyson Warhurst has expertise in the area of corporate social responsibility and non-financial risk identification and management. She contributes her knowledge of sustainability issues, gender diversity and corporate compliance. With her strong academic background and business experience, she strengthens the Board's independent review of these issues.

Bessel Kok, NWR's Senior Independent Director, has extensive managerial experience and knowledge of the CEE market, and brings to the Board an independent view on the situation in the Czech Republic. Given his financial background he contributes meaningfully when it comes to independent control of financial reporting and risk management. As chairman of the Remuneration Committee, he ensures independent alignment between the NWR's and shareholders' interests.

Barry Rourke, as a former audit partner, brings to the Board his considerable expertise in the area of financial review, integrity, internal controls and management of risks. In his role as chairman of the Audit and Risk Management Committee, he makes sure that the Group has adequate control systems in place.

Ian Ashby joined the Board in November 2014. He has a valuable experience in mining of many sorts, engineering and safety. As chairman of the Safety, Health and Sustainability Committee, he focuses, amongst others, on safety risks whilst covering off on the necessary governance requirements.

Please refer to the section headed ‘Directors’ full biographical details’ on page 39 for further information on each Director.

Information and professional development

Directors receive a tailored introduction upon joining the Board and documents relevant to their scope of focus within NWR. They conduct regular site visits to NWR’s mines and have full access to financial, operational, strategic and regulatory information to help them discharge their responsibilities. They regularly receive presentations by senior management and management reports, as well as market and legal updates. They also have access to training and education, which they may require from time to time in respect of their individual needs as Directors.

In November 2015, the Directors and management received training on UK Bribery Act 2010 to refresh central principles, help them identify the many forms of bribery prohibited by the act and gain awareness of the risks bribery poses to companies and individuals.

Directors are also entitled to seek, at NWR’s expense, independent professional advice where they judge it necessary. To this effect, the Board and its committees have received various legal, mining and other advices in 2015.

Board evaluation

Throughout 2015, the Board took action on the recommendations received during the 2014 performance evaluation process. The time allowed for the Board meetings and its committees has been extended to the Directors’ satisfaction. Education of new Directors has been formalised through a comprehensive ‘welcome pack’ and a site visit in NWR’s mines. The Board members have also been encouraged to consider their training needs and take any training they may require.

At the end of 2015, the Company Secretary conducted an internal evaluation of Board’s performance, its work and functioning, and an assessment of its Chairman and the committees and also the governance processes which support the Board’s work. The Directors’ general view is that the Board functions well together with positive off sets from the different skill bases, has excellent dialogue with management and is committed to the success of NWR. The Board members appreciate the Chairman’s leadership and the secretarial support, the current committee structure and good governance. The information coming to the Board is of good quality although there is room for improving its timely distribution. Despite a very difficult time for NWR, systematic processes continue to be followed and decisions are taken in a timely way and professionally. High rating was given to the oversight of the financial reporting process, internal controls and audit functions. Ethics and compliance arrangements are also considered adequate. The Directors have a good understanding of risks, reporting and regulatory issues. Development and alignment of the overall strategy is viewed as effective and discussions of the business plan and budget are satisfactory.

The combination of Executive and Non-Executive Directors and, in particular, Independent Directors, is viewed as appropriate but, as in 2014, the Directors highlighted an inadequate balance of men and women in the boardroom. Another topic that requires constant attention is succession and rotation planning for Board members and senior management and also the directors' remuneration process. Limited experience of some Board members in the Czech Republic is generally seen as a weakness. Some Directors also call for annual training on the areas relevant to the Board. Other than that, the process did not identify any major concerns. The Directors' comments will be implemented through the actions proposed by the Company Secretary and monitored by the Nomination Committee.

Competing engagements

According to the Corporate Governance Policy, a Non-Executive Director should have no more than five board memberships in other companies (with chairmanship of a publicly listed company board counting as double) not related between themselves, so that the proper performance of his/ her duties is assured. Full-time Executive Directors may not take on more than one non-executive directorship in a FTSE 100 company nor the chairmanship of such a company. The acceptance by an Executive Director of such board membership requires the approval of the Board. Other important non-executive positions held by an executive director shall be declared to the Board. Please refer to the section headed 'Remuneration Report' on page 79 for details of the other board positions held by the Chairman.

Directors' indemnity and insurance

The Articles provide for the Directors, the Company Secretary and the directors and the company secretaries of associated companies to be indemnified, to the extent permitted by law (and subject to certain exemptions), against any liability incurred in connection with any negligence, default, breach of duty or breach of trust by him in relation to the Company or any associated company of the Company. No amount has been paid under any of these indemnities during the year. In this respect, the Company has issued deeds of indemnity to the Directors.

The Company has purchased Directors' and Officers' ('D&O') insurance during the year. In broad terms, the D&O insurance policy protects, inter alia, private assets of directors and officers against financial losses from legal liability claims filed against such directors or officers arising out of alleged wrongful acts or omissions, either committed or attempted in the capacity as a director or officer of the Company. D&O insurance typically does not cover claims relating to the IPO or other securities claims, arising out if or in connection with a public offer of securities and, therefore, the Company (and NWR NV) concludes stand-alone insurance policies for any public offer of securities.

Company Secretary

Zuzanna Wronkowska acts as Company Secretary. She is responsible for advising the Board on all governance matters and ensuring that the Board procedures and functions comply with relevant laws and regulations. The Company Secretary assists the Chairman in the organisation of the Board and committee meetings as well as the general meetings of shareholders, prepares materials for these meeting and drafts the meeting minutes. She discharges other responsibilities the Board has assigned to her and is accountable to the Board.

Accountability

Code of Ethics and Business Conduct

NWR's Code of Ethics and Business Conduct governs the behaviour of all officers and employees of NWR and its subsidiaries. Appended to it is a reporting mechanism enabling employees to express concerns to the Board's Chairman, Senior Independent Director and the designated officer in relation to the conduct of NWR, its officers and employees (the

Whistleblower Procedure). The core operations of NWR have implemented the corresponding procedures. OKD has established an independent internal committee which deals with the complaints and whistleblower reports. The ARMC monitors, through reports received from the Company Secretary, the effectiveness of the procedures. Please refer to the Remuneration Report which begins on page 79 for further details.

To confirm its commitment to the high standards of conducting business, the Board has also adopted the Business Integrity Policy. The ARMC also reviews annually adherence to the Business Integrity Policy adopted in the efforts to combat fraud and bribery. The Board has also established a gift register, which is reviewed quarterly by the Group Internal Auditor.

The Code of Ethics and Business Conduct and the Business Integrity Policy are available on NWR's website at www.newworldresources.eu.

Risk management and internal controls

The Board has the overall responsibility for the Group's system of internal controls, risk management and compliance. The effectiveness of the relevant policies is reviewed regularly by the ARMC, which reports its findings to the Board. For more details, please refer to the paragraph entitled 'Principal risks and uncertainties' under the section headed 'Audit and Risk Management Committee Report' on page 73.

Throughout 2015, the Directors have continued to review the effectiveness of the internal control systems and the risk management. These reviews include an assessment of internal controls and their effectiveness, focusing in particular on the financial, operational and compliance controls and risk management.

The considerations are supported by management assurance of the maintenance of controls and the reports from the Group Internal Auditor and the external auditor on matters identified in the course of the statutory audit work. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and provides reasonable (not necessarily absolute) assurance of effective operation and compliance with laws and regulations.

Underpinning these reviews is an annual process by which responsible senior management personnel confirm the adequacy of the systems of internal financial and non-financial controls, compliance with Group policies and relevant laws and regulations and that they have reported any control weaknesses to the ARMC.

The internal control framework has been in operation throughout 2015 and continues to operate up to the date of the approval of this Annual Report. The Directors believe that the Group maintains an effective, embedded system of internal controls and complies with the Turnbull Report guidance and, in the view of the Directors, no significant deficiencies have been identified in the system. Of course no system of internal control can provide absolute assurance that the Group's objectives will be met.

Conflict of interest

The Corporate Governance Policy sets out the rules for dealing with conflicts of interest. Directors are required to immediately report any conflict of interest or potential conflict of interest that is of material significance to the Senior Independent Director, and to provide all relevant information, including information concerning a related party. If the Senior Independent Director has a conflict of interest or potential conflict of interest that is of material significance, he should immediately report to the Board and provide all relevant information.

The ARMC is responsible for making recommendations to the Board on potential conflicts of interests and related party transactions. Directors do not take part in the assessment by the ARMC of whether a conflict of interest exists.

Directors' interests

Please refer to the paragraph entitled 'Directors' shareholding' in the Remuneration Report on page 86 for details on the interests of the Directors in the share capital of NWR. Information on persons with a significant direct or indirect holding in the Company may also be found in the 'Shareholder information' section on page 149 .

Insider trading

In compliance with the relevant laws, rules and regulations of the UK, the Czech Republic and Poland, the Company has a Share Dealing Code that covers dealings in NWR's shares and other securities, abuse of inside information and disclosure of information relating to the securities by the Directors and certain employees of NWR Group. The document restricts dealings during designated prohibited periods and at any time that the Directors and employees are in possession of unpublished price-sensitive information. The Share Dealing Code has been implemented throughout NWR Group and is monitored by NWR's Compliance Officer. It can be found on NWR's website.

Going concern

Challenging market conditions persist for our industry worldwide, with slower global industrial output pushing coking coal prices lower. The dynamics of the regional thermal coal market are also difficult, due to local oversupply and aggressive pricing by certain competitors.
The Group manages its liquidity (EUR 86 million as at 31 December 2015 (31 December 2014: EUR 128 million)) through receivables financing and other working capital measures.

At the present market prices of coal, the Group is cash flow negative even before any servicing of its existing financial indebtedness. The continuing low coal price environment has placed significant pressure on the Group's liquidity position and its solvency, with net liabilities of approximately EUR 385 million as at 31 December 2015, including financial indebtedness with a book value of approximately EUR 383 million and a principal amount of EUR 581 million (comprising EUR 334 million Senior Secured Notes, EUR 162 million Convertible Notes, a EUR 50 million export credit agency-backed facility ('ECA Facility') and a EUR 35 million super senior credit facility ('SSCF')). The Group's Senior Secured Notes and Convertible Notes have features that, in certain specified circumstances, result in interest being able to be paid in kind rather than in cash.

The Group completed a restructuring of its financial indebtedness in 2014. In 2015, management focused on reducing operational and overhead costs as much as possible. However, notwithstanding the steps that have been taken to date, the Group remains cash flow negative and forecasts indicate that the Group could remain cash flow negative before debt servicing for several years.

The SSCF matures in October 2016 and the full EUR 35 million principal amount (together with accrued and unpaid interest) will need to be paid at maturity or be refinanced. The SSCF currently requires New World Resources N.V. ('NWR NV') and its subsidiaries to maintain a minimum cash balance of EUR 40 million on and from 31 October 2015 (the 'Minimum Liquidity Covenant'). It is expected that the cash balances of NWR NV and its subsidiaries will breach the Minimum Liquidity Covenant in Q2 2016, causing an event of default under the

SSCF (see further below – SSCF Waiver). If upon (i) breach of the Minimum Liquidity Covenant or the occurrence of any other event of default under the terms of the SSCF; or (ii) maturity of the SSCF, the SSCF is not repaid or refinanced, this would in turn trigger a cross-default to the ECA Facility and potential acceleration under the terms of other financial indebtedness of the Group (including the Senior Secured Notes).

Further, the Directors recognise that NWR NV, which is the issuer in respect of the Senior Secured Notes and Convertible Notes and a borrower under the ECA Facility, has significant debt repayments scheduled over the period to 2020, which it will in all likelihood not be able to meet. As a consequence, NWR NV will need to refinance or restructure these liabilities. There is no guarantee that a refinancing or restructuring can be achieved or of the terms on which it could be achieved. For example, a refinancing might be conditional on additional equity being injected into the Group.

In addition, there is currently a technical default under the terms of the ECA Facility relating to the commencement of discussions with one or more of the Group's creditors that began in January 2016, which is therefore capable of being accelerated. The Group is currently seeking a waiver of that default and the preliminary indication received from the ECA lenders is that they are supportive of providing the waiver in the near term. However, there is no guarantee that the waiver will be provided and, if provided, the terms and timing of such waiver. The standstill and temporary waiver agreement in respect of the SSCF (see further below – SSCF Waiver) includes a waiver of the relevant cross default provisions that would otherwise be triggered as a result of the default that has arisen under the ECA Facility, which will apply as long as the debt under the ECA Facility has not been accelerated.

In the short term, the Group also expects to incur mine closure and employee restructuring costs, which is viewed as inevitable in the current market conditions and will likely need to be accelerated, absent any financial support from stakeholders including the Czech Government. These costs are estimated to be in the range of EUR 85-100 million which the Group is currently unable to fund.

Strategic Review

The Group has commenced a detailed strategic review of its operations. Management's preliminary conclusion is that, absent a significant and near-term increase in coal prices, the Group will need to reduce costs yet further across its entire portfolio and to secure substantial additional liquidity. Also, while a number of the Group's mines clearly have potential, some do not. Therefore, as part of the strategic review process, the Group is evaluating its options for those low-potential mines.

In parallel with this strategic review, the Group has commenced negotiations with certain key stakeholders as to an appropriate way forward, including its noteholders and shareholders and the Czech Government. These negotiations, which are ongoing, are focused on securing (1) a viable business for the Group, with a sustainable portfolio of cash-generative mines; (2) a capital structure appropriate to allow that portfolio to operate as a going concern through the anticipated extended period of low coal prices; and (3) clarity for employees.

The directors are continuing to progress discussions with key stakeholders and a number of key steps have already been achieved, including the following:

Majority Shareholder Exit — On 23 February 2016, the Company's majority shareholder, CERCL Mining Holdings B.V. ('CERCL'), owning approximately 50.42% of the Company's A shares, and Asental Property B.V. ('Asental'), owning all of the Company's B shares, each agreed with, among others, the Company, to transfer to the Company (or its nominee) for nil consideration all of its shares in the Company. CERCL and Asental decided to exit the business as soon as possible in order to facilitate the restructuring process by reducing the number of stakeholders involved in its negotiation and implementation. The transfer of shares to the Company (or its nominee) is subject to satisfaction of certain conditions, in particular (i) confirmation from the UK Takeover Panel that the consummation of the transfers will not give rise to a requirement under the City Code for any existing shareholder and person(s) deemed to be acting in concert with them to make a general offer to all the shareholders of the Company) and (ii) confirmation that there are no other materially onerous consequences for the remaining shareholders. All parties are working to ensure the conditions applicable to the share transfers are satisfied as soon as possible and it is expected that the transfers will be completed in advance of a long-stop date of 31 March 2016.

SSCF Waiver — On 23 February 2016, NWR NV and the requisite majority of lenders under the SSCF (who are also holders of a significant amount of the Senior Secured Notes and are also shareholders of the Company) agreed the terms of a standstill and temporary waiver agreement which reduces the minimum available cash threshold required to be maintained by NWR NV and its subsidiaries as follows: at all times on and from the date of the agreement up to and including the maturity of the SSCF, available cash should not be less than EUR 6.5 million and on 31 March 2016 and 30 June 2016, available cash shall not be less that EUR 25 million and EUR 10 million respectively. In addition, the standstill and temporary waiver agreement provides for a temporary waiver of certain other defaults which may arise as a result of the strategic options being explored in connection with the anticipated comprehensive restructuring of the Group. The agreement will remain in place until 31 July 2016 if certain customary milestones regarding the progress of negotiations and reaching of agreement on a restructuring are satisfied within defined periods. Thereafter, the waived provisions of the SSCF will once again apply in full force and effect. The milestones include (i) entry into (a) a non-binding heads of agreement for the implementation of a restructuring of the Group with the government of the Czech Republic, on terms which the majority lenders under the SSCF have confirmed in writing are acceptable to them, on or by 31 March 2016; and (b) a binding agreement regarding the matters referred to in (a) with the government of the Czech Republic, on terms which the majority lenders under the SSCF have confirmed in writing are acceptable to them, on or by 30 April 2016; and (ii) completion of the transfer by CERCL and Asental of their respective shares to the Company (or its nominee) by 31 March 2016 (see above - Majority Shareholder Exit).

Negotiations are ongoing and all stakeholders recognise that the Group's current debt structure is unsustainable and that all stakeholders (i.e. including financial creditors, shareholders, government and employees) need to contribute to achieve a consensual restructuring solution. Recent correspondence from the Czech Government indicates they are willing to negotiate regarding their contribution to the restructuring and in particular in relation to the employee costs resulting from mine closures. In addition, based on the discussions to date, the Directors expect the ongoing negotiations to focus on a restructuring involving all or a combination of extension of debt maturities, debt-for-equity swap and/or additional cash injection, together with contributions from operational stakeholders in the form of discounts/cost reductions.

Based on these steps and their assessment of the degree of commitment of the various parties to successfully negotiating and implementing the restructuring, the Directors are reasonably confident that an agreement will be reached by all relevant stakeholders for a restructuring of the Group that will allow the Group to meet its liabilities as they fall due over the next twelve months.

However, there can be no guarantee that these negotiations will result in an agreement being reached with all relevant stakeholders in the available time (if at all) to secure the objectives described above and, even if an agreement is ultimately reached, there is no guarantee it will take the form of any terms which may currently be under discussion.

In the event that it becomes likely that agreement cannot be reached, the Group proposes to seek a refinancing of the SSCF or if that is not possible, alternative sources of liquidity, which, absent the ability to raise any additional financing, could, for example, include the sale of certain of the assets of OKD and/or NWR Karbonia. If it becomes clear that no viable alternative liquidity solutions are available, the Group may consider selling the businesses of OKD and NWR Karbonia and if such sales are unsuccessful, the Group may be required to initiate a wind-down of some or all of its operations. Most of these actions themselves require negotiation and/or the consent of multiple stakeholders of the Group, such as (depending on the route chosen) financial creditors, governments, trade unions and shareholders.

The Directors recognise that these circumstances represent a material uncertainty that may cast significant doubt as to the Group's ability to continue as a going concern and that it may be unable to realise all of its assets and discharge all of its liabilities in the normal course of business. Nevertheless, the Directors are reasonably confident that agreement can be reached and accordingly the financial statements have been prepared on a going concern basis and do not include the adjustments that would result if the Group were unable to continue as a going concern.

Long-term value
The basis on which the Company generates and preserves value over the longer term and the strategy for delivering its objectives is described in the section headed 'Strategic Report' on page 9.

Relations with shareholders

Market disclosure and relations with shareholders
The Board regards effective communication with shareholders and other stakeholders as a priority. Please refer to the section headed 'Shareholder information' on page 149 for information on majority shareholders.

Radek Němeček, Public Relations and Investor Relations Manager, is responsible for the external financial communications of NWR. He manages the ongoing dialogue with both equity and credit investors and analysts and also the corporate social responsibility policy of NWR. The Company holds quarterly public conference calls with top management to discuss the Group's performance, strategy and governance. The Board receives reports on changes to the shareholder structure, feedback from investors, share trading statistics and other information about the views of the capital markets on ad hoc basis.

Financial reports, press releases, regulatory announcements, investor presentations and other information on matters of interest to investors can be found on the Company's website at www.newworldresources.eu.

The Senior Independent Director, Bessel Kok, is available to shareholders if they have concerns which the Board's Chairman, the Vice-Chairmen or the Chief Financial Officer have not resolved, or if they have concerns related to Board independence. In 2015 Mr Kok did not receive any expressions of such concerns.

Share capital, controlling shareholder

As at the date of this report and until the Majority Shareholder Exit has been completed, the total share capital of NWR consists of 6,663,538,084 A Shares, 10,000 Shares and 264,477,400,857 D Shares. B and D Shares are not listed on any stock exchange. CERCL Mining Holdings B.V. ('CERCL') owns approximately 50.51% of the A Shares and, as a result, has effective control of NWR. CERCL is indirectly owned by the BXR Group and Zdeněk Bakala.

As at the date of this report and until the Majority Shareholder Exit has been completed, Asental Property B.V. ('Asental') owns the entire issued share capital of B ordinary shares. Asental is controlled by Zdeněk Bakala and his family trust.

The free float includes the A Shares held by certain noteholders after the restructuring of the NWR Group's balance sheet completed in October 2014.

For details on the shareholding structure of NWR, please refer to the section headed 'Shareholder information' on page 149. For details of the Majority Shareholder Exit, please refer to the section headed 'Material developments since 31 December 2015 and strategy going forward' in the Chairman's Report and the section headed 'Majority Shareholder Exit' in the Going Concern statement on page 59.

To ensure that all transactions and relationships between the Company, CERCL and Zdeněk Bakala (and the wider BXR Group) are on an arm's length terms, they are parties to a Relationship Agreement. This will be terminated in connection with the Majority Shareholder Exit. For further information, please refer to the section headed 'Agreements with Directors' on page 65.

Annual General Meeting of Shareholders

The AGM is an opportunity for shareholders to communicate with the Board. The Chairman will aim to ensure that the respective chairmen of the Board committees are present at the AGM to answer shareholders' questions.

Compliance with corporate governance standards UK Corporate Governance

In accordance with the UK Corporate Governance Code 2014 and the Listing Rules of the UK Listing Authority, NWR follows the 'comply or explain' approach and states in its Annual Report whether it complies or will comply with the principles of good corporate governance. If it does not comply, the reasons for such non-compliance are explained in the relevant sections of this Annual Report. Other than provisions A.2.1, A.3.1, B.2.1 and B.2.4 discussed above, the Company has complied with the principles and provisions of the UK Corporate Governance Code 2014.

Czech Corporate Governance Code

NWR is not obliged by the CNB or the Prague Stock Exchange to comply with the Czech Code of Corporate Governance. The Czech Code is generally similar to the UK Corporate Governance Code 2014 and any material deviations are similar to those described above.

Certain relationships and related party transactions

The following are significant related party transactions and relationships (being contracts and arrangements between, on the one hand, NWR Group entities and, on the other, entities affiliated with them, in effect at the date of this Annual Report and Accounts).

OKD agreements

Transactions with AWT

On 28 May 2015, the AWT group ceased to be a related party of the Group following a change in ownership. Only those transactions during the period in which AWT was a related party are included below.

Factory Railway Agreements — OKD entered into a single master agreement with AWT for the provision of factory railway transport with effect from 1 January 2011 for the period from 2011 to 2020 (the 'OKD Master Agreement'). The OKD Master Agreement will automatically be extended for another five years, i.e. until 31 December 2025, provided that neither contracting party terminates the agreement by giving six months' notice of termination to the other. During the OKD Master Agreement each party is allowed to terminate the contract by notice of termination of twelve months period with or without cause but no earlier than on 31 December 2016. The OKD Master Factory Railway Agreement covers all activities to be provided by AWT to OKD at particular business units, including:

- Railway services and assurance of railway transport on factory railways;
- Road transport and non-railway technological transport and transportation of raw and washed coal, sludge, etc., including related manipulations;
- Railway technological transport including related activities; and
- Manipulation activities with coal and other materials.

All of the above activities are dealt with in subcontracts, which concern specific conditions for particular time periods.

OKD trading agreements — OKD has entered into several agreements with AWT in relation to the delivery of coal, coking coal, sludge and other products. In 2000, OKD entered into purchase agreements with AWT under which AWT sells granulated sediments to OKD. The agreements were originally made for a fixed period of time and later extended for an indefinite period of time. The prices are adjusted annually. The agreements further mention that the granulated sediments are resold to power and heating plants operated by Dalkia and ČEZ, a.s.

Transactions with Green Gas DPB a.s.

Master Services Agreements for Drilling — OKD and Green Gas DPB, a.s. ('DPB') entered into two master services agreements for work whereby DPB shall provide OKD with drills for degasation and geological surveying (the 'Master Services Agreements for Drilling'). Amendments to these Master Services Agreements for Drilling stipulate the drilling works and price list for the respective calendar year. Individual agreements envisaged by these Master Services Agreements for Drilling stipulate the amount and scope of work in detail. Both these Master Services Agreements for Drilling expire on 31 December 2020.

Agreements on Gaseous and Liquid Nitrogen Delivery — OKD has entered into three agreements for gaseous and liquid nitrogen delivery with DPB in relation to the delivery of gaseous and liquid nitrogen to OKD mines Darkov, ČSM and Karviná (the 'Agreements on Gaseous and Liquid Nitrogen Delivery'). The price to be paid by OKD to DPB shall be set out in accordance with each respective Agreement on Gaseous and Liquid Nitrogen Delivery or amendments thereof. In addition to the deliveries, OKD pays a fixed monthly fee for the lease, maintenance and control of the gas tubing and surface equipment. The majority of the Agreements on Gaseous and Liquid Nitrogen Delivery terminate on 30 June 2017 under notification on termination from DPB as of December 2015.

Master Services Agreement Related to Mine Safety — OKD and DPB entered into a master services agreement related to mine safety, covering a number of different services related to mine security. This master services agreement related to mine safety is concluded for a fixed period of time ending on 31 December 2020. Individual agreements with respect to each particular OKD mine are governed by this agreement.

Master Agreements on the Sale of Methane — OKD entered into a master agreement on the sale of methane with DPB, which envisages the conclusion of individual purchase agreements with respect to each OKD mine (the 'Master Agreement on the Sale of Methane'). Under the Master Agreement on the Sale of Methane, the minimum total annual volume of methane to be delivered amounts to 19,000m^3 up until 31 December 2015, after which time there is no minimum level of methane production required. The specific annual volume delivered per mine is stipulated in individual agreements. The Master Agreement on the Sale of Methane was concluded for the life of each of the OKD mines and, in the case of a change in the mine owner or operator, OKD shall ensure assignment of all OKD‘s obligations arising under the agreement. The price is calculated for each calendar year using a formula stated in the agreement. DPB is entitled to purchase all available methane production not used by OKD for its own use. Either party may rescind the agreement if the production of methane stops due to a decrease in coal mining activities or if circumstances of a technical nature preventing performance of this agreement arise of which neither party was aware when entering into the agreement.

Framework Agreement for Supplies of Methane for Heat Operations — In addition to the Master Agreement on the Sale of Methane, DPB and OKD entered into a framework agreement for supply of methane for heat operations in connection with: (i) the provisions of the Master Agreement on the Sale of Methane under which DPB is entitled to purchase all available methane not used by OKD for its own use; and (ii) the transfer of OKD‘s energy equipment to Veolia Průmyslové služby ČR, a.s. ('VPS') as part of the spin-off of the Company‘s energy assets in 2008 (the 'Framework Agreement for Supplies of Methane for Heat Operations'). Pursuant to the preamble, DPB shall deliver the processed methane to VPS. The price was set at a fixed amount for 2008 and 2009 and for the following years according to a formula stated in the agreement. The agreement has been entered into until 31 December 2028, subject to the prior termination of mining activities.

Termination of Certain Agreements

Various agreements between Asental and OKD relating to land owned by Asental were terminated in connection with the Majority Shareholder Exit (please refer to the section headed 'Material developments since 31 December 2015 and strategy going forward' of the Chairman's Statement on page 10 and the section headed 'Majority Shareholder Exit' in the Going Concern statement on page 59.

Agreements with Directors

Certain Relationships

This section includes relationships that are material by their nature, not their financial effect.

Cross guarantee — The Former OKD group was a government-controlled enterprise, and as a result it owned and operated a large range of businesses (including mining businesses, businesses ancillary to mining and unrelated businesses). A restructuring in 2006 was concerned primarily with disposing of certain ancillary and unrelated businesses in order to focus upon coal mining and coke production. In addition, steps were taken to streamline the corporate structure of the BXR Group (removing certain intermediary holding companies from the structure). In connection with this restructuring, and pursuant to Czech law, OKD, Green Gas DPB, a.s. ('DPB'), AWT, Asental Land, s.r.o., Asental Business, s.r.o. and RPG Byty s.r.o., the successor entities of Former OKD, are subject to a statutory cross guarantee. The statutory cross guarantee was given by each successor entity in relation to the liabilities of the demerged entity (Former OKD) that were assumed by each successor entity on the date of the demerger. The cross guarantee of each successor entity is limited to the value of the net assets of the guarantor as at the effective date of the demerger.

Similar statutory cross guarantees have arisen as a result of the spin-off of OKK Koksovny, a.s. (formerly known as OKD, OKK, a.s.) ('OKK'), OKK is a former wholly owned subsidiary of NWR NV that was sold to MTX Koksovny, a.s. on 6 December 2013. As a part of the OKK sale, NWR NV, MTX CZ, a.s., OKD and OKK Koksovny, a.s. entered into a Guarantee and Indemnity Agreement, setting out the OKD's and OKK's obligations with regard to their statutory guarantees for historical damages.

Transfer Agreement — On 23 February 2016, CERCL, Asental, Ashmore Investment Management Limited (as agent for and on behalf of the funds and accounts for whom it acts as investment manager), Gramercy Funds Management LLC, M&G Investment Management Limited, the Company and NWR NV entered into an agreement to effect the Majority Shareholder Exit (please refer to the section headed 'Material developments since 31 December 2015 and strategy going forward' of the Chairman's Statement on page 10 and the section headed 'Majority Shareholder Exit' in the Going Concern statement on page 59).

Relationship Agreement — NWR, CERCL, CERCL Mining, BXR Group Holdings Limited ('BXR Group') and Zdeněk Bakala are bound by an amended and restated relationship agreement (the 'Relationship Agreement'), which regulates, in part, the degree of control that CERCL and its subsidiaries exercise over the management of NWR. The principal purposes of the Relationship Agreement is to ensure that NWR is capable at all times of carrying on its business independently of CERCL Holdings Limited and its subsidiaries (the 'CERCL Group') and that all of NWR's transactions and relationships with the CERCL Group are on arm's length terms. CERCL Holdings Limited is the parent company of CERCL.

This will be terminated in connection with the Majority Shareholder Exit (please refer to the section headed 'Material developments since 31 December 2015 and strategy going forward' of the Chairman's Statement on page 10 and the section headed 'Majority Shareholder Exit' in the Going Concern statement on page 59).

Material contracts

Below is an overview of the material contracts, entered into by NWR Plc and certain of] NWR Plc's subsidiaries (comprising NWR NV, OKD, NWR KARBONIA and NWR BV, together the 'Restricted Group'), in place at the date of this Annual Report and Accounts, and containing such information as the shareholders could reasonably require.

Capital Restructuring

On 7 October 2014, NWR Plc and NWR NV announced the successful completion of the Capital Restructuring (the 'Restructuring') and on 9 October 2014, the completion of the Rights Issue and the Placing was announced.

