Leaf Clean Energy Company

Interim Report

For the half year ended 31 December 2017

CONTENTS

Management and administration

Directors	Mark Lerdal (executive chairman) Stephen Coe (non-executive director) Peter O'Keefe (non-executive director)	**Solicitors**	Gowling WLG 4 More London Riverside London SE1 2AU Wilson Sonsini Goodrich & Rosati 1700 K Street, NW Fifth Floor Washington, D.C. 20006-3817 USA
Administrator	EPE Administration Limited Audrey House 16-20 Ely Place London EC1N 6SN	**Registered Office**	PO Box 309 Ugland House George Town Grand Cayman KY1-1104 Cayman Islands
Nominated Advisor and Broker	Cenkos Securities plc 6.7.8 Tokenhouse Yard London EC2R 7AS		
Auditors	KPMG PO Box 493 Century Yard, Cricket Square Grand Cayman KY1-1106 Cayman Islands		
Depositary, Registrar	Computershare Investor Services plc P.O. Box 82 The Pavilions Bridgewater Road Bristol BS99 6ZZ		

Biographies of the directors

Mark David Lerdal (executive chairman)

Mark David Lerdal was appointed as chairman of Leaf Clean Energy Company in April 2014. He was also managing director of MP2 Capital, LLC from 2009 to 2015. From September of 2011 to February of 2013, Mr. Lerdal served as president of Hydrogen Energy California, a developer of a carbon capture and sequestration facility. Prior to that time, Mr. Lerdal was a managing director at KKR Finance in its debt securities division. He has been active in the renewable energy business for 30 years as an investor, operating executive and attorney. Mr. Lerdal also serves as a non- executive board member at Trading Emissions, Medley Capital Corporation and Onsite Energy Corporation.

Stephen Charles Coe (non-executive director, chairman of audit committee)

Stephen is currently chairman of TOC Property Backed Lending Trust plc. He is also director (and chairman of the audit committee) of Raven Russia Limited, Weiss Korean Opportunities Fund Limited and Trinity Capital PLC.

He has been involved with offshore investment funds and managers since 1990 with significant exposure to property, debt, emerging markets and private equity investments.

He qualified as a Chartered Accountant with Price Waterhouse Bristol in 1990 and remained in audit practice, specialising in financial services, until 1997. From 1997 to 2003 he was a director of the Bachmann Group of fiduciary companies and Managing Director of Bachmann Fund Administration Limited, a specialist third party fund administration company. From 2003 to 2006 Stephen was a director with Investec in Guernsey and managing director of Investec Trust (Guernsey) Limited and Investec Administration Services Limited. He became self-employed in August 2006 providing services to financial services clients.

Peter O'Keefe (non-executive director)

Peter O'Keefe is a professional in the financial services industry, an advisor to both privately owned & publicly traded companies and an advisor to one of our nation's leading cyber-security consulting companies. He is a recognized national political operative who served as a liaison to the business community in the Clinton White House.

Peter is a director on the board of regulatory compliance services company, Regscan Inc. Previously he worked at Carret Asset Management, a privately-owned investment advisory firm, where he was a registered professional with the National Association of Securities Dealers holding both series 7 and 63 licenses. Peter serves as a member of Leaf Clean Energy Company's audit and remuneration committees.

Chairman's statement

Dear Shareholder:

Leaf Clean Energy Company's (the "Company" or "Leaf") current net asset value ("NAV") on 31 December 2017 was $89.6 million, $1.4 million higher than on 30 June 2017. This change resulted from the comprehensive income for the period, which consisted primarily of an $8.0 million write down of the net deferred tax liability and a $0.6 million gain on revaluation in the carrying value of the portfolio companies, offset in part by a $3.5 million increase in the provision for contingent costs associated with concluding the Invenergy lawsuit and returning cash to the shareholders, $3.0 million of transaction-related costs and $0.8 million of administration expenses. At the end of the period, $2.0 million of Leaf's NAV was held in cash and $102.0 million in investments. NAV per share for the Leaf Group was 75.85 cents or 56.17 pence at the period-end exchange rate of $1.35/£. As reported on September 20, 2017, Leaf borrowed $2,000,000 from three lenders to increase its liquidity and to ensure that Leaf had adequate resources to pursue the litigation against Invenergy. The loan is described in more detail in note 16 of the financial statements.

