storing **renewable energy** at scale

Corre Energy / **Annual Report 2022**

Strategic report

Governance

Financials

Corre Energy is a world leader in the development and operation of Long Duration Energy Storage (LDES) projects and products, accelerating the transition to net zero and enhancing the security and flexibility of energy systems.

We create net-zero power plants and our projects address the increasing balancing requirements of renewable power and provide essential cost-effective services to system operators in the form of storage, flexibility and balancing services.

We are unlocking the value of renewables by combining hydrogen production with long duration and flexible energy storage, and by doing so we can help to deliver more affordable, green energy to customers.

Overview of business

Innovative solutions driving growth

Key investment highlights

High-growth market
LDES is a crucial sector to integrate renewables at scale & enable the energy transition

Low-cost technology
Compressed Air Energy Storage (CAES) is low-cost and proven technology

Commercial momentum
Multiple revenue streams will drive strong cashflow & underpin attractive shareholder returns

World-class customers & partners
Our leading portfolio of projects, customers & partnerships generate attractive project level economics

Reliable policy support
Supportive EU & US government policy with REPowerEU and US Inflation Reduction Act

Experienced management
Highly experienced, well governed team with deep industry knowledge creating significant value

Key statistics & developments

Listing Date: **23 September 2021**

Listing Venue: **Euronext Dublin**

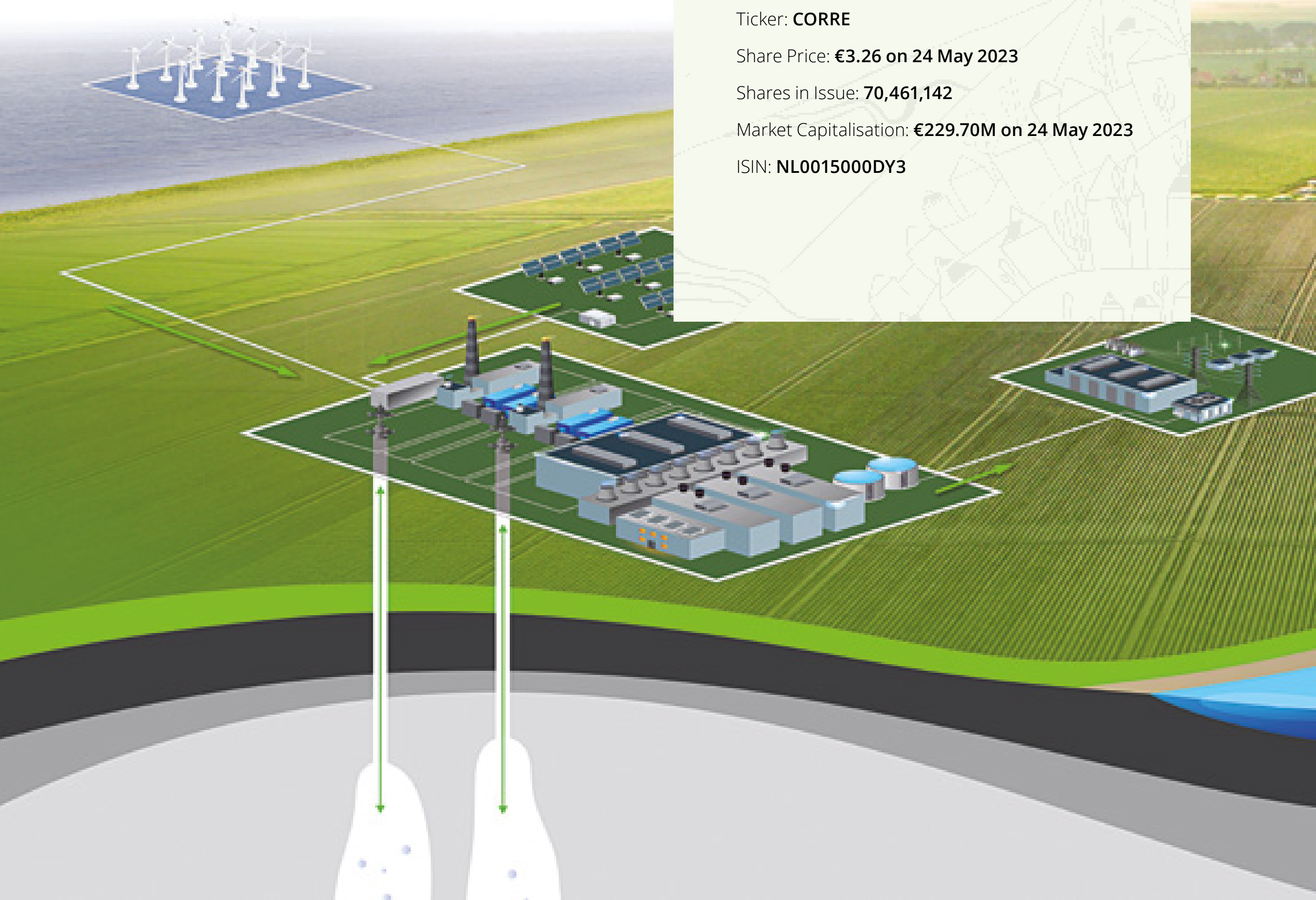
Ticker: **CORRE**

Share Price: **€3.26 on 24 May 2023**

Shares in Issue: **70,461,142**

Market Capitalisation: **€229.70M on 24 May 2023**

ISIN: **NL0015000DY3**



Energy storage

Proven technology: Compressed air energy storage (CAES) technology has over 45 years of successful operation. A proven grid-scale energy storage solution

Integrated H_2 value chain: Co-locating the storage of air and hydrogen storage in underground caverns with above ground electrolysers unlocks a low-cost storage solution

Symbiosis of H_2 and CAES: H_2 CAES provides balancing and grid-scale flexibility into electricity markets and a large-scale use-case for on-site hydrogen production

Scalable: Application is scalable by adding new capacity and caverns across Europe

EU demand for LDES could exceed

250 GW

by 2040*;
Corre Energy targeting largest markets

* Source: LDES Council, McKinsey & Company

The market and where we operate

Corre Energy is a market leader in Europe and one of the few listed LDES developers with an 84 hour duration globally.

Northern Europe is the largest regional market (~140 GW) where Corre Energy enjoys cavern exclusivity for long duration CAES with green hydrogen.

Low base-case estimate of addressable market for CAES in Northern Europe is 5-10 GW.

Under the European Commission's announced REPowerEU plan, demand for LDES is set to increase.

A major focus of the plan is the acceleration of renewable permitting and hydrogen storage development. Additionally, it also underpins strong offtake demand from investment-grade utility customers and commodity trading houses for Corre Energy projects and products.

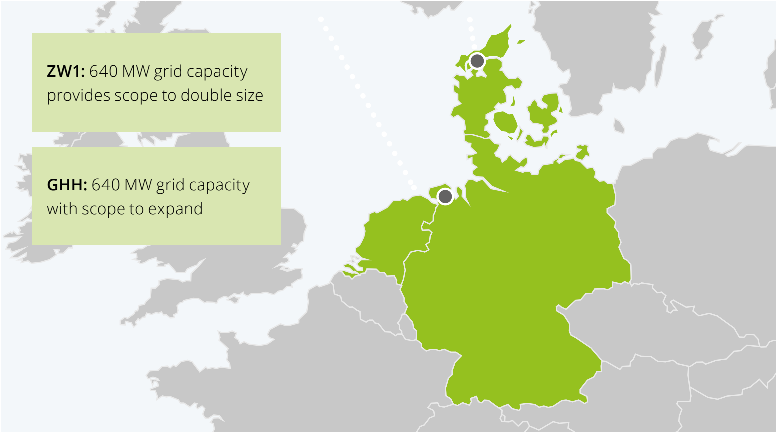
The EU Green Deal calls for the acceleration of renewables, green hydrogen and storage, stating these are needed for decarbonisation and achievement of 2050 targets.

Inflation Reduction Act signed into law in the United States, providing a multi-billion-dollar support package to incentivise the build of renewable generation and grid-scale energy storage projects.

Primary LDES markets globally forecast to be the US and Europe.

Circa 400 GW of LDES is required by 2030 mostly in the US and Europe.

> "EU wants to accelerate the take-up of renewables to contribute and reach the goal of reducing net greenhouse gas emissions by at least 55% by 2030.



Overview of business continued

> We are addressing a fundamental problem to meaningfully contribute towards the promise of a decarbonised world – the storage of renewable energy.
>
> **Keith McGrane**

Partnerships

Eneco: ZW1 320MW CAES project – Signed offtake agreement with binding commercial terms for 15 years plus extension rights[1].

Siemens Energy: Global collaboration agreement signed.

The Long Duration Energy Storage (LDES) Council: Corre Energy was an anchor member of the global council.

The European Association for Storage of Energy (EASE): Corre Energy is a board member of the EASE council.

Geostock: Partnership agreement in place with this leading underground storage engineering specialist Geostock – 10-year collaboration agreement in place.

Nobian: Salt mining industry leader. Nobian hold the rights to suitable salt mining sites across Northern Europe, with in situ solution mining facilities. Corre Energy has secured exclusive access to salt caverns with Nobian for CAES projects in The Netherlands and Denmark with optionality into Germany.

Grid Operators: TenneT (NL, Germany); Energinet (DK) TSOs in Netherlands, Denmark and Germany, through which effective grid connections will be delivered; customers for ancillary grid services.

1) On 16 December 2022, the company agreed binding commercial terms with Eneco, in the form of a Memorandum of Understanding and Agreement (as announced on 19 December 2022) for the total offtake of the project for 15 years, attached to which is the materially agreed form of offtake agreement, which is to be finalised once the technical requirements of the project are settled.

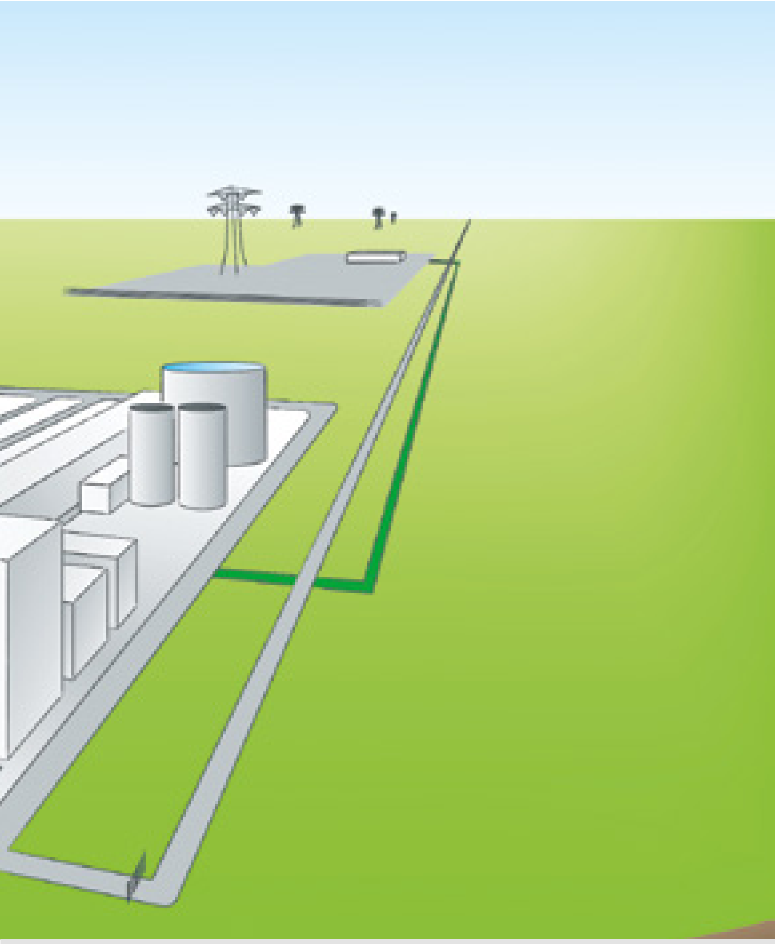
Finance

Italian Energy Efficiency Fund II (IEEF II) – an Italian reserved alternative investment fund set-up and managed by Fondo Italiano per l'Efficienza Energetica SGR S.p.A. (FIEE SGR) – funding arrangement amended enabling IEEF II to invest up to €4 million in a single tranche on an accelerated Commercial Close for ZW1.

Infracapital Greenfield Partners II (Euro) SCSp – working in partnership to select senior debt provider.

Equity Raise – Successfully raised €10.9 million of equity capital in May 2022.

Share price – the continuing progress in the underlying business was reflected in the performance of the share price which more than doubled in 2022 to end the year at 290 cents per share leaving it almost 3x the IPO price of 100c in September 2021.



ZW1

Location / **The Netherlands**

CAES capacity of up to 84 hours (3.5 days provides storage of 26 GWh) output capacity of 320 MW.

CAES generator / **320 MW**

Grid / **640 MW reserved**

Customer offtake 15-year agreement with extension rights for the entire storage capacity of the ZW1 project executed in December 2022 with Dutch utility Eneco.

Milestones & timeframes

- Customer contract and primary EPC framework – completed in H2 2022.
- Key development milestones of design, land and grid reserved completed H2 2022.
- Strong customer demand allowed for a binding offtake agreement to be executed in December 2022.

Customers focus

December 2022 – The Company announced the signing of binding commercial terms for a 15-year offtake agreement, with extension rights, with Eneco, for the entire storage capacity of the ZW1 Compressed Air Energy Storage (CAES) project in the Netherlands. Eneco is a leading renewable power supplier and energy service provider in the Netherlands and Belgium, operating and expanding its activities in the UK and Germany, and is committed to accelerating the energy transition.

We are delighted to have entered into this partnership with Eneco, a world-class energy generation and supply company, which helps to enable its strategic vision and underpins the project economics for Corre Energy. Eneco shares our deep belief in the requirement for and the value of large-scale Compressed Air Energy Storage, and it is making a very significant commitment to enable this project. It also shares Corre Energy's commitment to making a tangible contribution to the energy transition and the journey to net zero in Europe.

Read more about our customers
on page 13

Green Hydrogen Hub (GHH)

Location / **Denmark**

CAES capacity / Design improvements increased output capacity to 84 hours (3.5 days) from 12 hours at 320MW scale.

CAES generator / **320 MW**

H_2 capacity / **250 GWh**

Electrolyser capacity / **350 MW**

Milestones & timeframes

- Key commercial milestones matured ready to close-out in early 2023 including grid connection capacity, land acquisition, and within the wider GHH Consortium which includes bringing electricity services to the market.
- The GHH Consortium is rapidly progressing the structure of the arrangement, following the learnings from ZW1.

Chairman's statement

Delivering a sustainable future

I am pleased to report on a year of continued progress in planning and developing Corre Energy's portfolio of Long Duration Energy Storage projects. The tragic circumstances of war in Ukraine reminded electricity users everywhere of the risks of high dependence on imported energy, apart altogether from the need for decarbonisation in electricity generation. The key role that LDES can play in supporting renewable energy is now recognised by network managers, governments, and energy users. During 2022, Corre Energy continued to work closely with our industry, finance, and government partners to advance the design of our LDES projects, and to seek permits for implementation as soon as is practical.

Corre Energy was very encouraged by statements of policy from the European Union during 2022 that seek to accelerate the permit-granting process and the greater deployment of renewable energy in member countries. The introduction of a presumption of overriding public interest for renewable energy projects is also very welcome. EU Member States will now need to give effect to these changes in their consideration and approval of specific projects, which are often approved at a regional or local level. Investment in LDES is central to the EU's ambition to reduce dependence on imported fossil fuels so storage projects should also benefit from a more favourable policy environment. We hope that streamlined arrangements for permitting LDES projects will also take account of the range of LDES solutions that are now being developed and that permits are sufficiently flexible to allow for innovative solutions. Corre Energy has projects at different stages of design and permitting, particularly in the Netherlands and Denmark, and we hope that planning and other statutory approval processes for our projects will recognise the urgency of moving those projects to implementation.

As a project development company, Corre Energy needs to carefully manage its resources across project opportunities in different countries, while maintaining a focus on projects that are furthest advanced. However, the approval of the Inflation Reduction Act in the US changed the policy context for investing in clean energy to such an extent that the Board decided that Corre Energy should participate in the energy transition there. We are pleased that our US-based colleagues have been able to respond rapidly to the opportunities presented by a favourable policy environment in the US and Canada and have already developed strategic partnerships and a pipeline of potential investments.

The past year has seen the welcome return to more normal work and travel conditions post-Covid, which has allowed us to spend more in-person time with colleagues and to build teams located across the several countries where we are located. Corre Energy is a growth company with ambitious plans for the future, particularly around how it will positively impact the environment and society. As the business develops, our governance will be strengthened to meet shareholders' expectations and clear ESG objectives and targets will be outlined.

“Corre Energy is a growth company with ambitious plans for the future, particularly around how it will positively impact the environment and society.

I would like to the thank my Board colleagues and the entire Corre Energy team, led by Chief Executive Keith McGrane, for their continuing commitment to the Company's vision to lead in society's transition to low-carbon and secure supply of electricity for homes and businesses.

Frank Allen

Chairman

CEO's statement

Delivering renewable energy storage solutions

Market Context

The Energy Security Era

There has never been a more profound time to be involved in the energy storage industry. The combination of the Ukrainian war and climate change represent fundamental challenges for this decade and beyond, only further vindicating the strategy we are actively pursuing at Corre Energy.

The effect of the war in Ukraine has been immediate and unequivocal with far reaching consequences. It has exposed the cost and risk of being reliant on imported fossil fuels. Who pays for this?

I recently investigated the economic costs of the Ukrainian war to Europe and discovered an assessment carried by the Visual Capitalist, which provides highly useful visuals and infographics on a whole range of matters, from the financial system through to energy and technology. According to the research, the total cost of the war to Europe up until September of 2022 (approximately seven- months) was estimated to be €276bln, including energy bailouts and subsidies, higher electricity production costs and the direct financial impact of continuing to buy Russian oil and gas. To put this number in context, and according to a number of sources, the net cost of the European bank bailout to the EU taxpayer was in the order of magnitude of €200-400bln (net of repayment of various government bailout packages). This represents an unacceptable loss of wealth and living standards for us all and undermines the industrial base of Europe and its comparative economic advantage. This is the energy system of the 21st Century in Europe, the one which up until recently had entirely failed to adequately recognise the value of energy storage, security and flexibility.

How did we get here?

Just over 25 years ago when electricity markets were liberalised in Europe, the world was a very different place. Renewable energy was merely an interesting research project for most, natural gas prices were a fraction of today's cost, and gas turbine technology had continued to improve in efficiency and design. Climate change wasn't even a recognised term. In that context, electricity markets were designed to incentivise the efficient production of electricity from fossil fuels (predominantly natural gas). Energy security and grid flexibility would have been considered as implicit features within the market design but for the most part were not adequately incentivised into market frameworks). Perhaps understandable at the time, but it is hard to understand why it has taken a war in Europe for energy security and system flexibility to properly feature in the minds of policy makers, regulators and the industry at large. Once again, and as it was in the 1970s oil crisis, major geopolitical events are required to force much needed change. Corre Energy is at the heart of this change.

> " Corre Energy was established: to deliver energy storage solutions akin to net zero power plants and accelerate the energy transition.

The simple idea for the 21st Century is to generate electricity from our own renewable energy resources and store it for later use, not just for several hours but for many days. By doing so we can help to decarbonise electricity grids by displacing conventional fossil fuel power stations and reduce reliance on imported fuels. Consequently, we can address fundamental market failures whilst providing significant value to society by helping to reduce and stabilise electricity bills to households and businesses. At the same time, we can contribute meaningfully to energy security and energy independence. This is the reason Corre Energy was established: to deliver Long Duration Energy Storage (LDES) solutions through our hydrogen based Compressed Air Energy Storage (CAES) projects, providing multiday balancing of renewable energy to accelerate the energy transition.