As a result of the Restructuring, the total outstanding principal amount of the Old Notes together with any unpaid and accrued interest was released in full and exchanged with respect to (i) the Old Senior Secured Notes, for the cash distributed through the Old Senior Secured Notes Tender, the New Senior Notes and the New Convertible Notes and any cash available for distribution through the Old Senior Secured Notes Tender that was not so distributed; and (ii) the Old Senior Unsecured Notes, for the cash distributed through the Old Senior Unsecured Notes Tender, the New Convertible Notes, the Contingent Value Rights and any cash available for distribution through the Old Senior Unsecured Notes Tender that was not so distributed. This resulted in a total release of the obligations of NWR NV and NWR Karbonia and OKD (both in their capacity as guarantor) to Scheme Creditors under the Old Notes. In addition, certain holders of the Old Notes participated in the Placing and the Noteholder Rights Issue Underwriting, as well as the Super Senior Credit Facility.

As part of the Restructuring, certain holders of the Old Notes entered into a Restructuring Agreement on 2 July 2014 whereby they agreed, amongst other things, to enter into negotiations in good faith in order to agree the terms of any restructuring documentation including but not limited to the documentation that is required for the purposes of any Scheme, in form and substance consistent with the Restructuring Terms (as defined in the Restructuring Agreement), in order to implement and consummate the Restructuring and vote in favour of the Scheme.

The material contracts entered into by the Group as part of the Capital Restructuring are set out below.

Debt Documents

New Senior Notes

As part of the Restructuring, on 7 October 2014 NWR NV issued EUR 300 million in aggregate principal amount of Senior Secured Notes due 5.5 years following their issue date (the 'New Senior Notes'). Interest on the New Senior Notes accrues at a rate of 8% *per annum* (subject to the below) and is payable semi-annually in arrears on 1 May and 1 November. Interest is to be paid in cash, provided that NWR NV may elect to capitalise all (but not part) of the interest payable on a particular interest payment date by issuing additional New Senior Notes in lieu of paying cash interest as follows:

(i) With respect to the period commencing on the completion of the Restructuring until and including the interest payment date falling on 1 November 2016, NWR NV may capitalise the interest if NWR NV's and its subsidiaries' unrestricted and available cash (as determined pursuant to the New Senior Notes Indenture, ''Available Cash") is less than €110.0 million or would become less than €110.0 million if all accrued interest were to be paid in cash, calculated on the basis that the interest shall be capitalised at a rate of 11%. per annum; and

(ii) With respect to the period from and excluding the interest payment date falling on 1 November 2016, NWR NV may capitalise the interest if the Available Cash is less than €75.0 million or would become less than €75.0 million if all accrued interest were to be paid in cash, calculated on the basis that the interest shall be capitalised at a rate of 9% per annum.

The New Senior Notes are senior obligations of NWR NV and are guaranteed by NWR Holdings BV, OKD and NWR KARBONIA. The New Senior Notes are secured by a pledge of the shares in NWR Holdings BV, OKD and NWR KARBONIA and all assets and the undertaking of NWR NV and NWR Holdings BV, but are not secured by any other assets. These security interests also secure lenders under the Super Senior Credit Facility and certain hedge counterparties on a super senior basis. Pursuant to the New Intercreditor Agreement, the lenders under the Super Senior Credit Facility and certain hedge counterparties relating thereto have priority over the holders of New Senior Notes with respect to the proceeds of enforcement of these security interests and on the occurrence of certain insolvency events relating to NWR NV, NWR Holdings BV, OKD and NWR KARBONIA.

NWR NV may at its option redeem all or any portion of the New Senior Notes at the prices set out below (plus accrued and unpaid interest to the date of redemption), provided that the Available Cash exceeds €125 million *pro forma* for such redemption:

(iii) From completion of the Restructuring until and including the 36-month anniversary thereof: 104% of the principal amount;

(iv) From the 36-month anniversary of the Restructuring until and including the 48-month anniversary thereof: 102% of the principal amount; and

(v) Thereafter to the maturity date: 100% of the principal amount.

If there is a change of control (as defined in the New Senior Notes Indenture), holders of New Senior Notes have the right to require NWR NV to repurchase all or any part of the New Senior Notes at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest to the repayment date.

The New Senior Notes Indenture contains covenants that limit the Restricted Group's ability to, among other things: incur additional indebtedness, make restricted payments (including dividends), create liens, sell assets, engage in transactions with affiliates, guarantee any debt of NWR NV or any of its Restricted Subsidiaries; consolidate, merge or sell all or substantially all of their assets; and change its centre of main interests and establishments.

The New Senior Notes are admitted to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF Market of the Luxembourg Stock Exchange.

New Convertible Notes

As part of the Restructuring, on 7 October 2014 NWR NV issued €150 million in aggregate principal amount of Payment in Kind ('PIK') mandatory Convertible Notes due six years from such date (the 'New Convertible Notes'). Interest on the New Convertible Notes accrues at a rate of 4.0% per annum (subject to PIK provisions described below) and is payable annually in arrears on 1 November in each year, with the first interest period from 7 October 2014 and the last interest period to the maturity date being short interest periods. NWR NV may, in its absolute discretion, elect to either pay interest in cash, or capitalise (as PIK) all of the interest payable by issuing additional New Convertible Notes in lieu of paying cash, in which case such interest will be capitalised at a rate of 8.0% per annum. However, interest payable must be wholly capitalised by the issuance of additional New Convertible Notes if:

(vi) An event of default under the New Senior Notes has occurred and is continuing; and/ or

(vii) Interest payable under the New Senior Notes is capitalised in respect of either (or both) of the two immediately preceding interest periods under the New Senior Notes ending on the most recent interest payment date under the New Senior Notes.

The New Convertible Notes rank senior to the Contingent Value Rights but junior to the New Senior Notes and the Super Senior Credit Facility. The New Convertible Notes are unsecured. Pursuant to the New Intercreditor Agreement, the holders of the New Senior Notes, the lenders under the Super Senior Credit Facility and certain hedge counterparties have priority over the holders of New Convertible Notes on the occurrence of certain insolvency events relating to the NWR NV, OKD and NWR KARBONIA. In addition, the New Convertible Notes are effectively subordinated to secured indebtedness of OKD and NWR KARBONIA and any indebtedness of NWR NV that is secured by assets of NWR NV that do not also secure the New Senior Notes.

Holders of New Convertible Notes have the option to convert the New Convertible Notes from the date falling six months from completion of the Restructuring until the maturity date of the New Convertible Notes or, if, at the option of NWR NV, an earlier redemption date is proposed, holders can convert prior to such redemption date (as described below), subject to applicable fiscal, securities and other laws or regulations. Upon the maturity date of the New Convertible Notes, all New Convertible Notes, which have not been converted, redeemed or purchased and cancelled, shall be mandatorily converted and the holders thereof shall be deemed to have exercised their conversion rights.

Deed Poll

As part of the Restructuring, on 7 October 2014 NWR Plc entered into the Deed Poll in which it has irrevocably undertaken to NWR NV and to each holder of NWR NV A Shares ('NVA Shares'), that on each occasion on which conversion rights relating to New Convertible Notes are exercised by holders thereof (including as will be deemed to have occurred on the final maturity date of the New Convertible Notes), it will purchase the relevant NVA Shares arising on such conversion and, in consideration for such purchase, issue or transfer and/or deliver such number of A Shares as described below. NWR Plc has undertaken in the Deed Poll to comply with certain covenants in relation to its obligations thereunder and the rights of holders of NVA Shares to make such exchanges.

Following the exercise of a conversion right by a holder of New Convertible Notes, NWR NV shall procure the issue or transfer and/or delivery of NVA Shares and shall procure that, pursuant to the Deed Poll, such NVA Shares are immediately exchanged for A Shares credited as paid up in full. The number of A Shares for which such NVA Shares shall be exchanged, shall be an amount which, after such exchange would (subject to certain adjustments as described below) be such holder of New Convertible Notes' *pro rata* share of a fixed percentage of the ordinary share capital of NWR Plc, calculated based upon the ordinary share capital of NWR Plc as at 7 October 2014, the date on which the last of the conditions relating to Scheme had been satisfied (or waived) and the Restructuring took effect (the 'Restructuring Effective Date'), on an as-diluted basis assuming that NWR Plc issues new A Shares in connection with each conversion. Such fixed percentage shall be 25.0%, in respect of any conversions, which occur during the calendar year 2015, 27.5% in respect of any conversions, which occur during the calendar year 2016, and 30.0% in respect of any conversions thereafter. The Deed Poll contains provisions that further adjust the number of A Shares for which NVA Shares issued or transferred and/or delivered upon exercise of a conversion right shall be exchanged. Such adjustments shall be effective upon the occurrence of certain dilutive events after the Restructuring Effective Date and, subject to certain exceptions, have the effect of maintaining the relevant *pro rata* share of the percentages as described above (in some cases, irrespective of any increase in NWR Plc's assets as a result of such event) or in certain limited cases potentially increasing such percentages.

NWR NV may, at its option, upon giving 45 days' notice, redeem all or any portion of the New Convertible Notes at their principal amount plus accrued and unpaid interest to the date of redemption, at any time following the payment in full of all amounts which are or may become payable under the New Senior Notes. Holders of the New Convertible Notes have the opportunity to convert their New Convertible Notes prior to the redemption date.

If there is a change of control (as defined in the New Senior Notes Indenture), at such time as all the New Senior Notes are discharged, holders of New Convertible Notes have the right to require NWR NV to repurchase all or any part of the New Convertible Notes at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest to the repayment date.

Subject to the terms of the New Intercreditor Agreement, the New Convertible Notes are capable of being accelerated by holders following an event of default. Upon acceleration, the New Convertible Notes are immediately due and payable at their principal amount plus accrued and unpaid interest. Holders of New Convertible Notes may not exercise conversion rights following the acceleration of the New Convertible Notes.

The New Convertible Notes contain covenants that, among other things, restrict NWR NV's ability to pay dividends, and additionally, certain other restrictions which shall come into effect once the New Senior Notes (and any refinancing thereof) are discharged including limitations on NWR NV's ability to incur additional indebtedness, create security interests over its assets and dispose of assets.

Super Senior Credit Facility

On 9 September 2014, a super senior term facility agreement was entered into between, amongst others, NWR BV as borrower, those holders of the Old Notes that have elected to participate and listed thereto as original lenders; and OKD, NWR KARBONIA and NWR NV as the original guarantors (the 'Super Senior Credit Facility').

The Super Senior Facility Agreement provides for a term loan of €35 million, which was fully drawn on the completion of Restructuring and which is repayable in full on the date falling two years after the completion of Restructuring. NWR Holdings BV as Borrower on-lent all amounts borrowed by it under the Super Senior Facility Agreement (less fees, expenses and costs) to OKD for application towards general corporate and working capital purposes of the Group.

The Super Senior Facility is secured by the same security package as the New Senior Notes Indenture.

The Super Senior Facility Agreement is subject to identical negative undertakings as are set out in the New Senior Notes Indenture. The Super Senior Facility Agreement also contains general undertakings, subject to certain qualifications, including but not limited to, ongoing undertakings in relation to (i) obtaining certain authorisations; (ii) compliance with laws and regulations; (iii) the granting of the secured property; (iv) change of business; (v) maintenance of insurance; (vi) taxation; (vii) obtaining, maintaining and complying with material licences; (viii) environmental compliance; and (ix) the notification of environmental claims.

The Super Senior Credit Facility includes a minimum liquidity covenant, which requires the Restricted Group must maintain a minimum available cash level of EUR 40 million (excluding mining reserve damages). This covenant is tested on a quarterly calendar basis for the duration of the Super Senior Credit Facility. NWR Plc has the option (though not the obligation) to cure a breach of the minimum liquidity covenant by injecting additional cash into NWR NV. This cash injection has to be completed no later than 10 business days following delivery of the quarterly accounts, which disclose a breach of the minimum liquidity covenant to the lenders under the terms of the Super Senior Credit Facility. However, such option may not be exercised more than once during the term of the Super Senior Credit Facility. In order to be able to make an injection of cash into NWR NV in these circumstances it is likely that NWR Plc would need to raise additional cash, which may not be achievable.

The Super Senior Credit Facility sets out certain events of default, including but not limited to, non-payment, misrepresentation, cross default above certain agreed amounts in respect of material subsidiaries, insolvency events and certain insolvency proceedings.

Contingent Value Rights

As part of the Restructuring, on 7 October 2014 NWR NV issued EUR 35 million in two tranches of Contingent Value Rights.

The Contingent Value Rights are unsecured, unguaranteed and contractually subordinated to the Super Senior Credit Facility, the New Senior Notes and the New Convertible Notes. The Contingent Value Rights are admitted to listing on the Luxembourg Stock Exchange and NWR NV must use its commercially reasonable efforts to cause the Contingent Value Rights to remain so listed for so long as any of the Contingent Value Rights are outstanding.

Payment under the Contingent Value Rights shall only be made if in relation to a tranche, NWR NV's reported average realised price in Euro per tonne for coking coal exceeds the price 'Contingent Payment Event'), as of such tranche for two recent consecutive quarters (as specified below):

Tranche EUR 20 million

Year:	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Price:	€127	€130	€133	€135	€138	€141	€143

Tranche EUR 15 million

Year:	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Price:	€137	€139	€142	€145	€148	€151	€154

A Contingent Payment Event shall be subject to the two following conditions (the 'Contingent Payment Conditions'):

(i) No event of default has occurred or is continuing in respect of the New Senior Notes; and

(ii) Until the discharge and cancellation in full of the New Senior Notes, the available cash (as defined in the New Senior Notes Indenture) exceeds EUR 150 million as tested on the contingent payment date pro forma any payment to be made in respect of the redemption of the Contingent Value Rights.

A *pro rata* portion of the relevant tranche is payable in cash into each holder of Contingent Value Right's cash account. Unless an effective Contingent Payment Event occurs, no payment under the Contingent Value Rights shall be made. In the event that one or more of the Contingent Payment Conditions is not satisfied, the Contingency Payment Event shall automatically cease to be effective and no payment will be made in relation to such Contingency Payment Event. If one or more Contingent Payment Conditions is subsequently satisfied then NWR NV shall forthwith issue a new notice establishing a new payment date and shall, subject to each Contingent Payment Condition having been satisfied redeem the Contingent Value Rights at their principal amount on the new contingent payment date. The process in this paragraph may be repeated until such time as the Contingent Value Rights are redeemed in accordance with this section or the final maturity date falls 25 or fewer days after the conditions are subsequently satisfied.

This contingent payment is not subject to any acceptance or election by the holders of Contingent Value Rights and requires no action by any holder of Contingent Value Rights or the CVR Trustee. Unless redeemed in accordance with the above description, the Contingent Value Rights will expire on the final maturity date.

The Contingent Value Rights contain an undertaking by NWR NV to publish or arrange to be published each coal price report on its website or on the website of any exchange on which the Contingent Value Rights have been listed, in any case no later than 45 days after the end of each calendar quarter in which it specifies the average realised price per tonne for coking coal for that calendar quarter.

Export Credit Agency Facility Agreement

On 29 June 2009, NWR NV as borrower and obligor's agent, and OKD as a co-obligor, entered into an export credit agency facility agreement with, among others, Natixis S.A., as facility agent and documentation agent, KBC Bank Deutschland AG, as ECA agent, and Ceska sporitelna, a.s., Ceskoslovenska obchodni banka a.s., KBC Bank Deutschland AG, and Natixis S.A., as mandated lead arrangers, as amended and as further amended as part of the Restructuring (the 'ECA Facility').

The ECA Facility provides for a term loan of approximately EUR 141.5 million, which following an amendment as part of the Restructuring is repayable in 13 instalments of differing sums as set out thereto, with a final maturity of 30 June 2022. The proceeds of the ECA Facility are used to finance up to 85% of the net purchase price of five longwall sets acquired pursuant to NWR NV's 2010 capital investment programme (known as POP 2010).

The ECA Facility is an unsecured obligation of NWR NV and OKD as a co obligor and is not guaranteed by any of NWR NV's subsidiaries. The ECA Facility is covered by a guarantee issued by the Federal Republic of Germany, represented by a consortium led by Euler Hermes Kreditversicherungs AG, for which NWR NV has paid a premium.

The ECA Facility contains certain negative undertakings that, subject to certain customary and other agreed exceptions (and other than as specifically provided for under the ECA Facility), limit the ability of NWR NV, OKD and certain subsidiaries of NWR NV to, among other things: (i) create or permit to subsist any encumbrance or security interest over any of its assets; (ii) make any asset disposals; (iii) make any substantial change to the general nature of its business; (iv) enter into transactions other than on an arm's length basis; (v) amalgamate or merge; (vi) incur other additional debt; and (vii) dispose of the five longwall sets acquired or create any security over the five longwall sets acquired.

The ECA Facility also contains certain ongoing affirmative undertakings, subject to certain qualifications, and including, but not limited to, undertakings related to (i) supplying financial statements; (ii) notification of default; (iii) compliance with "know your customer" or similar regulations; (iv) supplying information on the performance of the supply contract for the five longwall sets acquired; (v) compliance with material obligations under the supply contract for the five longwall sets acquired; (vi) receipt, compliance and maintenance of necessary authorisations; (vii) compliance with laws (including environmental laws); (viii) taxation; (ix) *pari passu* ranking of certain unsecured and unsubordinated claims; (x) maintenance of insurance; and (xi) access to the premises and records of NWR NV and OKD.

Following an amendment as part of the Restructuring, the ECA Facility contains no financial covenants.

Subject to certain exceptions, there are mandatory prepayments required to be made upon the occurrence of certain customary events such as a change of control and the ECA Facility will also be automatically cancelled where the ECA guarantee is terminated or cancelled.

The ECA Facility sets out certain events of default, including non-payment, breach of financial covenants, cross default above certain agreed amounts, and certain insolvency proceedings and the occurrence of events which, in the reasonable opinion of the Majority Lenders (as defined therein), are reasonably likely to have a Material Adverse Effect (as defined therein).

The ECA Facility contains an undertaking of each obligor not to conduct its business in a manner that is reasonably likely to change its COMI. NWR NV was in breach of this undertaking as it moved its COMI to England in the beginning of June 2014. The lenders under the ECA Facility have since waived this default.

Audit and Risk Management Committee report

Barry Rourke (Chairman)
Bessel Kok

The ARMC is staffed solely by Independent Directors to reflect the independent nature of the work that the ARMC undertakes. All members have appropriate financial expertise and requisite experience in accounting and financial management. Colin Keogh was a member since 3 November 2014 until his resignation on 19 August 2015. The Board expects to appoint another member after the completion of the ongoing reorganisation of the Group.

Main responsibilities

The ARMC is responsible for:

- Ensuring the integrity of consolidated financial statements and, where requested by the Board, the annual report as a whole;
- Overseeing that management is ensuring the adequacy of Group internal control, compliance and risk management;
- Overseeing Group internal and external audit functions and monitoring non-audit services supplied by the external auditor and reporting to the Board;
- Supervising the Board's supply of financial information;
- Monitoring funding and treasury management;
- Monitoring the integrity of any formal announcements relating to the financial performance of NWR;
- Monitoring and approving related party transactions and conflicts of interests;
- Advising the Board on audit, accounting and financial disclosure matters regarding the Real Estate Division of NWR;
- Reviewing the effectiveness of the systems for budgeting, forecasting and financial reporting and ensuring procedures for identifying strategic and business risks are in place;
- Reviewing procedures for detecting fraud and bribery (and their prevention) and any breaches arising under the Code of Ethics and Business Conduct and the Business Integrity Policy;
- Monitoring the effectiveness of the Whistleblower Procedure within the Group; and
- Advising the Board on strategic transactions.

Activities undertaken during the year

In 2015 the ARMC met six times. All meetings were attended by NWR's Chief Financial Officer and upon his replacement, the Finance and Legal Director, the Group Internal Auditor, the Group Risk Manager and representatives of the external auditor.

The ARMC has an annual work plan, developed from its charter, with standing items in addition to any specific matters arising during the year. In conducting its regular duties, the ARMC reviews NWR's financial statements and announcements related thereto, provides comments to management and the IR team, considers the relevant reports by the external auditor and discusses the key points with them. The ARMC has the authorisation to approve the quarterly and half-yearly financial reports but that authorization was not used in 2015 and the reports were always approved by the Board following the ARMC's recommendation.

In 2015, the main concern remained the financial and cash position of the Group. The ARMC continued to monitor tightly Group's indebtedness including the relevant liquidity covenants, for which it received regular reports from management. The members debated the Group budget. Given the increasing risk profile of NWR, the ARMC dedicated considerable attention to the key Group risks and their management and mitigation as described further. The ARMC considered the internal audit plan and the Group audit reports also as described further. The ARMC further oversaw adherence to the Business Integrity Policy by the Group entities and reviewed the annual updates on the Group legal and tax positions. The members met with the external audit partner and the Group Internal Auditor without management being present and debated their concerns with them. Management responses to issues raised were thoroughly discussed with the Chief Financial Officer. The ARMC is of the view that all significant matters have been satisfactorily resolved.

The ARMC members also re-considered the independence of the Independent Directors within the meaning of the NWR's Corporate Governance Policy and endorsed the AGM notice in that respect.

The ARMC duly reported to the Board on its discussions and recommendations.

Significant financial reporting issues considered by the ARMC
The ARMC considered the following:

(i) Liquidity and going concern

The ARMC reviewed the appropriateness of the going concern basis of accounting at the time of the quarterly results were released throughout the year with a particular focus at 31 December 2015. The ARMC challenged management no the status of negotiations with key stakeholders as part of the ongoing capital restructure, including assessing the likelihood of the remaining components required for a long term viable business of being achieved. The ARMC also challenged management on the financial and operating assumptions underlying the forecast cast requirements of the Group. The ARMC considered the possible outcomes of the capital structure review. It considered that whilst there could be no guarantee that this would be achieved there was a reasonable possibility that it would be and so the going concern basis of accounting remains appropriate.

(ii) Provisions for mine closure and restoration costs

The calculation of the mine closure and restoration costs has a high degree of subjectivity and is sensitive to the assumptions used in the calculation. In 2015 the Company undertook a significant amount of restoration and rehabilitation activities and along with the report of an external expert in mine closure, updated the relevant provisions. The ARMC considered the procedures performed by the Company and concluded that these provisions have been appropriately recorded in the Annual Report. See Note 21 to the consolidated financial statements for further information.

(iii) Impairment of property, plant and equipment

The ARMC considered an impairment loss of EUR 199 million (2014: EUR 183 million) recognised at 31 December 2015 triggered by reduced price expectations for the Group's products and, consequently, a re-assessment of the mine plan for future operations, which accordingly led to a re-assessment of the recoverable amount of the cash generating units.

Other financial reporting matters considered by the ARMC during 2015 are described in the notes to the financial statements.

Financial policies

At NWR (consolidated) level, the financial statements are produced under IFRS whilst the subsidiaries of NWR produce their stand-alone accounts in accordance with the relevant applicable accounting standards. Further to a recommendation of the ARMC, Group financial policies and procedures have been harmonised to improve oversight of internal control over financial reporting and the budgeting process.

The ARMC is also responsible for reviewing related party transactions against internal policies and procedures. Related party transactions are audited by the external auditor as part of the Group audit. These typically include transactions, which reviewed by the Real Estate Committee, between the Real Estate Division and the Mining Division, transactions between the Group entities, transactions with entities affiliated with the Group entities and transactions of the Board members of the individual Group entities. The external auditor did not identify any significant issues or irregularities.

External audit

The current audit firm of NWR is KPMG LLP, appointed as the statutory auditor by the AGM on 24 April 2014. The previous audit firm (from 2011), KPMG Audit Plc, did not seek reappointment as it instigated an orderly wind down of business. As a result, no tender was conducted to appoint the external auditor. The lead audit engagement partner established a combined team to perform the Group audit, consisting of key personnel of the external auditor in the UK, Netherlands, the Czech Republic and Poland. Representatives of the external auditor attended all meetings of the ARMC in 2015. The audit team has extensive mining experience and a thorough understanding of the Company due to the previous engagement of KPMG in The Netherlands and in the Czech Republic as the external auditor of NWR entities.

The ARMC approved the terms of engagement of the auditor and the audit plan for 2015, which reflected significant risks relevant to the Group. The challenging trading conditions resulted in a continued focus of the ARMC and the auditor on going concern, liquidity and cash flow projections, mine closure and restoration provisions and impairments. The materiality level at which audit misstatements were reported was lowered to reflect the financial performance of NWR. The ARMC found the information communicated to it relevant for its work and was satisfied that there was supporting evidence for its judgements over key accounting and auditing issues. The ARMC also considered the fees to be charged for the external audit.

Non-audit services

The ARMC is responsible for monitoring the provision of non-audit services by the statutory auditor. In 2015, KPMG LLP performed a regulatory audit for the purpose of reporting on the financial performance of the Paskov mine (conducted by KPMG Czech Republic) and two regulatory audits regarding the use of EU grants provided to OKD(conducted by KPMG Czech Republic). In their professional judgement, KPMG LLP was independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff was not impaired. Cognisant of these services, the ARMC concluded that the independence of the external auditor was safeguarded and the external auditor was taking measures to preserve its independence.

Internal audit

The ARMC approves the appointment and dismissal of the Group Internal Auditor and assesses his performance on an annual basis. It further reviews the effectiveness and remit of the Group internal audit function and ensures that it is adequately staffed and stands independently within NWR. To strengthen the monitoring and communication with OKD in the area of internal control, the minutes of the OKD's audit committee are provided to the ARMC and the ARMC's chairman, Barry Rourke, became member of the OKD's audit committee in March 2015 and its chairman in August 2015.

Petr Hanzlík, the Group Internal Auditor, and his team have carried out the Group internal audit function in-house. The Group Internal Auditor is responsible for developing and overseeing the implementation of consistent internal auditing policies within the Group, delivering the audit plans and audit assignments, determining whether internal controls, risk management, and governance processes of the Group, as designed and represented by management, are adequate and functioning, and providing consulting services designed to improve internal processes and control environment. The ARMC approves the annual audit plans, reviews the audit reports and monitors management's responses and implementation of corrective measures. The Group Internal Auditor regularly reports to the ARMC on the status of the audit plans and key findings of the completed audits. He has direct access to the Board Chairman and the ARMC Chairman and all necessary access to organisational units and their management and the right to request information and explanations. He further reviews, on a quarterly basis, the gift and hospitality register maintained under the Business Integrity Policy of the NWR Group.

The internal audit team of OKD evaluates the adequacy and effectiveness of internal controls, risk management and governance processes at OKD and submits its reports to the senior management and the audit committee of OKD. The audit report summaries are also provided to OKD's supervisory board and the ARMC.

In 2015, the ARMC acknowledged the internal audit report for 2014 and assessed the outcomes of the 2015 Group internal audits on IT processes, mine planning, procurement, safety at work and Group treasury where, in response to its findings, the members recommended certain measures and also reviewed the amended Group treasury policy. With that, the audit plan for 2015 was met. The 2016 audit plan has been also approved and will focus on management of key risks relevant to the Group and consultancy audits related to the Group's reorganisation.

Risk management, internal control and compliance

At the beginning of each year, the ARMC assesses a list of key Group risks to be closely monitored during that year. It subsequently receives reports on risk evaluation, mitigation and responses across the Group. The risks are documented and monitored on an on-going basis and the Group maintains and regularly evaluates a Group risk register. Risks are controlled and managed within those operational areas in which they occur. Local management is responsible for identifying, assessing and mitigating risks and for the relevant reporting to the

ARMC. The risk management process follows the existing risk management directive.

The Group Risk Manager is located at the OKD headquarters. The position has been carried out by Radim Osuch who administers risk management systems and processes in OKD and NWR, coordinates and provides professional support in risk management efforts at other Group entities, chairs OKD's risk management committee, facilitates the identification, evaluation and management of relevant risk factors, maintains the risk register and regularly reports to the ARMC and the audit committee and the supervisory board of OKD. The ARMC supports this concept as it provides deeper understanding of risks at local level and their better management.

In 2015, a thorough review of the Group risk register was conducted to ensure the key risks reflected NWR's 'new reality' including its financial situation and difficult market conditions. The identified risks were assessed and prioritised by management according to their relevance, probability and impact and a verification process was performed. The most significant risks were presented in detail by their owners to the ARMC. The risk register also serves as a source for planning internal audits.

This supports the Board in discharging its responsibility for ensuring that the key risks associated with the Group's operations are effectively managed to safeguard shareholders' investments and the Group's assets. The Board is ultimately responsible for the risk management system and for reviewing its effectiveness. NWR's risk management policy, which applies to all Group entities, sets out the high-level objectives of the Group's risk management, risk evaluation, documentation and reporting processes. The risk management policy can be found on the NWR website at http://www.newworldresources.eu/en/corporate-governance/policies.

Finally, the ARMC oversaw preparation of the viability statement required by the UK Corporate Governance Code. It describes the principal risks and how they are mitigated to help assess the prospects of the Group in the longer term.

The ARMC has a crucial role in stating its opinion and making proposals to the Board on all matters where a potential conflict of interest exists between NWR, its Directors, its controlling shareholder and other shareholders. No potential cases of conflict of interest were examined by the ARMC in 2015.

The main pillars of the internal control system are operational controls, effective risk management and independent oversight by the internal audit team. In the ARMC's view, this provides sufficient control over main processes within the Group.

For further details on risk management, including the Directors' review of the effectiveness of internal controls, please refer to the section headed 'Principal risks and uncertainties' on page 17.

Whistleblower procedure

The Whistleblower Procedure is appended to NWR's Code of Ethics and Business Conduct and enables employees to express, on a confidential basis, concerns over the conduct of Directors, officers, management, other employees and the Company as such. These include suspicions of criminal offences, violations of the law, (intentionally) wrongful behaviour, manipulation of information, misconduct and reports of suspected breaches of the Business Integrity Policy. The complaints are dealt with in an impartial manner. The Company Secretary acts as confidential adviser to NWR and its subsidiaries and is responsible for investigating reports of suspected irregularities. The ARMC is responsible for establishing and reviewing the Whistleblower Procedure and is informed of reported cases through regular reports from the Company Secretary. In 2015, 30 reports on suspected irregularities at OKD were received. A substantial part concerned violations of law or internal regulations and other wrongdoing. Several complaints concerned alcohol abuse, breach of the Labour Code and bossing and one complaint reported harassment. No cases of larceny or corruption were reported in 2015. Three complaints were confirmed by further investigation and adequate steps were taken to prevent the wrongful behavior in the future. Anonymous complaints were impossible to investigate given insufficient information.

The whistleblower rules can be found on the NWR website at http://www.newworldresources.eu/en/corporate-governance/policies.

The ARMC believes that it carried out all the responsibilities set out in the ARMC's charter, which can be found on the Company's website.

Remuneration report

Dear fellow shareholder,

The year 2015 was not any easier for NWR than the preceding year. Although we significantly reduced our overall debt as a result of the balance sheet restructuring in 2014 and continue to work towards even higher operational efficiency in OKD, our efforts have been negated by the prevailing market weakness.