As is evident from our financial statements, the primary source of returns to shareholders will be derived from Leaf's investment in Invenergy Wind LLC, ("Invenergy"). As previously reported, Leaf brought an action against Invenergy in the Delaware Court of Chancery (the "Court") for breach of contract. In June of 2016, the Court ruled that Invenergy had breached the Third Amended and Restated Limited Liability Company Agreement governing the membership interests in Invenergy (the "Operating Agreement"). The Court's ruling did not determine the amount of damages to which Leaf is entitled. Leaf believes the damages, pursuant to a formula contained in the Operating Agreement, were $126.1 million on December 15, 2015, the date of the breach. Leaf believes such damages should be reduced by the $3.9 million previously reported tax distribution from Invenergy. Leaf also believes that, if it prevails in the litigation, it will be entitled to interest on the judgment at the Delaware statutory rate of interest of 6%, compounded quarterly, from the date of the breach. Invenergy disputes that Leaf is entitled to the damages Leaf is seeking and believes that Leaf is entitled, at most, to nominal damages.

Invenergy has asserted that any obligation it owes to Leaf was excused because of the put/call process described in my previous statements. Invenergy called Leaf's interest in Invenergy on December 28, 2015. On the same day Leaf put its interest to Invenergy. Each party appointed a third-party appraiser to value Leaf's stake in Invenergy. The results were $73.1 million (from the appraiser appointed by Leaf) and $36.4 million (from the appraiser appointed by Invenergy). A third appraiser was retained jointly by Leaf and Invenergy to value Leaf's interest in Invenergy. The third appraisal was $42.5 million. Pursuant to the Operating Agreement, when that appraisal was complete, the average of the three appraisals, $50.7 million, should determine the price for Leaf's interest in Invenergy for the purposes of the put/call process. In a ruling on October 7, 2016, the Court determined that the put/call process did not excuse the above described litigation because the breach occurred prior to the exercise of either the put or the call. In another ruling, on October 10, 2016, the Court allowed Invenergy to amend its pleadings to assert a counterclaim against Leaf for allegedly causing Leaf's appraiser to provide a biased and inaccurate appraisal.

A trial was held on October 25-27, 2017 in the Court, which examined both Leaf's claim and Invenergy's counterclaim. As is standard procedure in Delaware, post-trial the parties argued the merits of the case in the Court. That argument was held on January 19, 2018. A decision is expected within 90 days of the argument. Because of the inherent risks associated with litigation, and collection if Leaf prevails, together with income taxes and transaction expenses associated with any judgement, the board of directors has maintained the value of the investment in Invenergy at its 30 June 2017 value of $99.1 million, and this is the value reflected in the Company's December 31, 2017 NAV of $89.6 million.

Our net deferred tax liability (on potential gains on the Invenergy investment) has moved from $11.3 million to $3.3 million and has increased net asset value by the $8.0 million difference. The change reflects the impact of the recently announced US Tax Cuts and Jobs Act and also assumptions concerning non-US source gains. There are uncertainties in the calculation of the net deferred tax liability however we believe we have erred on the side of prudence in calculating this amount.

Description of projects

Invenergy Renewables LLC ("Invenergy"). The actual business affairs of Invenergy on an annual basis are largely irrelevant to our valuation of our ownership interest. As noted above, our interest is primarily based upon the breach of contract claim we made against Invenergy. Nevertheless, Invenergy develops, owns, and operates clean power generation facilities and storage solutions in the Americas, Europe and Asia. During 2017, Invenergy commissioned a number of projects with aggregate capacity exceeding 200 megawatts. Additionally, Invenergy continued to selectively dispose of certain assets having consummated the sale of two wind projects representing 198 megawatts of generation capacity.

Chairman’s statement (continued)

Vital Renewable Energy Company (“VREC”), the owner of a sugar-cane-based facility in Brazil which produces ethanol and refined sugar concluded a strong 2017/2018 crushing season with production levels having increased by 30% over the prior crushing season. VREC is currently executing on its growth plans by focusing on its industrial expansion program.