CEO's statement continued

Policy in the right direction

I welcome the response by the EU Commission to addressing the energy security and energy affordability crisis. Published in May 2022, REPowerEU set out a number of critical policy responses such as accelerated permitting of renewable energy, major increases in renewable energy targets and recognition of the importance of energy storage where it is referenced as "acting in the overriding public interest". In December 2022, the EU Commission announced that REPowerEU rules for accelerated permitting be applied to all energy storage. The decision of the European Parliament to include all energy storage (standalone as well as co-located with renewables) under the new, accelerated permitting rules for renewable projects in identified "go-to areas" is a step-forward to realise strategic energy storage for Europe.

Setting clear timelines and developing better provisions on permitting for energy storage will render it even more attractive to investors and accelerate its deployment.

On 14 March 2023, the 'Commission Recommendation Energy Storage – Underpinning a decarbonised and secure EU energy system' was adopted by the EU. It addresses EU countries on the most important issues contributing to the broader deployment of energy storage. Member states are to consider the double role of "consumer-producer" of storage by applying the EU electricity regulatory framework and by removing barriers, including avoiding double taxation and facilitating permitting procedures. It also provides recommendations to identify flexibility needs across different timescales and to ensure that system operators assess these needs when planning network developments.

On the financing side, the EU document suggests increasing the long-term visibility and predictability of revenues to facilitate access to finance. The energy storage industry has proposed a number of remuneration mechanisms to the EU such as flexibility contracts for difference and long-term contracts for peak shaving including market rules which would allow for stacking of multiple ancillary services. All these measures are very welcome, and I look forward to further details and the final recommendations which are to be made in the coming months.

Operational Progress

An Industry First Offtake Contract and Partnership for ZW1

Having made considerable commercial progress during 2022 at our ZW1 project in the Netherlands, we ended the year with a major announcement that project has secured a 15-year offtake agreement and partnership with Eneco. This accounts for 100% of the storage capacity of the project involving an 84 hour or 3.5 day electricity storage duration. At the time of writing, it is understood that the contract is an industry first for LDES whereby a multiday storage solution in the form of hydrogen fuelled CAES has secured a long-term offtake with an investment grade utility.

The ZW1 agreement was a watershed moment not just for the project but for our business more generally. The offtake signing has underpinned the business model of Corre Energy and the economics of ZW1. It recognises the value of CAES based LDES in the wholesale market and confirms a significant hedging value in a renewables' portfolio given the storage duration of 84 hours. In addition, it confirms a viable and scalable use case for green hydrogen as a renewable fuel for power generation through our CAES projects.

The announcement of the offtake agreement has attracted much interest from the industry regarding potential offtake from the emerging pipeline of projects and I expect this to continue into 2023. This achievement reflects the maturing of the ZW1 project with final stage Front End Engineering Design (FEED) nearing completion and validation of the revenue performance through the Eneco contract. Permitting progress can benefit significantly from the emergence of accelerated permitting policies and the company is engaging heavily with stakeholders to achieve this for ZW1.

Accelerating the GHH

The Green Hydrogen Hub (GHH) across 2022 has seen much progress with a fresh impetus coming from policy sentiment to put the project onto an accelerated development timeline. Corre Energy's project team and our partners in Eurowind and Gas Storage Denmark have responded well to a heightened objective to the call for accelerating the project. Critical workstreams such as FEED and permitting are progressing well, whilst considerable progress has been made with Gas Storage Denmark towards an agreement to access an existing salt cavern for the CAES facility. The project already enjoys interest from a range of potential offtakers and market access parties and I look forward to the GHH achieving a similar "offtake" commercial milestone in 2023 to that achieved by ZW1 in December 2022.

Further Pipeline and North America

The company continued to progress negotiations regarding the origination of new sites in Germany and across 2022 made considerable progress towards agreeing penultimate terms to secure rights to several caverns. Into 2023, these efforts continue in line with increasing interest from a range of potential JV partners, storage offtakers and salt owners for further expansion of pipeline opportunities across Denmark, Netherlands and Germany.

The Inflation Reduction Act which was passed by Congress and signed into law by President Biden in August 2022 was the US equivalent to REPowerEU. An investment Tax Credit (ITC) which can unlock funding support of 30-40% for capital costs of stand-alone energy storage projects and a green hydrogen Production Tax Credit (PTC) of $3/kg provided a clear market signal for Corre Energy to enter the US market and position ourselves for project opportunities. Since the announcement in the US, the Canadian Government has announced an equivalent ITC for storage. We progressed two CAES project opportunities in North America to advanced stages of negotiation and will seek to close out at least one of these projects in 2023.

Funding and Finance

Firstly, I want to thank all of our investors for the continuing support to Corre Energy across 2022 whereby a capital increase of €10.9m was achieved in May 2022. This allowed the company to further its near-term projects whilst positioning the company for further pipeline growth. The operational progress of the near-term projects underpinned a strong share price performance across the year and the company continued to experience inbound interest from a range of industry operators and financial institutions regarding its activities, which has continued into 2023. A further capital raise of €8.9m was secured in February 2023, underpinning the continuing support from existing and new investors towards the achievement of key commercial milestones for the near term projects this year.

In line with expectations, we report a €30.2m loss after tax, or €10.6m excluding the effect of non-cash revaluation of share options. This was primarily driven by employee related costs of €5.6m and administration costs of €7.0m.

Our people

I want to pay tribute to our incredible team of people who every day commit themselves to break through the conventional boundaries of the industry. The energy transition is about people as much as it is about engineering, finance, permits and so on. Without great people we can't build a great company. It's only right to commend dedication and tireless work of the Corre Energy team to our mission, the unwavering support and loyalty of our investors, and the commitment of our strategic industry partners. The team continues to demonstrate our values of Visionary, Collaborative, Empowering, Challenging and Integrity – all of which are key to delivering our mission to support the transition to net zero and deliver material progress towards a decarbonised world.

Outlook

Corre Energy has continued to build a market leading LDES team since its inception. Comprising pioneers in energy storage, innovation, engineering design, salt cavern expertise, regulatory specialists and financiers, the company possesses the technical, commercial and financial skills to deliver on its ambitions. We are addressing a fundamental problem to meaningfully contribute towards the promise of a decarbonised world – the storage of renewable energy, not just for hours but for many days. By doing so, fossil based electricity generation is displaced, carbon emissions are avoided, energy security is greatly increased whilst electricity prices are reduced.

The scale of the ambition at Corre Energy continues to rise. We are led by an exceptionally motivated and dedicated management team who believe in our purpose – to store, secure and share the world's limitless renewable energy. We also greatly benefit from an equally dedicated, committed and loyal shareholder base. It's why we are here and it's why we will continue to prosper as a company into 2023. I am confident that we can continue to succeed, matching our growth ambitions with scaling the capital base of the business to meet the substantial addressable market which is in front of us. As with 2022, I see 2023 as another year of breakthrough moments for Corre Energy and I am thoroughly looking forward to the remainder of the year ahead.

Keith McGrane

Chief Executive Officer

Our business model

Storing tomorrow's green energy at scale

Our resources

Experience

Corre Energy has extensive experience and success in the energy sector – in renewables, energy storage and hydrogen, and market-leading expertise in modelling the capability of LDES to integrate large-scale renewables. Corre Energy also has a deep knowledge of project origination, project development, and corporate and project finance.

Project pipeline

We are actively developing two LDES projects in the Netherlands and Denmark, and have obtained exclusive rights to enable the development of a portfolio of energy storage projects across the Netherlands. Corre Energy is uniquely positioned to develop and operate a portfolio of LDES projects in Europe and its ambition is to develop and operate storage projects in other major markets, including the US. These projects will enable the energy transition, unlock hydrogen at scale, and create multiple potential revenue streams.

Finance

With Infracapital and FIEE SGR as strategic investors, the Company listed on Euronext Growth Dublin in 2021 and continues to successfully raise funds from a variety of sources, including further equity issuance in 2022 and 2023. We continue to widen the pool of investors to support the growing project pipeline. We have benefited from grant funding and plan to access additional EU grants to facilitate the development of current and future projects.

Industry partners

Corre Energy is working with significant global organisations and partners to bring forward its project pipeline, including Nobian and Siemens Energy in the Netherlands, and Eurowind Energy A/S and Gas Storage Denmark, in Denmark. The Company is a member of the European Association for Storage of Energy and held membership to the Long Duration Energy Storage Council. Corre Energy is also a member of the European Commission-led European Clean Hydrogen Alliance.

Our core values...

Visionary

Collaborative

Strategic Report

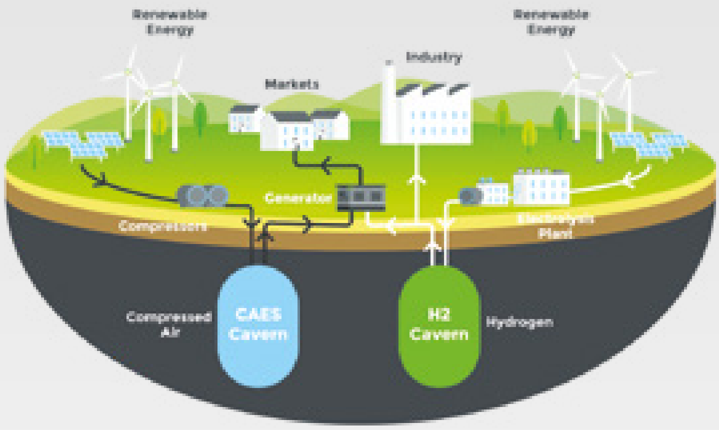
Governance

Financial Statements

Our business

Value creation

Projects will enable the energy transition, unlock hydrogen at scale, and create multiple potential revenue streams.



Partners

We are driven by our desire to innovate in order to better the world around us – we plan ahead for the uncertain future with solutions which work alongside our partners.

We are a driving force for the increasing use of renewable power across Europe and beyond.

1.5 to 2.5
TW scale

is the total addressable market reach for LDES by 2040 to achieve the required flexibility in net zero power systems.

Source: LDES Council EASE Webinar Report and Panel Discussion 14 December 2021. Net Zero Power "Long Duration Energy storage for a renewable grid".

Our four key components

Sale of electricity market balancing services	**Sale of surplus green hydrogen** production to industry
Compression of air into storage when electricity prices are low	**Electricity generation** from storage when prices are high

Investors

We live in a world where Ethical, Impact and ESG investing dominate the headlines. We look beyond these headlines to offer an investment opportunity with a solid investment case.
Our investment proposition combines both an opportunity to participate in the journey to net zero, while also satisfying the fiduciary duty which is incumbent on all asset managers, that of generating positive shareholder returns.

45%

As part of its scaling up of renewable energy (REPowerEU), the Commission proposed to increase the target in the directive to 45% by 2030.

Empowering

Challenging

Integrity

Strategy

Storing renewable energy at scale to enable a secure, flexible and affordable green energy system

Our strategy

Our strategy continues to support our vision to lead the development of LDES projects, technologies and products focused on renewable energy storage and green hydrogen production that materially progress the accelerated decarbonisation of the energy sector.

Our purpose – to be a new kind of energy company which empowers the energy transition by facilitating a secure, flexible, and affordable green energy system, that stores renewable energy at scale – ultimately accelerating society's progress towards a cleaner and greener world.

Our strategic pillars

In 2022 the unfortunate events in Ukraine meant the European energy landscape changed forever. The net zero agenda is set, there is no turning back. More globally, developed nations have decided to decarbonise by replacing fossil fuels with renewables, primarily offshore wind and land based solar.

In 2022 policy recognised that grid-scale storage solutions balance supply with demand, they stabilise power grids, they displace conventional fossil fuel generation and realise significant reductions in green-house gases.

Storage sits in a supportive policy and regulatory environment with REPowerEU and the Net Zero Industry Act in Europe and the Inflation Reduction Act in the United States Energy security is top of the agenda now, partly because of the war in Ukraine.

Our CAES solution is proven technology with existing plant still operational 45 years after commissioning. Its low annualised cost and competitiveness within its revenue markets were key considerations with the Eneco offtake agreement. Our strategic plan has again responded well to policy shifts and further supports our purpose, vision, mission, and values under four key pillars: Growth; Scale; Customers; and Transition to net zero.

Strengths

Our outstanding senior management team remains focused on delivering our portfolio as per program within an accelerated policy environment.

Impact

We will continue to support our customers, governments, policy makers and transmission system operators by providing important, cost-effective grid-scale solutions in the form of stabilising and securing the supply of storage and balancing services (demand and frequency response).

The execution of our first long-term commercial offtake agreement validates our global potential to develop our growing portfolio of net-zero power plants that act as energy system integrators by storing limitless renewable energy at scale.

Impact

Alongside being an important flexibility solution, grid-scale long duration energy storage can reduce price fluctuations, lower electricity prices during peak times and accelerate the decarbonisation of global energy systems in line with the transition.

In addition to outstanding management, our teams remain focused on being solution providers to our customer market by applying their collective expertise in the development of our portfolio.

Impact

Corre Energy is capturing strong upside potential in each of our main markets as we remain uniquely positioned to develop and operate a fleet of net-zero power plants in Europe and North America.

Growth

We want to grow. Within this pillar of our strategy, we will:

- Continue to grow our customer base by offering utility scale long-term solutions for future storage needs.
- Invest further to develop in-house market-leading expertise in modelling the capability of LDES to integrate large scale renewables.
- Develop and operate storage projects in other major markets, including the US.
- Seek to be more agile, more effective, engaged and aligned with our strengthening culture inspiring our team to be the best and support positive change.

Scale

As countries build out unprecedented levels of renewables, this pillar of our strategy outlines how Corre Energy can originate, develop and finance more secure inertia-based LDES projects. We will:

- Expand globally by originating unique resources through exclusivity.
- Originate with additionality. Having scalable opportunities ensures a resilient pipeline of projects.
- Scale with purpose in a cost effective and efficient style reassessing our growth at each stage, and keeping our team and operations aligned. We will deliver the additionality from within our portfolio in our current markets.

Customers

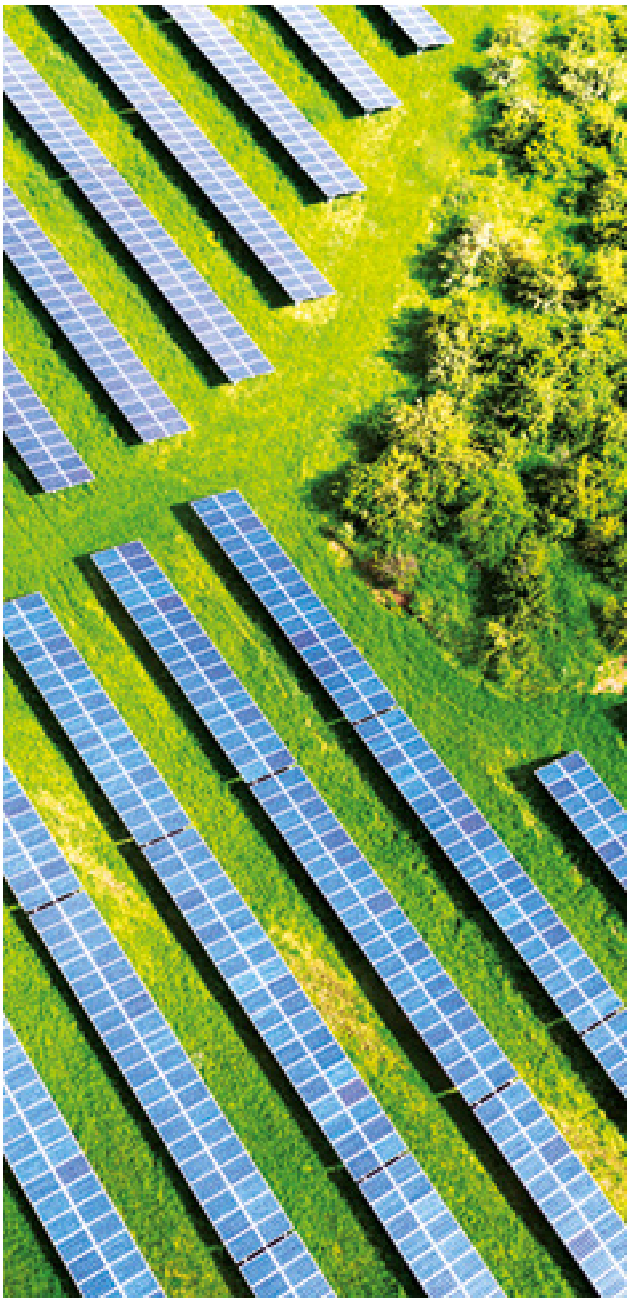
As we expand our LDES business, we see unrivalled commercial opportunity ahead. In this regard we will:

- Target the addressable market, striking the right balance and correctly managing any underlying risks.
- Become a solution provider for utility-scale renewables so they can guarantee supply.
- Diversify our revenue streams by expanding on our storage services and in time our trading capabilities.
- Build portfolio value in a dynamic marketplace.
- Seek to always partner well and create value for customers, shareholder and communities alike.

Transition to net zero

We do more than simply play a part. Corre Energy is 100% committed to:

- Protecting the environment in all aspects of our work.
- Accelerating the energy transition, helping provide society with energy that is clean, secure, reliable and affordable.
- Working in partnership with local communities as we develop and operate our projects.
- Ensuring all our projects provide a social dividend.



Our markets

Facilitating the green energy transition

The energy market

The European and global energy markets are seeing substantial growth of renewables; increased volatility in wholesale prices, including negative electricity prices becoming more commonplace; and the growing electrification of vehicles and energy efficient heating and cooling systems as governments seek to decarbonise.

The EU's objective is to achieve carbon neutrality by 2050. The European Commission's 2050 long-term strategy describes a number of pathways to reach between 80% and 100% decarbonisation levels, a 650x increase in hydrogen (H_2) production by 2030, and an 8000x increase by 2050. All of these pathways have major implications for the energy sector and, in particular, for electricity. The need for grid-scale storage to offset intermittency in renewable production increases rapidly as renewable generation rises.

The need for Long Duration Energy Storage

LDES technologies offer a sustainable and scalable solution to renewable energy fluctuations, and can facilitate flexible, reliable, and affordable energy systems. The cost savings from LDES can be passed on to customers, helping to alleviate the rising energy prices which we are seeing across the globe. The increasing importance of LDES solutions is echoed in recent government pledges, such as the UK Government's recent financial boost for renewable energy storage technologies.

Green hydrogen storage projects are also seeing a significant amount of investment. Some examples of emerging green hydrogen storage projects include Sweden's rock cavern hydrogen storage project, Carbon280's Hydrilyte™ Refueller project in the UK, and GHH in Denmark.

These emerging projects, along with the countless others in preparation, are imperative for nations around the globe to navigate current energy market conditions and facilitate the green energy transition.

EU's objective is to reach over

€1trillion

renewable energy by 2050

Source: European Commission

Grid-scale energy storage critical to EU renewables targets

108 GW of electricity storage required to meet EU decarbonisation targets by 2030[1]

Energy transition at top of EU's agenda: climate neutral by 2050[2], with Green Deal mobilising at least €1 trillion over the next decade[3]

Renewable power to grow to 70% of all EU energy generation by 2030 from 20% in 2020[4]

650x increase in H_2 production by 2030. 8,000x increase by 2050[5]

55% reduction in GHG emissions by 2030 requires €350bn of additional investment[6]

Source:

1) European Commission: Study on energy storage – Contribution to the security of the electricity supply in Europe, March 2020.
2) European Commission: 2050 long-term strategy.
3) European Parliament: Europe's one trillion climate finance plan, September 2020.
4) Communicated renewables targets in Corre Energy's initial key markets. 2020 renewable figures from Eurostat, 3 February 2021.
5) Goldman Sachs: Green Hydrogen, the next transformational driver of the Utilities industry, September 2020.
6) European Commission: State of the Union: Questions & Answers on the 2030 Climate Target Plan, September 2020.

What is Corre Energy's role?

Corre Energy is a leader in the development, operation, and commercialisation of LDES projects and products. Its goal is to accelerate decarbonisation and enhance the security and flexibility of energy systems.

Our team has extensive experience and success in the energy sector – in renewables, energy storage and hydrogen, including market-leading expertise in modelling the capability of LDES to integrate large-scale renewables.