The Remuneration Committee had to take these conditions into account when conducting its duties. We determined that no salary increases for Executive Directors were to be made in 2015. We also recommended, and the Board agreed, to keep the fee arrangements for Non-Executive Directors as in 2014. In short, there have been no substantial changes to the remuneration of Directors during 2015.

The same essentially applies to our remuneration policy. As you will remember, we put to shareholders a new remuneration policy at the AGM held on 23 April 2015 (the '2015 AGM'). The policy reflected NWR's 'new reality' after restructuring our balance sheet and introduced, amongst other things, a new annual bonus plan (the 'Annual Bonus Plan'). We identified a bonus group consisting of our key senior managers and first implemented the Annual Bonus Plan for them in respect of the 2015 financial year. We also modified our performance conditions: we no longer use the production criterion and instead measure our performance against coking coal sales and, similarly, we monitor our operational performance against unit cost rather than OPEX as that is more appropriate in our business. The performance criteria continue to be strongly linked to safety, strategy and budget. As well as the change of performance criteria, we determined personal performance conditions which apply to each senior manager according to their area of responsibility. We monitored the performance conditions throughout the year and evaluated them against the full year results. Despite the achievements in the target and stretch category, we decided that no bonuses were to be paid to senior management in relation to 2015 in response to the difficult financial situation of the NWR Group.

Our Board changed in 2015. Marek Jelínek, former long-standing Chief Financial Officer and Executive Director, served his resignation and was succeeded by Boudewijn Wentink, who takes on the role of Finance and Legal Director, former Chief Legal Officer. The Remuneration Committee duly considered the departure terms of Marek Jelínek. We also determined the remuneration of Boudewijn Wentink in his new role: we approved a reasonable salary increase for him and recommended an award under the special long-term incentive plan (the 'Special LTIP'). That award will be granted subject to the shareholder approval at the Company's Annual General Meeting for the year 2016 (the '2016 AGM').

We continue to believe that our Annual Bonus Plan is the right incentive scheme for NWR's key personnel although its share element may not properly motivate our employees in these challenging times. We acknowledge that it is hard to provide remuneration that is attractive and shareholder aligned in the current market conditions. Therefore, the rules of the Annual Bonus Plan may be amended in order to align them with the shareholders' needs after the completion of the ongoing reorganisation of the NWR Group. We are happy to discuss any remuneration matters at any time and hope that we can enjoy your support on the remuneration-related votes at the 2016 AGM.

Bessel Kok
Chairman, Remuneration Committee

This remuneration report has been drawn up in line with the UK Corporate Governance Code, Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the UK Financial Services Authority Listing Rules.

The Directors' remuneration policy was approved by shareholders at the 2015 AGM. It took effect on 24 April 2015 and may operate for up to three years from that date. The policy details can be found on NWR's website.

This remuneration report, prepared by the Remuneration Committee, provides details of the remuneration of Directors for the year ended 31 December 2015 and will be subject to an advisory shareholder vote at the 2016 AGM.

REMUNERATION OF DIRECTORS IN FINANCIAL YEAR 2015

This report sets out the Company's remuneration of its Executive and Non-Executive Directors during 2015.

The Remuneration Committee is chaired by Bessel Kok (Senior Independent Director) and he is joined on the committee by Ian Ashby (Independent Director). Gareth Penny (Executive Chairman) regularly attends the meetings of the Remuneration Committee. The report on its activities in 2015 may be found in the 'Corporate Governance Report'.

During the year, the Remuneration Committee did not appoint any remuneration consultants. The Executive Chairman, Gareth Penny, provided advice on the performance conditions relevant to the Executive Directors and senior managers participating in the Annual Bonus Plan effective since 1 January 2015. No other material advice or services were provided to the Remuneration Committee.

Background to the Executive Directors' Remuneration
NWR operates the following incentive arrangements for its Executive Directors:

Annual Bonus Plan – This plan reflects the shareholders' view of the remuneration levels of our Directors' and key senior managers in the transformation era of NWR. The maximum amount of the bonus is 300% of the participant's base salary. The amount of the bonus may be linked to performance conditions set by the Remuneration Committee. In the 2015 year, the performance conditions included financial criteria (50%); operational criteria (25%); and growth (25%). Bonuses of up to 100% of salary over the year are paid entirely in cash. To the extent that the bonus exceeds 100% of basic salary, it will be paid in the form of an award which will be in the form of shares (which are rights to free shares on vesting) and/or phantom shares (which are rights to a cash payment based on the value of the shares) and/or cash. Awards vest, as to one third of the shares, following publication of the NWR group's consolidated annual financial statements for the year to which the bonus relates and as to half of the balance following publication of those statements for each of the following two years.

Special LTIP – This long-term incentive plan has been designed in connection with the successful completion of the capital restructuring in 2014. Awards will normally vest in three equal tranches on 31 December 2016, 31 December 2017 and 31 December 2018. At any time in the 12 months following vesting, the participant can elect to realise value in relation to the shares in respect of which the award has then vested. If they do so, they will be paid a cash amount equal to the market value of the relevant number of shares on the date of his election, otherwise the award lapses. For a period of three years after vesting, the participant has the right to sell the shares acquired on the vesting of awards and receive at least the market value of a share at the time of his election to realise value.

Stock Option Plan of Gareth Penny - On 3 September 2012, NWR granted Gareth Penny 750,000 share options over A shares in three equal tranches. The exercise price and the number of the share options were adjusted upon a Board resolution on 23 February 2015 in order to neutralise, so far as practicable, the effect of the rights issue as described in the Prospectus of NWR dated 30 July 2014 (the 'Rights Issue'). Gareth Penny now owns 2,281,466 share options. Each share option gives him the right to acquire one A share for an (adjusted) exercise price of EUR 0.0033. Each tranche vests equally over three years representing one third of the options each year (first tranche on the first, second and third anniversary of the grant date, second tranche on the second, third and fourth anniversary of the grant date and lastly third tranche on the third, fourth and fifth anniversary of the grant date). The options vest subject to Gareth Penny remaining employed by the Company.

More details on the above incentive plans can be found in the remuneration policy set out in Appendix 1 (Remuneration Policy).

Performance and pay

The chart below shows the total shareholder return of an investment in the Company's shares in each of the past six financial years as against that of an investment in the FTSE 350 Mining Index. The chart assumes that dividends were reinvested each time they were paid. For simplicity, the chart assumes that the total dividend (i.e. interim and final) was reinvested at the end of the year. The total shareholder return ('TSR') for any year is calculated as the change in the value of a share in the Company plus dividends reinvested as described above.

TSR

The pay of the Executive Chairman (who is treated as the CEO for the purposes of this disclosure) for each of those financial years is set out below for comparative purposes:

	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Executive Chairman 'single figure' of total remuneration (EUR)[1]							
Mike Salamon[2]	1,852,791	2,554,561	2,093,514	1,146,540	N/A	N/A	N/A
Gareth Penny[3]	N/A	N/A	N/A	159,376	466,494	1,251,346	479,573
Total	1,852,791	2,554,561	2,093,514	1,305,916	466,494	1,251,346	479,573
Annual bonus paid against maximum opportunity (%)							
Mike Salamon	0%	0%	0%	0%	N/A	N/A	N/A
Gareth Penny	N/A	N/A	N/A	N/A	N/A	33%	N/A
Long-term incentive vesting against maximum opportunity (%)							
Mike Salamon	100%	100%	100%	100%	N/A	N/A	N/A
Gareth Penny	N/A	N/A	N/A	N/A	100%	100%	100%

(1) Where the figure includes share or option awards which are not subject to performance conditions tested over more than one year, the face value of such award is included in the year in which it vests or becomes exercisable, calculated by multiplying the number of shares vested by the closing price on the London Stock Exchange (the 'LSE') at the date of vesting less the exercise price and converted into EUR at an average exchange rate for the relevant year.

(2) Mike Salamon retired on 30 September 2012. His total remuneration includes his salary and the face value of 264,351 stock options vested in 2009, 265,150 stock options vested in 2010, 261,585 stock options vested in 2011 and 267,019 stock options vested in 2012.

(3) Gareth Penny joined as Executive Director on 3 September 2012. His remuneration for 2012 includes salary and a sign-on bonus. His remuneration for 2013 and onwards include salary, benefits in kind, the face value of vested stock options and pension contribution. His 2014 remuneration also includes the restructuring bonus award and the annual bonus as described in the 'Single total figures' table. None of these were linked to any performance criteria.

Percentage change in the Executive Chairman's remuneration

The table below shows the percentage change in the Executive Chairman's total remuneration in 2014 and 2015 as it is impracticable to accurately disclose the remuneration of the Group's employees at a level below that of total remuneration. The year-on-year change in relation to the employees relates to all employees of the Group and is on a per capita basis.

	Year-on-year change: Executive Chairman	**Year-on-year change: Group employees**
Total remuneration	(61%)	1%

Single total figures for Executive Directors' remuneration

The table below shows the pre-tax remuneration of Executive Directors for the fiscal year ended 31 December 2015 and 2014.

(EUR)	Gareth Penny[1]		Marek Jelínek[2]		Boudewijn Wentink[3]	
	2015	2014	**2015**	2014	**2015**	2014
Salary and fees	**443,565**	399,706	**197,795**	374,583	**117,000**	-
Taxable benefits	**33,175**	19,246	**86,895**	94,522	**985**	-
Bonus[4]	**0**	800,000	**0**	435,000	**0**	-
Value of option awards vesting[5]	**2,833**	12,394	**0**	0	**0**	-
Value of share awards vesting[6]	**0**	0	**0**	14,330	**0**	-
Pension contribution	**20,000**	20,000	**0**	0	**7,083**	-
Total	**499,573**	1,251,346	**284,690**	918,435	**125,068**	-

(1) Gareth Penny's contractual annual salary is GBP 322,240 and the major part of it is paid in EUR. The difference between his pay in 2015 and 2014 is caused by the exchange rate. In 2015, the components of his taxable benefits were health insurance (EUR 9,246) and liability insurance (EUR 23,929). The face value of option awards vesting comprises the value of 166,666 stock options vested on 3 September 2014 (i.e., before the Rights Issue) and 760,488 stock options vested on 3 September 2015 (i.e. after the Rights Issue), in line with his Stock Option Plan described elsewhere in this report. The options were not linked to any performance criteria. They are included in this table to set out all items of Gareth Penny's remuneration in 2015. In line with his employment contract, the Company contributes, in monthly arrears, 5% of his annual base salary to his personal pension arrangements.

(2) Marek Jelínek was Executive Director from 8 April 2011 to 31 August 2015. His contractual annual salary was EUR 290,000. He also received EUR 4,462 for accrued vacation time upon the termination of his employment agreement. His taxable benefits comprised family health insurance (EUR 1,780) and children's education (EUR 85,115). The value of share awards vesting in 2014 comprises the face value of an ad hoc grant of 30,000 deferred shares vested on 3 March 2014 in line with the Deferred Bonus Plan operated by then by NWR. He received no pension entitlements. Marek Jelínek did not receive any termination payments or other payments or benefits after his retirement and, in agreement with him, all his share and option awards lapsed. However Mr. Jelinek remains eligible for a consultancy fee until 31 August 2016.

(3) The table shows Boudewijn Wentink's remuneration since his appointment as Executive Director on 19 August 2015. His contractual annual salary is EUR 275,000 plus he receives a holiday allowance of 8% of his annual base salary. In the period from his appointment, his taxable benefits comprised only health insurance (EUR 985). In line with his employment contract, the Company contributes, in monthly arrears, 5% of his annual base salary to his personal pension arrangements.

(4) Gareth Penny and Marek Jelínek were awarded a restructuring bonus of EUR 600,000 and EUR 435,000, respectively, in relation to the successful completion of the capital restructuring in 2014. The shareholders approved these bonus awards on 3 November 2014. Gareth Penny also received an annual bonus award of EUR 200,000 in relation to his individual performance in 2014.

(5) The face value of Gareth Penny's option awards vesting is calculated by multiplying the number of options vested less the exercise price by the closing price on the LSE at the date of vesting and converted into EUR at an average exchange rate GBP/EUR of 0.726 for 2015 and 0.806 for 2014. Where that value is negative, the figure is shown in brackets but is not deducted from the single

figure. The closing price on the LSE on 3 September 2014 was GBP 0.068 and on 3 September 2015 it was GBP 0.0051.

(6) The face value of Marek Jelínek's deferred shares is calculated by multiplying their number by GBP 0.385, which was the closing price on the LSE at the date of vesting (i.e. 3 March 2014), and converted into EUR at an average exchange rate GBP/EUR of 0.806 for 2014.

This table and the associated footnotes have been subject to audit by KPMG LLP.

Information about benefits of Directors

The table below shows the information required by Schedule 5 of Statutory Instrument 2008/410 in relation to the Executive Directors.

Aggregate remuneration (EUR)[1]		**Scheme interests gain (EUR)**[2]	
2015	2014	**2015**	2014
906,498	2,143,057	**0**	14,330

(1) The aggregate remuneration includes the annual base salary, bonus and taxable benefits of the Executive Directors as described elsewhere in this report. It further includes the pension of Gareth Penny and Boudewijn Wentink who participate in a defined contribution pension scheme as also described elsewhere in this report. There are no other defined contribution schemes and no defined benefit schemes. The aggregate remuneration includes that of Marek Jelínek who was the Executive Director until 31 August 2015.

(2) The scheme interest gains set out the gains made by the Directors on the exercise of stock options and assets or money received or receivable under the scheme interests other than the stock options. The 2014 scheme interests gain includes the face value of 30,000 deferred shares received by Marek Jelínek. No further gains have been made as at the date of this report. There are no other long-term incentive plans for Executive Directors other than the ones described elsewhere in this report.

Scheme interests awarded in 2015

No scheme interests were awarded to any Director during 2015.

Single total figures for Non-Executive Directors' remuneration

The table below shows the pre-tax remuneration of Non-Executive Directors for the fiscal year ended 31 December 2015 and 2014. The fees of Non-Executive Directors were substantially reduced in November 2014 in response to the worsening financial situation of NWR. The basis of the fees can be found in the table below, but it is essentially a base fee plus additional fees for committee service or chairmanship.

	Annual Fee (EUR) Since 22 November 2014	
Committee	**Member**	**Chairman**
Audit and Risk Management	12,000	25,000
Real Estate	10,000	20,000
Safety, Health and Environment	11,500	23,000
Remuneration	10,000	20,000
Nomination	10,000	20,000

NWR does not operate an equity plan for Non-Executive Directors and they do not participate in the Annual Bonus Plan. Non-Executive Directors are not entitled to any non-cash benefits and no personal loans, guarantees or other similar instruments may be provided to Non-Executive Directors.

	Annual fee (EUR)		**Committee chairmanship annual fee (EUR)**		**Committee membership annual fee (EUR)**		**Total compensation (EUR)**	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Current Non-Executive Directors								
Ian Ashby[1]	**50,000**	8,856	**23,000**	5,334	**10,000**	1,659	**83,000**	15,849
Charles Harman	**34,521**	N/A	**6,904**	N/A	**0**	N/A	**41,425**	N/A
Peter Kadas[3]	**0**	0	**0**	0	**0**	0	**0**	0
Bessel Kok[4]	**50,000**	66,346	**22,000**	75,574	**22,000**	13,976	**94,000**	155,986
Barry Rourke[5]	**50,000**	66,346	**28,600**	43,941	**10,000**	25,651	**88,600**	136,028
Alyson Warhurst	**50,000**	66,436	**20,000**	3,317	**11,500**	26,660	**81,500**	96,413
Former Non-Executive Directors								
Zdeněk Bakala[6]	**0**	0	**0**	0	**0**	0	**0**	0
Paul Everard[7]	**N/A**	57,581	**N/A**	47,983	**N/A**	9,596	**N/A**	115,160
Colin Keogh[8]	**31,644**	8,856	**12,658**	3,317	**13,923**	4,943	**58,225**	17,116
Hans-Jörg Rudloff[7]	**N/A**	57,581	**N/A**	0	**N/A**	43,188	**N/A**	100,769
Steven Schuit[7]	**N/A**	57,581	**N/A**	0	**N/A**	57,581	**N/A**	115,162
Pavel Telička[9]	**N/A**	133,948	**N/A**	0	**N/A**	0	**N/A**	133,948
Kostyantin Zhevago[10]	**N/A**	10,316	**N/A**	0	**N/A**	0	**N/A**	10,316

(1) Ian Ashby joined the Board on 3 November 2014.
(2) Charles Harman joined the Board on 23 April 2015.
(3) Peter Kadas waived his annual fee for the whole of 2015 and 2014.
(4) The 2015 fee of Bessel Kok includes EUR 1,000, which he has been receiving since November 2015 as chairman of a transformation committee. He also received EUR 11,437 for membership of the supervisory board of OKD.
(5) The 2015 fee of Barry Rourke includes EUR 1,800, which he was receiving since November 2015 as chairman of a capital committee.
(6) Zdeněk Bakala waived his annual fee for the period until his retirement on 23 April 2015 and for the whole of 2014.
(7) Paul Everard, Hans-Jörg Rudloff and Steven Schuit retired on 3 November 2014.
(8) Colin Keogh joined the Board on 3 November 2014 and retired on 19 August 2015.
(9) Pavel Telička's 2014 fee includes a monthly fee of EUR 20,000, which he was receiving until May 2014 in addition to his Board fee as chairman of a transformation committee established by the Board on 1 September 2013. He resigned on 30 June 2014.
(10) Kostyantin Zhevago waived his annual fee for 2014 for the benefit of a charity. He resigned on 24 February 2014.

This table and the associated footnotes have been subject to audit by KPMG LLP.

Directors' shareholding

The table below sets out information pertaining to the shares held by the Directors in NWR and their connected persons in 2015. There have been no changes in the interests of Directors (or their connected persons) in the Company's shares between 31 December 2015 and the date of this report. The Company does not require the Directors to own shares in the Company.

Name	At 1 January 2015	At 31 December 2015
Current Directors		
Ian Ashby	0	0
Charles Harman	0	0
Peter Kadas[1]	0	0
Bessel Kok	1,086,160 shares	1,086,160 shares
Gareth Penny	0	0
Barry Rourke	1,116,860 shares	1,116,860 shares
Alyson Warhurst	0	0
Boudewijn Wentink	0	0
Former Directors		
Zdeněk Bakala[1]	0	0
Marek Jelínek[2]	741,500 shares	741,500 shares
Colin Keogh[3]	2,000,000 shares	2,000,000 shares

(1) Please refer to the section headed 'Shareholder information' on page 149 in respect of the individual interests of entities affiliated with Zdeněk Bakala and Peter Kadas in the A Shares and B Shares.
(2) Marek Jelínek retired on 1 September 2015. The table shows his share interest as at that date.
(3) Colin Keogh retired on 19 August 2015. The table shows his share interest as at that

date.

Directors' scheme interests

The table below sets out details of scheme interests, which were held by the Executive Directors in 2015 and which have not been disclosed elsewhere. The awards are not subject to performance conditions. No stock options were exercised in the year. Further details of the scheme plans can be found elsewhere in this report. The Non-Executive Directors do not participate in NWR's scheme plans.

	Type of interest and basis of award	Date of grant	Number of shares under option/award	Share options vested but unexercised	Exercise period/ vesting date	Exercise price
Gareth Penny	Stock Option Plan	03.09.2012	2,281,466	1,520,973	03.09.2013-03.09.2024	EUR 0.0033
	Special LTIP	21.11.2014	125,000,000	N/A	31.12.2016 31.12.2017 31.12.2018	N/A
Marek Jelínek[1]	Stock Option Plan	09.05.2008	120,997	120,997	09.05.2011-09.05.2016	GBP 4.36
	Stock Option Plan	24.06.2009	674,976	674,976	24.06.2012-24.06.2017	GBP 0.93
	Stock Option Plan	17.03.2010	239,536	239,536	17.03.2013-17.03.2018	GBP 2.34
	Special LTIP	21.11.2014	67,000,000	N/A	31.12.2016 31.12.2017 31.12.2018	N/A
Boudewijn Wentink[2]	Special LTIP	21.11.2014	15,000,000	N/A	31.12.2016 31.12.2017 31.12.2018	N/A

(1) Details of Marek Jelínek's Stock Option Plan can be found in the remuneration policy set out in the Appendix 1 of this report. All his awards set out in this table lapsed on 1 September 2015 in consequence of the termination of his employment with the NWR Group.

(2) Boudewijn Wentink was granted 15,000,000 award shares under the Special LTIP in 2014 prior to his appointment as Executive Director. On 4 June 2015, the Remuneration Committee recommended to award him, subject to his appointment as Executive Director and subject to the shareholder approval at the 2016 AGM, an additional 40,000,000 award shares under the Special LTIP.

This table and the associated footnotes have been subject to audit by KPMG LLP.

Relative importance of spend on pay
The table below shows the actual expenditures of the NWR Group.

	2015 (EUR)	2014 (EUR)	Difference (EUR)
Remuneration of the NWR Group employees	245,830,887	252,275,915	(6,445,027)
Distribution to shareholders by way of dividend or share buyback	0	0	
Other significant distributions of profit or cash-flow:			
Capital expenditure	34,297,001	59,631,792	(25,334,791)

The year-on-year reduction in the remuneration costs of the NWR Group employees results from a reduction in headcount.

Capital expenditure is featured in the table above to assist in understanding the relative importance of spend on pay as the Directors have a choice whether to distribute profits and cash-flows by way of dividend or reinvest these in the assets base to maintain or improve the operational health of the Company.

OTHER REQUIRED DISCLOSURES

Payments to former Directors
No payments of money or any other assets were made during 2015 to any former Director of the Company.

Payments for loss of office
There were no payments in relation to a Director's loss of office during 2015. The outstanding awards of Marek Jelínek under the Special LTIP and the Stock Option Plan lapsed as described in the footnotes to the 'Directors' scheme interests' table of this report.
These disclosures have been subject to audit by KPMG LLP.

Voting at the 2015 AGM
At the 2015 AGM six votes were considered in relation to Directors' remuneration: the binding vote on the policy section of the Directors' Remuneration Report, the advisory vote on the Directors' remuneration in 2014, a vote on the rules of the Special LTIP and the relevant awards to the Executive Directors, a vote on the Annual Bonus Plan and a vote on the bonus to Executive Chairman in relation to 2014.

Votes cast by proxy and at the 2015 AGM in relation to Directors' remuneration were as follows:

Resolution	Votes for (and percentage of votes cast)	Votes against (and percentage of votes cast)	Votes withheld	Total votes
Remuneration Policy	5,270,381,395 (100%)	9,160 (0%)	0	5,270,390,555
2014 Remuneration Report	5,265,180,334 (99.9%)	5,210,221 (0.1%)	0	5,270,390,555
Special LTIP rules	5,265,178,525 (99.9%)	5,212,030 (0.1%)	0	5,270,390,555
Special LTIP awards	5,265,178,525 (99.9%)	5,212,030 (0.1%)	0	5,270,390,555
Annual Bonus Plan	5,270,379,586 (100%)	10,969 (0%)	0	5,270,390,555
2014 Bonus	5,265,178,525 (99.9%)	5,202,870 (0.1%)	9,160	5,270,381,395

Directors' remuneration policy in 2016

The remuneration policy for Executive Directors for 2016 remains unchanged from that in force in 2015, namely they will participate in the Annual Bonus Plan implemented on 1 January 2015. The bonus awards, if any, will be subject to the achievement of the performance conditions set out in the remuneration policy approved in 2015. The Remuneration Committee will consider the applicable targets for 2016 at its March 2016 meeting. In the opinion of the Board, the targets set for the performance conditions are commercially sensitive. As permitted by the regulations, they are not being disclosed in advance but there will be full retrospective disclosure in the 2016 Annual Report and Accounts, if any bonuses have been paid in relation to 2016. On top of it, subject to the shareholders' approval at the 2016 AGM, Boudewijn Wentink will receive a one-off award under the Special LTIP. No material salary increases will be made across the Group for 2016.
This Remuneration Report was approved by the Board and signed on its behalf by the Company Secretary on 23 February 2016.

Statement of directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the Directors are required to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- State whether they have been prepared in accordance with IFRS as adopted by the EU, and Article 4 of the EU IAS Regulations; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company transactions and disclose with reasonable accuracy at any time the financial position of the parent company and of the Group and enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and parent company and hence for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations.

Having taken advice from the Audit and Risk Committee, the Directors consider that the Annual Report and financial statements taken as a whole are fair, balanced and understandable and provide the necessary information for shareholders to assess the Company's and the Group's performance, business model and strategy.

Each of the Directors, whose names appear in the section headed 'Directors full biographical details' from page 39 confirm that, to the best of their knowledge:

- The consolidated financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole;
- The Company financial statements, prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006,

give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;

- The Directors' report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- Having made the requisite enquiries, so far as the directors are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the Company's auditor is unaware and the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board

Zuzanna Wronkowska

Company Secretary

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEW WORLD RESOURCES PLC ONLY

Opinions and conclusions arising from our audit

1 *Our opinion on the financial statements is unmodified*

We have audited the financial statements of New World Resources Plc for the year ended 31 December 2015 set out on pages 102 to 148. In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2 *Emphasis of matter – going concern*

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 2 to the consolidated financial statements concerning the Group's and the Company's ability to continue as a going concern; in particular that the Group expects to remain cash flow negative in the current low coal price environment, has breached technical covenants on one facility after the year end, expects to breach the conditions of other debt facilities in the near future, and has facilities maturing in the next 12 months that the Group does not expect to be able to repay or refinance in the absence of a wider restructuring of its operations and funding. In light of significant pressure on the Group's liquidity position, the Directors have commenced negotiations with key stakeholders, including certain significant shareholders and noteholders and the Czech Government, with a view to securing an appropriate capital structure for the Group that will allow the Group to meet its liabilities as they fall due over the next 12 months and to be solvent for the longer-term. However there can be no certainty that an agreement that secures this outcome can be reached. In addition, although there may be a number of further avenues for the Directors to explore, there can be no certainty that any of these will result in the Group being able to meet its liabilities as they fall due.

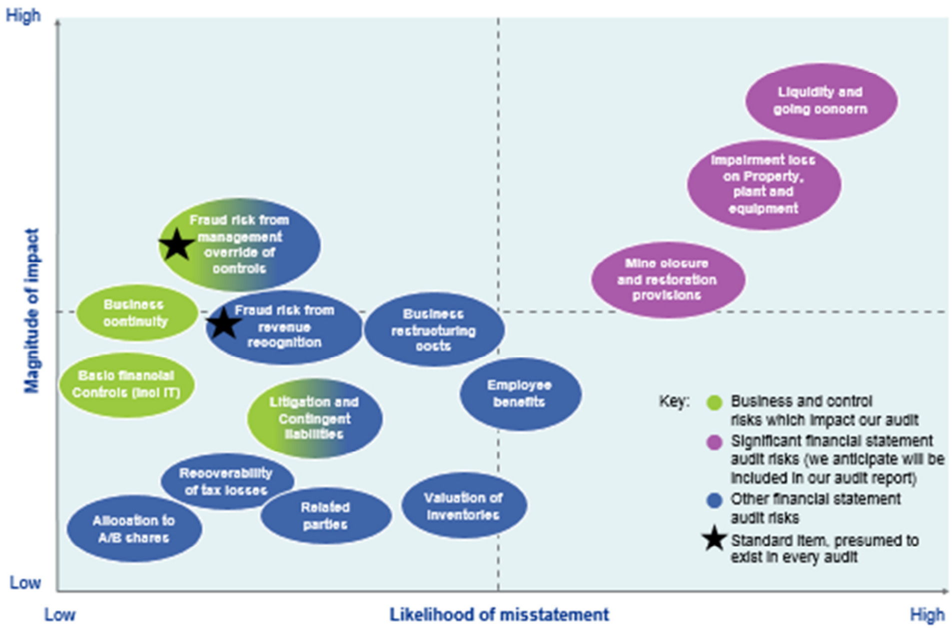
These conditions, along with other matters explained in Note 2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt as to the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

3 *Our assessment of risks of material misstatement*

When planning our audit, we made an assessment of the relative significance of the key risks of material misstatement to the Group financial statements initially without taking account of the effectiveness of controls implemented by the Group. This initial assessment is shown below in the output from our Dynamic Audit planning tool.

Of the 14 key risks identified, we describe below (i) the three risks of material misstatement that had the greatest effect on our audit in decreasing order of audit significance (those in purple in the Dynamic Audit planning tool – the descriptions of risks include an explanation for the changes in significance of these risks from last year), (ii) our key audit procedures to address those risks and (iii) our findings from those procedures in order that the Company's members as a body may better understand the process by which we arrived at our audit opinion. Our findings are the result of procedures undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and consequently are incidental to that opinion, and we do not express discrete opinions on separate elements of the financial statements.

Dynamic Audit planning tool



Liquidity and going concern *Risk assessment:* ↑

Refer to page 73 (Audit and Risk Management Committee Report) and page 107 (Basis of preparation – Going concern basis of accounting).

The risk – The Group's liquidity is stressed as described in section 2 of this report. Negotiations with key stakeholders, including certain significant shareholders and noteholders and the Czech Government are at an early stage.

Assessing whether the going concern basis of accounting is appropriate requires significant judgment regarding the likelihood of an appropriate agreement being reached with key stakeholders and the application of a break-up basis could have a significant effect on the amounts included in the financial statements. Given the financial position of the Group, it is of particular importance that the disclosure in the financial statements of the Directors' judgments in this regard and of the nature of any material uncertainty which may cast significant doubt as to the Group's and the Company's ability to continue as a going concern is clear and comprehensive.

The significance of this risk has increased since the previous year due to the prolonged period of coal price weakness.

Our response –We discussed with the Directors the current status of negotiations with key stakeholders, examined the agreements reached to date and assessed the key uncertainties involved in reaching a sustainable capital structure and related financial support to enable the Group and the Company to meet its liabilities as they fall due over the next 12 months and to be solvent for the longer-term. We considered whether the Group's disclosures in relation to its liquidity and capital resources were appropriate, represented the position of the Group at the date of approval of the financial statements, and included the Directors' key considerations in deciding to prepare the financial statements on a going concern basis.
Our findings – We found that the Directors had made balanced judgments in concluding that, although there is a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern, it is appropriate to use the going concern basis of accounting. We found that the disclosures proportionately describe (i) the Group's liquidity requirements and capital resources; (ii) the status of negotiations with key stakeholders, including the agreements reached to date; and (iii) the Directors' judgment that these circumstances represent a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern. Accordingly, in section 2 of this report above, without modifying our opinion on the financial statements, we have included an emphasis of matter.