Lehigh Technologies, Inc. (“Lehigh”), the specialty materials company was acquired by Michelin North America on October 13, 2017. All of the approximately $400 thousand of Leaf’s proceeds from that transaction have been placed in escrow securing the indemnity provided to Michelin North America. Provided that there are no outstanding indemnification claims, any amount remaining in this escrow in October 13, 2019 will be returned to Leaf.

Energía Escalona (“Escalona”), the hydroelectric project development company based in Mexico City, has completed project development activities and is currently seeking to arrange debt and project equity financing. Leaf continues to explore its strategic options for this asset.

Continued operations

We expect a decision from the Court in April. Even if Leaf prevails at the Court of Chancery, Invenergy can appeal to the Delaware Supreme Court. Such an appeal would delay paying any award. As reported previously, we will own our share of VREC for some time. We have valued VREC and Escalona at our expectation of return. Leaf possesses the financial resources and the support of its major shareholders to pursue the litigation to its conclusion.

Mark Lerdal
Chairman

23 March 2018

Management report

Overview

During the six months ended 31 December 2017, Leaf's management continued its work implementing Leaf's orderly realisation strategy (see Strategy below). These activities consisted of working with Leaf's legal counsel in pursuing the breach of contract claim filed by Leaf against its investee, Invenergy, while also monitoring Leaf's remaining investments with a view towards future realisation events for these holdings.

Following the recent sale of Lehigh Technologies, Inc. to Michelin (see below), Leaf's portfolio consists of three remaining investments: Invenergy, VREC, and Escalona. Leaf is a minority holder in Invenergy and VREC and a majority holder in Escalona.

Strategy

The Leaf Group's investment strategy is to carry out an orderly realisation of its portfolio of private equity assets, distribute the net proceeds to holders of its ordinary redeemable shares, and undertake a voluntary winding-up of the company.

Leaf will not invest in any new portfolio companies but may make additional investments in existing portfolio companies where required to preserve or enhance the realisation value of these investments.

Financial highlights

Below is a summary of financial highlights across the Leaf portfolio during the six-month period ended 31 December 2017:

Invenergy-related highlights

Please refer to Note 20 of the financial statements for more background and information regarding the Invenergy lawsuit and put/call process.

Background from prior periods:

- On 18 July 2016 Leaf filed a motion for entry of an order and final judgment, asking the Court to order Invenergy to pay damages of $126.1 million, based on the calculation of the Target Multiple per the terms of the Operating Agreement, less the $3.9 million previously reported tax distribution from Invenergy, plus interest on the net $122.2 million in damages at the Delaware statutory rate of interest of 6%, compounded quarterly, from the date of the breach.

- On 12 August 2016, Invenergy filed an answering brief to Leaf's motion, disputing that Leaf is entitled to the damages Leaf is seeking and arguing that Leaf is entitled, at most, to nominal damages. Invenergy also asserted that any obligation it owes to Leaf is excused because of the put/call process described in the interim statements. On this same date, Invenergy also filed a motion to amend its original answer to the lawsuit to add five additional affirmative defences and two counterclaims.

- On 6 October 2016, the Court heard oral arguments by the parties on the Leaf and Invenergy motions.

- In two orders on 7 and 10 October 2016 which can be downloaded and viewed in their entirety at the following URL: http://www.leafcleanenergy.com/media-relations/download-centre/, the Court denied Leaf's and Invenergy's motions, apart from allowing one of Invenergy's counterclaims.

    - The Court allowed Invenergy to assert a counterclaim against Leaf alleging that Leaf acted in bad faith by causing its appraiser in the put/call to provide a biased and inaccurate appraisal. Leaf believes this counterclaim to be without merit.

    - The Court made additional rulings, including: 1) finding that Leaf's claims are not excused as a result of Leaf exercising the put, 2) that an exchange of mutual releases required in the put/call will not moot the lawsuit, and 3) that Leaf's right to a remedy for Invenergy's breach is not barred because Leaf did not seek injunctive relief to block the closing of the TerraForm Transaction.

- On 7 April 2017, the third appraisal in the put-call process was completed by an appraiser mutually selected by Leaf and Invenergy. This appraiser valued Leaf's 2.3% stake in Invenergy at $42.5 million.