The location of Corre Energy's flagship project, ZW1 ensures proven salt resources and infrastructure, excellent connections to grid, gas and hydrogen supply, and is ideally situated to serve as a storage platform for offshore wind.

The project is listed on the ENTSO-E Ten Year Network Development Plan, and will deploy advanced CAES technology to develop and implement renewable CAES solutions for the integration of renewable energy. Alongside the ZW1 project, Corre Energy is the consortium lead for the development of the GHH project which has been designated by the EU as having a significant impact on energy markets and contributing to the EU's climate and energy goals by integrating renewables.

This project aims to combine large-scale hydrogen production with underground hydrogen storage and compressed air energy storage to accelerate Denmark's green energy transition. GHH brings together Corre Energy, Eurowind Energy A/S, and Gas Storage Denmark. In consortia, we combine unparalleled expertise to balance renewables with 100% green power.

Highlights

- Key selling points of the ZW1 project are the storage duration of up to 84 hours (3.5 days) output capacity of 320 MW to enable integration of gigawatt renewables and green hydrogen use.
- Delivering a large long-term revenue stream which can be scaled across multiple markets.
- Demand for our unique LDES solutions continues to experience heightened interest from a range of market parties and now Corre Energy will directly benefit from the EU's recently announced REPowerEU plan.
- This plan fully underpins strong offtake demand from investment grade utility customers and commodity trading houses for Corre Energy projects.

Electricity market simulations validate future revenues

Independent parties have simulated future electricity markets for CAES revenue optimisation in the Netherlands and arrived at similar results.

ARUP

On behalf of Infracapital, **Arup** carried out extensive independent assessments of the technology, cavern design, project development and business plan. In a separate report Arup reviewed the overall business, the Dutch Power Market and Corre Energy's approach to Power Market Modelling. They reviewed our Market Modelling Assumptions with regard to Ancillary Services and our route-to-Market Approach. These reports formed the basis of reliance that enabled the Infracapital Corre Energy transaction to complete.

kiwa

Kiwa, a global consultancy, among other analyses, did an independent assessment of the technical information to define the Technology Readiness Level (TRL) of the system as a whole. Kiwa reviewed the design assumptions of the major plant equipment to ensure performance and operational characteristics were within expectations and assessed the geological assumptions on the cavern performance across the various cycling regimes in each scenario. This was underpinned by assessing a broad evidence base of previous academic studies of similar cavern operational scenarios and known industry data on rotating equipment and hydrogen production.

ENERGY REFORM CONSULTING SERVICES

Energy Reform provides independent specialised consultancy services to players in the energy sector worldwide. They specialise in applying advanced power system simulation techniques in complex operating environments. Commissioned by Corre Energy to simulate electricity market revenue optimisation for the CAES plant across all of North Western Europe at various points in the coming decades. Results from the model form the basis of Corre Energy's revenue estimations.

Infracapital M&G

Infracapital is a leading European infrastructure investor, with £6bn raised and managed across six funds. They are the infrastructure division of M&G Investment Management. They are our partner in the Corre Energy ZW1 project in the Netherlands. Completed significant due diligence on the economics of the CAES plant at ZW1, commissioning an independent third-party to review the Energy Reform revenue estimations. Validated the Energy Reform revenue estimations for CAES.

Strategic Report
Governance
Financial Statements

Our experienced team

Energy, expertise, ability & commitment

To support our growth ambitions, we know that building the right team with relevant, extensive experience is critical. Everyone who works for Corre Energy is united by our mission to support the global transition to net zero and create a greener tomorrow.

Expertise

Our approach

Our team of engineers, project managers and market analysts have extensive experience and success in the energy sector – in renewables, energy storage and hydrogen, and market-leading expertise in modelling the capability of LDES to integrate large-scale renewables. They are supported by seasoned experts in business strategy, management and finance, coming together to deliver on our growth strategy.

Knowledge

Our approach

The cornerstone of our business is the knowledge and experience of our management team and board. Together with our industry experts and commercial colleagues, Corre Energy has the right skillset to deliver LDES solutions.

Our technical experts combine experience in geophysics and engineering. Our project teams know how to engage stakeholders, develop and finance schemes backed by our entrepreneurial approach, the Company is successful in identifying, attracting and retaining the best-in-field talent to work alongside Corre Energy in supporting the energy transition.

Teamwork

Our approach

Headquartered in the Netherlands, listed in Ireland, and with an active presence in the UK, Denmark, Germany and North America, we are a truly international team. We pride ourselves on our ability to connect and work cohesively across our projects and as a group, supporting by good IT infrastructure and an underlying culture that encourages strong levels of collaboration.

> “The energy transition is about people as much as it is about engineering, finance, permits and so on. Without great people we can't build a great company.
>
> **Keith McGrane**

Responsible employers

At Corre Energy we believe that diversity is any element that distinguishes people and empowers a diverse line of thought – for example gender, race, nationality, education, background, age, disability status or sexual orientation. As an international employer, we expect all our leaders to embrace their role as inclusive leaders by being committed to building diverse teams of complementary strengths and valuing diverse perspectives. We are committed to providing a fair, safe and collaborative work environment for our employees to enjoy.

Environmental, social & governance (ESG)

Unlocking the societal value of storing renewable energy

We exist to facilitate the transition to net-zero

Corre Energy is helping to unlock the global transition to renewable energy generation. As we continue to grow our business, it's important that we focus on our wider impact on people and the planet.

Through storing, securing and sharing clean energy, such as that generated from wind and solar, we are helping the world to move away from its dependence on fossil fuels. This supports global net-zero goals and ambitions to minimise carbon usage. It also allows renewable sources of energy to be more accessible and affordable to end-users, supporting energy security efforts and providing opportunities for more green jobs.

We are equally ambitious about the positive role we can play, in the communities we're active in, and as a collaborative and responsible partner and employer. Through our work, we aim to contribute to the United Nations Sustainable Development Goals, including: 7– Access to Affordable and Clean Energy. Combined with our commercial success, we believe our business will allow all of our stakeholders to prosper. Our Board of Directors, management team and all of our people are dedicated to this purpose.

Developing our ESG strategy

During 2022 we continued to make progress on the development of our ESG strategy and, as stated in January 2023, we aim to report during 2023 on our ESG strategy. In this exercise the Company will consider the standards set by global initiatives and evaluate how we can begin to report on our material ESG issues in accordance with these standards. Importantly, we will also consider the immediate impact we can make, particularly through our involvement with our supply chain and the impact we have on our communities.

The Company also intends to report on our activities in accordance with the EU taxonomy classifications. This will assist all stakeholders to assess the environmental sustainability of the Company's activities, with reference to the European Green Deal. Corre Energy's projects and products support decarbonisation, offer enhanced security and flexibility to Europe's energy systems and help deliver the transition to renewable energy at scale.

In summary, we are developing a future-proof ESG strategy with clear targets and objectives which will grow with our business together with a roadmap for future development.

Groundwork during 2022

Alongside our commercial development, we carried out the following activities during the year.

- **Peer analysis**
  Assessing the strategies and progress of other relevant companies around ESG
- **Stakeholder analysis**
  Understanding the views and priorities of our key internal and external stakeholders
- **Frameworks and reporting**
  Analysis of the requirements of relevant raters and reporting frameworks related to our business
- **ESG policy & regulatory analysis**
  Building a comprehensive picture of the market backdrop from a policy and regulatory perspectives

ESG focus for the future

To help steer our ESG strategy, we have outlined five areas which show our intentions and aspirations for the future. They will support the creation of our long-term ESG strategy and roadmap, underpinned by clear targets for each area. They may evolve as the strategy and needs of the business develop, but for now they show our direction of travel and will be further tested with our stakeholders.

Reducing carbon use

Transforming our operations to carbon neutral and becoming a global champion of clean and secure energy storage and sharing

Positively impacting communities

Delivering significant social and economic impact to the communities in which we operate

Becoming a leading employer

Nurturing an entrepreneurial and inclusive culture driven by the shared purpose of the business

Inspiring partner success

Working with our customers, partners and wider stakeholders to drive innovation, advance collective ambitions, and scale our impact around carbon and communities

Acting responsibly

Ensuring our approach to governance, healthy & safety and supply chain management lives up to our values

Purpose

To facilitate a secure, flexible and affordable green energy system, by storing renewable energy at scale.

Mission

To support the transition to net zero by developing and commercialising Long Duration Energy Storage (LDES) projects, technologies and products that unlock benefits for our investors, partners and the communities within which we operate.

Vision

To lead the development of projects, technologies and products focused on renewable energy storage and green hydrogen production that materially progress the decarbonisation of the energy sector.

Financial review

Developing, funding and expanding

In 2022 the Group continued to carefully manage its financial position to enable it to focus on and progress its main near-term projects, while identifying further growth opportunities. This included raising additional equity funding and rationalising the organisational structure to maximise progress and sustainability.

Projects

Details of operational and strategic project progress are shared in the CEO's Statement.

In the year we capitalised €5.9 million of project costs on the ZW1 project to enable delivery of milestones such as the signing of the offtake agreement with Eneco. For the first time we also capitalised costs relating to the GHH project as it reached the appropriate stage of development, €0.7 million in total. All capitalised project costs are classified as Caverns under Construction in the financial statements. A further €0.3 million classified as Project Costs in the financial statements was spent on early stage development of the GHH project and progressing options on opportunities in Germany, the US and Canada.

The business continued to focus on progressing the flagship projects and, in the period, incurred €5.6 million of employee expenses for staff that are either directly involved in these activities or supporting in back-office functions, and €7.0 million of associated administrative expenses.

We currently forecast that the ZW1 and GHH projects will continue in the development phase until 2025. Once the construction phases commence, capital expenditure on ZW1 and GHH is forecast to be around €450 million and €420 million respectively.

Funding

The Group ended the year with €3.4 million of cash, having successfully raised €10.9 million of equity capital in June 2022. After the end of the period, the Company raised a further €8.9 million in February 2023. These successful funding rounds demonstrated the ongoing support of investors, both old and new, for Corre Energy's proposition and the potential value of the business model and future project success. The share price performed well in the period, rising from €1.20 at the start of 2022 to €2.90 by the end of the year, and continued to outperform the market through the early part of 2023.

> "We are constantly assessing the best and most efficient combinations of debt, equity and ownership levels to enable us to achieve our objectives.

Matthew Savage
Interim Chief Financial Officer

An important element of the business funding relates to the achievement of key project milestones, derisking projects and the business model for investors, such as the signing of the Eneco offtake agreement for ZW1, or the acquisition of land for GHH. Certainty of these milestones also unlocks specific pre-agreed funding sources, such as additional borrowing, developers' fees or the potential for equity sell-down events. Commercial close on both the ZW1 and GHH projects, expected in 2023, should bring such significant funding benefits.

As projects progress and mature, a wider range of funding options can become available. We are constantly assessing the best and most efficient combinations of debt, equity and ownership levels to enable us to achieve our objectives, particularly as the projects move through the development and construction phases.

Right-sizing for future success

Given the sharper focus on nearer-term projects, at the end of 2022 Corre Energy streamlined its operations and cost base. This will significantly lower operating costs for 2023, without impacting the speed of strategic and operational progress on the Group's key projects.

Other key figures

The Group's loss after tax for the period was €30.2 million, including €19.6 million of finance expenses, the majority of which are non-cash, relating to revaluation of share options embedded in the IEEF II financing agreement. The loss also includes €1.9 million reversal of CINEA grant income, for more information see note 2 to the consolidated financial statements.

Excluding the revaluation of share options the result is as expected, with an adjusted loss after tax of €10.6 million. Expenditure remains focused on project development, raising funds and strengthening back-office functions to oversee and support these key activities.

Matthew Savage
Interim Chief Financial Officer

Key metrics

Loss after tax

€10.6m

Project costs capitalised (cumulative)

€12.0m

Funding received in the period

€8.9m

Cash held

€3.4m

Project costs capitalised in the period

€6.7m

Risk management

Creating and preserving long-term value

Risk management is an integral part of Corre Energy's business, supported by clear governance. Risks are an essential factor when assessing opportunities and determining strategy.

Management decisions are made in line with the Group's risk appetite, guidelines for which are determined by the Board. Risks are identified, assessed, mitigated where required and monitored on an ongoing basis, as part of business processes.

The Group's risk management approach addresses the risks the Group inevitably faces in achieving its strategy. Managing risks in a conscious manner increases the likelihood of achieving our strategic objectives. A proactive approach ensures risk management is part of our executive conversations and is embedded in our processes. This benefits our decision-making and is essential to create and preserve long-term value.

Risk governance

The Board is ultimately responsible for risk management and has set up the Audit & Risk Committee (ARC) and delegated authority to it to oversee risk management. The ARC comprises the Independent Non-Executive Directors and meets quarterly to discharge its duties, which include approving risk management policies and monitoring key risks and indicators.

Day to day management of risk is the responsibility of the Senior Management Team (SMT), who are accountable for managing risks in their areas of responsibility, for example identifying emerging risks and taking actions to mitigate risks as required. The SMT continuously monitors risks and progress against agreed actions, and formally reviews the risk register on a quarterly basis.

The SMT are supported by the Risk function, which reports into the CFO.

The Board is mindful of the early stage of development of the business, and the need to continue to develop risk management policies and processes as the business grows.

Board

Overall responsibility for risk management, including setting risk appetite and oversight of the risk assessment and mitigation strategy.

ARC

Oversight of the risk framework and internal control assurance on behalf of the Board.

SMT

Overall accountability for the management of risks. Individual members of the SMT are accountable for specific principal risks.

Risk appetite

Corre Energy takes risks consciously, assessing their impact on business objectives. The level of risk the Group is willing to take depends on the nature of the risk.

Corre Energy identifies nine risk categories:

Risk category	Definition
Strategic risk	The risk that Corre Energy is unable to achieve its strategic objectives.
Project risk	The risk that Corre Energy is unable to complete one or more of its projects under development within budgeted time and cost.
Reputational risk	The risk of adverse impact to Corre Energy's reputation.
Funding risk	The risk that Corre Energy is unable to secure sufficient funding to achieve its objectives, or is unable to refinance liabilities as they fall due.
Other financial risk	The risk of losses due to foreign exchange risk, interest rate risk and credit risk.
Operational risk	The risk of losses due to inadequate or failed internal processes.
Health & Safety risk	The risk of harm such as illness, injury or death of staff, other workers or members of the public.
Compliance risk	The risk of non-compliance with legal, regulatory or other obligations.
ESG risk	The risk of environmental damage, negative social impact or poor governance.

Our risk appetite is summarised below.

Corre Energy is pursuing multiple innovative projects across various jurisdictions, meaning that despite regular oversight by Board and SMT and the appropriate levels of staffing and investment, we must accept a moderate to elevated risk that a given project will not be completed in line with agreed budget and timeline. We also accept that there is moderate risk inherent in Corre Energy's strategy because it requires successful scaling and commercial implementation of technology. This risk is actively managed by the Board and SMT.

Project development requires substantial funding to be raised and spent to reach milestones that unlock further funding. We have a low appetite for funding risk, therefore funding and liquidity forecasts and associated risks are closely monitored, and the Group uses a wide range of funding sources.

Corre Energy has low appetite for health and safety risk exposure, pursuing a policy of strict compliance with regulations and ensuring safety drives all major decisions in the organisation. We define processes and controls to reduce operational risk to an acceptable level.

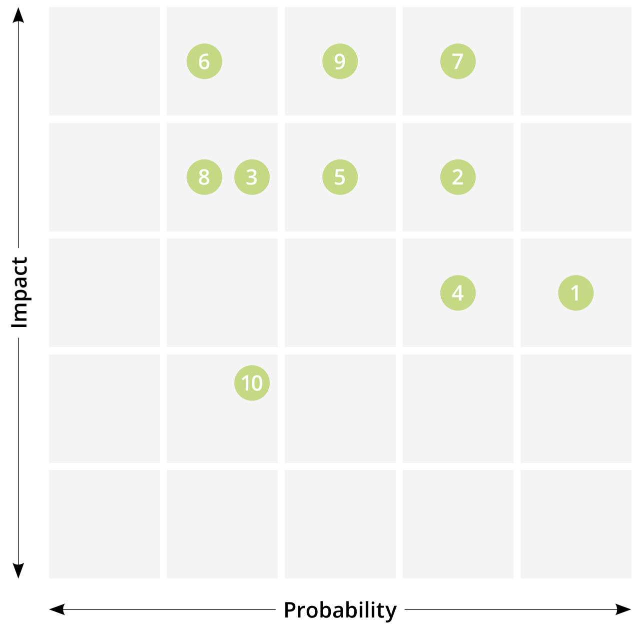
Corre Energy has a strong reputation and low appetite for reputational or ESG risk – we aspire to be best in class and respected across the industry in every regard, including our ESG performance.

For further information on management of financial risks see note 19 to the financial statements.

Risk management continued

Principal risks and uncertainties

The following provides an overview of the principal risks and uncertainties faced by the business, as identified by the Board based on input from the SMT and Risk function. This is not a full overview of all risks and uncertainties that may affect the Group. As new risks emerge and existing immaterial risks evolve, timely discovery and accurate evaluation of risks are at the core of Corre Energy's risk management system.



Risks

1. Cost and Revenue estimation
2. Economic viability of technologies
3. Support of policymakers
4. Key partnerships
5. Suitability of caverns
6. Community opposition
7. NOx emissions
8. Endangered species
9. Inability to raise funds
10. Information security breach

Risk	Risk category	What could happen?	Our mitigations
1. Cost and revenue estimation	Strategic risk	The development period lasts multiple years for each project. Changes in market conditions or regulations or high inflation rates during development affect costs and projected revenues. This could result in reduction in returns to shareholders, or lack of investor appetite leading to inability to complete projects.	Through projections and sensitivity analysis we understand the key value levers and their impact on project economics. We manage our portfolio on a project-by-project basis reducing concentration risk across geographies and technologies.
2. Economic viability of technologies	Strategic risk	Our strategy requires successful scaling and commercial implementation of innovative technological solutions. There is a risk that as development continues it becomes clear that these technologies are not economically viable at a future commercial operational date, particularly as risks change with each new technological advancement.	Through projections and sensitivity analysis we understand the key value levers and their impact on project economics. We have considered alternative technologies where appropriate and in some cases we have shared or expect to share this risk with partners.

Risk	Risk category	What could happen?	Our mitigations
3. Support of policymakers	Project risk	Politicians and policymakers in the countries in which we are developing projects may not see a role for CAES in the future energy system, or local authorities may not want a project in their region. This could result in lack of support, inability to obtain permits and inability to build strong partnerships.	We engage with policymakers, local authorities and industry bodies, and employ local experts to understand the markets and political landscape we are operating in before committing to a project. We continue to engage with these groups and monitor changes in the political landscape throughout the project lifecycle.
4. Key partnerships	Project risk	As a developer we rely on partners and suppliers to perform crucial elements of the project. We could be unable to find cost-effective and capable suppliers or partners for an essential project activity, or existing partners could fail to deliver, result in inability to complete the project within budget and expected timeline.	Identification of key suppliers and partners prior to commitment to a project through a robust procurement policy, due diligence process and monitoring plan. Regular monitoring of changes in circumstances of key suppliers and partners, including regular dialogue with them.
5. Suitability of caverns	Project risk	Regulators could limit operation of facilities because of features of the caverns selected for development. For example, authorities could prohibit storage of compressed air or hydrogen in caverns, or limit the permitted pressure gradient for a CAES cavern.	We engage with authorities, presenting technical arguments to demonstrate the suitability of the caverns for the proposed use. We will work with partners to ensure that caverns are mined to required specifications. In some cases backup caverns are available.
6. Community opposition	Project risk Reputational risk	Lack of understanding of the Group's activities could result in opposition to a project from the local community. This could cause project delays, additional costs or in extreme circumstances inability to obtain required permits to proceed with the project.	We actively engage with local communities, and monitor traditional media and social media, responding to concerns on a timely basis. Our proactive community outreach and engagement helps to mitigate opposition to our projects through education and community involvement.