Impairment loss on property, plant and equipment (EUR 199 million) *Risk assessment:* ↑

Refer to page 73 (Audit and Risk Management Committee Report), page 114 (Summary of significant accounting policies – Impairment) and page 126 (Property, plant and equipment - Impairment).
The risk – The sustained deterioration in coal prices over the last year made it likely that there had been a further impairment of the Group's property, plant and equipment. The amount of the impairment was assessed by the Group using a value in use model to derive the net present value of the forecast cash flows expected to be generated by the Group's mining business. The Group has assessed the impairment based on three (2014: two) independent cash generating units. The net present value of the forecast cash flows depends on a series of key assumptions and estimates (not all of which are in the control of the Directors), including the mineable proved and probable coal reserves in the Group's mines and the quality of these reserves; the mining plan to be applied by the Group in extracting these reserves and the resulting production profile; the prices that can be achieved for sale of this production; the cost, both capital and operating, of extracting the reserves; cost inflation; the forecast Czech Crown to Euro exchange rate; and the discount rate used to discount the forecast cash flows. The output of the model is sensitive to the assumptions used and the resulting impairment could vary significantly depending on the assumptions made by the Directors. The risk is that the amount of the impairment is materially misstated.
The significance of this risk has increased since the previous year due to the prolonged period of coal price weakness and a change in the basis of identifying cash generating units.
Our response – Our audit procedures included assessing the cash generating units identified by the Group against the requirements of accounting standards, taking into account any business changes during the year. We tested the integrity of the cash flow projections and challenge the appropriateness of key assumptions used in preparing those projections. We evaluated these projections and assumptions by reference to our knowledge of the industry and assessed the potential risk of management bias. For externally derived inputs we assessed the reasonableness of the Directors' assumptions by reference to external forecasts principally by comparing projected commodity prices against external analyst reports, both regionally and globally. We compared the mineable reserves assumptions used in the value in use model to the reserves assessed by the mining engineers employed by the Group to produce an estimate of proven and probable reserves at 31 December 2015; we also assessed the objectivity and qualifications of the mining engineers. For internally derived inputs, we compared operating expense forecasts to

the historical operating expenses; we assessed the accuracy of historical underlying forecasts to historical production and sales data; and we compared the capital expenditure projections to existing planned works and the capital development work necessary to extract the mineable reserves as assessed by the mining engineers. We critically assessed the appropriateness of the discount rate used by reference to a range of acceptable discount rates we derived from market data. We considered the Group's market capitalisation and compared that with a market valuation derived from the forecasts used in the impairment calculations, assessed the potential risk of management bias in the calculations and critically assessed the sensitivities applied by the Group. We considered the adequacy of the Group's disclosures in respect of impairment testing and whether the disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the key assumptions and the requirements of relevant accounting standards.
Our findings – We found that the change in identified cash generating units, which resulted in more cash generating units being tested for impairment than in prior periods, is in accordance with the changes in the business. We found no matters of concern regarding the mining engineers' objectivity or their experience and expertise with regard to estimating the Group's proven and probable coal reserves. We found no errors in the extraction of the mineable reserves and the production profile from the approved life of mine plans to the value in use model. We found that the forecast prices for the Group's production were balanced when compared to a variety of publicly available forecasts and to our own analysis. We found that cost estimates were balanced when compared to projections of likely future costs used by the mining engineers and to our own analysis of cost trends. We found the remaining assumptions applied in the value in use modelling to be balanced. Recognising the inherent imprecision in many of the key assumptions and estimates, we found that the Group's disclosure is proportionate in providing sufficient information on the impacts of different assumptions and of the sensitivity of the impairment charge to variations in assumptions.

Mine closure and restoration provisions (EUR 137 million) *Risk assessment: ↔*

Refer to page 73 (Audit and Risk Management Committee Report), page 116 (Summary of significant accounting policies - Provisions - Mine closure, restoration, and mining damages provisions) and page 136 (Provisions).

The risk – The mine closure and restoration provisions include a significant level of estimation and assumptions, including the timing of cash flows, expected life of each mine, the interpretation of local environmental legislation for which there are very few precedents and the future expected cost of restoration, rehabilitation and mine closure.

The significance of this risk has not changed since the previous year.

Our response – Our audit procedures included testing the integrity of the model used and comparison of the input assumptions to externally and internally derived data as well as to our own assessments. This included the comparison of the following (i) the data used in the modelling to the technical studies undertaken by the expert engaged by the Group, (ii) the period over which the provisions are discounted to the approved life of mine plans and comparing these data in the models to those data used in the value in use model, (iii) the volume of material required to be moved to survey and site plan data, (iv) the activities planned to be undertaken to those that we believe would be required under the existing mining legislation in the Czech Republic and (iv) the accuracy of provisions from historical remedial works undertaken. We assessed the objectivity and competence of the expert. We critically assessed the appropriateness of the discount rate used to reflect the time value of money by reference to a range of acceptable discount rates we derived from market data. We challenged the overall consistency of the assumptions and of the estimated inputs, including the potential risk of management bias. We also considered the adequacy of the Group's disclosures in respect of expected timing of cash flows and the estimation assumptions made.

Our findings –We found no errors in the model's calculations. We found no matters of concern regarding the Group expert's objectivity or experience and expertise to estimate the Group's closure and restoration provisions. We found the assumptions and resulting estimates to be balanced and the Group's disclosures regarding the significant degree of inherent imprecision in the estimates to be proportionate.

Capital restructuring

We continue to perform audit procedures with regard to the financial instruments recognised as part of the Capital Restructuring that occurred in 2014. However, as this was addressed in detail in the previous year and the accounting bases, valuation methodologies, use of external experts and the level of disclosure in the Annual Report have remained unchanged, we have not assessed this as one of the risks that had the greatest effect on our audit and, therefore, it is not separately identified in our report this year.

In reaching our audit opinion on the financial statements we took into account the findings that we describe above and those for other, lower risk areas including those included in the output from our Dynamic Audit planning tool set out above. Overall the findings from across the whole audit are that the financial statements have been prepared on the basis of appropriate accounting policies, reflect balanced judgments and estimates (2014 audit finding: balanced), and provide proportionate disclosure (2014 audit finding: proportionate). Having assessed these findings, evaluated uncorrected misstatements in the context of materiality and considered the qualitative aspects of the financial statements as a whole, we have not modified our opinion on the financial statements.

4 *Our application of materiality and an overview of the scope of our audit*

The materiality for the Group financial statements as a whole has reduced in line with the reduction in the Group's revenue due very largely to the global low coal price environment. This was set at EUR 4.0 million (2014: EUR 6.8 million) and was, as last year, determined with reference to a benchmark of Group revenues. This materiality measure represents 0.6% (2014: 1.0%) of the benchmark. We consider Group revenues to be the most appropriate benchmark as it provides a more stable measure year on year than Group loss before taxation given the high operational gearing of the Group.

We report to the Audit and Risk Management Committee all material corrected misstatements and all uncorrected misstatements exceeding EUR 200,000, in addition to other identified misstatements that warranted reporting on qualitative grounds. Audits for Group reporting purposes were carried out at four reporting components located in the Czech Republic, the Netherlands and Poland (of which three represent individually significant reporting components) and two reporting components in the United Kingdom (of which one represents an individually significant reporting component). Audits for Group reporting purposes covered 100% of Group revenue (2014: 100%); 99% of Group loss before taxation (2014: 100% of loss before taxation); and 96% of Group total assets (2014: 98%).

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materialities, which were largely performed to local materiality levels as the majority of components also prepare local statutory accounts. These materiality levels were set individually for each component and ranged EUR 10 thousand to EUR 4.0 million (2014: EUR 8 thousand to EUR 6.1 million). The work on four of the six components was performed by component auditors and the rest by the Group audit team.

The audits of components located in the United Kingdom were performed by the Group audit team. Detailed audit instructions were sent to the KPMG member firm carrying out the audits of the reporting components in the Czech Republic, the Netherlands and Poland. These instructions covered the significant audit areas that should be covered by these audits (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported to the Group audit team. The Group audit team visited component locations in the Czech Republic and held discussions with the component audit teams, including discussions of the audit approach required to be applied and in-depth reviews of the audit work undertaken by the component auditors. Telephone conference meetings were also held with these component auditors and others that were not physically visited. At these visits and meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

5 *Our opinion on the other matters prescribed by the Companies Act 2006 is unmodified*

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- information given in the Corporate Governance Statement set out on page 76 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structure is consistent with the financial statements.

5 *We have nothing to report on the disclosures of principal risks*

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' viability statement on pages 15 to 16, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the group's continuing in operation over the twelve months period to 28 of February 2017; or

- the disclosures in note 2 of the financial statements concerning the use of the going concern basis of accounting.

6 *We have nothing to report in respect of the matters on which we are required to report by exception*

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading. In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy; or

- the Audit and Risk Management Committee report does not appropriately address matters communicated by us to the audit committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 107 and on page 15, in relation to going concern and longer term viability; and
- the part of the Corporate Governance Statement on page 62 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 91, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014b, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Jimmy Daboo
Senior Statutory Auditor

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
23 February 2016

Consolidated Financial statements

The Financial Statements set out in this section include:

EUR thousand	*Note*	2015	2014 (restated)*
Revenues	*3*	629,565	676,381
Cost of sales	*4*	(558,642)	(616,457)
Gross profit		70,923	59,924
Selling expenses	*4*	(55,945)	(63,586)
Administrative expenses	*4*	(63,172)	(71,000)
Impairment loss on property, plant and equipment	*10*	(199,028)	(182,642)
Gain / (loss) from sale of property, plant and equipment		646	(258)
Other operating income		1,419	2,576
Other operating expenses	*4*	(2,785)	(2,521)
Operating loss		(247,942)	(257,507)
Finance income	*6*	13,078	7,987
Finance expenses	*6*	(55,283)	(67,341)
Change in fair value of Convertible Notes	*6*	66,512	(157)
Capital restructuring	*7*	-	342,253
(Loss) / profit before tax		(223,635)	25,235
Income tax benefit / (expense)	*8*	469	(46,319)
LOSS FOR THE YEAR		**(223,166)**	**(21,084)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:		(2,536)	(2,016)
Foreign currency translation differences		(1,732)	(2,453)
Income tax relating to components of other comprehensive income		(804)	437
Items that will never be reclassified to profit or loss:		-	-
Total other comprehensive income for the year, net of tax		(2,536)	(2,016)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(225,702)**	**(23,100)**
Loss attributable to:			
Shareholders of the Company		(223,166)	(21,084)
Total comprehensive income attributable to:			
Shareholders of the Company		(225,702)	(23,100)
EARNINGS / (LOSS) PER SHARE	*20*		
A share (Eurocents)			
Basic loss		(3.40)	(1.09)
Diluted loss		(3.40)	(1.09)
B share (EUR)			
Basic earnings		323.10	330.40
Diluted earnings		323.10	330.40

*See Changes in presentation in Note 2

All activities were with respect to continuing operations.

The Notes on pages 106 to 142 are an integral part of these consolidated financial statements.

NEW WORLD RESOURCES PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

EUR thousand	*Note*	2015	2014
ASSETS			
Property, plant and equipment	*10*	118,884	322,374
Accounts receivable	*12*	920	3,062
Restricted deposits	*13*	20,303	22,037
TOTAL NON-CURRENT ASSETS		140,107	347,473
Inventories	*14*	41,156	40,841
Accounts receivable and prepayments	*15*	52,307	64,219
Derivatives	*16*	-	2,629
Cash and cash equivalents		85,891	128,035
TOTAL CURRENT ASSETS		179,354	235,724
TOTAL ASSETS		**319,461**	**583,197**
EQUITY			
Share capital	*19*	108,460	108,458
Share premium	*19*	142,380	142,363
Foreign exchange translation reserve	*19*	26,243	28,779
Equity-settled share-based payments	*23*	15,719	15,868
Merger reserve	*19*	(1,631,161)	(1,631,161)
Other distributable reserve	*19*	1,684,463	1,684,463
Retained earnings		(731,219)	(508,638)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		(385,115)	(159,868)
LIABILITIES			
Provisions	*21*	150,913	147,567
Long-term loans	*7,16,18*	43,981	83,726
Bonds issued	*7,16,18*	299,534	325,669
Employee benefits	*22*	37,016	36,956
Deferred revenue		494	747
Deferred tax	*8*	825	801
Other long-term liabilities		266	300
Cash-settled share-based payments	*23*	162	146
Derivatives	*16*	487	2,408
TOTAL NON-CURRENT LIABILITIES		533,678	598,320
Provisions	*21*	2,667	2,867
Accounts payable and accruals	*17*	119,912	130,989
Accrued interest payable		5,288	4,341
Derivatives	*16*	2,876	6,299
Income tax payable		24	168
Current portion of long-term loans	*16,18*	39,981	-
Cash-settled share-based payments	*23*	150	81
TOTAL CURRENT LIABILITIES		170,898	144,745
TOTAL LIABILITIES		704,576	743,065
TOTAL EQUITY AND LIABILITIES		**319,461**	**583,197**

The Notes on pages 106 to 142 are an integral part of these consolidated financial statements.

The financial statements on pages 102 to 142 were approved by the Directors on 23 February 2016 and signed on their behalf by:

……………………………………

Gareth Penny
Executive Chairman of the Board

……………………………………

Boudewijn Wentink
Executive Director and Finance and Legal Director

EUR thousand	Share capital	Share premium	Foreign exchange translation reserve	Restricted reserve	Equity-settled share-based payments	Merger reserve	Other distributable reserve	Retained earnings	Total equity
Balance at 1 January 2015	**108,458**	**142,363**	**28,779**	**-**	**15,868**	**(1,631,161)**	**1,684,463**	**(508,638)**	**(159,868)**
Loss for the year	-	-	-	-	-	-	-	(223,166)	**(223,166)**
Total other comprehensive income	-	-	(2,536)	-	-	-	-	-	**(2,536)**
Total comprehensive income for the year	-	-	(2,536)	-	-	-	-	(223,166)	**(225,702)**
Transaction with owners recorded directly in equity									
Issue of A Shares under Deferred bonus plan	1	-	-	-	(570)	-	-	585	**16**
Share options for A shares	-	-	-	-	421	-	-	-	**421**
Issue of A Shares under Convertible Notes redemption	1	17	-	-	-	-	-	-	**18**
Total transactions with owners	2	17	-	-	(149)	-	-	585	**455**
Balance at 31 December 2015	**108,460**	**142,380**	**26,243**	**-**	**15,719**	**(1,631,161)**	**1,684,463**	**(731,219)**	**(385,115)**

EUR thousand	Share capital	Share premium	Foreign exchange translation reserve	Restricted reserve	Equity-settled share-based payments	Merger reserve	Other distributable reserve	Retained earnings	Total equity
Balance at 1 January 2014	**105,863**	**2,368**	**30,897**	**121,680**	**15,421**	**(1,631,161)**	**1,684,463**	**(609,629)**	**(280,098)**
Loss for the year	-	-	-	-	-	-	-	(21,084)	**(21,084)**
Total other comprehensive income	-	-	(2,118)	102	-	-	-	-	**(2,016)**
Total comprehensive income for the year	-	-	(2,118)	102	-	-	-	(21,084)	**(23,100)**
Transaction with owners recorded directly in equity									
Utilisation of restricted reserve to cover losses incurred	-	-	-	(121,782)	-	-	-	121,782	**-**
Issue of A Shares under Deferred bonus plan	37	-	-	-	(213)	-	-	293	**117**
Share options for A shares	-	-	-	-	660	-	-	-	**660**
Issue of A Shares under rights issue and placing	2,558	147,442	-	-	-	-	-	-	**150,000**
Costs related to rights issue and placing of A Shares	-	(7,447)	-	-	-	-	-	-	**(7,447)**
Total transactions with owners	2,595	139,995	-	(121,782)	447	-	-	122,075	**143,330**
Balance at 31 December 2014	**108,458**	**142,363**	**28,779**	**-**	**15,868**	**(1,631,161)**	**1,684,463**	**(508,638)**	**(159,868)**

The Notes on pages 106 to 142 are an integral part of these consolidated financial statements.

EUR thousand	*Note*	2015	2014
Cash flows from operating activities			
(Loss) / profit before tax		(223,635)	25,235
Adjustments for:			
Depreciation and amortisation	*10,11*	45,444	85,258
Impairment loss on property, plant and equipment	*10*	199,028	182,642
Changes in provisions		(10,381)	(27,734)
Changes in inventory allowance		15,336	3,404
(Gain) / loss from sale of property, plant and equipment		(646)	258
Interest expense, net		47,584	57,050
Change in fair value of derivatives		(2,716)	(4,065)
Change in fair value of Convertible Notes	*6*	(66,512)	157
Capital restructuring	*7*	-	(342,253)
Equity-settled share-based payments		421	660
Operating cash flows before working capital changes		3,923	(19,388)
(Increase) in inventories		(15,651)	(14,564)
Decrease in receivables		14,491	27,794
(Decrease) in payables and deferred revenues		(3,232)	(18,981)
Decrease in restricted cash and restricted deposits		2,254	1,458
Currency translation and other non-cash movements		(2,998)	693
Cash generated from operating activities		(1,213)	(22,988)
Interest paid		(5,432)	(34,146)
Corporate income tax (paid) / refunded		(480)	841
Net cash flows from operating activities		**(7,125)**	**(56,293)**
Cash flows from investing activities			
Interest received		22	493
Purchase of land, property, plant and equipment		(34,297)	(59,632)
Proceeds from sale of property, plant and equipment		577	863
Proceeds from disposal of discontinued operations		-	7,000
Net cash flows from investing activities		**(33,698)**	**(51,276)**
Cash flows from financing activities			
Senior Notes due 2018 redemption	*7*	-	(60,000)
Senior Notes due 2021 redemption	*7*	-	(30,000)
Proceeds from long-term loans	*7,18*	-	35,000
Transaction costs related to capital restructuring	*7*	(1,909)	(35,334)
Proceeds from rights issue and placing of A Shares	*7*	-	150,000
Costs related to rights issue and placing of A Shares	*7*	-	(7,447)
Net cash flows from financing activities		**(1,909)**	**52,219**
Net effect of currency translation		588	(280)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(42,144)**	**(55,630)**
Cash and Cash Equivalents at the beginning of year		128,035	183,665
Cash and Cash Equivalents at the end of year		**85,891**	**128,035**

The Notes on pages 106 to 142 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

a) Corporate information

New World Resources Plc ('NWR Plc' or the 'Company') is a public limited liability company with its registered office at One Silk Street, London EC2Y 8HQ, United Kingdom ('UK').

These consolidated financial statements comprise the Company and its subsidiaries (together the 'Group'). The Group is primarily involved in coal mining. The objective of the Company is to act as a holding company and to provide management services to the Group.

CERCL Mining B.V., an investment, public limited company, is the major shareholder of the Company, holding approximately 51% of the Company's A shares. The ultimate parent of the Company and CERCL Mining B.V. is CERCL Holdings Limited. A shares of the Company are listed on stock exchanges in London, Warsaw and Prague. 100% of the Company's B shares are owned by Asental Property B.V.

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 23 February 2016.

b) The Group

The Company´s subsidiaries as at 31 December 2015 and 31 December 2014 are:

Consolidated subsidiaries	Abbreviation	% voting shares	Nature of Activity
Entity directly owned by the Company:			
New World Resources N.V. (NL)	NWR NV	100%	Holding company; Management services
New World Resources Services Ltd (UK)	NWR Services	100%	Management services
Entities directly owned by NWR NV:			
NWR Holdings B.V. (NL)	NWR Holdings	100%	Holding company
NWR Communications, s.r.o. (CZE)	NWRC	100%	Public relations
Entities directly owned by NWR Holdings B.V.:			
OKD, a.s. (CZE)	OKD	100%	Coal mining
NWR KARBONIA S.A. (PL)	NWR KARBONIA	100%	Coal mining (Polish projects)
Entity directly owned by OKD:			
OKD, HBZS, a.s. (CZE)	HBZS	100%	Emergency services and waste processing

(incorporation) – NL (The Netherlands), UK (United Kingdom), CZE (Czech Republic), PL (Poland)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('adopted IFRS').

The Group has consistently applied the accounting policies set out in this Note to all periods presented in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

Items	Measurement basis
Derivative financial instruments at fair value through profit or loss	Fair value
Non-derivative financial instruments at fair value through profit or loss	Fair value
Cash-settled share-based payments	Fair value

Change in presentation

With effect from 1 January 2015, the Group has changed the basis on which it presents expenses in the income statement. While previously classifying changes in the fair value of Convertible Notes within finance expenses, these expenses are now presented separately within the income statement. This change has been made to permit greater comparability of finance expenses excluding the changes in the fair value of the Convertible Notes.

Going concern basis of accounting

Challenging market conditions persist for our industry worldwide, with slower global industrial output pushing coking coal prices lower. The dynamics of the regional thermal coal market are also difficult, due to local oversupply and aggressive pricing by certain competitors.

The Group manages its liquidity (EUR 86 million as at 31 December 2015 (31 December 2014: EUR 128 million)) through receivables financing and other working capital measures.

At the present market prices of coal, the Group is cash flow negative even before any servicing of its existing financial indebtedness. The continuing low coal price environment has placed significant pressure on the Group's liquidity position and its solvency, with net liabilities of approximately EUR 385 million as at 31 December 2015, including financial indebtedness with a book value of approximately EUR 383 million and a principal amount of EUR 581 million (comprising EUR 334 million Senior Secured Notes, EUR 162 million Convertible Notes, a EUR 50 million export credit agency-backed facility ('ECA Facility') and a EUR 35 million super senior credit facility ('SSCF')). The Group's Senior Secured Notes and Convertible Notes have features that, in certain specified circumstances, result in interest being able to be paid in kind rather than in cash.

The Group completed a restructuring of its financial indebtedness in 2014. In 2015, management focused on reducing operational and overhead costs as much as possible. However, notwithstanding the steps that have been taken to date, the Group remains cash flow negative and forecasts indicate that the Group could remain cash flow negative before debt servicing for several years.

The SSCF matures in October 2016 and the full EUR 35 million principal amount (together with accrued and unpaid interest) will need to be paid at maturity or be refinanced. The SSCF currently requires NWR NV and its subsidiaries to maintain a minimum cash balance of EUR 40 million on and from 31 October 2015 (the 'Minimum Liquidity Covenant'). It is expected that the cash balances of NWR NV and its subsidiaries will breach the Minimum Liquidity Covenant in Q2 2016, causing an event of default under the SSCF (see further below – *SSCF Waiver*). If upon (i) breach of the Minimum Liquidity Covenant or the occurrence of any other event of default under the terms of the SSCF; or (ii) maturity of the SSCF, the SSCF is not repaid or refinanced, this would in turn trigger a cross-default to the ECA Facility and potential acceleration under the terms of other financial indebtedness of the Group (including the Senior Secured Notes).

Further, the Directors recognise that NWR NV, which is the issuer in respect of the Senior Secured Notes and Convertible Notes and a borrower under the ECA Facility, has significant debt repayments scheduled over the period to 2020, which it will in all likelihood not be able to meet. As a consequence, NWR NV will need to refinance or restructure these liabilities. There is no guarantee that a refinancing or restructuring can be achieved or of the terms on which it could be achieved. For example, a refinancing might be conditional on additional equity being injected into the Group.

In addition, there is currently a technical default under the terms of the ECA Facility relating to the commencement of discussions with one or more of the Group's creditors that began in January 2016, which is therefore capable of being accelerated. The Group is currently seeking a waiver of that default and the preliminary indication received from the ECA lenders is that they are supportive of providing the waiver in the near term. However, there is no guarantee that the waiver will be provided and, if provided, the terms and timing of such waiver. The standstill and temporary waiver agreement in respect of the SSCF (see further below – *SSCF Waiver*) includes a waiver of the relevant cross default provisions that would otherwise be triggered as a result of the default that has arisen under the ECA Facility, which will apply as long as the debt under the ECA Facility has not been accelerated.

In the short term, the Group also expects to incur mine closure and employee restructuring costs in relation to the planned closure of the Paskov and Lazy mines, which is viewed as inevitable in the current market conditions and will likely need to be accelerated, absent any financial support from stakeholders including the Czech Government. These costs are estimated to be in the range of EUR 85-100 million which the Group is currently unable to fund.

Strategic Review

The Group has commenced a detailed strategic review of its operations. Management's preliminary conclusion is that, absent a significant and near-term increase in coal prices, the Group will need to reduce costs yet further across its entire portfolio and to secure substantial additional liquidity. Also, while a number of the Group's mines clearly have potential, some do not. Therefore, as part of the strategic review process, the Group is evaluating its options for those low-potential mines.

In parallel with this strategic review, the Group has commenced negotiations with certain key stakeholders as to an appropriate way forward, including its noteholders and shareholders and the Czech Government. These negotiations, which are ongoing, are focused on securing (1) a viable business for the Group, with a sustainable portfolio of cash-generative mines; (2) a capital structure appropriate to allow that portfolio to operate as a going concern through the anticipated extended period of low coal prices; and (3) clarity for employees.

The directors are continuing to progress discussions with key stakeholders and a number of key steps have already been achieved, including the following:

Majority Shareholder Exit

On 23 February 2016, the Company's majority shareholder, CERCL Mining Holdings B.V. ('CERCL'), owning approximately 50.42% of the Company's A shares, and Asental Property B.V. ('Asental'), owning all of the Company's B shares, each agreed with, among others, the Company, to transfer to the Company (or its nominee) for nil consideration all of its shares in the Company. CERCL and Asental decided to exit the business in order to facilitate the restructuring process by reducing the number of stakeholders involved in its negotiation and implementation. The transfer of shares to the Company (or its nominee) is subject to satisfaction of certain conditions, in particular (i) confirmation from the UK Takeover Panel that the consummation of the transfers will not give rise to a requirement under the City Code for any existing shareholder and person(s) deemed to be acting in concert with them to make a general offer to all the shareholders of the Company and (ii) confirmation that there are no other materially onerous consequences for the remaining shareholders. All parties are working to ensure the conditions applicable to the share transfers are satisfied as soon as possible and it is expected that the transfers will be completed in advance of a long-stop date of 31 March 2016.

SSCF Waiver

On 23 February 2016, NWR NV and the requisite majority of lenders under the SSCF (who are also holders of a significant amount of the Senior Secured Notes and are also shareholders of the Company) agreed the terms of a standstill and temporary waiver agreement which reduces the minimum available cash threshold required to be maintained by NWR NV and its subsidiaries as follows: at all times on and from the date of the agreement up to and including the maturity of the SSCF, available cash should not be less than EUR 6.5 million and on 31 March 2016 and 30 June 2016, available cash shall not be less that EUR 25 million and EUR 10 million respectively. In addition, the standstill and temporary waiver agreement provides for a temporary waiver of certain other defaults which may arise as a result of the strategic options being explored in connection with the anticipated comprehensive restructuring of the Group. The agreement will remain in place until 31 July 2016 if certain customary milestones regarding the progress of negotiations and reaching of agreement on a restructuring are satisfied within defined periods. Thereafter, the waived provisions of the SSCF will once again apply in full force and effect. The milestones include:

(i) entry into (a) a non-binding heads of agreement for the implementation of a restructuring of the Group with the government of the Czech Republic, on terms which the majority lenders under the SSCF have confirmed in writing are acceptable to them, on or by 31 March 2016; and (b) a binding agreement regarding the matters referred to in (a) with the government of the Czech Republic, on terms which the majority lenders under the SSCF have confirmed in writing are acceptable to them, on or by 30 April 2016; and

(ii) completion of the transfer by CERCL and Asental of their respective shares to the Company (or its nominee) by 31 March 2016 (see above - Majority Shareholder Exit).

Negotiations are ongoing and all stakeholders recognise that the Group's current debt structure is unsustainable and that all stakeholders (i.e. including financial creditors, shareholders, government and employees) need to contribute to achieve a consensual restructuring solution. Recent correspondence from the Czech government indicates they are willing to negotiate regarding their contribution to the restructuring and in particular in relation to the employee costs resulting from mine closures. In addition, based on the discussions to date, the Directors expect the ongoing negotiations to focus on a restructuring involving all or a combination of extension of debt maturities, debt-for-equity swap and/or additional cash injection, together with contributions from operational stakeholders in the form of discounts/cost reductions.

Based on these steps and their assessment of the degree of commitment of the various parties to successfully negotiating and implementing the restructuring, the Directors are reasonably confident that an agreement will be reached by all relevant stakeholders for a restructuring of the Group that will allow the Group to meet its liabilities as they fall due over the next twelve months.

However, there can be no guarantee that these negotiations will result in an agreement being reached with all relevant stakeholders in the available time (if at all) to secure the objectives described above and, even if an agreement is ultimately reached, there is no guarantee it will take the form of any terms which may currently be under discussion.

In the event that it becomes likely that agreement cannot be reached, the Group proposes to seek a refinancing of the SSCF or if that is not possible, alternative sources of liquidity, which, absent the ability to raise any additional financing, could, for example, include the sale of certain of the assets of OKD and/or NWR Karbonia. If it becomes clear that no viable alternative liquidity solutions are available, the Group may consider selling the businesses of OKD and NWR Karbonia and if such sales are unsuccessful, the Group may be required to initiate a wind-down of some or all of its operations. Most of these actions themselves require negotiation and/or the consent of multiple stakeholders of the Group, such as (depending on the route chosen) financial creditors, governments, trade unions and shareholders.

The Directors recognise that these circumstances represent a material uncertainty that may cast significant doubt as to the Group's ability to continue as a going concern and that it may be unable to realise all of its assets and discharge all of its liabilities in the normal course of business. Nevertheless, the Directors are reasonably confident that agreement can be reached and accordingly the financial statements have been prepared on a going concern basis and do not include the adjustments that would result if the Group were unable to continue as a going concern.

New standards and interpretations adopted during the financial year

The accounting policies used in preparation of these financial statements are consistent with those of the previous financial year. The Group adopted the following new standards, amendments to standards and interpretations, which are effective for its accounting period starting 1 January 2015:

- IFRIC 21 *Levies* (effective 17 June 2014)

The adoption of the new interpretation has no impact on the recognised assets, liabilities and comprehensive income of the Group.

New standards and interpretations endorsed by the European Union but not effective yet

The Group is currently assessing the potential impacts of the following new amendments that have been issued but are not yet effective for the year ended 31 December 2015:

- Amendments to IAS 27: Equity Method in Separate Financial Statements (effective 1 January 2016)
- Amendments to IAS 1: Disclosure Initiative (effective 1 January 2016)
- Annual Improvements to IFRSs 2012–2014 Cycle (effective 1 January 2016)
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (effective 1 January 2016)
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016)
- Amendments to IAS 19: Defined Benefit Plans: Employee Contributions (effective 1 February 2015)
- Annual Improvements to IFRSs 2010–2012 Cycle (effective 1 February 2015)

Judgements, estimates and assumptions made in applying accounting policies

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Set out below is information regarding:

- Critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements; and
- Assumption and estimation uncertainties that have a significant risk of resulting in a material adjustment within next financial year.

Fair value measurement
Some of the Group's assets and liabilities are measured at fair value. In estimating the fair value of an asset or liability, the Group uses market-observable data to the extent it is available. Once not available, the Group implements valuation techniques used by banks or uses third party professional valuators in which all significant inputs are based on observable market data. Fair value of the Group’s financial assets and liabilities are set out in Note 16.

Coal reserves
Economically recoverable coal reserves represent the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions. The determination of coal reserves includes estimates and assumptions about a range of geological, technical and economic factors, including: quantities, grades, production techniques, recovery rates, productions costs, transportation costs, commodity demand, commodity prices and exchange rates. Changes in coal reserves impact the assessment of the recoverability of property, plant and equipment, the carrying amount of mining licences and mine closure and restoration provision. The amounts of these assets and provision are set out in Notes 10, 11 and 21.

Restoration and mine closure provisions
Determining the cost of restoration, rehabilitation, and mine closure during mining activities in accordance with the Group’s accounting policy k), requires the use of significant estimates and assumptions, including: the appropriate discount rate, the timing of cash flows, the expected life of the relevant mine, the application of relevant environmental legislation, and the future expected costs of restoration, rehabilitation and mine closure.

Changes in the estimates and assumptions used to determine the cost of restoration, rehabilitation and mine closure could have a material impact on the carrying value of the restoration and mine closure provision and the relevant asset. The provision recognised for each mine is reviewed at each reporting date and updated based on the facts and circumstances available at that time. The carrying value of these provisions is set out in Note 21.

Impairment of assets
The recoverable amount of each non financial asset or cash-generating unit ('CGU') is determined as the higher of the value-in-use and fair value less costs to sell, in accordance with the Group's accounting policy h). The determination of the recoverable amount of an asset or CGU's based on a discounted cash flow model requires the use of estimates and assumptions, including: the appropriate discount rate, the timing of the cash flow and the expected life of the relevant area of interest, exchange rates, coal prices, reserves, future capital requirements and future operating performance. Changes in these estimates and assumptions impact the recoverable amount of the asset or CGU, and accordingly could result in an adjustment to the carrying amount of that asset or CGU.

Employee benefits
The Group's accounting policy for employee benefits requires management to make estimates and assumptions about the discount rate, future remuneration changes, changes in benefits, life expectancy, retirement age, the number of employees and the expected remaining periods of service of employees. Changes in these estimates and assumptions could have a material impact on the carrying value of the employee benefit provision. Refer to Note 22 for details of the key assumptions.

These provisions do not include any of the employee-restructuring costs associated with the closure of the Paskov and Lazy mines as detailed in the Strategic Review Process as announced 18 December 2015 on the basis that the nature, structure and timing of these closures are yet to be finalised. This is a significant judgement but the Directors consider it reasonable as the Group's financial capacity to make these payments, the lapsed agreement with the Czech Government on the closure of Paskov and the ongoing negotiations are all well known to employees. The Directors consider in these circumstances that there can be no reasonable expectation on the part of employees that the Group will make payments to them, or when or in what amounts at this time.

b) Basis of consolidation

(i) Subsidiaries
Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(**ii) Transactions eliminated on consolidation**
Intragroup balances and transactions, and any unrealised gains or losses arising from such transactions are eliminated in preparing these consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(**iii) Changes in ownership interest without a loss of control**
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

(iv) Loss of control
Upon the loss of control over a subsidiary, the Group derecognises the assets and liabilities of the subsidiary and other components of equity related to the subsidiary. Any resulting gain or loss is recognised in profit or loss. If the Group retains any interest in an entity that was previously a subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Business combination involving entities under common control
A business combination involving entities or businesses under common control is a business combination in which all of the Group entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

In the absence of more specific guidance, the Group entities consistently apply the book value measurement method to all common control transactions. Differences between the consideration paid and the carrying value of acquired net assets are recognised as a change in consolidated equity.

c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to functional currency at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

(ii) Foreign operations

Assets and liabilities of operations with functional currency other than EUR are translated to EUR at the exchange rate at the reporting date; income statement items of such operations are translated at exchange rates approximating the rates at the dates of the transactions. Equity items are translated at historical exchange rates. The exchange differences arising on translation are recognised in other comprehensive income. On disposal of an operation with functional currency other than EUR (in full or in part), the relevant amount of accumulated exchange differences is reclassified to the income statement.

d) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. The cost also includes the estimated cost of dismantling and removing the asset and restoring the site, to the extent that it is initially recognised as a provision under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Mining works are classified under the land and buildings class of property, plant and equipment. They are stated at cost less accumulated depreciation and impairment losses. Once approved, expenditure relating to a mining project that is designed to access a new mine level or to the construction of new mining works (cross cuts, blind shafts, storage places, bins and mining depots, other auxiliary constructions etc.) are capitalised only if both the following conditions are satisfied:

- mining work has useful life exceeding one year
- and such construction is necessary for accessing the new mining level or new areas of interest.

Expenditures on technical improvement of mining works are capitalised, even if they are not related to accessing a new mine level, but they represent a technical improvement of existing mining works.

Other mine development costs related to construction of under-surface supporting structures (operational mining works) are expensed as incurred.

Any gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

(ii) Borrowing costs

Borrowing costs from specific use borrowings or general use borrowings, which are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowings.

(iii) Leased assets

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease. The determination of whether an arrangement is, or contains a lease involves an assessment based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use an asset.

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at their fair value or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance expense and reduction of the lease liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Assets held under other leases are classified as operating leases and are not recognised in the statement of financial position. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(v) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately. Land and assets under construction are not depreciated.

The estimated useful lives are as follow:

- Buildings 15 years
- Plant and equipment 4-15 years
- Other 4 years

Mining works, taking into the effect of impairments, are depreciated on a straight-line basis based on their estimated useful life, as an approximate to the units of production method. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

e) Intangible assets

(i) Licences

Licences represent the coal reserve licences owned by the Group. The coal reserve is an exclusive deposit owned by the countries in which the Group operates in and the licences allow the Group to extract coal from these deposits. Licences are stated at cost less amortisation and impairment losses.

(ii) Amortisation

Amortisation of licences for the period is calculated as a proportion of the coal amount actually mined in the period to the total economically exploitable coal reserves as estimated by management.

f) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party of contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities (other than those categorised at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group derecognises a financial asset when the contractual rights to the cash flow from the asset expire, or when it transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfer nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of a transferred financial asset, the Group continues to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or they expire.

(i) Non-derivative financial assets and financial liabilities

The Group classifies financial assets into ‘loans and receivables’ or ‘cash and cash equivalent’ (including restricted deposits) category and financial liabilities as either ‘financial liabilities at fair value through profit or loss (‘FVTPL’)’ or ‘other financial liabilities’.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are, after initial measurement, carried at amortised cost using the effective interest method, less any impairment (see accounting policy h).

Cash and cash equivalents comprise cash balances, call deposits and investments in marketable securities (if any) that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (with original maturity of three months and less).

Restricted balances of deposits (cash and investments in government bonds), which are shown under non-current financial assets as restricted funds, relate to funds set aside to settle mining damages and restoration expenses as required by relevant Czech regulations.

A financial liability (other than a financial liability held for trading) may be designated as at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and the combined instrument is managed collectively. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest accrued or paid on the financial liability.

Other financial liabilities (including loans and borrowing and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

(ii) Derivative financial instruments and hedge accounting

The Group entered into a variety of derivative financial instruments to manage its exposure to interest rate, including for example interest rate swaps.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

Subsequent to initial recognition, derivatives are measured at fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

g) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on a weighted average method and includes expenditure incurred in acquiring the inventories, the cost of conversion and other costs incurred in bringing them to their existing location and condition.

The cost of material and spare parts is the acquisition cost on a weighted average basis. The cost of work-in-progress and finished goods is a standard cost based on the cost of direct materials and labour plus attributable production overheads based on a normal level of activity. At operations that produce joint products (products arising from a common production process and each of which has a significant relative value), cost is allocated amongst the products on the basis of their relative values (selling price).

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and variable selling expenses.

h) Impairment

(i) Non-financial assets

The carrying amounts of the Group's non-financial assets, excluding inventories (see accounting policy g) and deferred tax assets (see accounting policy m(iii)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of a non-financial asset or the cash-generating unit to which it belongs exceeds its recoverable amount. A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash flows that are largely independent from other non-financial assets and groups of assets.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of a CGU are allocated to reduce the carrying amount of the assets in the CGU (groups of CGU) on a pro rata basis.

Calculation of recoverable amount
The recoverable amount of a non-financial asset or the CGU to which it belongs is the greater of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows generated by the asset or the CGU are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the non-financial assets or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU and for such a non-financial asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Reversals of impairment
Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

(ii) Non-derivative financial assets
A non-derivative financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A non-derivative financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that non-derivative financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due by a debtor on terms that would not be considered otherwise by the Group, indications that a debtor or issuer will enter bankruptcy, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables
The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, information about historical trends of the probability of default, the timing of recoveries and the amount of loss incurred is used, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a non-derivative financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognised in profit or loss and reflected in allowance accounts against loans and receivables.

Calculation of recoverable amount
The recoverable amount of loans and receivables is calculated as the present value of expected future cash flows, discounted to their present value using the financial asset's original effective interest rate. Loans and receivables with a short duration are not discounted.

i) Employee benefits

The Group's obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value. The discount rate is the yield at the reporting date on Czech government bonds that have maturity dates approximating the terms of the Group's obligations.

j) Share-based payment transactions

Equity-settled transactions

The cost of equity-settled transactions with employees for awards granted is measured by reference to the fair value at the date on which they are granted. The fair value is determined based on the market price listed on the stock exchange and whenever appropriate using option pricing models.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Transactions with cash-alternative

The cost of transactions with a cash-alternative are measured initially at fair value at the grant date. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date with changes in fair value recognised in the income statement.

k) Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of time value of money is material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects a current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Mine closure, restoration, and mining damages provisions

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or on-going production of a mining property and the Group is liable for environmental damage caused by mining activities.

These future costs generally include restoration and remediation of land and disturbed areas, mine closure costs, including the dismantling and demolition of infrastructure and the removal of residual materials, and mining damages costs.

Decommissioning of mining sites and land and disturbed areas restoration costs are a normal consequence of mining. The majority of mine closure and rehabilitation expenditure is incurred at the end of the life of the mine. Although the ultimate cost to be incurred is uncertain, the Group's businesses estimate their respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Restoration costs and clean-up of land used for mining activities are liabilities to restore the land to the condition it was in prior to the mining activities or as stated in the relevant licences. These costs are incurred during the mining activity and can continue for many years depending on the nature of the disturbance and the remediation techniques. The mine closure costs include estimated costs of mine levels and pits closure, and capping of pits after removal of the surface construction.

Provisions for land restoration and mine closure costs are recognised as the net present value of the estimated outflow of economic resources to settle the obligation. Provisions are structured as land restoration and mine closure costs provision. Land restoration and mine closure costs represent a part of the acquisition cost of fixed assets and such assets are depreciated over the useful life of the mines using the linear depreciation method. Any change in the estimate of restoration costs is recognised within fixed assets and is depreciated over the remaining useful life of the mines.

The amortisation or “unwinding” of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period. The amortisation of the discount is shown as a financing cost, rather than an operating cost.

Mining damages costs are liabilities to reimburse all immediate damages caused by mining activities to third party assets. Mining damages costs are assessed by the Group for each individual project. This assessment is reviewed and approved by the Czech Mining Authority on an annual basis.

l) Revenue

Own products sold and services rendered
Sales revenues consist of sales of coal and related by-products, and services rendered to third parties, measured at the fair value of the consideration received, excluding any applicable taxes, excise duties, charges, discounts and rebates. Most of the sales are priced as carriage paid to (CPT), delivered at place (DAP) or delivered duty paid (DDP).

The Group has concluded that it is acting as a principal in all of its sales arrangements, delivering complete supplies to specified place including responsibility for transportation, handling, solving duty tax issues and possibly insurance. All amounts billed to customers for transportation and handling are classified mostly as a sales revenue from own products, as a part of selling price, or occasionally as services rendered, with transportation and handling costs recognised as service expenses.

The sales revenue is only recognised when all of the following criteria are met:
- the significant risks and rewards of ownership of the product have been transferred to the customer;
- the Group has retained neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the sale will flow to the Group; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

All these conditions are satisfied when the product is delivered to the destination specified by the customer and as such, the title passes to the customer. Sales revenue is commonly subject to adjustments based on an inspection of the product by the customer. Where there are agreed differences in volume or quality of delivered products, this is reflected as reduction or increase (usually for better qualities of coal) in sales revenue recognised on the sale transaction. Sales revenue from services rendered is recognised when services are rendered and accepted by the customer.

m) Expenses

(i) Operating lease payments
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit or loss as an integral part of the total lease expense.

(ii) Finance income and finance expenses
The Group’s finance income and finance expenses comprise interest income, interest expense, foreign exchange gains and losses, gains and losses on derivative instruments and gains and losses on non-derivatives instruments that are recognised at FVTPL. Interest on borrowings are expensed only to the extent that they are not directly attributable to the acquisition, construction or production of a qualifying asset in which case they are capitalised in accordance with accounting policy d)(ii). Interest income or expense is recognised using the effective interest method.

(iii) Income tax

Income tax on the profit and loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income.

A current tax liability is calculated in accordance with the tax regulations of the jurisdictions in which the Group operates and is based on the income or loss reported under local accounting regulations, adjusted for appropriate permanent and temporary differences from taxable income. Income taxes are calculated on an individual company basis in the Czech Republic as the tax laws do not permit consolidated tax returns.

A deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted in the expected period of settlement of deferred tax.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

n) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which financial information is available. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

o) Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations and is part of a plan to be disposed of. Classification as a discontinued operation occurs when the operation meets the criteria to be classified as held for sale or upon disposal, if earlier.

3 SEGMENT INFORMATION

a) Introduction to divisions

The Group is organised into two divisions: the Mining Division ('MD') and the Real Estate Division ('RED'). The Company had A Shares and B Shares outstanding for the presented years. The A Shares and B Shares are tracking stocks, which are designed to reflect the financial performance and economic value of the MD and RED, respectively. Due to the public listing of the Company's A shares, the Group provides divisional reporting showing separately the performance of the MD and RED. The main rights, obligations and relations between the RED and MD are described in the Divisional Policy Statement, available at the Company's website www.newworldresources.eu. The divisional reporting, as such, is essential for the evaluation of the equity attributable for the listed part of the Group. The Group is primarily involved in coal mining and as such presents only one segment. The whole Mining Division represents the Coal segment.

RED division

The RED mainly provides inter-divisional service i.e. provides real estates to the MD and concentrates ownership of certain assets, known as Real Estate Assets (buildings, surface constructions and land), defined by the DPS. This group of Real Estate Assets was allocated to the RED based on their book values as of 31 December 2007 when the divisions were established.

The RED receives an annual fee (the 'CAP') for Real Estate Assets provided by the RED to the MD. The DPS determined the CAP value at EUR 3.6 million. The CAP is annually adjusted by inflation and disposals of the Group entities.

MD division (Coal segment)

The MD's core activities are mining and processing of coal. The MD has the right to access and use of any Real Estate Assets as specified by the DPS for its operating activities.

There is no consideration required from the MD to repay the present value of the buildings provided in compliance with the DPS as would be usual under lease terms. Therefore the respective amount i.e. the book value of the buildings provided to the MD as at 31 December 2015 is presented in the equity of the MD.

EUR thousand	2015	2014
Net book value of leased buildings used by MD	18,859	110,602

b) Division accounting policies, measurement and disclosure

The divisional financial information is based on standalone financial statements of entities, prepared under adopted IFRS, including application of the DPS on the basis of the following policies:

- Sales and all transactions between divisions are priced on arm's length basis.
- The RED is obliged to provide certain buildings and construction to the MD, if the MD needs such assets for its operating activities. The management considers this relationship between the RED and MD as a finance lease relationship, because the RED provides buildings and construction for remuneration to the MD, the lease term is for the major part of the economic part of the life of the assets and the leased assets are of such a specialised nature that only the lessee can use them without major modifications. However, there is no lease payment as under standard financial lease condition, only the CAP. Buildings and construction leased from the RED are disclosed in book value and are depreciated by the MD.
- Land is provided to the MD without any consideration. The Group decided to present this relationship in the division analysis as a Right to use land ('Right') granted by the RED to the MD and RED has deferred revenue for granting the Right. The management determined the original value of the Right as the book value of land at 31 December 2007. Amortisation of the Right is reflected in the accounts of the MD and the Right is depleted over the expected lifetime of mining and relates business using a linear amortisation method. Deferred revenue corresponding to the amount of the Right is presented in the statement of financial position of the RED. It will be released into revenues over the period correspondingly to the depletion of the Right. The deferred revenue is disclosed within revenues of the RED.
- Real Estate Assets used by the MD are presented within assets of the MD; assets not used by the MD are presented in the assets of the RED; land used by the MD is in the accounts of the RED.
- When any building or construction is not needed by the MD for its operating activities any more, the asset is transferred back to the RED. Since the respective buildings and construction are expected to be used for the major part of the economic life of the assets, they will generally be fully depreciated at the moment, when mining and related operations stop in the future. The transfer should therefore include only fully depreciated assets with a zero book value. IAS 16 assumes some residual value of assets which should be equal to their estimated market value at the end of their useful life. However the Company is unable to make a reliable estimate of such residual value due to the character of the assets.
- The CAP is accounted for as financial revenue in the RED and as financial expense in the MD. The CAP amount is annually adjusted by inflation rate and by impact of changes in the Group.
- The RED is allocated certain expenses related to revenues generated from sundry rentals.
- The RED is also charged a fee by the MD for utilisation of supporting internal functions (audit, tax advisory, accounting, IT services etc.). The amount was capped at EUR 100 thousand in 2008. The limit is subject to adjustment by inflation.
- All Intercompany transactions are eliminated at the appropriate level of division.

c) Divisions

	Year ended 31 December 2015				Year ended 31 December 2014 (restated)*			
EUR thousand	Mining division	Real Estate division	Eliminations & adjustments[1]	**Group operations total**	Mining division	Real Estate division	Eliminations & adjustments[1]	**Group operations total**
Revenues	629,565	589	(589)	**629,565**	676,381	510	(510)	**676,381**
Cost of sales	(559,325)	-	683	**(558,642)**	(617,060)	-	603	**(616,457)**
Gross profit	**70,240**	**589**	**94**	**70,923**	**59,321**	**510**	**93**	**59,924**
Selling expenses	(55,945)	-	-	**(55,945)**	(63,586)	-	-	**(63,586)**
Administrative expenses	(63,056)	(116)	-	**(63,172)**	(70,885)	(115)	-	**(71,000)**
Impairment loss on property, plant and equipment	(199,028)	-	-	**(199,028)**	(182,642)	-	-	**(182,642)**
Gain / (loss) from sale of property, plant and equipment	106	540	-	**646**	(288)	30	-	**(258)**
Other operating income	1,419	-	-	**1,419**	2,576	-	-	**2,576**
Other operating expenses	(2,785)	-	-	**(2,785)**	(2,521)	-	-	**(2,521)**
OPERATING (LOSS) / INCOME	**(249,049)**	**1,013**	**94**	**(247,942)**	**(258,025)**	**425**	**93**	**(257,507)**
Finance income	13,547	3,456	(3,925)	**13,078**	7,985	3,602	(3,600)	**7,987**
Finance expenses	(58,701)	(507)	3,925	**(55,283)**	(70,940)	(1)	3,600	**(67,341)**
Change in fair value of Convertible Notes	66,512	-	-	**66,512**	(157)			**(157)**
Capital restructuring	-	-	-	**-**	342,253	-	-	**342,253**
(Loss) / profit before tax	(227,691)	3,962	94	**(223,635)**	21,116	4,026	93	**25,235**
Income tax benefit / (expense)	1,218	(731)	(18)	**469**	(45,579)	(722)	(18)	**(46,319)**
(LOSS) / PROFIT FOR THE YEAR	**(226,473)**	**3,231**	**76**	**(223,166)**	**(24,463)**	**3,304**	**75**	**(21,084)**
Assets and liabilities								
Total assets	315,670	47,832	(44,041)	**319,461**	548,804	44,415	(10,022)	**583,197**
Total liabilities	739,083	7,690	(42,197)	**704,576**	743,222	7,997	(8,154)	**743,065**

d) Additional information on divisions

	Mining division		Real Estate division	
EUR thousand	2015	2014	2015	2014
Non-current assets	133,321	340,642	8,630	8,699
Right to use land	5,489	5,928	-	-
Current assets	176,860	202,234	39,202	35,716
TOTAL ASSETS	**315,670**	**548,804**	**47,832**	**44,415**
Equity attributable to shareholders	(423,413)	(194,418)	40,142	36,418
TOTAL EQUITY	(423,413)	(194,418)	40,142	36,418
Non-current liabilities	533,677	598,321	5,489	5,928
Current liabilities	205,406	144,901	2,201	2,069
TOTAL LIABILITIES	739,083	743,222	7,690	7,997
TOTAL EQUITY AND LIABILITIES	**315,670**	**548,804**	**47,832**	**44,415**

Non-current assets of the RED include land amounting to EUR 9 million (2014: EUR 9 million). Current assets of the RED include cash and cash equivalents of EUR 5 million (2014: EUR 36 million).

The impairment charge of EUR 199 million (2014: EUR 183 million) relates entirely to the Mining division.

e) Geographical information

Revenue by location of customer:

EUR thousand	2015	2014
Czech Republic	351,861	323,898
Slovakia	76,678	73,540
Austria	68,980	110,731
Poland	65,834	108,334
Germany	40,743	32,451
Other	25,469	27,427
	629,565	**676,381**

Non-current assets consisting of property, plant and equipment and capital expenditures spent per country based on the physical location of the non-current assets:

EUR thousand	2015	2014	2015	2014
	Non-current assets		*Capital expenditures spent*	
Czech Republic	112,469	315,643	33,341	59,153
Poland	6,374	6,658	956	479
Great Britain	41	73	-	-
	118,884	**322,374**	**34,297**	**59,632**

f) Significant customers of the Group

The Group has a stable key customer base and revenues of EUR 336 million were generated from trading with five significant customers, representing 53% of total revenues (2014: EUR 359 million, representing 53% of total revenues). In the table below the comparative period was restated to reflect the customer base from the current year 2015.

EUR thousand	2015	2014 (restated)
Customer A	82,361	80,430
Customer B	76,591	72,956
Customer C	66,507	94,091
Customer D	58,114	68,214
Customer E	52,059	43,454
	335,632	**359,145**

The Group's largest source of revenue is from the sale of coking coal and thermal coal:

EUR thousand	2015	2014 (restated)*
Coking coal sales	398,167	437,233
Thermal coal sales	205,541	215,045
Other revenue	25,857	24,103
	629,565	**676,381**

* The Group reclassified the sale of PCI coal from thermal coal sales to coking coal sales in line with its other presentations, e.g. Operating and financial review that the Group releases on quarterly basis.

4 EXPENSES BY NATURE

EUR thousand	*Note*	2015	2014
Consumption of material and energy		185,939	205,919
Service expenses		191,259	211,525
Personnel expenses	*5*	245,063	252,276
Depreciation and amortisation	*10,11*	45,444	85,258
Change in inventories of finished goods and work-in-progress		1,027	(12,865)
Other operating expenses, net		11,812	11,451
Total cost of sales, selling, administrative and other operating expenses		**680,544**	**753,564**

5 PERSONNEL EXPENSES

EUR thousand	*Note*	2015	2014
Wages and salaries		168,329	182,952
Social insurance costs		54,763	58,035
Social security and other payroll costs		14,469	15,185
Share based payments	*23*	534	(263)
Net benefit charge/(credit) associated with long term employee benefits	*22*	7,118	(3,414)
Total personnel expenses		245,213	252,495
Less own work capitalised		(150)	(219)
		245,063	**252,276**
Average number of employees *		10,651	11,494

*including members of Board of Directors of the Company

6 FINANCE INCOME AND EXPENSES

EUR thousand	2015	2014
Finance income comprise:		
Realised and unrealised foreign exchange gains	8,316	4,378
Profit on derivative instruments	4,478	2,884
Bank and other interest received	26	466
Other	258	259
	13,078	**7,987**

EUR thousand	2015	2014 (restated)*
Finance expenses comprise:		
Bonds interest expense	40,847	53,330
Realised and unrealised foreign exchange losses	3,770	4,781
Loss on derivative instruments	3,604	4,605
Bank interest expense	6,113	2,152
Other interest expense	650	2,017
Other	299	456
	55,283	**67,341**

*see Changes in presentation in Note 2

Other interest expense relates to unwinding of restoration and mine closure provision discount. Please refer to the Statement of other comprehensive income for the finance income and expenses recognised directly in equity.

Convertible Notes are designated at fair value through profit or loss ('FVTPL') and the EUR 67 million impact represents the decrease in their fair value between 31 December 2014 and 31 December 2015 (EUR 157 thousand increase in their fair value between the date of inception and 31 December 2014).

7 CAPITAL RESTRUCTURING

The Group completed the Capital Restructuring on 7 October 2014, raising EUR 185 million of new money by way of a EUR 150 million Rights Issue and Placing and by certain noteholders providing a EUR 35 million new Super Senior Credit Facility during the year ended 31 December 2014. The Group repurchased the Existing Notes for a mixture of cash and new debt, comprising (i) cash consideration of EUR 90 million (ii) New Senior Secured Notes of EUR 300 million (iii) New Convertible Notes of EUR 150 million, and (iv) New Contingent Value Rights of EUR 35 million. The contractual terms of these financial instruments is explained further in Note 18 Loans and borrowings.

Equity component
The Company issued in total 6,394,436,852 new A shares through the Rights Issue and Placing by which it raised EUR 150 million, of which EUR 90 million was used to repurchase the Existing Notes (see below). The net proceeds by the Group were EUR 142 million (EUR 150 million gross proceeds less direct issue costs of EUR 8 million).

Debt component
The exchange of the Existing Notes for a mixture of cash and newly issued instruments has been accounted for as an extinguishment of the Existing Notes and the recognition of the new instruments issued as the terms of the newly issued instruments are substantially different from the Existing Notes. The gain of EUR 342 million recognised in the year ended 31 December 2014 (net of EUR 37 million of costs incurred and recognised directly into profit or loss) represent the difference between the carrying amount of the Existing Notes (including accumulated accrued interest) immediately prior to extinguishment and the fair value of the new instruments issued.

(EUR thousand)	Existing Senior Secured Notes	Existing Senior Unsecured Notes	Total
De-recognition of Existing Notes:			
Nominal value	(500,000)	(275,000)	(775,000)
Unamortised transaction costs	8,512	3,622	12,134
Accrued interest	(17,063)	(15,761)	(32,824)
			(795,690)
Fair value of exchange consideration:			
Cash paid to Existing Note holders	60,000	30,000	90,000
New Senior Secured Notes*	248,299	-	248,299
New Convertible Notes	54,194	16,494	70,688
Contingent Value Rights	-	7,207	7,207
* including embedded derivative			**416,194**
Transaction costs			37,243
Total gain recognised			**342,253**

8 INCOME TAX AND DEFERRED TAX

The corporate income tax in 2015 and 2014 is calculated in accordance with the tax regulations applied in the country of each Group entity's tax residency.

Components of income tax expense

EUR thousand	2015	2014
Consolidated statement of comprehensive income:		
Current tax (benefit) / expense	(471)	1,754
Deferred tax expense	2	44,565
Income tax (benefit) / expense	**(469)**	**46,319**

Reconciliation of the statutory and effective tax rate

The Group applies a tax rate of 19% for effective tax rate reconciliation due to the fact the Group's main business is carried from the Czech Republic, through OKD.

EUR thousand	2015	2014
(Loss)/ profit from continuing operations before tax	**(223,635)**	**25,235**
Tax at the applicable rate of 19%	**(42,491)**	**4,795**
Tax effect of:		
- Non-deductible expense	41,643	58,212
- Other tax allowable credits	(476)	-
- Tax losses utilised	(4,899)	-
- Other tax exempt income	-	(73,666)
- Change in unrecognised deferred tax asset	6,012	58,028
Effect of the applicable tax rates other than 19% in other jurisdictions	(258)	(2,000)
Prior period income tax adjustment	-	950
Income tax (benefit) / expense	**(469)**	**46,319**
Effective tax rate	0%	184%

The movement in deferred tax asset / liability is as follows:

EUR thousand	2015	2014
Deferred tax asset:		
At 1 January	53	43,933
Deferred tax charge for the year	(6)	(45,590)
Currency translation	1	1,710
At 31 December	**48**	**53**
Deferred tax liability:		
At 1 January	(854)	-
Deferred income tax related to items charged or credited directly to equity:		
Deferred tax charge for the year	4	(729)
Currency translation	(23)	(125)
At 31 December	**(873)**	**(854)**
Deferred tax (liability), net	**(825)**	**(801)**
out of which presented in consolidated statement of financial position		
Deferred tax asset	**-**	**-**
Deferred tax liability	**(825)**	**(801)**

Deferred tax is presented in the balance sheet based to the extent that the Group is legally able to net the liability and asset, relating to each taxable entity.

Deferred tax presented analysed by the type of temporary difference:

EUR thousand	2015	2014
Deferred tax asset relates to the following:		
Allowances, adjustments and provisions	48	53
Deferred tax asset	**48**	**53**
Deferred tax liability relates to the following:		
Property, plant and equipment	(873)	(854)
Deferred tax liability	**(873)**	**(854)**

The Group continues to have accumulated tax losses for which no deferred tax asset is recognised as it is not probable that these losses will be recoverable within the timeframe for utilising these losses on standalone entities level within the jurisdiction it operates. Non recognised deferred tax asset in relation to tax losses amounts to EUR 88 million as of 31 December 2015 (2014: EUR 87 million).

During 2014 as part of the capital restructuring, NWR NV moved its principal place of business to England and as such, became a UK tax resident. Non recognised deferred tax assets of EUR 93 million from tax losses at NWR NV arose prior to the tax residency change, of which EUR 48 million can be utilised by the Company due to its fiscal unity with NWR NV between 2011 and 2014. It is possible that these losses at the Company and NWR NV prior to the tax residency change will be utilised in connection with the capital restructuring.