Risk management continued

Risk	Risk category	What could happen?	Our mitigations
7. NOx emissions	ESG risk Project risk	The Dutch government is combining nitrogen emission measures with other measures to improve the quality of nature, water and the soil, and fulfil the Netherlands' climate obligations. Ultimately the Dutch government is developing tailor-made packages for the different regions, which will lead to healthy ecosystems, clean water and achievement of their climate targets. Whilst this is ongoing many construction projects in the Netherlands are on hold, and this could cause additional costs if design changes or offsetting are required. Currently we are monitoring progress on the development of this plan.	As part of our permitting monitoring plan we consistently quantify possible emissions and test against legal limits. Our Front End Engineering Design (FEED) team have uncovered many possible ways to reduce emissions if required, including optimising the existing design, considering where alternative technologies can be incorporated and developing an offsetting strategy. Throughout the process we are engaging with authorities to ensure we are familiar with the regulatory landscape.
8. Endangered species	ESG risk Project risk	We could find endangered flora or fauna on the cavern site or cable route, which would be disturbed by the construction process. This could delay or prevent construction.	We are performing early investigation of sites to identify any endangered species.
9. Inability to raise funds	Funding risk	We could failure to achieve the necessary project and other milestones to secure funding, and fail to attract new investors, resulting in insufficient funds to complete projects and continue in business.	The business plan is developed to forecast cash needs, and cash use is continuously monitored against forecast by the Finance team, SMT and Board. Our Investor Relations team and external advisors are pursuing a range of funding opportunities, and maintain clear dialogue with key investors.
10. Information security breach	Operational risk Compliance risk	Cyber-criminal attack or staff non-compliance with information security policies could result in loss of data or intellectual property, impairment of operations and reputation or brand damage. These in turn could lead to additional costs and time associated with recovery and possible regulatory fines.	Various controls are in place to prevent such events including security policies, staff training, antivirus software, multi-factor authentication and role-based access to all systems. Further controls are in place to mitigate the possible impacts, including off-site backup of core data.

Emerging risks

Emerging risks and opportunities could have a future impact on the Group's strategic objectives but lack the required clarity to fully assess their impact. Horizon scanning of emerging risks and opportunities is part of the review process performed by the SMT and supported by the Risk function. Emerging risks are also reviewed by the Audit & Risk Committee and Board as part of their regular assessment of the Group's risk profile.

When there is sufficient clarity and certainty over the emerging risk or opportunity it is assessed applying the Group's methodology and appropriate mitigating actions are established. Notable emerging risks and opportunities are detailed below:

Risk / opportunity	Description	Risk category impact	Time horizon
Climate change	Corre Energy's purpose is to facilitate a secure, flexible and affordable green energy system, by storing renewable energy at scale. As public awareness of the impacts of climate change continues to increase, we expect political will to follow, increasing our opportunities.	Strategic risk, reputational risk	Medium-term
Storage technologies and competition	As Corre Energy proves the investability of its technologies we expect competition to emerge, whilst at the same time other energy storage technologies that are either in development or initial stages of commercialisation become investable. As first movers we have an advantage of several years over direct competitors, and have taken direct steps to mitigate this risk such as purchasing exclusive options in the markets in which we operate. Further, the future requirement for energy storage technologies is so great that even as competition emerges the market will be large enough for us to achieve our planned growth trajectory.	Strategic risk	Medium-term

Board of Directors

Committed to delivering more for our stakeholders

Dear Shareholder

The Board of Corre Energy remains committed to maintaining high standards of corporate governance; we recognise its importance to support our growth strategy, deliver value to our shareholders and underpin long term success.

As Chairman, I am responsible for ensuring that the Board continues to make a valuable contribution in overseeing the delivery of our strategy, providing constructive challenge to management, and ensuring key risks are identified and properly managed. Our system of governance includes policies and procedures which are disseminated and embedded within the Group, a sound and effective system of internal controls with clearly defined levels of authority and accountability, and an internal reporting structure which facilitates the information flow up to the Board.

On admission to Euronext Growth Dublin in September 2021, the Company adopted the Quoted Companies Alliance's Corporate Governance Code (QCA Code), being the corporate governance code for small and midsize quoted companies. The Board considers this to be appropriate to the nature and size of the Group and its subsidiaries.

The QCA code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate for growing companies and asks companies to provide an explanation about how they meet the principles. The following report sets out our approach to governance and how each principle is applied.

Finally, during 2022 Luca Moro served as Non-Executive Director of the Company, representing the Italian Energy Efficiency Fund II, an investment fund of FIEE SGR. Due to the potential for conflict of interests relating to a new role taken on by Luca, he resigned from the Corre Energy Board on 16 May 2023. The Board wishes to thank Luca for his commitment and support to the Company and wish him well in his new appointment.

Frank Allen
Chairman

Frank Allen

Independent Non-Executive Director, Chairman of the Board, Member of Audit and Risk Committee

Frank Allen is an experienced infrastructure sector board member. Mr. Allen is an independent financial consultant, advising on infrastructure investment and operations, mostly in developing and transition economies. Mr. Allen is an advisor to the World Bank on transport infrastructure projects. He is also the former Head of Infrastructure Finance at KBC Bank. Mr. Allen is currently a board member and chair of Iarnród Éireann (Irish Rail) and is chair of the Housing Finance Agency. Mr. Allen holds a Bachelor of Commerce and Masters of Business Studies from University College Cork. Mr. Allen also holds a Master of Business Administration degree from Massachusetts Institute of Technology.

Keith McGrane

Executive Director,
Chief Executive Officer

Keith McGrane is a pioneer and thought-leader in energy storage with over 20 years of experience in geophysics, renewables, project development, technology commercialisation and financing. A scientist by background, Mr. McGrane has held many senior management roles throughout his career particularly in natural resource financing (at KBC Bank and Barclays Bank PLC) and renewables development (at Airtricity and Gaelectric). Mr. McGrane is a director on the board of directors of the Company's substantial shareholder and parent company of the Group, Corre Energy Group Holdings C.V. Mr. McGrane holds a Bachelor of Science in Geophysics and Masters of Science in Geophysics from University College Dublin.

Darren Patrick Green

Executive Director,
President

Darren Green is an entrepreneurial business owner with a career spanning over three decades, initially in the property development space, followed by professional consulting services focused on the energy and financial sectors. Mr. Green is the founder of Procorre, a consulting company which has operated across 100 countries throughout Africa, Asia, Europe, North America and South America. It is Mr. Green's vision, leadership and hands on business management that has enabled his businesses to succeed and deliver a meaningful professional legacy, providing a solid foundation for the future organic and strategic growth. Mr. Green is qualified as a Quantity Surveyor.

Rune Eng

Independent Non-Executive Director,
Chairman of the Audit and
Risk Committee

Rune Eng has significant experience from his many years in the energy sector. His last position was Executive Vice President International of the TGS Group, where he had been employed for almost two years. Mr. Eng was previously CEO and President of Spectrum Geo Limited (subsequently sold to the TGS Group) where he worked for almost nine years. Mr. Eng has also held various roles at PGS ASA over a period in excess of 13 years as well as roles in Fugro, Digital Equipment Corporation A/S and GeoTeam Group. Mr. Eng holds a Bachelor of Science in Geophysics from the University of Oslo and a Master of Science in Geophysics from the University of Gothenburg.

Corporate Governance report

Corre Energy

In 2022 the Company experienced tremendous growth, both in the maturity of its governance structures and the processes and procedures of its pipeline of projects. 2022 has posed challenges for many businesses, navigating increased costs and supply chain shortages. Corre Energy's Board of Directors have continued to meet frequently to discuss the strategy and governance of the Company.

The Directors of the Company have endeavored to apply high standards of corporate governance and have done so by seeking to comply with the Quoted Companies Alliance (QCA) Corporate Governance Code; an enabling, principles-based, corporate governance code for companies focused on growth.

Deliver growth

QCA Principle 1:

Establish a strategy and business model which promote long-term value for shareholders.

The Board is responsible for the Group's strategy and overall management. Page 12 of the Strategic Report sets out the Company's strategy which continues to support our vision to lead the development of LDES projects, technologies and products focused on renewable energy storage and green hydrogen production that materially progress the accelerated decarbonisation of the energy sector, and the Company's approach to ensuring long-term value for its shareholders.

Key stages towards achieving this process include the commercialisation of energy storage technology and solutions, and execution of pipeline projects which have the opportunity to create and/or sustain a long-term environmental impact.

During the period, the Company entered into a binding memorandum of understanding and agreement with agreed commercial terms for a 15-year offtake agreement (extendable to 20 years), with Eneco, for the entire storage capacity of the ZW1 Compressed Air Energy Storage (CAES) project in the Netherlands. Eneco is a leading renewable power supplier and energy service provider in the Netherlands and Belgium, operating and expanding its activities in the UK and Germany, and is committed to accelerating the energy transition. This milestone is instrumental in achieving the Company's strategy.

The Company also matured the GHH's position on key commercial milestones including grid connection capacity and land acquisition. Moving into 2023, focus will be to secure rights to purchase the project's main site land, finalise a grid maturation agreement with the TSO, mature permitting activity specific to the project's Environmental Impact Assessment (EIA) process, and negotiate a commercial agreement within the GHH partnership to bring electricity services to the market.

The Company continues to grow its prospective pipeline with an early-stage development project progressing in Germany. The Company has incorporated new entities in both Germany and the United States and is perusing strategic opportunities in these jurisdictions.

Management continues to ensure that the right resources are applied to the right projects.

QCA Principle 2:

Seek to understand and meet shareholder needs and expectations

The Board is committed to regular shareholder dialogue with its institutional and individual shareholders. The principal means of communication with shareholders and publishing new updates/reports and presentations is via the Company's website (www.corre.energy) and the Regulatory News Service (RNS); the opportunity for the Board to meet shareholders is at the Company's AGM, and shareholders are encouraged to attend and actively participate.

The Chief Executive Office and Chief Strategy Officer meet with the Group's major shareholders on a regular basis, providing updates on the Group's strategy and to understand shareholder needs and expectations. The feedback is shared with the Board at quarterly Board meetings.

The Board hosted two General Meetings during the period; an EGM on 7 June 2022 resolving the issuance of new shares and exclusion of pre-emptive rights in connection with the private placement; which raised gross proceeds of €10.9 million, and an AGM on 28 June 2022 resolving the adoption of the annual accounts 2021. The minutes of both the EGM and AGM can be found in the regulatory news section of the Company's website (www.corre.energy).

The Company also has a dedicated email address which investors can use (ir@corre.energy). The Head of Communications is responsible for reviewing all communications received from shareholders and determining the most appropriate response.

QCA Principle 3:

Take into account wider stakeholder and social responsibilities and their implications for long-term success.

The Board's familiarity with the Group's operations and the industry in which it operates enables the Board to clearly identify key stakeholders to the business. The Directors believe that, in addition to its shareholders, the key stakeholders of the Company are its employees, consultants and advisers, prospective customers, partners, suppliers, the local communities in which it operates, and its regulators. The Board is committed to maintaining open and honest relations with all of its stakeholders, both internal and external.

Corre Energy dedicates significant time to understanding and acting on the needs and requirements of each of these groups by way of meetings (virtual and face-to-face), between the Executive Directors and the other Directors, acting openly and proactively. The Company is a member of certain organisations, including, at a Group level, the European Association for Storage of Energy (EASE), and at a local level; BVES – German Energy Storage Association, and Energy Storage NL. Membership to these groups not only encourages and facilitates active dialogue with some of the Company's key stakeholders, but also supports knowledge sharing and collaborative jurisdictional working. Linked to this, the Company has engaged staff and suppliers to build on the current initiatives to support the communities in which we operate. The Company continues to engage with, and educate, stakeholders on the importance of long duration energy storage and its role in the renewable energy transition.

Corre Energy is helping to unlock the global transition to renewable energy generation and we recognise the importance of focusing on our wider impact on people and the planet.

During 2022 we continued to make progress on the development of our ESG strategy and aim to report during 2023 on this. We will consider the standards set by global initiatives and evaluate how we can begin to report on our material ESG issues in accordance with these standards. Importantly, we will also consider the immediate impact we can make, particularly through our involvement with our supply chain and the impact we have on our communities.

In summary, we are developing a future-proof ESG strategy with clear targets and objectives which will grow with our business together with a roadmap for future development.

QCA Principle 4:

Embed effective risk management, considering both opportunities and threats, throughout the organisation.

The risk management section on page 22 to 27 sets out the risks to the Company's business and outlook, and how we respond to such risks. The Board has retained overall responsibility for risk management, delegating oversight to the Audit and Risk Committee (ARC), and the day-to-day task of risk identification, assessment, monitoring and management of risks to the Senior Management Team (SMT) supported by the Risk function, which reports into the CFO. The Board believes the SMT, who have significant experience within the sector, have the required knowledge and skills to manage risks on a day to day basis.

The Company's risk taxonomy identifies nine categories of risk. Each risk that is identified is ranked on probability and impact, and mitigating strategies are identified where appropriate. Our risk appetite varies by category. Corre Energy has a moderate to elevated appetite for project risk, a moderate appetite for strategic risk and a low-risk appetite for other categories.

The Board has processes in place for reviewing and evaluating risk. Board meetings are normally held quarterly, when the Board reviews project performance, discusses budgets and forecasts and assesses any changes in material risks that have been identified. The Board formally reviews and documents the principal risks to the business at least annually.

Key risk management steps taken include:

- Adoption and implementation of the risk management policy, which defines risk governance;
- Adoption and implementation of a risk management procedure for the projects, to support the creation and definition of cohesive project risk management plans;
- Ensuring the day-to-day responsibility for risk management rests with the SMT, supported by the Risk function;
- Development of a Risk Management System, involving staff at all levels to identify, assess, respond to, and monitor risks and opportunities, with particular focus on project risks;
- Resource allocated at project and corporate level to help manage risk day-to-day and keep the risk management system and processes up to date;
- Review of the risk register in Board and ARC meetings, and opportunities for the Board and ARC to input into the risk register; and
- Provision of progress reports to the Board to enable them to assess the effectiveness of the process and discuss any emerging risks.

QCA Principle 5:

Maintain the Board as a well-functioning, balanced team led by the Chairman.

The Board of Directors are responsible for the Group's strategy and overall management. The Board has adopted a unitary board governance structure in compliance with Dutch corporate law. The operation of the Board is documented in a formal schedule of matters reserved for the Board within the Board Rules.

The Board consists of two Non-Executive Directors, both of whom are considered to be independent, with no significant business relationships with the Group or material shareholdings in the Company (being Frank Allen, and Rune Eng), and two Executive Directors. The Executive Directors are full-time Directors of the Company. Non-Executive Directors are expected to commit approximately three days a month to the Company in addition to their attendance at Board meetings.

The Board aims to meet approximately six times a year, and in 2022 it met nine times. The attendance record of each Director is set out below. This table shows details of scheduled meetings in 2022 only.

Directors	Board meetings	Audit and Risk Committee
Frank (Timothy) Allen	9	5
Keith McGrane	9	–
Darren Patrick Green	9	–
Rune Eng	9	5
Luca Moro	9	–

The Board is updated regularly on the operations of the Group by the CEO. The Company Secretary is accessible to all other Board members, who are also able to take independent professional advice, if needed, in order to perform their duties.

The Board normally meets quarterly, sometimes in-person, normally by video conference; this was supported by temporary legislation from the Ministry of Justice and Security (the Emergency Act) – enacted due to the coronavirus (COVID-19) outbreak and ongoing consequences of COVID-19.

The Emergency Act provided for, among other things, the facilitation of electronic decision-making by temporary derogation from the legal and statutory provisions concerning holding physical meetings.

Corporate Governance report continued

Agendas and related papers, together with minutes of previous meetings, are circulated to Directors a week prior to the relevant Board meeting. Additional Board meetings are called as required if specific matters need to be considered. Members of senior management are invited to attend Board meetings as appropriate to present business and project updates.

The ARC meets quarterly, in accordance with its terms of reference. The details of this committee, including its terms of reference and composition, are set out on the Company's website (www.corre.energy).

The Chairman of the Board has responsibility for ensuring the Board discharges its duties, facilitating the effective contribution, and engagement, of all Board members and the implementation of the Board's decisions and corporate governance.

The Non-Executive Directors are responsible to constructively challenge and help the Board with effective leadership in relation to the Board's strategy, performance, risk, and people management while ensuring a high standard of financial control and corporate governance.

The CEO manages the day-to-day operations of the Group, including the senior management team, and reports to the Board on the performance of the Group and progress on the strategic objectives.

QCA Principle 6:

Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.

Details of the Directors and their relevant qualifications, skills and personal qualities, to enable them to oversee and execute the Group's strategy, have been assessed and reviewed by the Chairman of the Board; their profiles can be read on pages 28 to 29, and viewed on the Company's website (www.corre.energy). The Board believes that its current members possess the relevant qualifications and skills as well as a balance of personal qualities necessary to effectively oversee and execute the Group's strategy.

The Board recognises that as the Group evolves, the range of skills and experience required amongst members of the Board will change. In 2022 a skills gap analysis was conducted of all Board members, helping to identify the core competencies required of any incoming, independent Non-Executive Director.

The Board is actively engaged in identifying at least one additional, independent Non-Executive Director; it undertakes to ensuring a broad spectrum of demographic attributes and characteristics. The Board is also committed to improving its gender balance and will look to improve this when making future appointments. The search for candidates is conducted, and appointments are made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board.

The Directors have access to certain in-house information and external training courses to assist in keeping their skills and knowledge up to date. The Company periodically holds briefings for the Directors covering regulations that are relevant to their role as directors of a Euronext Growth company, including MAR (Market Abuse Regulation) training and Directors' Ongoing Obligations.

The Company does not yet have a nomination committee and does not deem this to be required for the time being, due to its size and stage in the growth cycle.

QCA Principle 7:

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.

Evaluation of the performance and effectiveness of the Board and its ARC has been conducted in an informal manner. At this stage in its development, the Company has not adopted a formalised process for Board performance evaluation.

The responsibilities of the Board are set out clearly in the Board Rules (terms of reference). The Board Rules are reviewed annually by the Chairman and the Company Secretary, to evaluate the Board's compliance with the Rules and to ensure that they remain appropriate and relevant as the Company continues to grow. The results of this review are reported to the Board, together with any recommendations.

Succession planning is the responsibility of the Board. When considering succession planning, the Board will consider the skills and experience required as the Group grows and develops.

At least annually, the chair of the ARC evaluates the performance of the ARC, including the ARC's terms of reference and the committee's compliance with its terms of reference, to ensure that they remain appropriate. The chair of the ARC evaluates the membership of the ARC, at least annually.

The Chairman of the Board evaluates the performance of the chair of the ARC.

QCA Principle 8:

Promote a corporate culture that is based on ethical values and behaviours.

In line with its core values, the Company continues to further define its identity and continues to enhance the education of its stakeholders with a series of marketing campaigns, further shaping the Company's culture and business strategy. The Company continues to work to improve and deepen stakeholders' understanding of Compressed Air Energy Storage (CAES) in the market and its importance to the renewable energy transition.

The Board recognises the importance of coherent corporate culture, particularly as the Group continues to grow. It regularly monitors the Group's cultural environment and seeks to address any concerns that may arise. The Company's core values are covered in the induction process and within training and engagement initiatives for new Directors and employees.

The Group operates an Anti-Bribery Policy. It is the Group's policy to conduct all of its business in an honest and ethical manner. Corre Energy takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all our business dealings and relationships. The Board has overall responsibility for ensuring this policy complies with our legal and ethical obligations and that all those under our control comply with it. The Board adopts appropriate governance procedures to ensure overall compliance with this policy, including the maintenance of a Gifts and Entertainment Register, owned and managed by the Company Secretary.

The Company also operates a Protected Disclosure Policy for all employees. Corporate policies are reviewed periodically.

QCA Principle 9:

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.

The Chairman is responsible for oversight and maintenance of the Company's governance structures to ensure they are fit for purpose. With guidance from the Group's advisors, the Chairman is also responsible for assessing the appropriateness of the Group's governance structures as the Group continues to develop. The Chairman believes that the governance framework (including its systems and controls) is appropriate for a Company of its size at this stage, but continues to keep this under review.

The CEO has overall responsibility for formulating, planning and implementing the Group's strategy. In addition to formal Board meetings, the CEO communicates openly and regularly with all Board members.