Tax recognised in other comprehensive income

	2015		
EUR thousand	*Before tax*	*Tax expense*	*After tax*
Foreign currency translation differences	(1,732)	(804)	*(2,536)*
	(1,732)	**(804)**	***(2,536)***

	2014		
EUR thousand	*Before tax*	*Tax benefit*	*After tax*
Foreign currency translation differences	(2,453)	437	*(2,016)*
	(2,453)	**437**	***(2,016)***

9 RELATED PARTY DISCLOSURE

During the year the Group had transactions in the normal course of operations with related parties. This includes transactions with the ultimate parent company (see Note 1b), entities under common control, shareholders and key management personnel of the Group, and companies of which they are principal owners. All transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions. For further details of significant related party transactions and relationships please refer to the section Certain relationships and related party transactions within this document.

Transactions with key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly. In 2015 these persons comprised on average two Executive Directors, seven Non-Executive Directors and chief executive officer of OKD (2014: two Executive Directors, ten Non-Executive Directors and chief executive officer of OKD).

Key management personnel compensation comprised the following:

EUR thousand	2015	2014
Short-term employee benefits	1,733	4,108
Share-based payments	495	622
	2,228	**4,730**

For further information in relation to the Directors of the Group and their compensation please refer to the section Remuneration Report within this document.

Other related party transactions

Sales to related parties comprised:

EUR thousand	2015	2014
Entities under common control:		
Sales of methane and related services	5,329	5,464
Sales of sludge, coal and other products	623	940
Other	124	64
	6,076	**6,468**

Receivables arising as at 31 December 2015 from these transactions were EUR 1 million (2014: EUR 2 million).

Purchases from related parties comprised:

EUR thousand	2015	2014
Entities under common control:		
Transport services	23,115	75,005
Drilling works	2,693	3,747
Restoration services	3,581	11,136
Nitrogen delivery and related services	3,914	4,097
Other	633	2,192
	33,936	**96,177**

Payables arising as at 31 December 2015 from these transactions were EUR 2 million (2014: EUR 22 million).

In May 2015, the shareholders of the Advance World Transport ('AWT') group (which provides rail freight and sidings services to the Group among others) finalised the sale of a majority stake in the AWT group, which is therefore from that time no longer an affiliated company to the Group and accordingly only those transactions with AWT up until the date of sale have been included as related party transactions.

10 PROPERTY, PLANT AND EQUIPMENT

EUR thousand	Land and buildings	Plant and equipment	Other assets	Construction in progress	Total
Cost					
At 1 January 2015	1,257,826	1,030,862	26,589	78,110	2,393,387
Additions	929	19,419	975	7,760	29,083
Disposals	(11,918)	(17,512)	-	(1,543)	(30,973)
Transfers	14,594	24,375	-	(38,969)	-
Restoration and mine closure costs	8,229	-	-	-	8,229
Currency translation	31,984	27,301	512	1,408	61,205
At 31 December 2015	1,301,644	1,084,445	28,076	46,766	2,460,931
Accumulated depreciation and impairment losses					
At 1 January 2015	1,065,951	976,764	19,315	8,983	2,071,013
Depreciation	24,489	17,931	3,024	-	45,444
Impairment loss	131,460	47,577	333	19,658	199,028
Disposals	(11,396)	(17,443)	-	(61)	(28,900)
Currency translation	28,709	25,990	437	326	55,462
At 31 December 2015	1,239,213	1,050,819	23,109	28,906	2,342,047
Net book value at 1 January 2015	191,875	54,098	7,274	69,127	322,374
Net book value at 31 December 2015	**62,431**	**33,626**	**4,967**	**17,860**	**118,884**

The Group has not identified assets financed through generally borrowed funds as qualifying assets for capitalisation of borrowing costs in 2015. Borrowing costs of EUR 3 million were capitalised in 2014, using the average capitalisation rate of 8.290%.

Impairment

Due to reduced price expectations for the Group's products, the Group undertook a re-assessment of the mine plan for future operations, which accordingly led to a re-assessment of the recoverable amount of its cash generating units ('CGUs') as at 31 December 2015. As a result, an impairment loss of EUR 199 million (2014: EUR 183 million) has been recognised.

Management identify three operating CGUs within OKD based on a combination of geographical location and shared infrastructure. This represents a change in assessment from the prior year where there were two CGUs only. This change reflects the revised operating structure of OKD. Based on the assessment performed, impairment charges of EUR 136 million, EUR 50 million and EUR 12 million have been recognised for CGU 1 (which comprises OKD1 (Karvina and Darkov)), CGU 2 (which comprises OKD2 (CSM)) and CGU 3 (which comprises OKD3 (Paskov)) respectively. Further EUR 1 million impairment charge was recognised in relation to the Debiensko development project.

The recoverable amount of the CGUs was based on value in use modelling. Value in use was determined by discounting the estimated future cash flows expected to be generated from the continuing use of the CGUs. Value in use as at 31 December 2015 was based on the following key assumptions:

- cash flows were forecasted based on past experience, actual operating results, the budget and long term business plans. Future cash flows were extrapolated using declining growth rates (reflecting decreasing production towards the end of the life of the mines);
- revenue was forecasted based on agreed prices for the first quarter of 2016 (coking coal) and agreed prices for the year 2016 (thermal coal). The anticipated annual revenue movement against these based periods included in the cash flow projections ranged from (5%) to 11% for the years 2017 to 2020 and are based on the average of a range of publically available data (market consensus);
- a post-tax discount rate of 15.18% (2014: 12.60%) was applied in determining the recoverable amount. The discount rate was estimated based on an industry average weighted-average cost of capital adjusted for the specific risks related to the Group's CGUs.

In the event that the negotiations with stakeholders referred to in note 2(a) under the heading "Going concern basis of preparation" are not successful the Group is unlikely to be able to recover these assets for amounts equal to their book values.

The impairment charges are particularly sensitive to the discount rate applied, the forecast sales prices of the Group's products and the operating expenses. Holding all other parameters constant a 1.50% increase in the discount rate would give rise to an additional impairment loss of EUR 4 million (2014: EUR 21 million); a 2.50% increase in the discount rate would give rise to an additional impairment loss of EUR 7 million (2014: EUR 34 million); a 5% reduction in sales prices would give rise to an additional impairment loss of EUR 44 million (2014: EUR 95 million) and a EUR 5 per tonne increase in operating expenses would give rise to an additional impairment loss of EUR 54 million (2014: EUR 110 million).

EUR thousand	Land and buildings	Plant and equipment	Other assets	Construction in progress	Total
Cost					
At 1 January 2014	1,260,155	1,023,949	26,586	80,020	2,390,710
Additions	2,033	31,049	573	35,395	69,050
Disposals	(12,799)	(19,147)	(168)	(1,781)	(33,895)
Transfers	28,235	6,513	-	(34,748)	-
Restoration and mine closure costs	(4,465)	-	-	-	(4,465)
Currency translation	(15,333)	(11,502)	(402)	(776)	(28,013)
At 31 December 2014	1,257,826	1,030,862	26,589	78,110	2,393,387
Accumulated depreciation and impairment losses					
At 1 January 2014	1,010,387	819,079	17,454	10,053	1,856,973
Depreciation and write-off of construction in progress	38,205	43,843	2,915	295	85,258
Impairment loss	39,606	143,063	(442)	415	182,642
Disposals	(9,659)	(19,135)	(194)	(1,649)	(30,637)
Currency translation	(12,588)	(10,086)	(418)	(131)	(23,223)
At 31 December 2014	1,065,951	976,764	19,315	8,983	2,071,013
Net book value at 1 January 2014	249,768	204,870	9,132	69,967	533,737
Net book value at 31 December 2014	**191,875**	**54,098**	**7,274**	**69,127**	**322,374**

11 MINING LICENCES

EUR thousand	Cost	Accumulated amortisation	Net book value
At 1 January 2015	201,635	(201,635)	-
Currency translation	5,313	(5,313)	-
At 31 December 2015	**206,948**	**(206,948)**	**-**

EUR thousand	Cost	Accumulated amortisation	Net book value
At 1 January 2014	203,899	(203,899)	-
Currency translation	(2,264)	2,264	-
At 31 December 2014	**201,635**	**(201,635)**	**-**

The Group was granted a mining licence for Dębieńsko 1 in Poland in June 2008. The licence was granted for 50 years for mine construction and operations at nil cost. All other mining areas have concessions with no expiry date and have been fully written down as at 31 December 2015 and 2014.

12 LONG-TERM RECEIVABLES

EUR thousand	2015	2014
Bank collateral related to open interest rate swap agreements	830	2,950
Other receivables	90	112
	920	**3,062**

13 RESTRICTED DEPOSITS/CASH

As at 31 December 2015 and 31 December 2014, the Company had long-term restricted deposits (consisting of cash and investment in liquid government bonds) of EUR 20 million and EUR 22 million, respectively, in relation to mining damages and restoration expenditures. The amount of restricted deposits corresponds to the mining and restoration provision recognised by OKD since 1 January 2004 in accordance with Czech legal requirements and the restricted cash can be used only to settle the mining damages and restoration obligations.

14 INVENTORIES

EUR thousand	2015	2014
Material and spare parts	11,166	10,611
Finished goods	19,320	30,206
Work-in-progress and semi-finished goods	10,670	24
	41,156	**40,841**

The inventories were written down to their net realisable value, which resulted in a loss recognised of EUR 21 million (2014: EUR 6 million). Provisions are included within cost of sales and selling expenses in profit or loss.

15 ACCOUNTS RECEIVABLE AND PREPAYMENTS

EUR thousand	2015	2014
Trade receivables	41,660	53,190
VAT and other tax receivables	1,440	3,667
Other receivables, accrued income	8,007	6,275
	51,107	**63,132**
Advance payments and prepaid expenses	1,200	1,087
	52,307	**64,219**

Trade receivables are non-interest bearing and are generally on 20 to 45 day terms. Total receivables are stated net of provisions for impairment, which amounted to EUR 449 thousand as of 31 December 2015 (2014: EUR 454 thousand).

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historic payment behaviour and analysis of customer credit risk.

As of 31 December 2015 and 31 December 2014, the analysis of accounts receivable that were either not past due or past due but not impaired is as follows:

		Past due but not impaired			
EUR thousand	Neither past due nor impaired	<30 days	31 - 90 days	>90 days	Total
31 December 2015	48,604	2,297	202	4	51,107
31 December 2014	61,287	1,813	13	19	63,132

16 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Risk management

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk and interest rate risk). The Board reviews and agrees policies for managing each of these risks, which are summarised below, and seeks to minimise potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department ('Group treasury') and risk management department under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

It is the Group's policy, and has been throughout 2015 and 2014, that no speculative trading in derivatives shall be undertaken.

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade payables, cash-settled share-based payments and leasing contracts. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables, cash, restricted deposits and short-term deposits (if any), which arise directly from its operations.

- **Credit Risk**

Credit risk arises from the potential inability of debtors to meet their obligations as they fall due. Credit risk is addressed through efficient sales operations to prevent excessive bad debts. At the balance sheet date there are concentrations of credit risk associated with steel producers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant (see Note 15). For OKD, representing the main part of the Group's receivables, the Head of sales is responsible for the customer management database, systematic monitoring of customers, their ratings and corresponding risks.

With respect to credit risk arising from other financial assets of the Group, which comprise cash, cash equivalents and restricted deposits and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments, which is stated in the table at the end of this Note. There was no impairment of financial assets other than trade receivables recognised as at 31 December 2015 and 31 December 2014 (see Note 15).

- **Liquidity risk**

Liquidity risk refers to the possibility of the Group being unable to meet its financial obligations, when they fall due, mainly in relation to the settlement of amounts due to suppliers, bondholders and financial institutions.

The Group monitors its risk of a shortage of funds on regular basis by considering the maturity of its financial investments, financial assets (e.g. accounts receivable, other financial assets), financial liabilities and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, issued bonds and leases contracts with the aim to have sufficient liquidity to meet its due obligations under any conditions.

The Group values its business relationships. It is the Group's policy to agree credit terms prior to commencement of trading. Subject to any items of genuine dispute, it is Group policy to pay creditors within the terms agreed.

The table below summarises the contractual maturity profile of the Group's financial liabilities at 31 December 2015 and 31 December 2014 based on undiscounted payments including interest.

EUR thousand	< 1 year	1 to 5 years	> 5 years	Total
At 31 December 2015				
Loans	45,298	37,373	10,052	92,723
Bonds issued	31,165	421,168	-	452,333
Convertible Notes*	-	236,559	-	236,559
Contingent value rights	1,685	-	-	1,685
Other long-term liabilities	-	266	-	266
Accounts payable and accruals	119,912	-	-	119,912
Interest rate swaps	1,191	487	-	1,678
Cash-settled share-based payments	150	162	-	312

*The Convertible Notes have the option at the discretion of NWR NV to pay either a cash coupon of 4% or a PIK coupon of 8%. For the purposes of the contractual maturity profile, the Group has included the PIK coupon rate of 8% in the contractual maturity profile, accordingly it is not expected that any cash outflow will arise relating to the Convertible Notes and that at the end of the facility these will convert into a variable number of shares in NWR Plc.

EUR thousand	< 1 year	1 to 5 years	> 5 years	Total
At 31 December 2014				
Loans	4,112	71,713	20,421	96,246
Bonds issued	28,000	96,000	306,400	430,400
Convertible Notes*	-	-	236,856	236,856
Contingent value rights	5,305	-	-	5,305
Other long-term liabilities	-	300	-	300
Accounts payable and accruals	130,989	-	-	130,989
Interest rate swaps	994	2,408	-	3,402
Cash-settled share-based payments	81	146	-	227

At the present market prices of coal, the Group is cash flow negative even before any servicing of its existing financial indebtedness. The continuing low coal price environment has placed significant pressure on the Group's liquidity position and its solvency. See Note 2a) Going concern basis of accounting for further details.

- **Market risk**

Market risk arises from the possible variations in the value of assets and liabilities due to fluctuations in foreign exchange rates or interest rates. The Group has implemented policies and methods for monitoring these risks as detailed for each risk below.

a) Foreign exchange rate risk

The Group has significant transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. In 2015 approximately 55% of the OKD' sales (2014: 46%) were denominated in currencies other than its functional currency, whilst most of its costs were denominated in the functional currency.

The Group aimed to mitigate foreign currency exposure risks by entering into forward exchange rate contracts with financial institutions. In previous years, the Group entered into foreign exchange forward contracts to hedge the EUR denominated revenues of OKD (which has CZK as its functional currency). Hedging was managed at the Group level as part of the centralised treasury functions. The aim was to minimise earnings volatility for the Group resulting from movements in foreign exchange rates. The Group's policy was to cover up to 70% of its currency exposure. To the extent where possible and effective, the Group applied hedge accounting for these foreign exchange rate forward contracts. All these contracts were concluded by the end of 2013. While the Group's policy remain in place, no further forward contract were entered into during 2014 and 2015.

Foreign currency sensitivity analysis

The Group companies with EUR as functional currency had the following CZK-denominated balances and the Group companies with CZK as functional currency had the following EUR-denominated balances which when retranslated affect the income statement and equity.

	31 December 2015			31 December 2014		
EUR thousand	EUR denominated	CZK denominated	Total	EUR denominated	CZK denominated	Total
Cash & cash equivalents	16,186	845	17,031	18,860	10,860	29,720
Accounts receivable*	20,033	-	20,033	26,798	-	26,798
Accounts payable*	(10,255)	(191)	(10,446)	(15,408)	(19)	(15,427)
Intercompany loans*	(92,618)	-	(92,618)	(130,156)	-	(130,156)
Gross balance sheet exposure	**(66,654)**	**654**	**(66,000)**	**(99,906)**	**10,841**	**(89,065)**

* including intercompany balances

The following table demonstrates the sensitivity of a depreciation of CZK to EUR by 1% (the Group´s estimate of a reasonably possible change over the following 12 months), with all other variables unchanged, on the Group's profit after tax (due to changes in the fair value of monetary assets and liabilities and derivatives).

	2015			2014		
EUR thousand	EUR denominated	CZK denominated	Total	EUR denominated	CZK denominated	Total
Depreciation of CZK against EUR by 1%						
Effect on profit after tax / equity	**(540)**	**(6)**	**(546)**	**(809)**	**(109)**	**(918)**

The depreciation of the CZK against the EUR by 1%, with all other variables unchanged would result in loss after tax / equity of EUR 546 thousand (2014: loss EUR 918 thousand).

b) Interest rate risk

The Group aims to minimise its exposure to the risk of changes in market interest rates. The Group has entered into forward interest rate swaps to convert floating rate loans to fixed rate loans. The specific amounts that the Group hedges are determined based on the prevailing market conditions and the current shape of the yield curve. The specific terms and notional amounts of the swaps are determined based on management's assessment of future interest rates, as well as other factors, including short-term strategic initiatives. As at 31 December 2015, the swaps covered 57% of the Group's scheduled interest rate exposure pursuant to which the Group receives floating EURIBOR in exchange for paying a fixed rate of interest.

Exposure to the interest rate risk of floating rate bank loans is presented by way of sensitivity analysis. This sensitivity analysis shows the effects of changes in market interest rates on the Group's result after tax as if market interest rates had been 0.25% higher respectively lower over the whole period from 1 January 2015 to 31 December 2015 with all other variables held unchanged. The interest rate sensitivity analysis is calculated from all loans, all cash at bank and all interest rates swap contracts. The hypothetical effect on the result after tax is equal to EUR 172 thousand and EUR (91) thousand respectively.

The following derivative financial instruments were entered into to mitigate the above risk:

Nominal value of derivative instruments	31 December 2015	31 December 2014
EUR thousand	EUR denominated	EUR denominated
Interest rates swap contracts	**48,017**	**57,807**

The nominal value of interest rates swap contracts and interest rates collar contracts presented in the above tables is derived from the sum of open individual contracts as at the year end.

Changes in the fair value of interest rate swaps and collars were recorded directly in the income statement as, in this case, the Group does not apply hedge accounting.

Capital management

The Group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total loans and borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

EUR thousand	2015	2014
Total loans and borrowings	383,496	409,395
Less Cash and cash equivalents	(85,891)	(128,035)
Net debt	297,605	281,360
Equity	(385,115)	(159,868)
Total capital	**(87,510)**	**121,492**
Gearing ratio	**(340%)**	**232%**

Fair value

Fair value is defined as the amount at which an instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Financial instrument	Fair value estimation
Cash & cash equivalents Current investments	The carrying amount approximates fair value due to the relatively short-term maturity and reset periods of these financial instruments.
Short-term receivables Short-term payables	The carrying amount approximates fair value due to the short-term maturity of these financial instruments.
Long-term receivables	The carrying amount approximates fair value due to the relatively short-term maturity and reset periods of these financial statements.
Cash-settled share-based payments	These are carried at fair value measured in accordance with adopted IFRS.
Short-term loans	The carrying amount approximates fair value because of the floating interest rate and the short period to maturity of those instruments.
Bonds and Convertible Notes	The fair value is based upon the quoted price on the markets.
Long-term debt	The carrying amount of long-term debt with variable interest rates approximates their fair values as interest reset at a minimum each twelve months. Fair value may be affected also by changes in the Group credit rating.
Derivatives	The fair value of interest rate derivatives is estimated by discounting the difference between the contractual interest rate and current interest rate for the residual maturity of the contract using a risk-free interest rate. The fair value of the Contingent Value Rights has been estimated based on the forward commodity curves for coking coal using Monte Carlo simulation and the pricing thresholds for Group's reported average realised price in Euro per tonne for coking coal, which must be exceeded for two consecutive quarters in order for any money to be paid out in respect of the Contingent Value Rights.

The following table shows the carrying amounts and fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value (for example accounts receivable or accounts payable).

EUR thousand	31 December 2015			31 December 2014		
	Carrying Value	Fair value Level 1	Fair value Level 2	Carrying Value	Fair value Level 1	Fair value Level 2
Financial assets:						
At fair value through profit or loss						
Embedded option*	-	-	-	2,629	-	2,629
Loans and receivables						
Long-term receivables	920	-	-	3,062	-	-
Accounts receivable and prepayments	52,307	-	-	64,219	-	-
Cash and cash equivalents						
Restricted deposits	20,303	-	-	22,037	-	-
Cash and cash equivalents	85,891	-	-	128,035	-	-
Total	**159,421**			**219,982**		
Financial liabilities:						
At fair value through profit or loss						
Interest rates derivatives	1,678	-	1,678	3,402	-	3,402
Convertible Notes	4,315	4,315	-	70,845	70,845	-
Contingent value rights	1,685	-	1,685	5,305	-	5,305
Cash-settled share-based payments	312	312	-	227	227	-
Other						
Long-term loans including accrued interest	84,798	-	-	84,067	-	-
Bonds issued including accrued interest	299,671	111,303	-	258,824	236,125	-
Other long-term liabilities	266	-	-	300	-	-
Accounts payable and accruals	119,912	-	-	130,989	-	-
Total	**512,637**			**553,959**		

* The embedded option associated with the Senior Secured Notes are classified as a level 2 financial instrument. As at 31 December 2015, the embedded option, while still in place had a fair value approximate to EUR nil.

Fair value hierarchy

The different levels have been defined as follows:

Level 1	quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3	inputs for the asset or liability that are not based on observable market data (unobservable inputs)

In order to determine the fair value of the financial instruments, the Company implements valuation techniques used by banks or uses third party professional valuators in which all significant inputs were based on observable market data.

17 ACCOUNTS PAYABLE AND ACCRUALS

EUR thousand	2015	2014
Trade payables	72,856	75,796
Wages and salaries payable	11,488	15,176
Social and health insurance payable	6,574	7,343
VAT and other tax payable	3,362	4,127
Other payables and accruals	25,632	28,547
	119,912	**130,989**

18 LOANS AND BORROWINGS

The terms and conditions of outstanding loans are as follows:

EUR thousand	Currency	Nominal interest rate	Year of maturity	Carrying amount 2015	Carrying amount 2014	Nominal value 2015	Nominal value 2014
Export Credit Agency loan ('ECA Facility')	EUR	EURIBOR 6M +1.85%	2022	48,962	48,726	49,863	49,863
Super Senior Credit Facility ('SSCF Facility')	EUR	EURIBOR 3M +10.00% (+1.50% each quarter)	2016	35,000	35,000	35,000	35,000
Senior Secured Notes due 2020	EUR	8% or PIK	2020	295,219	254,824	333,908	300,000
Convertible Notes due 2020	EUR	4% or PIK	2020	4,315	70,845	161,797	150,000
Total				**383,496**	**409,395**	**580,568**	**534,863**
of which current portion				39,981	-	40,000	-
of which non-current portion				343,515	409,395	540,568	534,863

For further details in relation to above mentioned borrowings, please refer to section Material contracts within this document.

In adherence to the indentures, the Group elected not to pay interest at the cash coupon rate on its Senior Secured Notes due 2020 for the interest period starting 1 November 2014 up to 1 May 2015 and for the interest period starting 1 May 2015 up to 1 November 2015, but has elected to pay all of the accrued interest in the form of PIK interest by issuing EUR 16.5 million and EUR 17.4 million of additional notes, increasing the nominal value of Senior Secured Notes due 2020 to EUR 333.9 million. These additional notes were initially recognised at fair value and are subsequently held at amortised cost. The fair value of these additional notes on initial recognition was EUR 17.9 million compared to interest accrued of EUR 24.7 million.

In adherence to the trust deed, the Group has not paid interest on its Convertible Notes due 2020 for the interest period starting 1 November 2014 up to 1 November 2015 in cash, but has elected to pay all of the accrued interest in the form of PIK interest by issuing EUR 11.9 million additional notes, increasing the nominal value of Convertible Notes due 2020 to EUR 161.8 million.

During the year 2015, 195,597 Convertible Notes were converted into A shares of the Company.

19 SHARE CAPITAL AND RESERVES

a) Share capital and share premium

The Company's share capital is divided into A shares and B shares in order to reflect the existence of two divisions which act as separate accounting and reporting units: the Mining Division and the Real Estate Division (see Note 3). The rights and obligations attaching to the A shares and B shares, and other provisions related to them, are derived from the Articles of Association of the Company, subject to the limitations of the Divisional Policy Statements and applicable law.

The A Shares are designed to track the performance, and represent the economic value, of the Mining Division and the B Shares are designed to track the performance, and represent the economic value, of the Real Estate Division. Holders of the A Shares are not entitled to receive any dividends, liquidation proceeds or other distributions which relate to the Real Estate Division and holders of B Shares are not entitled to dividends, liquidation proceeds or other distributions which relate to the Mining Division.

During the year ended 31 December 2014, the Company undertook a sub-division of its share capital, whereby, one A share with nominal value of EUR 0.40 was subdivided into one A share with nominal value of EUR 0.0004 and 999 D shares with nominal value of EUR 0.0004 per share. Altogether the Company issued 264,477,400,857 D shares. The holders of the new D shares are not entitled to dividends, voting rights or distributions, do not receive a share certificate in respect of their shareholding, but are entitled to receive liquidation proceeds ranking behind the A and B shareholders. The rights, obligations and other provisions related to them are derived from the Articles of Association of the Company.

The following table tracks the number and nominal value of the share capital of the Company.

Issued and fully paid up share capital	Number of shares		Aggregate nominal value (EUR thousand)	
	2015	2014	2015	2014
A ordinary shares				
At 1 January	6,659,178,995	264,648,002	2,663	105,859
Shares issued under Deferred bonus plan	1,580,181	94,141	1	37
Shares issued under Convertible Notes redemption	1,335,312	-	1	-
Subdivision of A Shares	-	-	-	(105,791)
Rights issue and placing of shares	-	6,394,436,852	-	2,558
At 31 December	**6,662,094,488**	**6,659,178,995**	**2,665**	**2,663**
B ordinary shares				
At 1 January	10,000	10,000	4	4
At 31 December	**10,000**	**10,000**	**4**	**4**
D ordinary shares				
At 1 January	264,477,400,857	-	105,791	-
Subdivision of A Shares	-	264,477,400,857	-	105,791
At 31 December	**264,477,400,857**	**264,477,400,857**	**105,791**	**105,791**
Total share capital	**271,139,505,345**	**271,136,589,852**	**108,460**	**108,458**

b) Nature and purpose of reserves

Foreign exchange translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations from their functional currency to the presentation currency.

Merger reserve

The merger reserve represents the effect of a corporate reorganisation under which, on 6 May 2011, the Company became the holding company for the business previously held by NWR NV. The reorganisation was undertaken by way of an offer by the Company to the shareholders of NWR NV to exchange shares in the Company for their shares in NWR NV on a one-for-one basis. The Company issued new A and B shares with a nominal value of EUR 7.00 per share and the difference between the nominal value of the shares and carrying value of net assets acquired was recognised as a change in consolidated equity, resulting in the recognition of negative merger reserve.

Other distributable reserves

Other distributable reserves were created after the Company reduced its share capital by reducing the nominal value of each of the A and B ordinary shares from EUR 7.00 per share (see Merger reserve above) to EUR 0.40 per share.

c) Dividends

No dividends were declared or paid during 2015 and 2014 to either A or B shareholders.

d) Other comprehensive income, net of tax

EUR thousand	Foreign exchange translation reserve	Restricted reserve	**Total other comprehensive income**
Year ended 31 December 2015			
Foreign currency translation differences	(2,536)	-	**(2,536)**
Total other comprehensive income, net of tax	(2,536)	-	**(2,536)**
Year ended 31 December 2014			
Foreign currency translation differences	(2,118)	102	**(2,016)**
Total other comprehensive income, net of tax	(2,118)	102	**(2,016)**

20 EARNINGS PER SHARE

The calculation of earnings per share at 31 December 2015 was based on the result attributable to the shareholders of the Company, and a weighted average number of shares outstanding during the year, calculated as follows:

Profit / (loss) attributable to the shareholders of the Company

EUR thousand	2015	2014
Loss for the year	(223,166)	(21,084)
Loss attributable to A shares	(226,473)	(24,463)
Profit attributable to B shares	3,231	3,304

Please refer to Note 3 for further details on the split of earnings between A and B shares.

Weighted average number of shares (basic)

Number of A shares	2015	2014
Issued shares at 1 January	6,659,178,995	805,045,854
Effect of deferred shares issued	982,743	189,533
Effect of shares issued under Convertible Notes redemption	607,044	-
Effect of rights issue and placing	-	1,441,407,147
Weighted average number of shares at 31 December	**6,660,768,782**	**2,246,642,534**

The weighted average number of B shares is equal to the number of shares issued being 10 thousand, in both periods.

D shares, issued as a result of the sub-division of its share capital, namely A shares, have no rights to dividends and there is no impact on the EPS calculation as a result of the issuance of the D shares.

Weighted average number of shares (diluted)

In the calculation of diluted weighted average number of shares the dilutive potential impact of individual share-based payments arrangements is taken into account.

Number of A shares at 31 December	2015	2014
Weighted average number of shares (basic)	6,660,768,782	2,246,642,534
Effect of share options	1,527,799	998,742
Effect of deferred shares	2,345,562	1,514,556
Weighted average number of shares (diluted)	**6,664,642,143**	**2,249,155,832**

All tranches of share options granted to employees have no dilutive impact. The share options granted to Gareth Penny have a dilutive impact of 1,211,877 shares and the Deferred Bonus Plan grants have a dilutive impact of 2,271,041 shares. For further information relating to share-based payment arrangements please refer to Note 23.

The average market price of the Company's shares for the purposes of calculating the dilutive effect of the share options was based on quoted market prices for the period during which the options were outstanding.

21 PROVISIONS

EUR thousand	1 January 2015	Charged	Capitalised	Utilised	Unwinding of discount	Currency translation	31 December 2015
Restoration and mine closure provision	131,251	-	8,229	(6,606)	534	3,481	136,889
Mining damage	16,316	2,945	-	(5,609)	-	372	14,024
Total long-term provisions	**147,567**	**2,945**	**8,229**	**(12,215)**	**534**	**3,853**	**150,913**
Unpaid vacation	1,946	1,806	-	(1,895)	-	51	1,908
Other	921	315	-	(518)	-	41	759
Total short-term provisions	**2,867**	**2,121**	**-**	**(2,413)**	**-**	**92**	**2,667**

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mining property and the Group is liable for environmental damage caused by mining activities. These future costs generally include restoration and remediation of land and disturbed areas, mine closure costs, including the dismantling and demolition of infrastructure and the removal of residual materials, and mining damages costs.

Mine closure and restoration costs are a normal consequence of mining, and the majority of mine closure and restoration expenditure is incurred at the end of the relevant operation.

The Group's operating mines are expected to cease mining activities (with relevant cash outflow to be incurred) in the period 2019-2028, except for the Paskov and Lazy mines which are expected to cease mining activities by the end of 2017.

Although the ultimate cost to be incurred is uncertain, the Group's businesses estimate their respective costs based on feasibility and engineering studies using current restoration standards and techniques. Provisions of EUR 137 million (2014: EUR 131 million) for mine closure and restoration costs and environmental clean up obligations include estimates of the effect of future inflation and have been adjusted to reflect risk. These estimates have been discounted to their present value using discount rates of 0.34% p.a. (2014: 0.51% p.a.).

These provisions do not include any of the employee-restructuring costs associated with the closure of the Paskov and Lazy mines as detailed in the Strategic Review Process as announced 18 December 2015 on the basis that the nature, structure and timing of these closures are yet to be finalised. The estimated cost amounts to EUR 85-100 million which the Group would be unable to meet based on its current financial resources. As described in note 2(a) under the heading "Going concern basis of accounting", the Group is in negotiation with its stakeholders, including the Czech Government, that may result in other parties supporting the operation of these mines and ultimately baring some or all of these employee-restructuring costs.

22 EMPLOYEE BENEFITS

The Group provides a number of different long-term employment benefits to its employees – special miners' benefits, severance payments, vouchers, loyalty benefits and others. The Group's net obligation in respect of long-term service benefits is the amount of benefits that are payable after the balance sheet date and that the employees have earned in return for their service in the current and prior periods.

The Group's employee benefit scheme covers the legal requirements valid for the mining industry and other benefits concluded with the labour union in the general labour agreement. The significant benefits are listed below.

EUR thousand	2015	2014
Special miners benefits	20,417	21,320
Severance payment	10,278	9,444
Vouchers	4,938	4,591
Loyalty benefits	153	147
Other long-term benefits	1,230	1,454
	37,016	**36,956**

The increase in employee benefits as of 31 December 2015 compared to 31 December 2014 is a cumulative result of updated assumptions, mainly the updated mining plan, change in the number of employees and a foreign exchange effect.

Special miners' benefits
Length-of-service benefit for miners is paid to all employees in the mining professions once a year and is based on the length of the employment. The benefit is required by the current legislation of the Czech Republic.

Special miners' benefits are assigned to employees working underground once they achieve 100% of the highest allowable exposure to mine dust, in the event of both a position transfer or employment termination. These benefits are paid monthly, until the pension entitlement arises or the age of 60 is reached. The benefit is required by the current legislation of the Czech Republic.

Health-related severance payment is based on the collective agreement between OKD and its trade union. Eligible persons are employees whose employment relationship was dissolved owing to their inability to continue performing their work for health reasons and who are not entitled to receive any other severance payment. This benefit is a one-time payment calculated as a multiple of average monthly wage in connection with years of service.

Severance payments
Severance payments are based on legislative requirements in the Czech Republic. Eligible persons are employees whose employment relationship was dissolved owing to having achieved 100% of the highest allowable exposure to mine dust or occupational injury or incidence of occupational illness and who are unable to find another suitable position within the entity. The payment is made as a one-time disbursement.

Vouchers
This benefit has been recognised at OKD since 1 January 2009 based on an amendment to the collective agreement between OKD and its trade union at that time. All employees are granted vouchers annually and the amount is based on the length of employment relationship. Employees may use these vouchers for health, cultural, sporting, educational and holiday purposes.

Loyalty benefits
Stabilisation premiums are defined in the collective agreements of individual Group entities and are due to all current employees who are not entitled to length-of-service benefits for miners. This bonus is paid once a year and the amount is based on the length of uninterrupted service.

Length-of-service bonuses are defined in the collective labour agreements of individual Group entities and their disbursement is based on the specific provisions of collective agreements, tied to years of uninterrupted service. This benefit is designed as a one-time payment.

Changes in the present value of the defined benefit obligation:

EUR thousand	2015	2014
Defined benefit obligation at 1 January	36,956	49,308
Benefits paid	(8,025)	(8,478)
Net benefit expense/(credit)	7,118	(3,414)
Currency translation	967	(460)
Defined benefit obligation at 31 December	**37,016**	**36,956**

The following table summarises the components of the net benefit expense recognised in the income statement and the funding status and amounts recognised in the statement of financial position for the respective plan:

EUR thousand	2015	2014
Current service cost	2,154	2,237
Interest cost on benefit obligation	(6)	83
Remeasurement of the net defined benefit liability	4,970	(5,734)
Net benefit expense/(credit)	**7,118**	**(3,414)**

The principal financial and demographic assumptions used in determining long-term employee benefits are shown below:

Discount rate – The discount rate is derived from the yield of Czech Government bonds as of the balance sheet date. The average period of payment is considered for the choice of the most suitable bond. The discount rate used for the calculation of employee benefits as of 31 December 2015 was 0.00% p.a. (as of 31 December 2014: 0.26% p.a.).

Wage increase - This assumption is relevant where the benefit depends on the future wage. In all cases the Group estimates an average wage increase of 3.0% per annum as of 31 December 2015 (3.0% per annum as of 31 December 2014).

Mortality - Model mortality for the benefit calculation is undertaken from statistical tables, specific to the relevant region in which OKD mines, as published by the Czech Statistical Office.

Retirement age
The retirement age for men is set as follows:
- Retirement age for men under Czech legislation less 5 years if an employee started working as a miner before 1 January 1993 and worked 3,300 shifts underground by 31 December 2008
- 62-70 years (2014: 62-70 years) for all other employees not fulfilling the above criteria

The retirement age for women is set at 58-70 years (2014: 58-70 years).

23 SHARE-BASED PAYMENTS

The Group offers certain employees of the Group various share-based remuneration packages (see below).

a) Share options granted to Executive Director

On 3 September 2012, the Company granted Mr Penny, Executive Chairman, 250,000 share options for A shares, in 3 equal tranches (representing an aggregate of 750,000 A ordinary shares with an exercise price of EUR 0.01 per share; adjusted to reflect the discount on the Rights Issue as part of the Capital Restructuring to 2,281,466 A shares with an exercise price of EUR 0.003 per share).

Subject to Mr Penny remaining in employment with the Company, each tranche vests equally over three years representing one third of the options, annually on the relevant anniversary of the grant date, such that:
- one third of the shares subject to the first Option will vest on each of the first, second and third anniversary of the grant date;
- one third of the shares subject to the second Option will vest on each of the second, third and fourth anniversary of the grant date; and
- one third of the shares subject to the third Option will vest on each of the third, fourth and fifth anniversary of the grant date.

Once vested, each Option will be exercisable from the date on which it vests until the 7th anniversary of the first vesting date of that Option, when it will lapse. This remuneration package classifies as an equity-settled share-based payment transaction.

b) Share options granted to employees of the Group

Several eligible employees and Executive Directors of the Group were granted options over A shares of the Company in accordance with its Stock Option Plan for Executive Directors, senior management and key employees. This remuneration package is recognised as an equity-settled arrangement. The terms and conditions related to the grants of the share option are as follows:

Grant date	Number of options at grant date	Number of options after modification	Exercise price	Exercise price after modification	Vesting conditions	Contractual life of option
9 May 2008	619,878	1,766,707	16.69	5.45	Same for each grant: 3 years' service from the grant date and various performance conditions depending on participant	8 years
24 June 2009	3,325,762	9,353,416	3.33	1.16		8 years
17 March 2010	1,742,631	4,764,361	7.95	2.93		8 years
Total	**5,688,271**	**15,884,484**				

Due to the implementation of the Deferred Bonus Plan, the Board decided to terminate the Stock Option Plan as of 31 December 2010. Subsequently, no further options may be granted, although the provisions of the Stock Option Plan will continue in relation to options already granted.

c) Deferred Bonus Plan

Starting 1 January 2011, the Company implemented a new remuneration program, the Deferred Bonus Plan. A group of eligible employees and Directors of the Group, after meeting specified conditions, will be entitled to the annual bonus, part of which will be payable in cash and part will be deferred into A shares for a period of three years. In addition, each participant will have a put option which enables the holder to sell the shares back to the Company at market price set at the time the A shares are issued or delivered. The period for exercising the put option is limited to three years. This remuneration package classifies as a share-based payment transaction with cash alternatives and accordingly, the Company has granted a compound financial instrument.

Grant date	Number of shares at grant date	Number of shares after modification	Number of shares issued	Vesting conditions	Contractual life of put option
3 March 2011	101,136	-	94,141	3 years' service from the grant date	3 years from vesting date
16 May 2012	610,676	1,707,261	1,580,181		
12 April 2013	844,518	2,504,320			

d) Special Long-Term Incentive Plan ('LTIP')

On 20 November 2014, the Group granted certain Executive Directors and senior managers special award, under which they are entitled to receive cash payment equal to the market value of 331 million A shares (319 million A shares after modification) on the date of election (any date within 12 months following each vesting date). Each award shall vest as to one third of the total number of award shares on 31 December 2016, 2017 and 2018. Under certain circumstances, the award may be satisfied through share issues instead of cash or may even lapse, in which case the Company and each participant shall agree an appropriate compensation. In case of share issue, each participant will get a put option, which enables the participant, at any time during the period of three years following the vesting, to sell any shares, at the market price of the shares on the date they elect to realise value, to NWR or any person nominated by it. Awards do not carry any right to shares or other securities and any interest in shares is purely notional.

This remuneration package classifies as cash-settled share-based payment transaction.

Measurement of fair value

The fair value of all equity-settled share-based payments plans was measured using the Black-Scholes model. The fair value of the compound financial instrument is based on fair value of A shares at each balance sheet date for the cash-settled part (shares granted) and a combination of Monte Carlo simulation and binomial model as a valuation tool for the equity-settled part (put option granted) as at grant date.

As part of the Capital Restructuring, certain share based payment schemes were modified to take account of the dilution of the share capital arising from the share split.

The inputs used in the measurement of the incremental fair values at the date of modification were as follows:

	Share options granted to Executive Director	Share options plans	Deferred bonus plans (put option)
Fair value of the modified grant measured at the modification date	€0.009	€0	€0
Fair value of the original grant measured at the modification date	€0.004	€0	€0
Incremental fair value	€0.005	€0	€0
Share price at the modification date	€0.0169	€0.0169	€0.0169
Exercise price – after modification	€0.004	€1.41 – €6.61	-
Exercise price – before modification	€0.01	€3.33 - €16.69	-
Expected volatility	16.12%	16.12%	16.12%
Expected life	6 years	2 – 4 years	3 years
Expected dividends	4.35%	4.35%	4.35%
Risk-free interest rate	0.18%	0.16%-0.19%	0.17%

Personnel expenses

EUR thousand	2015	2014
Share-based remuneration schemes:		
Share option plan	348	622
Deferred Bonus Plan	(48)	(948)
Special LTIP	234	63
Total expense / (benefit) recognised as personnel expenses	**534**	**(263)**

Reconciliation of outstanding share options

The number and weighted average exercise price of share options under all stock option plans is as follows:

	2015 Number of options	2015 Weighted average exercise price (EUR)	2014 Number of options	2014 Weighted average exercise price (EUR)
Outstanding at 1 January	18,165,950	1.90	6,252,382	5.48
Forfeited during the year	-	-	(280,581)	6.71
Modified during the year	-	-	12,194,149	1.90
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 31 December	**18,165,950**	**1.90**	**18,165,950**	**1.90**
Exercisable at 31 December	17,405,459	1.98	16,644,970	2.07

The options outstanding at 31 December 2015 have an exercise price in the range of EUR 0.003 to EUR 5.45 (2014: EUR 0.003 to EUR 5.45) and a weighted average contractual life of 1.9 years (2014: 2.9 years).

24 FUTURE COMMITMENTS

The Group has the following operating lease and capital commitments in respect of:

EUR thousand	2015	2014
Non-cancellable operating leases		
Instalments due within one year	1,381	795
Instalments due between two and five years	3,373	2,699
	4,754	**3,494**
Acquisition of property, plant and equipment		
From third parties	7,979	12,533

Leased items include equipment, land and buildings. There are no leases with term exceeding 5 years. The operating lease expense in 2015 was EUR 1 million (2014: EUR 1 million).

Included with the contractual obligations to acquire property, plant and equipment EUR nil million is spread over more than one year (2014: EUR 4 million).

25 AUDITOR REMUNERATION

EUR thousand	2015	2014
Fees payable to the Company's auditor for the audit of the company and consolidated financial statements	533	435
Fees payable to the companies auditor and its associates for audit of its subsidiaries pursuant to legislation	269	260
	802	695
Amounts receivable by the auditor and its associates in respect of:		
- audit related assurance services	285	316
- other assurance services	52	465
	337	781
	1,139	**1,476**

Included within other assurance services in 2014 is an amount of EUR 465 thousand paid to the auditor in regard to their role as reporting accountants for the capital restructuring.

26 CONTINGENT LIABILITIES

Contingent liabilities relate to several litigation proceedings. As inherent in such proceedings, outcomes cannot be predicted with certainty and there is a risk of unfavourable outcomes to the Group. The Group disputes all pending and threatened litigation claims of which it is aware and which it considers unjustified. No provision has been recognised as at 31 December 2015 for any of the litigation proceedings. At the date of these financial statements, based on advice of legal counsel, the management of the Group believes that the litigation proceedings have no significant impact on the Group's financial position as at 31 December 2015. A summary of the main litigation proceedings is stated below.

OKD have been claimed against for unfounded enrichment by Mr. Otakar Černý in relation to Improvement proposal no. 31/5-15/95 for a total of CZK 1,087 million (approx. EUR 43 million). The first hearing was held on 18 January 2012, when the petition was partially rejected by the court and the proceeding was suspended until a similar dispute led by the Regional Court in Ostrava is settled. On 9 September 2015 the claim was dismissed by the court in its entirety and on 17 December 2015 Mr. Černý has lodged an appeal. OKD believes that the claim is unjustified and will be dismissed by the courts. Management is of the opinion that it is more likely than not that the case will not result in charges for the Company and as such no provision has been included in the financial statements as at 31 December 2015.

Litigation is pending against OKD (as successor entity) regarding the review of the adequacy of the consideration for shares of ČMD, a.s. paid out to minority shareholders (constituting at the time 5.915% of the shareholders of the company) in a squeeze-out procedure relating to ČMD, a.s. If the courts rule in favour of the claimant, the judgment would be applicable to all minority shareholders subject to the squeeze-out procedure. The proceeding is still pending, and the potential impact of a decision in the claimants' favour is not possible to assess given that the consideration is subject to review. Management is of the opinion that it is more likely than not that the case will not result in charges for OKD and as such no provision has been included in the financial statements as at 31 December 2015.

OKD have been claimed against for contractual penalty by METALIMEX a.s. for a total of EUR 11 million. METALIMEX sees its title in breach of two framework transportation contracts concluded in 2010 where it claims that during validity of these contracts OKD was providing transportation with third subject and that such transportation was provided to places negotiated in these contracts. Management is of the opinion that it is more likely than not that the case will not result in any cost to OKD and as such no provision has been included in the financial statements as at 31 December 2015.

27 SUBSEQUENT EVENTS

Strategic Review

The Group has commenced a detailed strategic review of its operations. Management's preliminary conclusion is that, absent a significant and near-term increase in coal prices, the Group will need to reduce costs yet further across its entire portfolio and to secure substantial additional liquidity. Also, while a number of the Group's mines clearly have potential, some do not. Therefore, as part of the strategic review process, the Group is evaluating its options for those low-potential mines, in addition to the planned closures of the Paskov and Lazy mines.

In parallel with this strategic review, the Group has commenced negotiations with certain key stakeholders as to an appropriate way forward, including its noteholders and shareholders and the Czech Government. These negotiations, which are ongoing, are focused on securing (1) a viable business for the Group, with a sustainable portfolio of cash-generative mines; (2) a capital structure appropriate to allow that portfolio to operate as a going concern through the anticipated extended period of low coal prices; and (3) clarity for employees.

For further details refer to Note 2 and Going concern basis of accounting.

EUR thousand	*Note*	2015	2014
ASSETS			
Investments	*D*	124	69,316
Long-term loans		204	193
TOTAL NON-CURRENT ASSETS		328	69,509
Accounts receivable and prepayments		1,639	477
Cash		43,771	52,604
TOTAL CURRENT ASSETS		45,410	53,081
TOTAL ASSETS		**45,738**	**122,590**
EQUITY AND LIABILITIES			
SHAREHOLDER'S EQUITY			
Share capital	*E*	108,460	108,459
Share premium	*E*	142,380	142,363
Equity-settled share based payments	*F*	15,295	15,085
Other distributable reserve	*E*	1,684,463	1,684,463
Retained earnings	*E*	(1,917,411)	(1,834,872)
TOTAL EQUITY		33,187	115,498
LIABILITIES			
Cash-settled share based payments		159	63
TOTAL NON-CURRENT LIABILITIES		159	63
Provisions	*H*	10,000	-
Trade and other payables		2,249	1,627
Short term loans		-	5,355
Cash-settled share based payments		143	47
TOTAL CURRENT LIABILITIES		12,392	7,029
TOTAL LIABILITIES		12,551	7,092
TOTAL EQUITY AND LIABILITIES		**45,738**	**122,590**

The notes on pages 146 to 148 form an integral part of these financial statements.

The financial statements on pages 143 to 148 were approved by the Board of Directors and authorised for issue on 23 February 2016 and were signed on its behalf by

…………………………..
Gareth Penny
Executive Chairman of the Board

…………………………..
Boudewijn Wentink
Executive Director/Finance and Legal Director

New World Resources Plc
Registered number: 07584218

EUR thousand	Share capital	Share premium	Equity-settled share-based payments	Other distributable reserve	Retained earnings	Total
Balance at 1 January 2015	**108,459**	**142,363**	**15,085**	**1,684,463**	**(1,834,872)**	**115,498**
Total comprehensive loss for the year	-	-	-	-	(82,690)	(82,690)
Transactions with owners						
Equity-settled share based payments	-	-	349	-	-	349
Issue of A shares under Deferred Bonus Plan	-	-	(139)	-	151	12
Issue of A shares under Convertible Notes redemption	1	17	-	-	-	18
Balance at 31 December 2015	**108,460**	**142,380**	**15,295**	**1,684,463**	**(1,917,411)**	**33,187**

EUR thousand	Share capital	Share premium	Equity-settled share-based payments	Other distributable reserve	Retained earnings	Total
Balance at 1 January 2014	**105,863**	**2,368**	**14,621**	**1,684,463**	**(1,683,859)**	**123,456**
Total comprehensive loss for the year	-	-	-	-	(151,306)	(151,306)
Transactions with owners						
Equity-settled share based payments	-	-	678	-	-	678
Issue of A shares under Deferred Bonus Plan	38	-	(214)	-	293	117
Issue of A shares under Rights Issue and Placing	2,558	139,995	-	-	-	142,553
Balance at 31 December 2014	**108,459**	**142,363**	**15,085**	**1,684,463**	**(1,834,872)**	**115,498**

The notes on pages 146 to 148 form an integral part of these financial statements.

EUR thousand	2015	2014
Cash flows from operating activities		
Loss for the year	(82,690)	(151,306)
Adjustments for:		
Share-based payments	426	692
Change in provisions	10,000	-
Interest received	(18)	(17)
Unrealised foreign exchange losses	182	179
Impairment of financial investment	69,326	146,693
Operating cash flow before working capital changes	(2,774)	(3,759)
(Increase) / decrease in receivables	(1,162)	1,550
Increase in payables	622	654
Net cash flows from operating activities	**(3,314)**	**(1,555)**
Cash flows from investing activities		
Capital contribution to subsidiary	-	(90,000)
Interest received	18	17
Cash flows from investing activities	**18**	**(89,983)**
Cash flows from financing activities		
Proceeds from issue of shares under Deferred Bonus Plan	12	84
Proceeds from rights issue/placing	-	150,000
Transaction costs related to rights issue/placing	-	(7,447)
(Repayments) / proceeds of short-term loans	(5,549)	1,375
Net cash flows from financing activities	**(5,537)**	**144,012**
Net (decrease) / increase in cash	(8,833)	52,474
Cash at the beginning of year	52,604	130
Cash at the end of year	43,771	52,604

The notes on pages 146 to 148 form an integral part of these financial statements.

A GENERAL INFORMATION

a) Corporate Information

New World Resources Plc (the 'Company', 'NWR Plc') is a public limited company incorporated under the laws of England and Wales. Its registered office is One Silk Street, London EC2Y 8HQ, United Kingdom.

The Company was incorporated on 30 March 2011.

b) Statement of compliance

The financial statements are prepared based on the recognition and measurement principles of International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU').

Under section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account.

c) Basis of preparation

The financial statements are presented in Euros (EUR), which is the functional currency of the Company. They are prepared on the historical cost basis apart of cash-settled share-based payments which are stated at fair value.

The description of the application of the going concern basis set out in Note 2(a) "Going concern basis of accounting" in the Group financial statements on page 107 also applies to these company financial statements.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

B PRINCIPAL ACCOUNTING POLICIES

The Company follows the accounting policies of the Group (NWR Plc and its subsidiaries) as described in the note 2 Summary of significant accounting policies in the notes to the consolidated financial statements of this document.

a) **Investments**

Fixed assets investments are carried at cost less impairment provisions. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the Company issues shares to acquire an interest in a subsidiary and section 612 of the Companies Act 2006 applies, the investment is recorded at the nominal value of shares issued plus the fair value of other consideration paid.

b) **Share-based payment transactions**

The cost of equity-settled transactions with employees is measured by reference to the fair value at the grant date and is recognised as an expense for employees working for the Company and as an addition to the cost of the investment in the subsidiary in which the relevant employees work over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. The fair value is determined by reference to the share price on the grant date. In valuing equity-settled transactions of the Company, no account is taken of any vesting conditions because no market conditions apply for vesting. At each balance sheet date, before the end of the vesting period, the cumulative expense is calculated, reflecting the extent to which the vesting period has expired and the number of equity instruments that is expected to ultimately vest. The movement in cumulative expense compared to the previous balance sheet date is recognised as personnel expense in the income statement or as an addition to the cost of the investment in the balance sheet, with a corresponding entry in equity or liability, based on the type of share-based scheme.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

c) **Dividends**

Dividend income from subsidiaries is recognised in the income statement once the Company's right to receive the payments has been established. Dividends payable are recognised as a liability and reduction in equity once the criteria for a present obligation are met.

C RESULT OF THE COMPANY

The loss of the Company for the year ended 31 December 2015 amounted to EUR 83 million, reflecting impairment of financial investments of EUR 69 million. The loss of the Company for the year ended 31 December 2014 amounted to EUR 151 million, including impairment of financial investments of EUR 147 million.

D INVESTMENTS

The Company has the following investments:

EUR thousand	% voting shares	2015	2014
New World Resources N.V. ('NWR NV')	100.00%	-	69,192
New World Resources Services Ltd ('NWR Services')	100.00%	124	124

The movement in investment in NWR NV may be detailed as follows:

EUR thousand	2015	2014
At 1 January	69,192	125,839
Increase in cost in respect of share-based payments	116	46
Increase in cost in respect of capital contribution	-	90,000
Increase in cost in respect of Convertible Notes redemption	18	-
Impairment of financial investment	(69,326)	(146,693)
At 31 December	**-**	**69,192**

Impairment

During 2015, due to continuing volatility in the commodity markets and reduced long term coal price expectations, the Company estimated the recoverable amount of its financial investment in NWR NV using a fair value less cost to sell model, which was based on the market capitalisation of the Company adjusted for those assets and liabilities specific to the Company. The recoverable value of the financial investment was estimated to be lower than the carrying value of the associated assets and accordingly an impairment charge of EUR 69 million has been recognised.

E SHARE CAPITAL AND RESERVES

EUR thousand	Share capital	Share premium	Other distributable reserve	Retained earnings
Balance at 31 December 2015				
A shares	2,665	142,380	1,684,397	(1,917,411)
B shares	4	-	66	-
D shares	105,791	-	-	-
Total	**108,460**	**142,380**	**1,684,463**	**(1,917,411)**
Balance at 31 December 2014				
A shares	2,664	142,363	1,684,397	(1,834,872)
B shares	4	-	66	-
D shares	105,791	-	-	-
Total	**108,459**	**142,363**	**1,684,463**	**(1,834,872)**

Further disclosure on A, B and D shares is included in the notes to the consolidated financial statements within this document.

F EQUITY-SETTLED SHARE-BASED PAYMENT RESERVE

EUR thousand	2015	2014
At 1 January	15,085	14,621
Charged during the year	233	632
Increase in cost of investment in NWR NV	116	46
Shares issued under Deferred Bonus Plan	(139)	(214)
At 31 December	**15,295**	**15,085**

For further information about various share-based payments schemes please refer to the note 23 of the consolidated financial statements within this document.

G RELATED PARTY TRANSACTIONS

During the period the Company had transactions in the normal course of operations with related parties. All transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions.

Transactions with the Company's subsidiaries

EUR thousand	2015	2014
Sales (management services) including finance income	3,739	2,314
Purchases (advisory services) including finance expenses	663	740
Receivables	1,180	233
Payables (including short term loans)	165	5,516

H PROVISIONS

On 30 October 2015 the Company provided its subsidiary, NWR NV, an unrestricted loan facility, whereby, NWR NV has an unconditional right to draw down at its discretion EUR 10 million. As at 31 December 2015, NWR NV has drawn EUR nil against this facility. As at 31 December 2015 the Company considers the nature of those matters described within the Note 2 in relation to the Going Concern of the Group and accordingly has considered the recoverability of these amounts and recognised a provision of EUR 10 million.

Subsequent to year end, EUR 10 million of this facility has been drawn down by NWR NV and the Company provided to NWR NV further EUR 15 million of new loan facility on 12 February 2016.

Additional information

Shareholder information

Markets
As at 31 December 2015, the A Shares were listed on the London Stock Exchange, the Prague Stock Exchange and the Warsaw Stock Exchange.

Share ownership

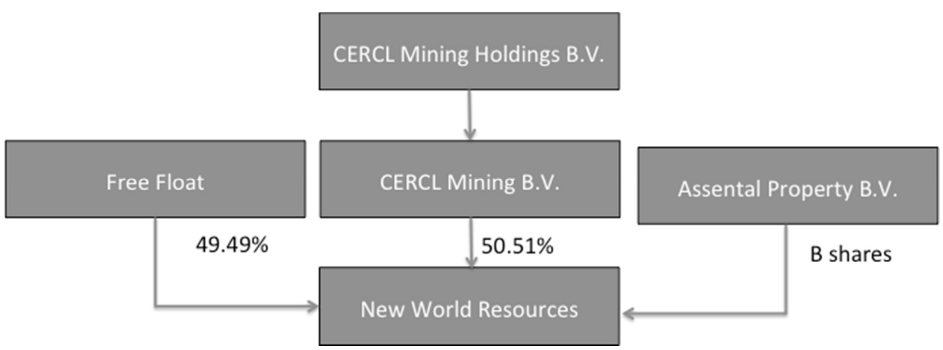
Share capital
Details about NWR's share capital are presented in Note 19 of the Consolidated Financial Statements.

Shareholder structure
The following table details the total share capital of NWR as at 31 December 2015:

A Shares	6,662,094,488
B Shares*	10,000
D Shares*	264,477,400,857

*The B Shares and the D Shares are not listed on any stock exchange.
NWR holds no shares in Treasury.

The shareholder structure as at 31 December 2015 is set out in the following structure chart (ownership is 100% unless otherwise stated):



The free float includes the A Shares held by certain noteholders after the restructuring of the NWR Group's balance sheet completed in October 2014.

Following the share issuance from 11 January 2016, the total number of A Shares was 6,663,538,084.

As at the date of this report, CERCL Mining B.V. is in the process of transferring its A Shares to CERCL Mining Holdings B.V. on 16 January 2016. Following this transfer it will no longer be a majority shareholder of the Company. Please refer to the section headed 'Material developments since 31 December 2015 and strategy going forward' of the Chairman's Statement on page 10 and the section headed 'Majority Shareholder Exit' in the Going Concern statement on page 59.

Majority shareholder

Until the completion of the Majority Shareholder Exit, the majority shareholder of NWR, CERCL Mining Holdings B.V., owns approximately 50.51% of the A Shares (as of 11 January 2016).

CERCL Mining Holdings B.V. is 100% owned by CERCL Holdings Limited. CERCL Holdings Limited is a joint venture between the BXR Group and Zdeněk Bakala and his family trust.

Asental Property B.V. is an entity which is controlled by Zdeněk Bakala and his family trust. Until the completion of the Majority Shareholder Exit, Asental Property B.V. owns 100% of the B Shares.

Changes in the majority shareholder structure during 2015

As at 1 January 2015, CERCL Mining B.V. held 50.54% of the A Shares. Following the share issuance of 13th May, 18th May, 26th August, 14th October 2015 and 11th January 2016, the holding of CERCL decreased to 50.51%.

Free float

At the date of publishing this report, public shareholders held approximately 18.83% of A Shares. This will change following the Majority Shareholder Exit – please refer to the section headed 'Material developments since 31 December 2015 and strategy going forward' of the Chairman's Statement on page 10 and the section headed 'Majority Shareholder Exit' in the Going Concern statement on page 59.

The Company received one filing under DTR 5.

The table below presents the details of the filings received in the course of 2015.

Full name of person(s) subject to the notification obligation	**Full name of shareholder(s)**	**% of voting rights**
Prudential plc group of companies	Prudential plc M&G Group Limited M&G Limited M&G Alternatives Investment Management Limited M&G Investment Management Limited	9.49 %

Shareholders based on the filings under the DTR 5, received in 2014 (and still in place).

Full name of person(s) subject to the notification obligation	**Full name of shareholder(s)**	**% of voting rights**
Ashmore Investment Management Limited Ashmore Investment Advisors Limited	ARIA Co Pty Ltd, as trustee for the ARIA Alternative Assets Trust Ashmore Emerging Markets Corporate High Yield Fund	11.56 %

	Limited Ashmore Funds, a Massachusetts Business Trust, on behalf of Ashmore Emerging Markets Corporate Debt Fund Ashmore SICAV in respect of Ashmore Emerging Markets High Yield Corporate Debt Fund Ashmore SICAV in respect of Ashmore SICAV Emerging Markets Corporate Debt Fund City National Rochdale Fixed Income Opportunities Fund Northrop Grumman Pension Master Trust	
Gramercy Funds Management LLC	Gramercy Funds Management LLC	9.6%

Purchase and issue of shares
NWR issued total of 4,359,089 A Shares, increasing the total A share capital to 6,663,538,084 as at the date of the publication of this report.

Share issuance pursuant to voluntary conversion of convertible notes by a noteholder.

On 7 October 2014, in connection with the balance sheet restructuring, NWR NV issued €150,000,000 4.00%./8.00%. PIK Mandatory Convertible Notes due 2020 (the ‘Convertible Notes’) convertible into shares of NWR NV which are immediately exchangeable for fully paid A Shares of NWR Plc having a nominal value at the issue date of €0.0004 each.