The entire Board is responsible for ensuring the success of the Group, while delivering on its strategy. Matters reserved for the Board are set out in the Board terms of reference (Board Rules), summarised as follows:

- Corporate strategic objectives, risk appetite, major plans of action.
- The strategies for the shaping of the portfolio and direction of the Group and priorities in corporate resource allocation.
- Adopting the Group's business plan and budget or making any amendments thereto including approval and oversight of major contractual commitments or capital expenditure.
- Any major merger, acquisitions, joint venture or disposals or change to any material part of the business.
- Any material extensions of the Group's activities into new business or geographic areas including any means of direct investment into or exit from any country.
- Major changes to the Group's corporate and capital structure, including to the Company's listing.
- Approval of the annual and interim reports, and any preliminary announcement of the final results.
- Monitoring the effectiveness of the Company's governance arrangements and practices, adjusting the alignment of the Company's governance framework with best practice.

QCA Principle 10:

Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

The Company is committed to open dialogue with all its stakeholders. The CEO and members of the SMT liaise with the Company's principal shareholders, regulators and, where appropriate, others, including prospective customers, and relay their views to the wider Board.

On the Company's website shareholders can find all historical regulatory announcements, via the regulatory news service ("RNS"), including the Operational Report.

Annual Reports and results of AGM votes are published on the Company's website (www.corre.energy).

Communication with shareholders and other relevant stakeholders is described in detail above under Principle 2 and 3.

Audit and Risk Committee report

Risk management systems and internal control

The Board is accountable for carrying out a robust assessment of the principal and emerging risks facing Corre Energy, including those threatening its business model, future performance, solvency and liquidity. On behalf of the Board, the Audit and Risk Committee (ARC) reviews the effectiveness of the Group's risk management processes. The Group's risk assessment process and the way in which significant business risks are managed is a key area of focus for the ARC. The work of the ARC was driven primarily by the assessment of principal risks and uncertainties as set out in the strategic report. The ARC receives reports from the CFO on the Group's risk evaluation process and reviews changes to significant risks identified.

Among other matters the ARC advises the Board on:

- the risk management framework; and
- disclosure of key risks in the annual report to ensure consistency with internal reporting.

Meetings

During the period 1 January 2022 to 25 May 2023, the ARC met eight times formally and there was ongoing liaison and discussion between the external auditor and the ARC chair with regards to the audit approach and the identified risks.

The matters discussed at those meetings included:

- review of the audit plan of the external auditor; discussion and approval of the fee for the external audit; assessment of the independence of the external auditor;
- review of the accounting policies and format of the financial statements, including a review of the disclosure and reporting of related party transactions;
- assessment of the effectiveness of the external audit process as described on page 34;
- review of Corre Energy's capitalisation policy, risk management policy and risk appetite statements, and cost management policy; and
- review of the risk register, key risks and internal controls.

The ARC met on 25 May 2023 to review the results of the audit and to consider and approve the Annual Report for the period ended 31 December 2022.

Internal audit

The Group does not have an internal audit function. Considering the current size and stage of development of the Group, and the existence and effectiveness of the Company's risk management system, the Board does not consider it necessary to establish an internal audit function however it will continue to review this position annually.

External audit

Blue Line Accountants B.V. (Blue Line) has been the Company's external auditor since the Company's incorporation in 2021. This is the second year of audit.

The external auditor is required to rotate the audit partner every five years. There are no contractual obligations restricting the choice of external auditor and the Company will put the audit services contract out to tender at least every ten years. Under Dutch law, the reappointment of the external auditor is subject to shareholder approval at the AGM or EGM.

The ARC monitors the performance of the external auditor, considers its independence and objectivity, taking into account appropriate guidelines.

The ARC reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the external auditor, with particular regard to the level of any non-audit fees. Notwithstanding such services, the ARC considers Blue Line independent of the Company and that the provision of such non-audit services does not affect the objectivity and independence of the conduct of the audit.

To fulfil its responsibility regarding the assessment of the independence of the external auditor, the committee considers:

- discussions with or reports from the external auditor describing its arrangements to identify, report and manage any conflicts of interest; and
- the extent of non-audit services provided by the external auditor.

To assess the effectiveness of the external auditor, the committee reviews:

- the external auditor's fulfilment of the agreed audit plan and variations from it; and
- discussions or reports highlighting the major issues that arose during the course of the audit.

Fees paid to Blue Line during the period are detailed in note 5 to the financial statements.

The committee was satisfied with Blue Line's effectiveness and independence as external auditor having considered the degree of diligence and professional scepticism demonstrated. However, the appointment of a new auditor is under consideration as the Group moves to its next phase of growth.

A resolution proposing the reappointment of Blue Line Accountants B.V. as auditor to the Group will be put to the shareholders at the AGM in June 2023.

Fair, balanced and understandable statement

The committee considered this Annual Report 2022, taken as a whole, and concluded that the disclosures, as well as the processes and controls underlying its production, were appropriate and recommended to the Board that the Annual Report 2022 is fair, balanced and understandable while providing the necessary information to assess the Group's position and performance, business model and strategy.

On behalf of the Audit and Risk Committee

Rune Eng
Audit and Risk Committee Chairman

Directors' remuneration

Executive Directors' remuneration

Each individual Executive Director's total remuneration paid during the period 1 January 2022 to 31 December 2022 is summarised below:

Executive Director	Salary or fee €'000	Taxable benefits €'000	Bonus €'000	Pension contributions €'000	Total year ended 2022 €'000
Keith McGrane	209	31	–	67	**307**
Darren Patrick Green	250	45	–	37	**332**

Non-Executive Directors' remuneration

Each individual Non-Executive Director's total remuneration paid during the period 1 January 2022 to 31 December 2022 is summarised below:

Non-Executive Director	Salary or fee €'000	Taxable benefits €'000	Bonus €'000	Pension contributions €'000	Total year ended 2022 €'000
Frank Allen	60	–	–	–	**60**
Rune Eng	30	–	–	–	**30**
Luca Moro	–	–	–	–	

Directors' interests in shares

The beneficial interest of Directors, and persons connected with them, as at 31 December 2022 in the shares of the Company were as follows:

Directors	Held at 31 December 2022
Keith McGrane	**17,268,750**
Darren Patrick Green	**26,268,750**
Frank Allen	**50,000**

Since 31 December 2022, and as at 25 May 2023, the Directors, and persons connected with them, have not sold shares.

Remuneration policy

The remuneration policy was adopted by the Board on 17 September 2021.

The Board is authorised (subject to adoption by the general meeting) to adopt, revoke and amend the remuneration policy.

The remuneration policy

- Aims to provide a clear understanding of the remuneration of the Executive Directors and the Non-Executive Directors.
- Aims to reward talented and skilled Directors.
- Ensures the remuneration of Executive Directors takes account of company size, complexity, role responsibilities, competency and skillset.
- Ensures the Non-Executive Directors review performance against set targets aligned to the interest of the stakeholders.
- Appoints Executive Directors on three-year terms.
- Ensures Non-Executive Directors have overall responsibility for the determination of the overall Executive Directors' package.
- Ensures the Non-Executive Directors receive fixed compensation, determined by General Meeting.

Directors' report

The Directors present their report, together with the audited accounts for the year ending 31 December 2022.

Dividends

No dividends were declared for the year ending 31 December 2022.

Dividend policy

The Company intends to retain any profits to expand the growth and development of the Group's business and, therefore, does not anticipate paying dividends to its shareholders in the foreseeable future.

The Company may only make distributions to its shareholders if its equity exceeds the amount of the reserves as required to be maintained by the articles of association (if any) or by Dutch law and as long as the distribution would not leave the Company incapable of servicing its payable and foreseeable debts. The Board will determine the portion of the profits that will be added to the reserves, taking into account the Company's general financial condition, revenues, earnings, cash need, working capital developments, capital requirements (including requirements of its subsidiaries) and any other factors that the Board may deem relevant in making such a determination. The remaining part of the profits after the addition to reserves will be at the disposal of the general meeting. The Board shall make a proposal for that purpose.

Share capital and control of the Company and significant agreements

Details of the Company's share capital, including changes during the year in the issued share capital and details of the rights attaching to the Company's shares are set out in note 15 on page 70.

No shareholder holds securities carrying special rights with regards to control of the Company. There are no restrictions on voting rights or the transfer of securities in the Company. The Company is not aware of any agreements between holders of securities that result in such restrictions.

The Company is not party to any significant agreements that would take effect, alter or terminate following a change of control of the Company. The Company does not have agreements with any Director or officer that would provide compensation for loss of office or employment resulting from a takeover.

Significant shareholders

The issued share capital of the Company as at 25 May 2023 consisted of 70,461,142 Ordinary Shares. The percentage of shares not in public hands is approximately 70.96%.

All shareholdings in excess of 3% of the issued share capital of the Company as at 25 May 2023, insofar as the Company has been notified, are set out in the table below and are available on the Company's website:

	% of voting rights
Corre Energy Group Holdings CV	70.96%

Percentages are shown as a percentage of the Company's total voting rights as at 25 May 2023.

Articles of association

The Company's articles of association may only be amended by a resolution adopted with a simple majority of the votes cast at a general meeting of the shareholders.

Appointment and retirement of Directors

The appointment and retirement of Directors is governed by the Company's articles of association and Book 2 of the Dutch Civil Code and other related legislation.

Directors and their interests

The biographical details of the current serving Directors are set out on pages 28 and 29.

The interests of Directors, who served during the year, in the shares of Corre Energy are contained in the Directors' remuneration report set out on page 36.

The Company's articles of association include provisions regarding the indemnification to the extent permitted by law for the benefit of current and former Directors in respect of liabilities incurred as a result of their office. In addition, the Company maintained a Directors' and Officers' liability insurance policy throughout the financial year.

Directors' report continued

Employment policies

Our equal opportunities, diversity and inclusion policies support managers and colleagues in creating a diverse and inclusive culture where everyone is welcome. Our policies demonstrate our commitment to providing equal opportunities to all colleagues, irrespective of age, disability (including colleagues who may have become disabled during service), gender reassignment, marriage and civil partnership, pregnancy or maternity, race, religion or belief, sex or sexual orientation.

Our aim is to attract and retain a diverse range of applicants from all different backgrounds. All of our applicants and colleagues are treated fairly and we have a zero-tolerance approach, not only to any unacceptable behaviour or conduct including harassment, discrimination or bullying of any kind.

Political donations

The Company did not make any political donations or incur any political expenditure during the year.

Anti-bribery matters

We have a zero-tolerance approach to bribery. Our anti-bribery programme operates across the Group. The programme is built around a clear understanding of how and where bribery risks affect our business and comprises key controls such as: policies (anti-bribery, gifts and entertainment, conflicts of interest, charitable donations); procedures such as conducting due diligence on suppliers; staff training; and ongoing assurance programmes to test that the controls are functioning effectively.

Cautionary statement regarding forward-looking information

Where this Annual Report contains forward-looking statements, these are based on current expectations and assumptions, and speak only as of the date they are made. These statements should be treated with caution due to the inherent risks, uncertainties and assumptions underlying any such forward-looking information. The Company cautions investors that a number of factors, including matters referred to in this document, could cause actual results to differ materially from those expressed or implied in any forward-looking statement. Such factors include, but are not limited to, those discussed under principal risks and uncertainties on pages 24 to 27.

Forward-looking statements can be identified by the use of relevant terminology including the words: 'may', 'will', 'seek', 'aim', 'anticipate', 'target', 'projected', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe' or other words of similar meaning and include all matters that are not historical facts. They appear in a number of places throughout this Annual Report and include statements regarding the intentions, beliefs or current expectations of our officers, Directors and employees concerning, among other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the business.

Neither the Group, Directors or employees, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Annual Report will actually occur. Undue reliance should not be placed on these forward-looking statements. Other than in accordance with our legal and regulatory obligations, the Group undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Additional disclosures

Other information that is relevant to the Directors' report, and which is incorporated by reference into this report, can be located as follows:

	Pages
Events after the reporting period	75
Financial instruments and financial risk management	71 to 74
Corporate governance report	30 to 33

Statement of Directors' responsibilities

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

Dutch law requires the Directors to prepare financial statements for each financial year. The Group Financial Statements are prepared in accordance with IFRS as issued by the International Accounting Standards Board. Under Dutch law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with Title 9 of Book 2 of the Dutch Civil Code. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of 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. Each of the serving Directors, whose names and functions are set out on pages 28 to 29, confirms that, to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic 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
- the Annual Report, taken as a whole, is fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the Board

Naomi Johnson
Group Company Secretary

Independent auditor's report

To: The shareholders and Board of Corre Energy B.V.

Blue Line ACCOUNTANTS

Televisieweg 31
1322 AC Almere
+31(0)20 658 9590
www.bluelineaccountants.com

Report on the audit of the financial statements 2022 included in the annual report

Our opinion

We have audited the financial statements 2022 of Corre Energy B.V. based in Groningen. The financial statements comprise the consolidated and company financial statements.

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Corre Energy B.V. as at 31 December 2022 and of its result and its cash flows for 2022 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- the accompanying company financial statements give a true and fair view of the financial position of Corre Energy B.V. as at 31 December 2022 and of its result for 2022 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. the consolidated statement of financial position as at 31 December 2022;
2. the following statements for 2022: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. the company balance sheet as at 31 December 2022;
2. the company profit and loss account for 2022; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Corre Energy B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 461,000. The materiality is based on 4% of equity. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons. Based on our professional judgement due to the absence of revenue we consider equity the most appropriate benchmark for calculation the materiality.

Scope of the group audit

Corre Energy B.V. is at the head of a group of entities. Our group audit mainly focused on significant group entities in which currently projects are developed. We have:

- performed audit procedures ourselves at group entities Corre Energy Storage B.V. and Corre Energy ApS
- performed review procedures or specific audit procedures at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the consolidated financial statements.

Audit approach fraud risks

In our audit, we identified the fraud risk management override of controls. Management is in a position to commit fraud because it is able to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. During the audit, we pay attention to the risk of breaches of internal control measures by the management in:

- analysis of the general journal entries, including estimates;
- analysis of significant transactions outside the normal course of business;
- analysis of all outgoing cash flows;
- analysis of management's assessment of risks of fraud and corruption.

We have evaluated the design and existence of internal control measures in the processes for generating and processing journal entries and making estimates, assuming a risk of disruption of that process. We have assessed the process surrounding the preparation of financial reporting. We also paid specific attention to the access protections in the IT system and the possibility of breaking through the segregation of functions. We have selected journal entries based on risk criteria, such as journal entries in revenue recognition and journal entries for impairments. Audit procedures have been performed on this, in which we also paid attention to significant transactions outside the normal course of business.

Our work did not lead to specific indications of fraud or suspicions of fraud with regard to the breach of internal control by the board.

Audit approach going concern

The Board of Management made a specific assessment of the Company's ability to continue as a going concern and to continue its operations for at least the next 12 months. We discussed and evaluated the specific assessment with the Board of Management, exercising professional judgement and maintaining professionalskepticism.

We considered whether the Board of Management's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Based on our procedures, we did not identity significant doubts on the Company's ability to continue as a going concern for the next 12 months. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Board. The key audit matters are not a comprehensive reflection of all matters discussed.

Independent auditor's report continued

Early stage of development

Risk	The Company was incorporated in 2021 and all activities of the Company are in a preliminary stage of development. Whether the Company will succeed entirely depends on the success of development, obtaining all relevant permits and the necessary funding.
Our audit approach	Due to the early stage of development of technology, verification / evaluation of assumptions is dependent on various external factors in the distant future, so adequate disclosure of these risks is key. We assessed the adequacy of management's disclosures of the risks of the business case in the other information and director's report.
Key observations	We believe that the disclosures of the expectations and related risks in the other information and director's report are adequate.

Related party transactions

Risk	The Company acquired a significant part of its services from related parties. Related party transactions have the inherent risk of not being at arm's length and being incompletely disclosed.
Our audit approach	Based on a data-driven audit approach and our knowledge of the group structure we have identified the related party transactions. Content characteristics on contract have been reported to the Board in a detailed manner for internal evaluation.
Key observations	Independent board members have not identified transactions that needed restatement. Future internal controls over renegotiation of related party transactions have been agreed upon. We believe that in all material aspects the related party transactions are fully disclosed in the financial statements in note 18.

Repayment of the EU Grant

Risk	In 2019 Corre Energy Storage B.V. was awarded a grant by CINEA. Upon the final review the grant was reduced and no future payment expected, which led to negative income for 2022.
Our audit approach	As part of our audit procedures we have reviewed the documentation on the repayment of the grant, discussed with management and reviewed the disclosure in the financial statements.
Key observations	We believe that the Board of Management's disclosure in paragraph 2.1 is sufficient in all material aspects.

Report on the other information included in the annual report

The annual report contains other information, in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all the information regarding the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities regarding the financial statements

Responsibilities of management and the Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting, unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

From the matters communicated with the Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Almere

25 May 2023

Blue Line Accountants B.V.
Signed by Drs. Jesca ter Stroot – van Meurs RA

Consolidated statement of comprehensive income

for the period ended 31 December 2022

	Note	2022 €'000	2021 €'000
Revenue	1	**0**	5
Other operating income	2	**(1,709)**	903
Expenses			
Employee expenses	3	**(5,623)**	(2,662)
Project costs	4	**(328)**	(7)
Other Administrative expenses	5	**(7,029)**	(4,808)
Operating result		**(14,689)**	(6,569)
Finance expense	6	**(19,572)**	(1,031)
Result before tax		**(34,261)**	(7,600)
Corporation tax	7	**4,044**	3,653
Loss after tax		**(30,217)**	(3,947)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign exchange differences on translation of foreign operations		**74**	(4)
Total comprehensive income		**(30,143)**	(3,951)

Consolidated balance sheet

at 31 December 2022

	Note	2022 €'000	2021 €'000
Assets			
Non-current assets			
Intangible fixed assets	8	**618**	618
Tangible fixed assets	9	**12,012**	5,261
Lease right of use assets	10	**517**	99
Deferred tax assets	7	**7,704**	3,641
Total non-current assets		**20,851**	9,619
Current assets			
Cash	11	**3,432**	13,375
Receivables, prepayments and accrued income	12	**9,678**	2,582
Total current assets		**13,110**	15,957
Total assets		**33,961**	25,576
Equity			
Share capital	15	**306**	279
Share premium	15	**21,560**	11,501
Retained earnings		**(33,467)**	(3,250)
Foreign currency translation		**70**	(4)
Total equity		**(11,531)**	8,526
Liabilities			
Non-current liabilities			
Long-term loans	13	**31,559**	11,646
Long-term lease liability	13	**294**	79
Long-term payables to participating interests	13	**1,845**	1,845
Total non-current liabilities		**33,698**	13,570
Current liabilities			
Trade creditors	14	**1,044**	823
Payables to participating interests	14	**7,293**	1,123
Other current liabilities	14	**3,457**	1,534
Total current liabilities		**11,794**	3,480
Total liabilities		**45,492**	17,050
Total equity and liabilities		**33,961**	25,576

Consolidated statement of changes in equity

for the period ended 31 December 2022

	Share capital €'000	Share premium €'000	Retained earnings €'000	Foreign currency translation €'000	Total €'000
Incorporation on 1 March 2021	0	–	–	–	0
Capital contribution	–	742	–	–	742
Issue of share capital	225	10	–	–	235
Business combinations	–	–	664	–	664
Initial public offering (IPO)	54	11,965	–	–	12,019
IPO transaction costs	–	(1,216)	33	–	(1,183)
Loss for the period	–	–	(3,947)	–	(3,947)
Other comprehensive income	–	–	–	(4)	(4)
At 31 December 2021	279	11,501	(3,250)	(4)	8,526
Issue of share capital	26	10,852	–	–	10,878
Share issue transaction costs	–	(794)	–	–	(794)
Loss for the period	–	–	(30,217)	–	(30,217)
Other comprehensive income	–	–	–	74	74
At 31 December 2022	**306**	**21,560**	**(33,467)**	**70**	**(11,531)**

Consolidated statement of cash flows

for the period ended 31 December 2022

	2022 €'000	2021 €'000
Cash flow from operating activities		
Operating result	**(14,689)**	(6,569)
Depreciation	**67**	15
(Increase)/Decrease in Receivables, prepayments and accrued income	**(5,665)**	(2,330)
Increase/(Decrease) in Trade creditors	**220**	234
Increase/(Decrease) in Other Payables	**5,875**	1,096
Taxes paid	**(12)**	(107)
Total cash flow from operating activities	**(14,204)**	(7,661)
Cash flow from investment activities		
Investments in Tangible fixed assets	**(6,771)**	(2,107)
Investments in Intangible fixed assets	**–**	(618)
New consolidations	**–**	538
Total cash flow from investment activities	**(6,771)**	(2,187)
Cash flow from financing activities		
Inflows from Capital Increases	**10,085**	10,837
Proceeds/(Repayment) of Borrowings	**1,053**	12,488
Interest Paid	**(17)**	(24)
Total cash flow from investment activities	**11,121**	23,300
Effect of changes in foreign exchange rates	**(89)**	(78)
Total cash flow	**(9,943)**	13,375
Cash at start of period	**13,375**	–
Cash at end of period	**3,432**	13,375

Accounting policies

1 Corporate information

The Directors present the consolidated financial statements of Corre Energy B.V. (the Company) for the year ended 31 December 2022. The Company was incorporated in the Netherlands on 1 March 2021, and is registered as a private company with limited liability under the Chamber of Commerce number 82068046, with its legal address and principal place of business in Groningen, the Netherlands.

The Company is engaged in the development and construction of energy storage facilities.

These consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 25 May 2023.

2 Statement of compliance

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

The principal accounting policies are summarised below and have been applied consistently throughout the year, unless stated otherwise.

3 New and revised IFRS Accounting Standards

3.1 New and amended IFRS Accounting Standards that are effective for the current year

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

IAS 41 Agriculture and IFRS 1 First-time Adoption of International Financial Reporting Standards are not applicable for the Group and therefore the amendments to these standards have no impact on the financial statements.

A number of amendments to IFRS standards are mandatorily effective for accounting periods that begin on or after 1 January 2022. These have been adopted, although their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. If the relevant situations arise in future, the Group will apply the amendments accordingly.

3.1.1 Amendments to IFRS 3 Reference to the Conceptual Framework

The Group has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

3.1.2 Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The Group has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

3.1.3 Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The Group has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

3.1.4 Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

The Group has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to IFRS 9 Financial Instruments. The amendments clarify that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

3.2 New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new standards and amendments to existing standards that have been issued but are not yet effective:

New standard / amendment	Title / significant changes	Effective from
IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17)	Insurance contracts	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date has been removed by IASB
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

IFRS 17 is not applicable for the Group and therefore the amendments to this standard have no impact on the financial statements.

The Directors do not expect that the adoption of the amendments to the other standards listed above will have a material impact on the consolidated financial statements of the Group, although if the relevant situations arise in future, the Group will apply the amendments accordingly. Each new standard or amendment is summarised below.

3.2.1 Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

3.2.2 Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Accounting policies continued

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.

3.2.3 Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

3.2.4 Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error; and
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The IASB added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

3.2.5 Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The IASB also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities; and
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset.
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

4 Going concern

The business is at an early stage of development, and as such requires future funding to continue its activities. The Group has been successful to date in raising the required funding and has a clear plan to raise further funding to allow the business to continue to trade until it becomes cash generative. The Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the Group has, or has plans to mobilise, sufficient resources to continue into the foreseeable future. Therefore these financial statements have been prepared on the going concern basis.

5 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

6 Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the entity, and can affect those returns through its power to direct the activities of the entity. The Company reassesses whether it controls an entity if facts and circumstances indicate that there are changes to one or more of the elements of control.

Consolidation of an entity begins when the Company obtains control over the entity and ceases when the Company loses control of the entity. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

All intra group assets and liabilities, equity, income expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Accounting policies continued

6.1 List of participating interests

Corre Energy B.V. is the holding company of a group of legal entities.

The Company incorporated a new 100% owned subsidiary Corre Energy US LLC on 11 April 2022.

Corre Energy US LLC in turn incorporated a new 100% owned subsidiary Corre Energy US Development Company LLC on 11 April 2022. Corre Energy US Development Company LLC is researching new opportunities in North America.

The overview of the data as required in accordance with Articles 2:379 and 2:414 of the Dutch Civil Code is included below:

Name	Country of registration	Share in issued capital	Included in consolidation
Corre Energy Storage B.V.	The Netherlands	100%	Yes
Corre Energy ApS	Denmark	100%	Yes
Corre Energy Ltd	United Kingdom	100%	Yes
Corre Energy Storage Limited	Ireland	100%	Yes
Corre Energy US LLC	USA	100%	Yes
Corre Energy US Development Company LLC	USA	100%	Yes

7 Foreign currency

Items included in the financial statements of Group companies are measured using the currency of the primary economic environment in which the respective group company operates (the functional currency). The consolidated financial statements are presented in Euros, which is the functional and presentation currency of Corre Energy B.V. All amounts have been rounded to the nearest thousand, except where otherwise indicated.

Transactions in foreign currencies are stated in the financial statements at the exchange rate ruling on the transaction date.

Assets, liabilities, income and expenses of consolidated subsidiaries with a functional currency other than the presentation currency are translated at the closing rate of exchange prevailing at the balance sheet date. Foreign currency differences are recognised in Other Comprehensive Income and accumulated in the Foreign Currency Translation Reserve within equity.

The following exchange rates for the most significant countries in which the Group operates were used in the preparation of these financial statements:

In €	Year-end 2021	Average 2021	**Year-end 2022**	**Average 2022**
UK Pounds Sterling	1.1768	1.1734	**1.2748**	**1.1732**
Danish Krone	0.1345	0.1345	**0.1345**	**0.1344**
US Dollar	0.8829	0.8847	**0.9376**	**0.9509**

8 Significant judgements and estimates

The preparation of these financial statements requires the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date, and the reported loss for the period. The Group uses estimates, assumptions and judgements which can have a significant impact on the amounts recognised in the financial statements. These estimates and assumptions are based on the most recent information available, and the actual amounts may differ in the future.

Estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised or in the period of revision and future periods if the revision impacts both the reporting period and future periods.

The judgements that the Directors consider to be the most important to these financial statements are described below.

8.1 Capitalisation of project costs

IAS 16 requires costs that are directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management to be capitalised, provided that these costs can be measured reliably, and it is probable that future economic benefits associated with the asset will flow to the Group. The Group is developing and building two energy storage facilities; ZW1 and the GHH, so costs that are incremental to the development of these projects must be capitalised.

There is some judgement required to determine the point at which capitalisation should begin, as management must determine whether it is probable that future economic benefits associated with the asset will flow to the Group. To decide this the long-term cash flows associated with the project must be assessed in some detail.

The Group's Portfolio Governance Manual identifies seven phases in the life cycle of a project, which are Initiate, Assess, Select, Refine, Construct, Operate and Abandon. To move from one phase to the next a decision gate must be passed, which requires the Decision Review Board, made up of senior management, to agree to proceed with the project.

During the Assess phase project economics including funding strategy are assessed in detail. Therefore management's judgement is that project costs should be capitalised from the Select phase. ZW1 is in the Select phase so its costs have been capitalised from December 2019 onwards, and the GHH entered the Select phase in July 2022, so its costs have been capitalised from this date.

The Directors currently expect ZW1 and the GHH to be operational from 2027, and when operational cash flows are expected to exceed the carrying values capitalised for both projects. There are no indicators of impairment so project costs incurred are recognised in full at historical cost.

8.2 Deferred tax

Due to the early stage of the business, some Group companies are loss making as they incur costs to develop projects and to grow the business more generally. This gives rise to deferred tax assets because losses can be offset against future profits of the companies involved.

Management's judgement is that in the cases of Corre Energy B.V., Corre Energy Storage B.V., Corre Energy ApS and Corre Energy Ltd there will be sufficient future profits against which to offset these losses, so deferred tax assets are recognised in full for these companies. Although it has carried forward losses, no deferred tax asset is recognised for Corre Energy US Development Company LLC due to its early stage of development.

8.3 Option valuation

As described in more detail in note 13 to the financial statements, as part of a financing agreement Italian Energy Efficiency Fund II (IEEF II), an Italian reserved alternative investment fund set up and managed by Fondo Italiano per L'Efficienza Energetica SGR S.P.A. (FIEE), has been granted the option to convert debt instruments into shares in the Company. The valuation of these options requires the use of complex models operated by an external valuer, and management judgement to be applied when selecting inputs. The key estimates are projections of the Company's dividend yield, share price volatility and probability of default.

9 Intangible fixed assets

Intangible fixed assets are presented at cost less accumulated amortisation and impairment losses. Amortisation is charged as a fixed percentage of cost, as specified in more detail in the notes to the balance sheet. The useful life and the amortisation method are reassessed at the end of each financial year.

Cavern options are not amortised but are transferred to Tangible fixed assets as Cavern development costs when cavern development commences.

10 Tangible fixed assets

Tangible fixed assets are presented at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the statement of comprehensive income on a straight-line basis so as to write off the depreciable amount of each tangible fixed asset over its estimated useful life, from the date it comes into use. The depreciable amount is the cost of an asset less its residual value.

The estimated useful lives of the Group's Tangible fixed assets are:

- Leasehold property: 40 years (or lease term if shorter)
- Leased vehicles: 5 years (or lease term if shorter)
- Furniture and fittings: 5 years
- IT equipment: 3 years

The residual value and useful life of property, plant and equipment are reviewed at each balance sheet date and updated for any changes to previous estimates.

Cavern development costs are valued at the lower of cost and the expected realised value upon completion. They are not depreciated as they are not available for use.

Accounting policies continued

11 Leases

11.1 As a lessee

The Group assesses whether a contract is or contains a lease at inception of a contract. The Group recognises a right of use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate of the lessee company.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease; and
- Lease payments to be made under reasonably certain extension options.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right of use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change due to a change in a floating interest rate, in which case a revised discount rate is used); or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right of use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to restore a leased asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37.

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The impacts on the statement of comprehensive income are the depreciation charges on the right of use assets and the interest charges on the lease liabilities.

11.2 As a lessor

The Group enters into lease agreements as a lessor with respect to some of its office space.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. The Group does not act as a lessor for any finance leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Group allocates the consideration under the contract to each component.

12 Impairment of fixed assets

On each balance sheet date the Group assesses whether there are any indications that a fixed asset may be impaired. If there are such indications it estimates the recoverable amount of the asset and the impairment loss if any. If an asset does not generate cash flows that are independent from those of other assets or groups of assets the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less cost to sell and its value in use. Value in use is the present value of future cash flows from the asset or cash-generating unit discounted at a rate that reflects market interest rates adjusted for risks specific to the asset or cash-generating unit that have not been taken into account in estimating future cash flows. If the recoverable amount of an asset is less than its carrying value, an impairment loss is recognised immediately in the statement of comprehensive income and the carrying value of the asset reduced by the amount of the loss.

If it is established that an impairment that was recognised in the past no longer exists or has reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment value adjustment for the asset had been reported.

13 Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

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 and financial liabilities (other than financial assets and financial liabilities 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.

13.1 Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income or expense is recognised on an effective interest basis.

13.2 Financial assets

After initial recognition financial assets must be designated as at fair value through profit or loss, measured at amortised cost, designated as at fair value through other comprehensive income or measured at fair value through profit or loss.

A financial asset may be measured at amortised cost if:

- The asset is held within a business model whose objective is solely to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset are solely payments of principal and interest on the outstanding balance.

All financial assets meet these criteria and therefore are subsequently measured at amortised cost less impairment allowance where applicable.

13.3 Financial liabilities

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Accounting policies continued

After initial recognition financial liabilities must be designated as at fair value through profit or loss or measured at amortised cost. The Group holds all financial liabilities at amortised cost using the effective interest rate method.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

13.4 Derivatives

The Group has issued options on the equity of Corre Energy B.V. to an advisor and a finance provider in exchange for services provided.

These options are initially recognised at fair value in the company that received the services. Fair value is determined based on the value of the services provided, or if that is not available the fair value of the options themselves, calculated using a Black-Scholes model or a more complex equity convertible model as appropriate.

Options that will be settled by Group companies are revalued at each reporting date, with the change in fair value recognised in the statement of comprehensive income.

14 Cash

Cash is valued at fair value, which is its nominal value.

15 Other receivables

Other receivables are initially recognised at fair value and then valued at amortised cost, which equals the nominal value after deduction of any provision for expected credit losses. These provisions are determined based on individual assessment of the receivables.

16 Current liabilities

Current liabilities are initially recognised at fair value. After initial recognition current liabilities are recognised at amortised cost price, being the amount received plus or minus any premiums, discounts and transaction costs. This is usually equal to the nominal value.

17 Revenue

Revenue is recognised at the fair value of the consideration received or receivable as the right to consideration accrues through the performance of service obligations to the customer, in line with the requirements of IFRS 15. The arrangements are always contractual and the cost of providing the service is incurred as each service is performed. The price is always fixed and determinable.

18 Other operating income

Other operating income is income that is not linked to the supply of goods or services as part of normal, non-incidental operations. Other operating income comprises grant income, NZIP income and rental income.

Grant income is recognised when there is reasonable assurance that the entity will comply with the conditions attached to the grant and that it will be received. The Company follows the income approach in accounting for grants, and therefore recognises grants in income on a systematic basis over the periods in which the related costs for which the grant is intended to compensate are recognised. Specifically:

- Grants that are received for expenses already incurred or for the purpose of giving financial support with no future related costs are recognised in the statement of comprehensive income when they become receivable. They are recognised as Other Income.
- Grants received for expenses to be incurred are recognised proportionally to the expenses incurred.
- Grants related to assets are accounted for as deferred income and recognised over the same period as the depreciation of the related asset.

Rental income is recognised when the services have been delivered. NZIP income is recognised as each performance obligation is satisfied.

19 Financial income and expenses

19.1 Interest income and interest expenses

Interest income and expenses are recognised on a pro rata basis using the effective interest rate of the assets and liabilities to which they relate. In accounting for interest expenses, the recognised transaction expenses for loans received are taken into consideration.

19.2 Currency translation differences

Currency translation differences arising upon the settlement or conversion of monetary items are recognised in the statement of comprehensive income in the period that they are realised.

20 Tax

Income tax expense or income, comprising current tax and deferred tax, is recorded in the statement of comprehensive income except income tax on items recognised outside profit or loss, which is credited or charged to other comprehensive income or to equity as appropriate.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the year. Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that the asset will be recovered. Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or a liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date.

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to offset, and where they relate to income taxes levied by the same tax authority.

Notes to the consolidated financial statements

1 Revenue

	2022 €'000	2021 €'000
Revenue from related parties	–	5
Total Revenue	–	5

During 2021 the Group earned revenue from related parties for IT and administrative services.

2 Other operating income

	2022 €'000	2021 €'000
CINEA grant income	(1,934)	903
NZIP income	175	–
Rental income	50	–
Total Other operating income	(1,709)	903

2.1 CINEA grant income

In December 2019 Corre Energy Storage B.V. was successful with a grant application it had submitted to the European Innovation and Networks Executive Agency (now the European Climate, Infrastructure and Environment Agency, CINEA). In the grant agreement that followed a 40% prefinancing amount of €1,774,000 was received in March 2020.

Subsequently the Covid global pandemic began. Like other businesses around the world the Group had to adapt to new working conditions which presented many challenges, including to communication and collaboration. Corre Energy Storage B.V. submitted a grant reclaim in Q3 2022 which was rejected as not all requirements were met to receive the funds. A challenge was rejected and the co-financing amount was reduced with no further grant funding received. Therefore some income previously recognised, including amounts accrued but not yet received, has been reversed in the statement of comprehensive income in 2022.

The reduction in the co-financing amount will be paid in 24 equal monthly instalments of €55,000 including interest beginning in December 2022.

2.2 NZIP income

In 2022 Corre Energy Ltd received €175,000 from the UK Government's Department for Business, Energy & Industrial Strategy (BEIS) for its work on Phase 1 of the Longer Duration Energy Storage Demonstration Programme, part of the Net Zero Innovation Portfolio (NZIP).

2.3 Rental income

The Group received rental income for office space provided to Gibson Watts Limited, a company controlled by Darren Green, a Director. See note 18 for further information.

Strategic Report
Governance
Financial Statements

3 Employee expenses

	2022 €'000	2021 €'000
Salaries	**4,839**	1,907
Pension costs	**286**	48
Social security costs	**510**	220
Other benefits	**127**	8
Capitalised staff costs	**(713)**	(247)
Staff costs	**5,049**	1,936
Management Fees	**451**	720
Contractor costs	**93**	1
Other employee expenses	**30**	5
	5,623	2,662

Capitalised staff costs represent the value of staff costs capitalised to caverns under construction as part of the ZW1 and GHH projects.

The average number of full-time equivalent employees during the period is broken down below.

	2022	2021
Corre Energy Storage B.V.	**1**	1
Corre Energy Ltd	**26**	13
Corre Energy Storage Limited	**7**	5
Corre Energy ApS	**3**	–
Total	**37**	19

The Group operates defined contribution pension schemes, and as such the commitment to the participating employees consists of paying any outstanding contribution. Participation in the pension scheme is optional, employees are automatically enrolled but can choose to opt out.

4 Project costs

Project costs represent amounts spent on projects that are not capitalisable due to their stage of development. Costs relating to the GHH project in Denmark were capitalised from July 2022, so the below table includes costs relating to the GHH project for the first half of 2022.

	2022	2021
Commercial Development	**120**	7
Planning and Permitting	**46**	–
Engineering Design, Surface and Caverns	**90**	–
Project Management	**40**	–
Project Legals	**32**	–
	328	7

Notes to the consolidated financial statements continued

5 Other administrative expenses

	2022 €'000	2021 €'000
Legal & professional costs	**5,557**	4,144
Travel costs	**708**	259
Recruitment costs	**152**	93
IT costs	**192**	87
Office costs	**330**	52
Marketing & Communications costs	**39**	92
Other operating expenses	**51**	81
	7,029	4,809

Included in legal and professional costs are the following amounts payable to the auditor, Blue Line Accountants B.V.:

	2022 €'000	2021 €'000
Financial statements audit	**94**	47
Other audit services	**10**	32
	104	79

Fees for financial statements audit comprise the audit of the financial statements of the Company and its subsidiary Corre Energy Storage B.V.. Fees for other audit services comprise review of related party transactions in 2022 and special purpose financial statements in 2021.

6 Finance expense

	2022 €'000	2021 €'000
Interest and similar expenses	**1,058**	24
Option revaluation	**18,352**	933
Foreign exchange losses	**162**	74
	19,572	1,031

The option revaluation charge relates to the equity linked funding agreement with Italian Energy Efficiency Fund II (IEEF II). See note 13 for further information on the agreement.

7 Corporation tax

7.1 Income tax recognised in statement of comprehensive income

	2022 €'000	2021 €'000
Corporation tax to pay	**(3)**	(4)
Deferred tax income	**4,047**	3,657
	4,044	3,653

There is no income tax relating to foreign exchange differences on translation of foreign operations, which are recognised in other comprehensive income.

7.2 Current tax receivable and payable

	2022 €'000	2021 €'000
Other taxes receivable	**382**	222
Corporate tax payable	**1**	4
Other taxes payable	**238**	84
	239	88

In the balance sheet other taxes receivable are included in receivables, prepayments and accrued income, and other taxes payable are included in other current liabilities.

7.3 Reconciliation of effective tax rate

	2022 €'000	2021 €'000
Loss before tax	**34,261**	7,600
Statutory tax rate	**25.6%**	25.2%
Tax at statutory tax rate	**8,768**	1,915
Deferred tax assets recognised in respect of prior years	**–**	442
Deferred tax assets recognised in respect of capital expenditure	**498**	990
Deferred tax assets not recognised	**(159)**	314
Expenses not recognised in accounting records	**190**	314
Non-taxable income	**(499)**	233
Expenses not deductible	**(4,735)**	(241)
Other differences	**(19)**	–
Effective tax amount	**4,044**	3,653

The statutory tax rate of 25.6% (2021: 25.2%) has been calculated taking into account the statutory tax rates in the Netherlands, Denmark, the UK, the Republic of Ireland and Delaware, USA.