On 7 October 2014, NWR Plc entered into a deed poll, which contains irrevocable undertakings to NWR NV and to each holder of ordinary shares in NWR NV delivered upon conversion of the Convertible Notes, to purchase such ordinary shares in NWR NV in consideration for the issue of A Shares (the ‘Deed Poll’).

On 9 April 2015 NWR NV received a conversion notice from a holder of Convertible Notes in respect of a principal amount of notes to be converted of EUR 45,160 plus accrued and unpaid interest thereon payable as PIK Interest (as defined in the terms and conditions of the Convertible Notes) on the date of conversion (the ‘Principal Amount’).

The Principal Amount was converted into 46,941 ordinary shares in NWR NV on 30 April 2015. Following the conversion, the aggregate outstanding principal amount of the Convertible Notes is €149,954,840.
On 13 May 2015 a total of 668,276 A Shares been issued in order to satisfy NWR Plc’s obligations under the Deed Poll to issue A Shares to the holder of the Converted Shares as consideration for the purchase of the Converted Shares.

On 29 July 2015 NWR NV received a conversion notice in respect of a principal amount of notes to be converted of EUR 20,000 plus accrued and unpaid interest thereon payable as PIK.

The Principal Amount was converted into 21,271 ordinary shares in NWR NV on 18 August 2015. Following the conversion, the aggregate outstanding principal amount of the Convertible Notes is €149,934,840.

On 26 August 2015 a total of 295,960 A Shares been issued in order to satisfy NWR Plc's obligations under the Deed Poll to issue A Shares to the holder of the Converted Shares as consideration for the purchase of the Converted Shares.

On 16 September 2015 NWR NV received a conversion notice in respect of a principal amount of notes to be converted of EUR 25,076.00 plus accrued and unpaid interest thereon payable as PIK Interest.

The Principal Amount was converted into 26,939 ordinary shares in NWR NV on 6 October. Following the conversion, the aggregate outstanding principal amount of the Convertible Notes is €149,909,764.

On 14 October 2015 a total of 371,076 A Shares been issued in order to satisfy NWR Plc's obligations under the Deed Poll to issue A Shares to the holder of the Converted Shares as consideration for the purchase of the Converted Shares.

On 11 December 2015 NWR NV received a conversion notice in respect of a principal amount of notes to be converted of EUR 105,361 plus accrued and unpaid interest thereon payable as PIK.

The Principal Amount was converted into 106,742 ordinary shares in NWR NV on 31 December. Following the conversion, the aggregate outstanding principal amount of the Convertible Notes is € 161,797,184.

NWR did not purchase any shares in 2015.

On 11 January 2016 a total of 1,443,596 A Shares been issued in order to satisfy NWR Plc's obligations under the Deed Poll to issue A Shares to the holder of the Converted Shares as consideration for the purchase of the Converted Shares.

At the Company's Annual General Meeting of Shareholders ('AGM') held on 23 April 2015, authority was given to the Directors to allot shares or grant rights to subscribe for or to convert any security into shares in the capital of NWR, subject to the approval of a meeting of the holders of B Shares or a notice in writing signed by the majority of the holders of B Shares in the case of an allotment or, or grant of rights to subscribe for, or covert any other securities into B Shares. The authority was given allowing the Company to make market purchases of up to 665,917,899 of its own A Shares.

As these authorisations expire at the forthcoming 2016 AGM, the Directors will be seeking new authorisations, details of which are set out in the Company's Notice of AGM.

Shares issuance following the delivery of DBP

On 18th May 2015 the Company has issued a total of 1,580,181 A Shares for the delivery of the Deferred Bonus Plan.

Block Listing
The Company has 5,514,755 A Shares under the Block Listing scheme (for the purpose of the Employee Stock Option Plan). None of the shares has been issued under the scheme during 2015.

Voting and transfer of shares
The Articles do not contain specific restrictions on the size of the shareholder's holding or on the transfer of shares. Nor is the Company aware of agreements between shareholders that may result in the restrictions on the transfer of securities and/or voting rights.

The Articles do not contain, and the Company is not aware of, any restrictions on voting rights including any limitations on voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights and arrangements by which, with the Company's co-operation, financial rights carried by securities are held by a person other than the holder of the securities.

For further information please refer to the Corporate Governance section of the Company's website www.newworldresources.eu.

Operation of the Annual General Meeting of Shareholders
Full details relating to the AGM, including the explanatory notes, will be contained in the Notice of AGM to be published prior to the AGM. The Notice sets out the resolutions to be proposed at the AGM and an explanation of each resolution. All documents relating to the AGM are available on the Company's website at www.newworldresources.eu.

Share price information
The table below shows the closing share prices for the period indicated for the A Shares at each of the stock exchanges respectively.

		Closing price		
Stock exchange	Currency	**31 December 2015**	31 December 2014	31 December 2013
LSE	GBP	**0.20**	1.23	73
PSE	CZK	**0.10**	0.42	23.75
WSE	PLN	**0.02**	0.07	3.29

Allotments of equity securities
During the period under review, no allotments of equity securities in NWR were made in exchange for cash.

Dividend policy
NWR's dividend policy is to target distribution of approximately 50% of the Mining Division's consolidated annual net income over the course of the business cycle, to be paid as interim and final dividends.

The dividend for NWR is declared in Euros. Shareholders of A Shares may elect to receive their dividend in Euros or Pounds Sterling. The default election will be deemed to be Euros, if a shareholder expresses no preference.

Subject to various exceptions and exemptions, shareholders are generally subject to Dutch dividend withholding tax at the rate of 15% on dividends distributed by NWR, which sum NWR is required to withhold and account for to the Dutch tax authorities.

Shareholders should consult their own tax advisers as to the particular tax consequences for them as a result of receiving dividends from NWR.

Dividends on A Shares
NWR did not pay any dividends in the course of 2015.

Provision of the Annual Report and Accounts
The 2015 Annual Report and Accounts of NWR is available on the Company's website at www.newworldresources.eu. A hard copy of the report can be requested from the Investor Relations team. Shareholders may also inspect the report at the Company's headquarters in the Netherlands or its registered office in UK.

Radek Němeček
Head of Investor Relations
rnemecek@nwrgroup.eu

Ancillary information for shareholders

New World Resources Plc

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E-mail: info@nwrgroup.eu
www.newworldresources.eu

A public company incorporated in England and Wales with Company Number 7584218.
The Company is also registered with the trade register in the Netherlands under number 55931758.

Shareholder information
Stock Exchange Listings:
Prague Stock Exchange
Warsaw Stock Exchange
London Stock Exchange
Trading symbol: NWR
ISIN: GB00B42CTW68

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgewater Road
Bristol BS99 6ZY
United Kingdom

Definitions

A Shares	A ordinary shares of EUR 0.0004 each in NWR
B Shares	B ordinary shares of EUR 0.40 in NWR
Backstop Providers	Certain funds managed or advised by Ashmore Investment Management Limited, Gramercy Funds Management LLC, GLG Partners LP and M&G Investment Management Limited in their capacity as backstop providers in respect of the Placing and the Noteholder Rights Issue Underwriting
Capital Restructuring	The Restructuring, the Rights Issue and the Placing
CERCL	CERCL Mining Holdings B.V.
CERCL Group	CERCL Holdings Limited, formerly known as BXR Holdings (Cyprus) Limited and its subsidiaries, including CERCL Mining
CERCL Mining	CERCL Mining B.V., formerly known as BXR Mining B.V.
COMI	the centre of main interests (for the purpose of Council Regulation (EC) No. 1346/2000 of 29 May 2000)
Noteholder Rights Issue Underwriting	The underwriting of the approximate amount of EUR 43 million of rights not taken up in the Rights Issue or sold in the market or placed to new investors;
NVA Shares	The A Shares of NWR NV from time to time
Old Notes	The Old Senior Secured Notes and the Old Senior Unsecured Notes
Old Senior Secured Notes	The EUR 500,000,000 7.875% senior secured notes due 2018, issued by NWR NV and governed by an indenture dated 27 April 2010 between, amongst others, NWR NV and Deutsche Trustee Company Limited (as subsequently amended, restated and supplemented from time to time), together with any accrued and unpaid interest as at the Restructuring Effective Date;
Old Senior Secured Notes Tender	A reverse Dutch auction by which NWR NV repurchased for up to EUR 60 million a proportion of the Old Senior Secured Notes from the holders of the Old Senior Secured Noteholders
Old Senior Unsecured Notes	The EUR 275,000,000 7.875% senior unsecured notes due 2021, issued by NWR NV and governed by an indenture dated 23 January 2013 between, amongst others, NWR NV and Deutsche Trustee Company Limited (as subsequently amended, restated and supplemented from time to time), together with any accrued and unpaid interest as at the Restructuring Effective Date
Old Senior Unsecured Notes Tender:	A fixed price cash tender by which NWR NV repurchased for up to EUR 30 million a proportion of the Old Senior Unsecured Notes from the holders of the Old Senior Unsecured Notes
Placing	The offer and issue of A Shares to the holders of the Old Notes on the

	terms and subject to the conditions set out in the subscription agreement;
Restructuring	The financial, debt and corporate restructuring of the Group contemplated by the Scheme, the restructuring documents and the explanatory statement to the Scheme, including (but not limited to) any and all connected compromises/agreements with persons that are not parties to the Scheme
Rights Issue	The offer of A Shares to qualifying shareholders by way of nil paid rights and fully paid rights
Scheme	The scheme of arrangement under Part 26 of the Companies Act 2006 between NWR NV and the Scheme Creditors
Scheme Creditors	The holders of the Old Notes

Polish Corporate Governance Code

In 2015 the Company observed the majority of the principles of corporate governance contained in the 2012 Code of Best Practice for Warsaw Stock Exchange Listed Companies (the '2012 WSE Code')[1].

Certain principles of the 2012 WSE Code could only be applied to the Company to the extent permitted by and where compatible with its status as a public company, incorporated in the United Kingdom, under the laws of England and Wales. In particular, the 2012 WSE Code assumed that a company will have separate supervisory and management boards whereas the Company has a single board consisting of both Executive and Non-Executive Directors. Therefore, the Company only complied partially/is unable to comply fully with Rules I.6, I.7, II.4, II.6, III.1-9 of the 2012 WSE Code concerning the Supervisory Board and its members. In cases where the Company was unable to comply with certain principles directly, it endeavoured to comply with the spirit of such principles.

On 1 January 2016, a new Code of Best Practices for Warsaw Stock Exchange Listed Companies (the '2016 WSE Code')[2] entered into force. From 1 January 2016 onwards the Company complies with all of the detailed corporate governance principles set forth in the 2016 WSE Code, with the exception of certain principles (essentially corresponding to the principles of 2012 WSE Code listed below) with which it is not possible to fully comply with due to discrepancies between the laws and regulations and operational practices of the Company as a foreign entity and the respective practices in Poland.

The following information on compliance with the corporate governance principles published in the Annual Report addresses the year 2015 and therefore concerns compliances with the previous 2012 WSE Code, which was in force throughout 2015.

The 2012 WSE Code required companies listed on the Warsaw Stock Exchange to publish a detailed statement on any non-compliance or partial compliance with the WSE Code. The Company was also required to indicate the ways in which it eliminates possible consequences of such non-compliance, or describe steps, which the Company intended to take to mitigate the risk of non-compliance.

In 2015, the Company complied with the 2012 WSE Code except in respect of the following rules:

Rule I.6. - A member of the Supervisory Board should have appropriate expertise and experience and be able to devote the time necessary to perform his or her duties. A member of the Supervisory Board should take relevant action to ensure that the Supervisory Board is informed about issues significant to the Company.

Rule I.7. - Each member of the Supervisory Board should act in the interests of the Company and form independent decisions and judgments, and in particular:

- refuse to accept unreasonable benefits, which could have a negative impact on the independence of his or her opinions and judgments; and
- raise explicit objections and separate opinions in any case when he or she deems that the decision of the Supervisory Board is contrary to the interest of the Company.

Rules I.6 and I.7 did not relate to the Company since it has a single-tier board structure. However, the requirements of these Rules were substantially similar to those for Non-Executive Directors under the UK Corporate Governance Code (the "UK Code") which the Company complies with.

Rule II.1.9a - A company should operate a corporate website and publish on it, in addition to information required by legal regulations a record of the General Meeting in audio or video format.
The Company believes that the current information policy applied by the Company guarantees investors full and comprehensive information on the decisions made at the general meetings of the Company.
Rule II.4 – A member of the Management Board should provide notification of any conflicts of interest which have arisen or may arise, to the Management Board and should refrain from taking part in the discussion and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest.

In order to avoid any conflicts of interest the Company has adopted a Corporate Governance Policy (the "Policy"), enabling the Board to perform both its management and supervisory functions in an effective and transparent manner. Under the Policy, Directors are required to report any potential conflict of interest to the Senior Independent Director (or to the Board as the case may be). If there is a conflict between an Executive Director and the Company, the General Meeting may appoint another person for decisions relating to the transaction involving the conflict. Under English company law, the Board is also subject to the statutory director's duties regime under the UK Companies Act 2006; in particular Section 175 which imposes a duty on directors to avoid conflicts of interest and Section 177 requiring directors to declare an interest in a proposed transaction or arrangement.

Rule II.6 – General Meetings should be attended by members of the Management Board who can answer questions submitted at the General Meeting.

The Board places considerable importance on effective communication with Shareholders. However, the presence of Directors at meetings is not mandatory under English law and while the Company aims to ensure that the Directors are present at General Meetings of Shareholders (the "General Meeting"), it cannot guarantee that all Directors will be present.

Rule III.1 - In addition to its responsibilities laid down in legal provisions, the Supervisory Board should:

- once a year, prepare and present to the Annual General Meeting of Shareholders a brief assessment of the Company's standing including an evaluation of the internal control system and the significant risk management system;
- review and present opinions on issues subject to resolutions of the General Meeting.

While the Company does not have a Supervisory Board, the above responsibilities were performed by the various committees established by the Board, which are intended to assist with the performance of its duties regarding internal control and risk management mechanisms.

Rule III.2 – A member of the Supervisory Board should submit to the Company's Management Board information on any relationship with a shareholder who holds shares representing not less than 5% of all votes at the General Meeting. This obligation concerns financial, family, and other relationships, which may affect the position of the member of the Supervisory Board on matters decided by the Supervisory Board.

The one-tier Board structure means the Company could not directly observe Rule III.2.

Rule III.3 – General Meetings should be attended by members of the Supervisory Board who can answer questions submitted at the General Meeting.

As with the requirement for the Management Board to attend, it is the intention of the Board that Directors attend the General Meetings and answer questions.

Rule III.4 – A member of the Supervisory Board should notify the Supervisory Board of all conflicts of interest, which have arisen or may arise, and should refrain from taking part in the discussion and from voting on the adoption of a resolution on the issue, which gives rise to such conflict of interest.

The non-compliance with Rule III.4 is addressed by the statement made above in relation to Rule II.4.

Rule III.5 – A member of the Supervisory Board should not resign from this function if this action could have a negative impact on the Supervisory Board's capacity to act, including adoption of resolutions by the Supervisory Board.

This rule was observed by all members of the single-tier Board.

Rule III.6 – At least two members of the Supervisory Board should meet the criteria of being independent from the Company and entities with significant connections with the Company. The independence criteria should be applied under Annex II to the Commission Recommendation of 15 February 2005 (the "Recommendation") on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Irrespective of the provisions of point (b) of the said Annex, a person who is an employee of the Company or an associated company cannot be deemed to meet the independence criteria described in the Annex. In addition, a relationship with a shareholder precluding the independence of a member of the Supervisory Board as understood in this rule is an actual and significant relationship with any shareholder who has the right to exercise at least 5% of all votes at the General Meeting.

In 2015, five out of 7 Non-Executive Directors met the independence criteria.

Rule III.8 – Annex I to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board should apply to the tasks and the operation of the committees of the Supervisory Board.

Each of the five independent Non- Executive Directors of the Company must meet the independence criteria contained in the Policy. The criteria are based on the best practice requirements contained in the UK Code and are typically more stringent than the requirements of the Commission Recommendation of 15 February 2005 regarding the role of Non-Executive Directors.

Rule III.9 – Execution by the Company of an agreement/transaction with a related entity, which meets the conditions of section II.3 requires the approval of the Supervisory Board.

Any transactions with related entities are monitored by the Audit and Risk Management Committee established by the Board which receives reports from the external auditor. The Committee advises the Board and examines such transactions to ensure they comply with the arm's length requirements of Rule II.3.

A description of other relevant information may be found on the following pages of this Annual Report:

Operations and main powers of the General Meeting, shareholders' rights and the exercise thereof are described in 'Shareholder Information' section on page 149.

Composition and operations of the managing and supervising bodies of the Company and their committees are described in the Corporate Governance Report on page 38.

Detailed description of the 'Principal Risks and Uncertainties' may be found on page 17.

APPENDIX 1

NWR’s Remuneration policies

Element of remuneration	How it works	How it supports NWR's strategy	Maximum which may be paid	Details of performance measures
Base salary	Salary is paid monthly. It typically includes fees for the membership in the Board committees and the directorship in other entities of the NWR Group.	To ensure remuneration remains effective in supporting the Group's business objectives, the Remuneration Committee annually reviews base salary levels, taking into account external benchmarks, market conditions as well as individual performance, the Group performance and changes in responsibility.	The maximum base salary shall be EUR 500,000 including any directors' fees.	Not applicable
Benefits in kind	The Company offers Executive Directors a range of benefits, such as relocation allowances, car allowance, housing, private medical and accident insurance, life assurance, pension, education for children, personal trainings and access to external advice when necessary. The non-cash benefits are subject to individual agreements. Executive Directors are not entitled to any benefit upon termination of their employment agreement other than the contractual benefits that apply during	Offering market competitive levels of benefits in kind aims at attracting and retaining executives of high caliber.	The total annual value of the benefits in kind may not exceed EUR 300,000 for each Executive Director. Subject to that limit, the Remuneration Committee reviews annually the value of the benefits in kind.	Not applicable

	the notice period.			
Annual bonus	As soon as practicable following the end of a financial year, the Remuneration Committee will review NWR's performance and the performance of each Executive Director and determine whether the performance conditions have been satisfied and the amount of any bonus award. Bonus awards of up to 100 per cent of base salary will be paid entirely in cash. Any balance may be paid in a combination of cash, shares and/or phantom shares as determined by the Remuneration Committee.	Performance conditions for bonus awards ensure close alignment of remuneration with delivery on key strategic goals.	The total bonus award (including any amounts in cash or shares or phantom shares) in respect of any financial year may not exceed 300 per cent of the base salary of each Executive Director.	The Remuneration Committee shall impose performance conditions relating to base case, stretch case and super-stretch case operating targets for each financial year and measured against objective criteria. The performance conditions may provide that a bonus award shall vest in part or in proportion according to whether, and the extent to which, any given target is met or exceeded and may provide for a bonus award to lapse if any given target is not met. Unless the Remuneration Committee determines otherwise, achieving a base case operating target will correspond to a bonus award equal in value to 100 per cent of base salary. Achieving stretch case target will correspond to a bonus award of 200 per cent of base salary and achieving super-stretch case target will correspond to a bonus award of 300 per cent of base salary. Bonus awards for results between these

				amounts shall be determined by linear interpolation. Specific performance conditions will be determined within the following areas and assigned the following weight: financial criteria (50 per cent); operational criteria (25 per cent); and growth (25 per cent).
Pension	The Company currently offers a contribution (expressed as a percentage of base salary) to a defined contribution pension scheme. The Company does not set aside or accrue amounts to provide pension, retirement or similar benefits.	Offering pension allowance should help us attract and retain executives of high caliber.	The maximum amount payable is 5 per cent of base salary.	N/A

It is the Company's policy to honour any commitments made to a Director before this remuneration policy took effect or before he or she became a Director. This may include satisfying entitlements to remuneration payments or payments for loss of office.

Footnotes:

(1) In addition to the rules and principles already described in the table above, the following New Bonus Plan rules also apply:

Authorisation: The Board shall have full authority to administer the New Bonus Plan and its decisions shall be binding. The Board has authorized the Remuneration Committee to administer the New Bonus Plan.

Start of the New Bonus Plan: The New Bonus Plan will first be operated in respect of the 2015 financial year. Within 42 days after publication of the Group's consolidated annual financial statements, the Remuneration Committee shall determine: (a) whether the New Bonus Plan shall be operated in respect of the current financial year; b) which eligible employees may participate in the New Bonus Plan; (c) the performance conditions that shall apply to each bonus award for that year; and (d) the award date.

Amendment or waiver: In circumstances where a bonus award has been granted subject to a performance condition and the Remuneration Committee subsequently, acting reasonably, considers that the performance condition is no longer a fair measure, it may (a) waive the performance condition; or (b) amend the performance condition, provided that the amended performance condition would be a fairer measure of performance and would reasonably be expected to be no more difficult to satisfy than the original performance condition.

Other conditions: The Remuneration Committee may impose other conditions when granting a bonus award. Any condition must be objective and specified at the time of grant and may provide that a bonus award will lapse if it is not satisfied. The Remuneration Committee may waive or change a condition in accordance with its terms or in any way it sees fit. A bonus award will only vest to the extent that any conditions are satisfied or waived.

Shares or phantom shares: The number of shares or phantom shares will be determined by converting the relevant portion of the bonus award into a notional number of shares based on share price at that time.

Payment of cash award: Payment of any cash awards up to 100 per cent of base salary will be made shortly after publication of the Group's consolidated annual financial statements for the financial year in respect of which the relevant bonus award was granted. Cash awards in excess of 100 per cent of base salary will be paid in two equal instalments after publication of those statements for each of the following two financial years. Phantom shares will be converted into cash based on share price at that time. Payment of any cash pursuant to phantom shares shall be made in two equal instalments, shortly after publication of the Group's consolidated annual financial statements for each of the following two financial years.

Transfer of shares: The shares shall be transferred to the participant in three equal tranches, within 60 days after publication of the Group's consolidated annual financial statements for (i) the financial year in respect of which the shares were granted; and (ii) each of the following two financial years.

If a participant leaves the NWR Group (other than as a good leaver), he or she will not be entitled to any bonus award for the financial year in which he or she leaves unless he/she leaves as a good leaver (as described in footnote (2) below), in which case, the Remuneration Committee may determine that a bonus award will vest in full on leaving. In these circumstances, the bonus may be paid entirely in cash or in some other form.

(2) In addition to the items in the policy table, there are other arrangements forming part of the on-going policy applicable to the Executive Directors.

Stock Option Plan of Gareth Penny – The option plan of Gareth Penny was agreed as a condition of employment, in order to attract and secure a unique and high-quality candidate for the top-level position. On 3 September 2012, the Company granted Gareth Penny 250,000 share options over A shares in three equal tranches (representing an aggregate of 750,000 ordinary A shares). The share options were adjusted as a result of the Rights Issue and Gareth Penny now owns 2,281,466 share options. Each share option gives Gareth

Penny the right to acquire one A share for an (adjusted) exercise price of EUR 0.0033. Each tranche vests equally over three years representing one third of the options each year (first tranche on the first, second and third anniversary of the grant date, second tranche on the second, third and fourth anniversary of the grant date and lastly third tranche on the third, fourth and fifth anniversary of the grant date). The options vest subject to Gareth Penny remaining employed by the Company. If he ceases to be an employee, all unvested options will immediately lapse, unless he ceases by reason of death, ill-health, injury or in connection with any other circumstances determined by the Directors at their discretion. Upon change of control the options lapse and may be, at the discretion of the Directors, replaced by equivalent options in the company that obtains control. The Directors may change the option plan, but changes to the advantage of Gareth Penny in the number of shares subject to option, beneficiary, exercise price and certain other rights are subject to an ordinary resolution of the general meeting. Adjustments can be made in the event of a rights issue, demergers or other variation of capital in any way the Directors consider appropriate to reflect such variation.

Stock Option Plan of NWR – Marek Jelínek received certain stock options under the Stock Option Plan of NWR NV (the 'SOP'). For the details on his SOP awards, please see the 'Scheme interests' table. Due to the implementation of the Deferred Bonus Plan of NWR adopted on 8 April 2011 (the 'DBP'), granting of options was discontinued as of 31 December 2010 and the SOP continues only in relation to options granted prior to that date. All those options are now vested and exercisable. In connection with the UK redomiciliation, NWR has granted equivalent (rollover) options over NWR A shares to the Executive Directors who participated in the SOP. These rollover options continue on the same terms and conditions as applied to the options granted originally under the SOP (with appropriate adjustments of their number and exercise price following the Rights Issue). Options can be exercised until the eighth anniversary of the date of award. Options, which have not been exercised will lapse on the eighth anniversary of their grant. Options may, however, be exercised early under certain circumstances, including certain terminations of employment and in the event of a takeover (change of control), scheme of arrangement or winding up. Options are not transferable and may only be exercised by the persons to whom they are granted.

Deferred Bonus Plan of NWR - Marek Jelínek further received, on 3 March 2011, an ad hoc grant of 30,000 deferred NWR NV shares under the DBP. There were no performance conditions attaching to this award. These deferred shares, which have been rolled over to A shares of NWR, vested on 3 March 2014.

Special LTIP awards – In connection with successful completion of the capital restructuring, Gareth Penny and Marek Jelínek received awards under the Special LTIP. They were granted under the LTIP, subject to following amendments: They take the form of a right to receive a cash payment equal to the market price of a specified number of NWR shares on the date on which Gareth Penny and Marek Jelínek elect to realise value. They may only so elect after the awards have vested. If they do not so elect within 12 months following the vesting date, that portion of the award will lapse.

Vesting: The awards will vest as to one third of the shares in respect of which they were granted on 31 December 2016, as to a further third on 31 December 2017, and as to the balance on 31 December 2018. Vesting of these awards to Gareth Penny and Marek Jelínek is conditional upon, and subject to, the shareholder approval at the 2015 AGM.

Satisfaction of award: Awards may, in certain circumstances, be satisfied through shares instead of cash. If the participants receive shares, at any time during the period of three years following the vesting, they will have the put option to sell any shares, at the market price of the shares on the date they elect to realise value, to NWR or any person nominated by it. Awards do not carry any right to shares or other securities and any interest in shares is purely notional.

(3) If a participant in the New Bonus Plan, the Special LTIP or the DBP (together called the 'Plans') leaves NWR Group, awards which have not vested will lapse unless the participant is a good leaver, in which case, the awards will normally continue in effect or may vest early, if the Remuneration Committee so decides.

A participant is treated as a good leaver if he/she leaves for any of the following reasons: (a) his/her death; (b) illness or disability; (c) retirement at the contractual retirement age or an earlier date which is agreed between the participant and the Company; (d) his/her employer ceasing to be under the control of any member of the Group; (e) a transfer of the undertaking, or part of the undertaking, in which the participant works, to a person which is not under the control of any member of the Group; (f) authorised leave of absence (excluding regular vacation); or (g) any other reason in circumstances where the Remuneration Committee decides, in its discretion, to treat the participant as a good leaver. This discretion might be used where the participant contributed meaningfully to NWR's business and was a valuable employee.

Awards under the Plans may vest early on a takeover or similar transaction and any performance conditions may be adjusted to take account of the transaction. The number of shares will be reduced on a pro-rata basis. Bonuses under the New Bonus Plan for the year in which the takeover occurs may be paid out early and in cash.

The Plans allow the Remuneration Committee to reduce or delay the payment of unvested awards if extraordinary circumstances have occurred before an award has been satisfied which would lead to an unfair result. An award paid out on the basis of incorrect financial or other data may be recovered.

Awards under the Plans can be adjusted to take account of rights issues, special dividends and other variations of capital.

Under the DBP and the Special LTIP, the participant has right, within the three years following vesting, to sell any shares he/she receives for at least the market value of those shares when they vested (or when he/she elected to realise value, in the case of the Special LTIP) to NWR or any person nominated by it.

Other than as described above, there are no components of the Executive Directors' remuneration that are not subject to performance criteria.

(4) The remuneration policy for the Executive Directors applies in unchanged form to our key executives, though the levels of awards tend to be lower than those offered to the Executive Directors and their individual performance criteria usually include elements relating to parts of the business for which the individual executive is responsible.

(5) For senior management personnel of the Group, pay comprises base salary, various allowances provided in cash or in kind and eligibility for the New Bonus Plan. Workers and miners are remunerated in line with the collective agreements agreed between OKD's management and the trade unions. Their pay comprises base tariff wages, holiday and Christmas bonuses and bonuses linked to performance. In addition, they can receive benefits in cash or in kind (such as pension allowance, life insurance, reimbursement of physiotherapies and various leisure activities, cafeteria plans, etc.). Underground workers also receive two weeks of paid holidays in addition to the statutory holiday of the Czech Republic.

Disclaimer and Cautionary Note on Forward Looking Statements and Notes on Certain Other Matters

Certain statements in this document are not historical facts and are or are deemed to be ‘forward-looking’. The Company’s prospects, plans, financial position and business strategy, and statements pertaining to the capital resources, future expenditure for development projects and results of operations, may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology including, but not limited to; ‘may’, ‘expect’, ‘intend’, ‘estimate’, ‘anticipate’, ‘plan’, ‘foresee’, ‘will’, ‘could’, ‘may’, ‘might’, ‘believe’ or ‘continue’ or the negatives of these terms or variations of them or similar terminology. Although the Company has made every effort to assure the accuracy of the used information and believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. These forward-looking statements involve a number of factors, risks, uncertainties and other facts that may cause actual results to be materially different from those expressed or implied in these forward-looking statements because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond NWR’s ability to control or predict. Forward-looking statements are not guarantees of future performances.

Factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those projected can be a result of or include, but are not limited to, the following: changes in political, economic and social conditions in the Czech Republic, Poland, the United Kingdom, the Netherlands and the Central and Eastern Europe region; future prices and demand for the Company’s products, and demand for the Company’s customers’ products; coal mine reserves; remaining life of the Company’s mines; coal production; trends in the coal industry and domestic and international coal market conditions; risks in coal mining operations; future expansion plans and capital expenditures; the Company’s relationship with, and conditions affecting, the Company’s customers; competition; railroad and other transportation performance and costs; availability of specialist and qualified workers; weather conditions or catastrophic damage; risks relating to Dutch, UK, Czech or Polish law, regulations and taxation, including laws, regulations, decrees and decisions governing the coal mining industry, the environment and currency and exchange controls relating to Czech and Polish entities and their official interpretation by governmental and other regulatory bodies and by the courts; developments in the financial markets; and risks relating to global economic conditions and the global economic environment. Additional risk factors are as described in this Annual Report.

Forward-looking statements are made only as of the date of this document. The Company expressly disclaims any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained in this report to reflect any change in its expectations or any change in events, conditions, assumptions or circumstances on which any such statement is based unless so required by applicable law.