The reconciling items are explained as follows:

- A deferred tax asset exists in respect of differences in the accounting value and tax basis value of caverns under construction, specifically the ZW1 (ZW1) project. During the period this was adjusted due to changes in CINEA grant income recognised. See note 2 for further information.
- No deferred tax asset has been recognised for the losses of Corre Energy US Development Company LLC due to its early stage of development.
- Expenses not recognised in the accounting records are incremental costs directly attributable to equity raising, which have been accounted for as a deduction from equity.
- Non-taxable income is grant income, which for the purpose of the tax computation is offset against caverns under construction. During the period this was adjusted due to changes in CINEA grant income recognised. See note 2 for further information.
- Expenses not deductible represents the cost of revaluation of the options contained in the equity linked funding agreement with IEEF II. See note 6 for further information.

Notes to the consolidated financial statements continued

7.4 Deferred tax assets

Deferred tax assets have arisen due to temporary differences attributable to tax losses. The Group is largely pre-revenue with high initial development expenditure in early years. The Directors have performed tax planning and consider it probable based on profit forecasts that future taxable profits will be generated against which tax losses can be utilised.

A deferred tax asset has also arisen due to differences in the accounting value and tax basis value of caverns under construction, specifically the ZW1 project.

The deferred tax asset may be analysed as follows:

	Tax losses carried forward €'000	Caverns under construction €'000	Total €'000
At 1 March 2021	–	–	–
Credited to the income statement	2,667	990	3,657
At 31 December 2021	2,667	990	3,657
Credited to the income statement	3,549	498	4,047
At 31 December 2022	**6,216**	**1,488**	**7,704**

No deferred tax asset was recognised at acquisition of any subsidiary.

8 Intangible fixed assets

The movement in intangible fixed assets is as follows:

	Cavern options €'000
Cost and Net book value	
At 1 March 2021	–
Additions	618
At 31 December 2021	618
Additions	–
At 31 December 2022	**618**

Cavern options represent the cost of entering into a contract with Nouryon Salt B.V., which forms part of the Nobian group (hereafter referred to as Nobian), to develop caverns for the purpose of the energy storage business in the Netherlands and Denmark. These contracts are exclusive, preventing the Group or Nobian from entering into discussions concerning CAES projects in the Netherlands or Denmark with any other party.

These are held as intangible assets until such time as a project reaches a capitalisable stage of development, at which point these are transferred to tangible assets as caverns under construction. Cavern options are not in use, therefore they are not amortised.

During 2021 the Group acquired the rights to four sites that have not yet reached capitalisation from its related party Corre Energy Limited, a company controlled by Darren Green, a director.

9 Tangible fixed assets

The movement in tangible fixed assets is as follows:

	Caverns under construction €'000	Furniture €'000	IT equipment €'000	Total €'000
Cost				
At 1 March 2021	–	–	–	–
Acquired through business combination	3,159	–	–	3,159
Additions	2,065	3	39	2,107
At 31 December 2021	5,224	3	39	5,266
Additions	6,738	–	33	6,771
At 31 December 2022	11,962	3	72	12,037
Accumulated depreciation				
At 1 March 2021	–	–	–	–
Charge for the period	–	0	5	5
At 31 December 2021	–	0	5	5
Charge for the period	–	1	19	20
At 31 December 2022	–	1	24	25
Net book value at 31 December 2022	**11,962**	**2**	**48**	**12,012**

Caverns under construction comprises costs that are directly attributable to development or construction of caverns for use in the energy storage business. These are not depreciated but are reviewed for indicators of impairment at each reporting date.

Notes to the consolidated financial statements continued

10 Leases

Leases with a contractual term of less than one year and/or a value less than €5,000 are considered short term and/or leases of low value items. The Group has elected not to recognise right of use assets and lease liabilities for these leases. Apart from these the Group leases cars in the Netherlands and Ireland and offices in the UK and Denmark.

Information about leases is presented below.

10.1 Lease right of use assets

	Vehicles €'000	Offices €'000	Total €'000
Cost			
At 1 March 2021	–	–	–
Additions	109	–	109
At 31 December 2021	109	–	109
Additions	117	341	458
At 31 December 2022	226	341	567
Accumulated depreciation			
At 1 March 2021	–	–	–
Charge for the period	10	–	10
At 31 December 2021	10	–	10
Charge for the period	30	10	40
At 31 December 2022	40	10	50
Net book value at 31 December 2022	**186**	**331**	**517**

10.2 Lease liabilities

	2022 €'000	2021 €'000
Current	**210**	22
Non-current	**294**	78
	504	100

10.3 Amounts recognised in the statement of comprehensive income

	2022 €'000	2021 €'000
Interest on lease liabilities	**11**	3
Depreciation of right of use assets	**(40)**	10
Short-term lease expenses	**236**	187
	207	200

10.4 Amounts recognised in the cash flow statement

The total cash outflow for leases in the period was €372,000 (2021: €211,000).

11 Cash

	2022 €'000	2021 €'000
Cash	**3,432**	13,375
	3,432	13,375

All cash is held in on demand facilities and is at free disposal. The Group has no current account credit facilities with its banks.

12 Receivables, prepayments and accrued income

Amounts falling due within one year:

	2022 €'000	2021 €'000
Accrued grant income	**–**	164
Receivables from participating interests	**8,363**	1,466
Receivables from other related parties	**12**	16
Prepayments	**921**	698
Taxes receivable	**382**	238
	9,678	2,582

See note 7 for information on items included in taxes receivable and note 18 for information on items included in receivables from participating interests and receivables from other related parties.

Prepayments includes €383,000 (2021: €383,000) of legal and advisory costs incremental to obtaining a loan facility with Infracapital, this facility is described in note 21.3. When the loan is drawn these costs will be recognised over the life of the loan using the effective interest rate method.

The Directors consider that the carrying amount of receivables, prepayments and accrued income approximates their fair value.

13 Non-current liabilities

	2022 €'000	2021 €'000
IEEF II loan	**30,942**	11,553
N.V. NOM loan	**–**	93
CINEA grant payable	**617**	–
Long-term loans	**31,559**	11,646
Long-term lease liability	**294**	79
Long-term payables to participating interests	**1,845**	1,845

Notes to the consolidated financial statements continued

13.1 IEEF II loan

In June 2021 Corre Energy B.V. entered an equity linked funding agreement with IEEF II. Under the terms of this agreement the Company drew down €3m in June 2021 and €8m in October 2021, with a further €4m or €9m (at the sole discretion of IEEF II) payable at commercial close of the ZW1 project.

No interest shall accrue and be paid on the principal amount of the funding outstanding, unless Corre Energy B.V. is in breach of certain obligations under the equity linked funding agreement, in which case interest is payable at 10%. The principal amount and any accrued interest shall be repaid no later than the funding end date of 30 June 2028.

IEEF II has the option to convert the instruments to shares in Corre Energy B.V. at €1 per share at any point from 12 months after a tranche has paid out to 30 June 2028.

If the Company pays a dividend IEEF II is entitled to receive the same amount per 'share' as if the amount paid by IEEF II under the equity linked funding agreement had been converted to shares at that point in time.

13.2 N.V. NOM loan

This represents amounts due to N.V. NOM, Investerings- en Ontwikkelingsmaatschappij voor Noord-Nederland more than 12 months after the balance sheet date. See note 14 for more information.

13.3 CINEA grant payable

This represents amounts due to CINEA more than 12 months after the balance sheet date. See note 2 for more information.

13.4 Long-term payables to participating interests

This represents amounts payable to Corre Energy Partnership SCSp. See note 18 for further information.

13.5 Fair value

The Directors consider that the fair values of the N.V. NOM loan, CINEA loan repayment and non-current lease liability are not materially different to their carrying amounts, since in all cases the interest payable is close to the current market rate and the value is relatively low.

In accordance with our accounting policies, the embedded derivative in the IEEF II loan is held at fair value, and the host loan is held at amortised cost. The below table compares the fair value of the whole instrument with its carrying value. It is classified as Level 3 in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

	2022 €'000	2021 €'000
IEEF II loan	**32,729**	15,839
Long-term payables to participating interests	**1,517**	1,590

14 Current liabilities

Amounts falling due within one year:

	2022 €'000	2021 €'000
Third party creditors	1,016	765
Payables to related parties	28	58
Trade creditors	1,044	823
Corre Energy Group Holdings C.V.	7,172	1,123
Corre Energy General Partner B.V.	121	–
Payables to participating interests	7,293	1,123
Long-term debt due within 12 months	780	186
Taxes payable	238	88
Deferred income	482	–
Accruals and other liabilities to third parties	1,934	642
Accruals and other liabilities to related parties	23	618
Other current liabilities	3,457	1,534

Long-term debt due within 12 months represents amounts due to N.V. NOM and CINEA. In August 2021 Corre Energy Storage B.V. drew down €360,000 on a loan facility from N.V. NOM, Investerings- en Ontwikkelingsmaatschappij voor Noord-Nederland. The loan is repayable in eight quarterly instalments beginning on 30 September 2021, with interest payable at 3% per annum, therefore the remaining balance is due within 12 months of the balance sheet date. See note 2 for more information on the CINEA grant.

Deferred income represents amounts received under grant agreements that are not yet recognisable in the statement of comprehensive income, including amounts received under the CINEA grant. See note 2 for more information.

For further information on payables to related parties, payables to participating interests and accruals and other liabilities to related parties see note 18.

The Directors consider that the carrying amount of current liabilities approximates their fair value.

Notes to the consolidated financial statements continued

15 Called up share capital

The below table shows the movements in allotted, called up and fully paid ordinary shares of Corre Energy B.V.:

	Number	Nominal value €	Share capital €	Share premium €
At 1 March 2021	100	0.1000	10	–
Capital contribution				742,110
Capital conversion	2,300	0.0045	10	742,110
Issue of share capital	49,997,700	0.0045	224,990	10,004
Initial public offering (IPO)	12,018,846	0.0045	54,085	11,964,761
IPO transaction costs	–	–	–	(1,215,548)
At 31 December 2021	62,018,846	0.0045	279,085	11,501,327
Issued share capital	5,880,498	0.0045	26,462	10,852,459
Share issue transaction costs	–	–	–	(794,240)
At 31 December 2022	**67,899,344**	**0.0045**	**305,547**	**21,559,546**

On 1 March 2021 the Company was incorporated with an initial issued share capital of 100 ordinary shares of €0.10, which were issued to Corre Energy Partnership SCSp.

On 29 March 2021 the Company acquired 100% of the share capital of Corre Energy Storage B.V. as a contribution with an attributed value of €742,110.

On 7 May 2021:

- Corre Energy Partnership SCSp transferred the 100 ordinary shares to Corre Energy Group Holdings C.V. by means of a deed of transfer of shares;
- The Company executed a deed of amendment to its Articles of Association to divide the issued share capital of 100 ordinary shares of €0.10 each into 2,300 ordinary shares of €0.0045 each; and
- The Company issued a further 49,997,700 ordinary shares with a nominal value of €0.0045 each to Corre Energy Group Holdings C.V., which settled these by payment of €234,994, the additional €10,004 above the nominal value being accounted for as share premium.

On 23 September 2021 the Company completed its initial public offering (IPO), issuing 12,018,846 new shares at €1 per share. Incremental costs directly attributable to the IPO that otherwise would have been avoided have been accounted for as a deduction from equity.

On 8 June 2022 the Company issued a further 5,880,498 shares at €1.85 per share, increasing share capital by €26,462 and share premium by €10,058,229 after accounting for costs incremental to the placing.

As documented more fully in note 13, the Company has entered an equity linked funding arrangement with IEEF II. Under the terms of this agreement IEEF II may provide up to €20m of funding, and has the option to convert the funding to shares in Corre Energy B.V. at €1 per share. If the Company pays a dividend IEEF II is entitled to receive the same amount per 'share' as if the amount paid by IEEF II under the equity linked funding agreement had been converted to shares at that point in time.

16 Cameron Barney share options

Included in IPO transaction costs in the statement of changes in equity is €33,000 of cost for share options issued to Cameron Barney LLP (Cameron Barney), a financial advisor. As part of their remuneration for work performed on the IPO Cameron Barney were granted share options in the Company, which will be filled using shares held by the Company's parent, Corre Energy Group Holdings C.V.. This has been recognised as a deduction to share premium and an increase in retained earnings in accordance with the requirements of IFRS 2 and IAS 32.

17 Earnings per share

	2022 € cents	2021 € cents
Basic	**(46.2)**	(9.2)
Diluted	**(14.2)**	(6.4)

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings

	2022 €'000	2021 €'000
Earnings for the purpose of basic earnings per share – Net loss attributable to owners of the Company	**(30,217)**	(3,942)
Effect of dilutive potential ordinary shares: – Finance costs of equity linked funding agreement	**19,388**	945
Earnings for the purpose of diluted earnings per share	**(10,829)**	(2,997)

Number of shares

	2022 Number	2021 Number
Weighted average number of ordinary shares for basic earnings per share	**65,353,813**	42,918,098
Effect of dilutive potential ordinary shares: – Equity linked funding agreement	**11,000,000**	3,770,492
Weighted average number of ordinary shares for diluted earnings per share	**76,353,813**	46,688,590

The equity linked funding agreement with IEEF II, which is described in more detail in note 13, gives rise to potential ordinary shares. These have been included in the determination of diluted earnings per share but not basic earnings per share.

18 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

18.1 Remuneration of key management personnel

The Group's key management personnel are the Executive Directors and Non-Executive Directors. The remuneration of key management personnel is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures, with additional disclosures in the Directors' remuneration report. Note that some key management personnel were remunerated via management companies, and this is included here to improve disclosure.

	2022 €'000	2021 €'000
Short-term employee benefits	**–**	127
Post-employment benefits	**–**	4
Remuneration via group companies	**307**	212
Remuneration via management companies	**422**	270
	729	613

Notes to the consolidated financial statements continued

18.2 Other transactions with related parties

The following other transactions occurred with related parties:

	2022 €'000	2021 €'000
Income		
Sales to entities controlled by key management personnel	–	5
Other income from entities controlled by key management personnel	50	–
Purchases		
Reimbursement of expenses	59	31
Purchases of services from participating interests	4,732	3,113
Purchases of services from other entities controlled by key management personnel	321	1,191
Capital purchase from other entity controlled by key management personnel	–	618

Other income from entities controlled by key management personnel represents rental income for office space leased to Gibson Watts Ltd, a company controlled by Darren Green, a Director.

Purchases of services from participating interests represent the following services acquired from the Company's parent, Corre Energy Group Holdings C.V.:

- Consultancy and management services;
- Recruitment services;
- IT services; and
- Use of office space.

Corre Energy Group Holdings C.V. is the head office of the wider group and as such incurs the majority of corporate costs, either on its own account or through its general partner Corre Energy General Partner B.V.. Invoiced costs relating to activities of the Group are recharged to Group companies at cost with no mark-up. Staff costs relating to activities of the Group are recharged with a small mark-up, appropriate to compensate Corre Energy Group Holdings C.V. for its work performed.

During the period the Group acquired the following services from Procorre UK Ltd and Gibson Watts UK Ltd, companies controlled by Darren Green, a Director:

- Marketing and social media services; and
- Recruitment services and provision of consultants.

In 2021 the capital purchase from other entities controlled by key management personnel is the purchase of cavern options from Corre Energy Limited, a company controlled by Darren Green, a Director.

18.3 Balances with related parties

At the end of the period the following balances were outstanding with related parties:

	2022 €'000	2021 €'000
Current receivables:		
– Participating interests	**8,363**	1,466
– Companies controlled by key management personnel	**12**	16
Current payables:		
– Payables to key management personnel	**–**	30
– Payables to companies controlled by key management personnel	**28**	28
– Payables to participating interests	**7,293**	1,123
– Accruals and other liabilities to key management personnel	**72**	–
– Accruals and other liabilities to companies controlled by key management personnel	**–**	618
Loans from related parties:		
– Participating interests	**1,845**	1,845

Receivables from participating interests comprises €4,601,000 due from Corre Energy Group Holdings C.V., the Company's immediate parent, and €3,640,000 due from Corre Energy General Partner B.V., which is Corre Energy Group Holdings C.V.'s general partner. No interest is payable on these amounts and there are no repayment schedules.

Payables to participating interests represents amounts payable to Corre Energy Group Holdings C.V. resulting from purchases of services described in note 18.2. No interest is payable on this amount and there is no repayment schedule.

Loans from participating interests represents amounts payable to Corre Energy Partnership SCSp under the following facilities:

- On 28 March 2021, Corre Energy Partnership SCSp provided Corre Energy Storage B.V. with an interest free shareholder loan in the amount of €1,800,000. At the balance sheet date €1,600,000 was outstanding. The loan has a term of five years and is repayable in full at the end of the term or as the parties may otherwise agree.
- On 19 April 2021 Corre Energy Partnership SCSp provided the Company with an interest free shareholder loan in the amount of €500,000. At the balance sheet date €245,000 was outstanding. The latest date for full repayment of this loan is 30 April 2026 unless otherwise agreed by the parties.

19 Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

The Group's financial risk management is controlled by Finance under policies approved by the Board of Directors. Finance identifies, evaluates and manages financial risks in close cooperation with other teams across the Group as required, reporting risk exposures and actions to the Board. The key financial risks facing the Group are market risk (including foreign exchange risk and interest rate risk) and liquidity risk.

Notes to the consolidated financial statements continued

19.1 Market risk

19.1.1 Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk, primarily from UK Pounds Sterling (GBP). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity.

The Group's balance sheet exposure to foreign exchange risk at the end of the period, expressed in Euro, was as follows:

	2022		
	GBP €'000	**DKK €'000**	**USD €'000**
Cash	**547**	**46**	**66**
Receivables, prepayments and accrued income	**78**	**3**	**–**
Trade creditors	**(119)**	**(141)**	**(2)**
Other current liabilities	**(288)**	**(255)**	**(35)**

	2021		
	GBP €'000	DKK €'000	USD €'000
Cash	14	7	2
Receivables, prepayments and accrued income	11	6	–
Trade creditors	(49)	(61)	–
Other current liabilities	(103)	–	–

The aggregate foreign exchange loss recognised in the statement of comprehensive income was €162,000 (2021: €74,000).

The sensitivity of profit or loss to changes in exchange rates arises primarily from GBP denominated salaries and supplier costs. The impact on pre-tax loss of an increase or decrease of 10% in the Euro/GBP exchange rate would have been €568,000 increase or decrease respectively (2021: €314,000).

19.1.2 Interest rate risk

The Group has no borrowings or deposits that are directly exposed to changes in interest rates, therefore profit or loss is not directly affected by higher or lower interest cost as a result of changes in interest rates.

19.2 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations as they fall due.

Developing projects requires large amounts of funding to be raised and spent to reach milestones that unlock further liquidity. In some cases these milestones are formally agreed with funding providers, and in other cases these are the milestones that management judge to be most important. Funding comes from a variety of sources including institutional investors, high net worth individuals, individual small shareholders and grants.

The Directors are ultimately responsible for liquidity management, with day-to-day management performed by Finance. The key controls to manage liquidity risk are robust budgeting and purchase approval processes, and the Directors monitor key liquidity risk metrics including comparison of cash flow with budget and review of downside forecasts.

The following table sets out the earliest possible contractual maturities of the Group's financial liabilities and financial assets. Deferred tax assets are shown in the period that the Directors expect them to reverse.

	2022					
	Carrying amount €'000	**Contractual cash flows €'000**	**< 1 year €'000**	**1 to 2 years €'000**	**2 to 5 years €'000**	**> 5 years €'000**
Deferred tax assets	**7,704**	**7,704**	**–**	**58**	**–**	**7,646**
Other receivables, prepayments and accrued income	**9,678**	**9,678**	**9,678**	**–**	**–**	**–**
Cash	**3,432**	**3,432**	**3,432**	**–**	**–**	**–**
Total inflows	**20,814**	**20,814**	**13,110**	**58**	**–**	**7,646**
Long-term loans	**32,339**	**12,397**	**780**	**617**	**–**	**11,000**
Lease liability	**504**	**551**	**233**	**223**	**95**	**–**
Trade creditors	**1,044**	**1,044**	**1,044**	**–**	**–**	**–**
Payables to participating interests	**9,138**	**9,138**	**7,293**	**–**	**1,845**	**–**
Other current liabilities	**2,469**	**2,469**	**2,469**	**–**	**–**	**–**
Total outflows	**45,494**	**25,599**	**11,819**	**840**	**1,941**	**11,000**

	2021					
	Carrying amount €'000	Contractual cash flows €'000	< 1 year €'000	1 to 2 years €'000	2 to 5 years €'000	> 5 years €'000
Deferred tax assets	3,657	3,657	16	2,362	314	965
Other receivables, prepayments and accrued income	2,566	2,566	2,566	–	–	–
Cash	13,375	13,375	13,375	–	–	–
Total inflows	19,598	19,598	15,957	2,362	314	965
Long-term loans	11,832	11,279	186	93	–	11,000
Lease liability	100	146	35	35	76	–
Trade creditors	823	823	823	–	–	–
Payables to participating interests	2,968	2,968	1,123	–	1,845	–
Other current liabilities	1,534	1,534	1,534	–	–	–
Total outflows	17,257	16,750	3,701	128	1,921	11,000

Notes to the consolidated financial statements continued

19.3 Credit risk

The Group's exposure to credit risk arises from holdings of cash, and if a counterparty fails to meet its contractual obligations.

The Group's primary objective when managing credit risk from its holdings of cash is to minimise the risk of a loss of capital and eliminate loss of liquidity having a detrimental effect on the business. Of the Group's year-end cash holding of €3,432,000, €1,857,000 was held with Coöperatieve Rabobank U.A., which has a credit rating of A+ (Fitch) and €1,351,000 was held with UBS Switzerland AG, which has a credit rating of AA- (Fitch). All funds are instant access.

Receivables at the period end relate to Group companies and related parties. The Directors therefore have good insight into the creditworthiness of these counterparties, and do not consider that they add significantly to the Group's credit risk exposure. All trade receivables are due within the agreed credit terms for the current period and preceding year and are consequently stated at cost.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. To measure expected credit losses, receivables are analysed based on their credit risk characteristics including days past due to determine a suitable historical loss rate. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors that the Group considers could affect the ability of its customers to settle the receivables. Following this approach, the Group has not recognised a loss allowance for receivables.

20 Capital management

The Company's capital comprises ordinary shares which carry one vote each. The shares are entitled to dividends when declared.

Under the terms of the equity linked funding agreement entered into with IEEF II described more fully in note 13, if the Company pays a dividend IEEF II is entitled to receive the same amount per 'share' as if the amount paid by IEEF II under the terms of the equity linked funding agreement had been converted to shares at that point in time.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business, ultimately providing returns for shareholders and benefits for other stakeholders.

The Group is not subject to any externally imposed capital requirements.

21 Commitments

21.1 Capital commitments

Capital expenditure that has been contracted but not provided for in the financial statements amounts to €187,000 as at 31 December 2022 (2021: €428,000), in respect of caverns under construction.

21.2 Cavern development agreement

The Group has entered into a series of agreements with Nouryon Salt B.V., which forms part of the Nobian group and is hereafter referred to as Nobian. These give the Group exclusive access to salt caverns in Denmark and the Netherlands for CAES and/or hydrogen storage projects, and set out the terms of development of the ZW1 project.

Under the cavern development agreement the Group is liable for the costs of abandonment of the ZW1 cavern from the point that the cavern is handed over by the supplier, with the exception of any liabilities attributable to historical activities of the supplier. At the balance sheet date the cost of abandonment is €nil, so no allowance has been made.

The cavern development agreement also includes extensive provisions which apply in the event of termination, including in situations where Corre Energy fails to deliver according to the contract or is unable to continue as party to the contract. These include relinquishment of the mining and/or storage licence to Nobian free of charge if co-held by Corre Energy at the time of termination and payment of liquidated damages to Nobian equal to €10m minus all fees paid and increased with costs incurred in abandoning the first CAES cavern.

21.3 Infracapital agreement

The Company entered into a non-binding heads of terms in March 2021 with Infracapital Greenfield Partners II (Infracapital) documenting the terms on which the parties propose to jointly develop the ZW1 project, subject to the satisfaction of certain milestones by the Company.

Under the proposed terms Infracapital will fund the project to reach financial close. At financial close Infracapital will have exclusive rights to acquire a majority stake in the project through acquisition of shares in Corre Energy Storage B.V., and the exclusive right and obligation to fund 100% of the projected construction costs of the project through commitments for ordinary equity and/or shareholder loans (of up to €276.2m) at a proposed rate of 10% per annum. The Company will retain a significant minority shareholding in Corre Energy Storage B.V.

21.4 Lease commitments

Note 19 shows the undiscounted commitment for lease payments for vehicles recognised as a lease liability on the balance sheet, totalling €551,000.

21.5 Other commitments

The Group has no significant commitments other than those listed above.

22 Events after the reporting period

On 3 February 2023 the Company created a Long-Term Incentive Plan (LTIP) for employees of the Group and participating interests. Under the LTIP the Company issued the following options over its shares:

- On 3 February 2023, 345,000 options to purchase shares for €0.0045 per share, vesting on 3 February 2025;
- On 27 February 2023, 145,000 options to purchase shares for €0.0045 per share, vesting on 27 February 2026; and
- On 22 March 2023, 30,000 options to purchase shares for €0.0045 per share, vesting on 22 March 2026.

On 22 February 2023 the Company issued a further 2,561,798 shares at €3.50 per share, increasing share capital by €11,528 and share premium by €8,416,346 after accounting for costs incremental to the placing.

Parent company balance sheet

at 31 December 2022

	Note	2022 €'000	2021 €'000
Assets			
Non-current assets			
Intangible fixed assets	23	**618**	618
Lease right of use assets	24	**53**	–
Participations	25	**66**	219
Deferred tax assets	40	**1,429**	682
Total non-current assets		**2,166**	1,519
Current assets			
Receivables from participations	26	**8,976**	4,870
Receivables from participating interests	27	**8,197**	2,504
Receivables and prepayments	28	**395**	392
Cash	29	**2,126**	13,318
Total current assets		**19,694**	21,084
Total assets		**21,860**	22,603
Equity			
Share capital	30	**306**	279
Share premium	30	**21,560**	11,501
Retained earnings		**(33,468)**	(3,250)
Foreign currency translation		**70**	(4)
Total equity		**(11,531)**	8,526
Provisions	31	**1,477**	1,016
Non-current liabilities			
Long-term loans	32	**30,942**	11,553
Long-term lease liability	24	**43**	–
Payables to participating interests	33	**245**	245
Total non-current liabilities		**31,230**	11,798
Current liabilities			
Trade creditors	34	**334**	371
Other current liabilities	34	**352**	892
Total current liabilities		**686**	1,263
Total equity and liabilities		**21,860**	22,603

Parent company statement of comprehensive income

for the period ended 31 December

	Note	2022 €'000	2021 €'000
Revenue	35	**438**	175
Expenses			
Management costs	36	**(203)**	(500)
Project costs	37	**(166)**	–
Other Administrative expenses	38	**(1,190)**	(982)
Operating result		**(1,121)**	(1,307)
Finance expense	39	**(19,392)**	(1,504)
Result before tax		**(20,513)**	(2,361)
Tax	40	**747**	682
Result of participating interests	25	**(10,451)**	(2,268)
Result after tax		**(30,217)**	(3,947)

Parent company statement of changes in equity

for the period ended 31 December

	Share capital €'000	Share premium €'000	Retained earnings €'000	Foreign currency translation €'000	Total €'000
Incorporation on 1 March 2021	0	–	–	–	0
Capital contribution	–	742	–	–	742
Issue of share capital	225	10	–	–	235
Acquisition of subsidiaries	–	–	664	–	664
Initial public offering (IPO)	54	11,965	–	–	12,019
IPO transaction costs	–	(1,216)	33	–	(1,183)
Total comprehensive income	–	–	(3,947)	–	(3,947)
Foreign currency translation on subsidiary results	–	–	–	(4)	(4)
At 31 December 2021	279	11,501	(3,250)	(4)	8,526
Issue of share capital	26	10,852	–	–	10,878
Share issue transaction costs	–	(794)	–	–	(794)
Total comprehensive income	–	–	(30,217)	–	(30,217)
Foreign currency translation on subsidiary results	–	–	–	74	74
At 31 December 2022	**306**	**21,560**	**(33,467)**	**70**	**(11,531)**

Accounting policies

1 General

The Company financial statements are included in the consolidated financial statements.

The description of the Company's activities and the group structure as included in the notes to the consolidated financial statements also apply to the Company-only statutory Dutch GAAP financial statements, unless otherwise stated.

2 Basis of preparation

The Company financial statements have been prepared in accordance with the provisions of Part 9, Book 2, of the Dutch Civil Code. The Company uses the option of Article 362.8 of Part 9, Book 2, of the Dutch Civil Code to prepare the Company financial statements using the same accounting policies as in the consolidated financial statements. Valuation is based on recognition and measurement requirements of IFRS as adopted by the EU as explained in the notes to the consolidated financial statements.

3 Financial fixed assets

Participating interests in Group companies are measured using the net equity value method, but not lower than zero. The net capital value is calculated based on the accounting policies of Corre Energy B.V.

Participating interests with a negative net capital value are valued at zero. If the Company guarantees (wholly or partially) debts of the participating interest concerned, a provision is created for the value of claims against this participating interest.

On acquisition, the difference between net asset value and acquisition price is recognised as a value increase or decrease in the investment, directly in retained earnings.

Notes to the parent company financial statements

23 Intangible fixed assets

	Cavern options €'000
Cost and Net book value	
At 1 March 2021	–
Additions	618
At 31 December 2021 and 31 December 2022	**618**

Information on cavern options can be seen in note 8 to the consolidated financial statements.

24 Leases

Right of use assets	Vehicles €'000
Cost	
At 1 March 2021 and 31 December 2021	–
Additions	64
At 31 December 2022	64
Accumulated depreciation	
At 1 March 2021 and 31 December 2021	–
Charge for the period	11
At 31 December 2022	11
Net book value at 31 December 2022	**53**

Lease liabilities

	2022 €'000	2021 €'000
Current	**12**	–
Non-current	**43**	–
	55	–

25 Participations

The movement in participations in the period is as follows:

	Corre Energy Storage B.V. €'000	Corre Energy ApS €'000	Corre Energy Ltd €'000	Corre Energy Storage Limited €'000	Corre Energy US LLC €'000	Corre Energy US Development Company LLC €'000	Total €'000
At 1 March 2021	–	–	–	–	–	–	–
Investments	743	5	0	0	–	–	748
Value increases/(decreases)	670	(8)	2	–	–	–	664
Share in result	(1,222)	(1,026)	(48)	28	–	–	(2,268)
Foreign currency translation	–	(0)	(4)	–	–	–	(4)
	191	(1,029)	(50)	28	–	–	(860)
Offset against intercompany receivables	–	13	50	–	–	–	63
Provision	–	1,016	0	–	–	–	1,016
At 31 December 2021	191	0	0	28	–	–	219
Share in result	(8,263)	(1,366)	(244)	38	–	(617)	(10,451)
Foreign currency translation	–	(1)	67	–	–	8	74
	(8,072)	(1,367)	(177)	66	–	(610)	(10,160)
Offset against intercompany receivables	8,072	1,166	177	–	–	350	9,765
Provision	0	201	0	–	–	260	461
At 31 December 2022	**0**	**0**	**0**	**66**	**–**	**0**	**66**

For disclosure of significant participating interests see accounting policy 6.1 to the consolidated financial statements.

Strategic Report

Governance

Financial Statements

Notes to the parent company financial statements continued

26 Receivables from participations

	Corre Energy Storage B.V. €'000	Corre Energy ApS €'000	Corre Energy Ltd €'000	Corre Energy Storage Limited €'000	Corre Energy US LLC €'000	Corre Energy US Development Company LLC €'000	Total €'000
At 1 March 2021	–	–	–	–	–	–	–
Additions	2,710	13	1,538	672	–	–	4,933
	2,710	13	1,538	672	–	–	4,933
Offset against losses of subsidiary	–	(13)	(50)	–	–	–	(63)
At 31 December 2021	2,710	–	1,488	672	–	–	4,870
Additions	6,133	1,166	5,115	1,107	–	350	13,871
	8,843	1,166	6,603	1,779	–	350	18,741
Offset against losses of subsidiary	(8,072)	(1,166)	(177)	–	–	(350)	(9,765)
At 31 December 2022	**771**	**–**	**6,426**	**1,779**	**–**	**–**	**8,976**

No interest has been calculated. There is no repayment schedule and there are no guarantees agreed.

27 Receivables from participating interests

	2022 €'000	2021 €'000
Corre Energy Group Holdings C.V.	**4,602**	1,287
Corre Energy General Partner B.V.	**3,595**	967
Corre Energy Partnership SCSp	**–**	250
	8,197	2,504

No interest has been calculated. There is no repayment schedule and there are no guarantees agreed.

28 Receivables and prepayments

Amounts falling due within one year:

	2022 €'000	2021 €'000
Prepayments	**357**	286
Receivables from related parties	**5**	–
Taxes receivable	**33**	106
	395	392

Receivables from related parties represents amounts due from Corre Energy Limited, a company registered in Malta and ultimately controlled by Darren Green, a director.

29 Cash

	2022 €'000	2021 €'000
Cash	**2,126**	13,318

All cash is held in on demand facilities and is at free disposal. The Company has no current account credit facilities with its bank.

30 Equity

30.1 Movement

The below table shows the movements in allotted, called up and fully paid ordinary shares of Corre Energy B.V.:

	Number	Nominal value €	Share capital €	Share premium €
At March 2021	100	0.1000	10	–
Capital contribution	–	–	–	742,110
Capital conversion	2,300	0.0045	10	742,110
Issued share capital	49,997,700	0.0045	224,990	10,004
Initial public offering (IPO)	12,018,846	0.0045	54,085	11,964,761
IPO transaction costs	–	–	–	(1,215,548)
At 31 December 2021	62,018,846	0.0045	279,085	11,501,327
Issue of share capital	5,880,498	0.0045	26,462	10,438,404
IPO transaction costs	–	–	–	(380,187)
At 31 December 2022	**67,899,344**	**0.0045**	**305,547**	**21,559,544**

On 1 March 2021 the Company was incorporated with an initial issued share capital of 100 ordinary shares of €0.10, which were issued to Corre Energy Partnership SCSp.

On 29 March 2021 the Company acquired 100% of the share capital of Corre Energy Storage B.V. as a contribution with an attributed value of €742,110.

On 7 May 2021:

- Corre Energy Partnership SCSp transferred the 100 ordinary shares to Corre Energy Group Holdings C.V. by means of a deed of transfer of shares;
- The Company executed a deed of amendment to its Articles of Association to divide the issued share capital of 100 ordinary shares of €0.10 each into 2,300 ordinary shares of €0.0045 each; and
- The Company issued a further 49,997,700 ordinary shares with a nominal value of €0.0045 each to Corre Energy Group Holdings C.V., which settled these by payment of €234,990, the additional €10,004 above the nominal value being accounted for as share premium.

On 23 September 2021 the Company completed its initial public offering (IPO), issuing 12,018,846 new shares at €1 per share. Incremental costs directly attributable to the IPO that otherwise would have been avoided have been accounted for as a deduction from equity.

On 8 June 2022 the Company issued a further 5,880,498 shares at €1.85 per share, increasing share capital by €26,462 and share premium by €10,058,229 after accounting for costs incremental to the placing.

Notes to the parent company financial statements continued

As documented more fully in note 13 to the consolidated financial statements, the Company has entered into an equity linked funding arrangement with Italian Energy Efficiency Fund II (IEEF II), an Italian reserved alternative investment fund set up and managed by Fondo Italiano per L'Efficienza Energetica SGR S.P.A. (FIEE). Under the terms of this agreement IEEF II may provide up to €20m of funding, and has the option to convert the funding to shares in Corre Energy B.V. at €1 per share. If the Company pays a dividend IEEF II is entitled to receive the same amount per 'share' as if the amount paid by IEEF II under the equity linked funding agreement had been converted to shares at that point in time.

30.2 Provisions of the Articles of Association relating to profit appropriation

As per the Articles of Association the result is at disposal of the General Meeting of Shareholders.

30.3 Recognition of the loss for the period

The Directors propose to deduct the result for the period of €30,217,000 from other reserves.

The General Meeting of Shareholders will be asked to approve the appropriation of the 2022 result, this proposition is already recognised in the financial statements.

31 Provision for subsidiary results

The movement in the provision is shown below.

	Provision for subsidiary results €'000
At 1 March 2021	–
Provision movement	1,016
At 31 December 2021	1,016
Provision movement	461
At 31 December 2022	**1,477**

32 Long-term loans

	2022 €'000	2021 €'000
IEEF II loan	**30,942**	11,553

The details of this loan can be seen in note 13 to the consolidated financial statements.

33 Payables to participating interests

	2022 €'000	2021 €'000
Corre Energy Partnership SCSp	**245**	245

On 19 April 2021 Corre Energy Partnership SCSp provided the Company with an interest free shareholder loan in the amount of €500,000. At the balance sheet date €245,000 was outstanding. The latest date for full repayment of this loan is 30 April 2026 unless otherwise agreed by the parties.

34 Current liabilities

Amounts falling due within one year:

	2022 €'000	2021 €'000
Trade creditors	**334**	371
Accruals and other liabilities	**332**	892
Deferred grant income	**20**	–
	684	1,263

35 Revenue

	2022 €'000	2021 €'000
Service charge	**228**	175
Project development consultancy	**210**	–
	438	175

Revenue is derived from management charges to subsidiaries for director services, marketing services and project development consultancy services.

36 Management costs

	2022 €'000	2021 €'000
Management fees	**107**	432
Contractor costs	**96**	55
Other management costs	**–**	13
	203	500

Management fees represent the cost of key management personnel that are invoiced to the Company.

The Company had no employees during year (2021: none).

37 Project costs

	2022 €'000	2021 €'000
Commercial Development	**55**	–
Planning and Permitting	**7**	–
Engineering Design, Surface and Caverns	**37**	–
Project management	**40**	–
Project Legals	**27**	–
	166	–

Notes to the parent company financial statements continued

38 Other administrative expenses

	2022 €'000	2021 €'000
Legal & professional costs	**404**	869
Travel costs	**1**	8
Recruitment Costs	**71**	12
IT costs	**19**	8
Office costs	**–**	2
Marketing & communications costs	**14**	50
Other Administrative expenses	**681**	33
	1,190	982

Included in Legal and professional costs are the following amounts payable to the auditor, Blue Line Accountants B.V.:

	2022 €'000	2021 €'000
Financial statements audit	**86**	35
Other audit services	**10**	20
	96	55

Fees for financial statements audit comprise the audit of the financial statements. Fees for other audit services comprise review of related party relationships.

39 Finance expense

	2022 €'000	2021 €'000
Interest and similar expenses	**1,040**	18
Option revaluation	**18,352**	933
Foreign exchange losses	**–**	103
	19,392	1,054

The option revaluation charge relates to the equity linked funding agreement with IEEF II. See note 13 to the consolidated financial statements for further information on the agreement.

40 Corporation tax

The Company and its subsidiary Corre Energy Storage B.V. have formed a fiscal unity for corporate income tax in the Netherlands as of 29 March 2021, as a result the Company is liable for future corporate income tax liabilities of Corre Energy Storage B.V. However, at the balance sheet date Corre Energy Storage B.V. does not have a corporate income tax liability.

Tax in the statement of comprehensive income relates to creation of deferred tax assets due to losses carried forward.

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Corre Energy
Corre Energy B.V.
Helperpark 278-3
9723 ZA
Groningen
The Netherlands
Tel: +31 50 799 5060
www.corre.energy