Management report (continued)

Developments during the period:

- A trial was held by the Court on 25-27 October 2017 to determine the damages that will be awarded to Leaf due to Invenergy's breach and to rule on Invenergy's counterclaim. The Court held post-trial argument on 19 January 2018. A decision is expected within 90 days of that date. Both parties will have the right to appeal the ruling to the Delaware Supreme Court.

Other highlights

- Lehigh was sold to Michelin North America, Inc. ("Michelin") by way of a merger that was completed on 13 October 2017. Under the terms of the deal the Leaf Group is entitled to approximately $400,000 being its pro rata portion of the total proceeds. The proceeds have been placed in a two-year general indemnity escrow by Michelin to meet any liabilities that might arise pursuant to the terms of the transaction. In the 30 June 2017 financial statements, the Company's holding in Lehigh was valued at $310,000.

Financial performance

The Leaf Group's total net asset value (NAV) on 31 December 2017 was $89.6 million, $1.4 million higher than on 30 June 2017. This change resulted from the $1.4 million comprehensive income for the period, which in turn consisted primarily of an $8.0 million write down of the net deferred tax liability, a $0.6 million gain on revaluation in the carrying value of the portfolio companies, and $0.2 million of foreign exchange gains, partially offset by a $3.5 million increase in the provision for contingent costs associated with concluding the Invenergy lawsuit and returning cash to the shareholders, $3.0 million of transaction-related costs, and $0.8 million of administration expenses. At the end of the period, $2.0 million of Leaf's NAV was held in cash and $102.0 million in investments.

NAV per share for the Leaf Group was 75.85 cents or 56.17 pence at $1.3503 to the £1. This was an increase of 1.5 per cent for the six-month period from 30 June 2017. The increase was entirely due to the comprehensive income for the period. Due to the significant increase in the value of the GBP relative to the US dollar over the period, NAV per share in pence decreased by 2.3%, as the 3.9 per cent increase in the £/$ exchange rate over the six-month period turned the US dollar income into a GBP loss as a result of the translation of Leaf's mostly US dollar denominated NAV into GBP.

Leaf's administrative expenses for the six-month period ended 31 December 2017 were $205 thousand lower than the comparable prior period, having adhered to the previously announced $1.63 million budget for the current fiscal year. Leaf is currently on track to meet this budget for the full year. Note that, due to uncertain timing and amounts the budget did not include transaction-related costs or payments under the Company's incentive plans. Leaf has not accrued anything for future transaction costs. Leaf has made a $5.1 million provision for contingent costs associated with concluding the Invenergy lawsuit and returning cash to the shareholders.

The reduction in the net deferred tax liability resulted from a combination of: 1) the reduction of lower US corporate tax rates brought about by the 2017 Tax Cuts and Jobs Act, which was enacted in December 2017 and 2) certain changes in the methodology for calculating the potential liability made to reflect an assumed non-US portion of the expected gain on the ultimate redemption of Leaf's Invenergy stake, and other factors. The increase in the incentive plans provision resulted primarily from the revaluation of the investments and the decrease in the net deferred taxes, in addition to other factors.

Portfolio update

Key updates regarding Leaf's portfolio companies during the interim report period included the following:

Invenergy Renewables LLC (Invenergy)

Invenergy, North America's largest independently owned clean power generation company, commenced commercial operations at its Corriegarth, Roncevaux and Campo Palomas wind energy projects. Invenergy completed project financings for several wind energy projects including Santa Rita and Bishop Hill II. The company has also executed power purchase agreements (PPAs) for several of its projects with corporate customers as well as power companies.

Invenergy executed several transactions during 2017 including the sale of its Corriegarth wind project for total consideration of about $240 million as well as the acquisition of La Jacinta Solar Farm in Uruguay from Fotowatio Renewable Ventures. In October 2017, Invenergy entered into an agreement to sell its Forward Wind Energy project (129 MW) located in Wisconsin to Wisconsin Public Service Corporation, Wisconsin Power and Light Company and Madison Gas and Electric Company for a purchase price of approximately $174 million. The transaction is expected to close in the spring of 2018.

Management report (continued)

Lehigh Technologies, Inc. (Lehigh)

In October 2017, Michelin North America, a wholly owned subsidiary of the Michelin Group, acquired 100% of the shares of Lehigh Technologies. Michelin is the second largest tire manufacturer in the world with annual sales in excess of $20 billion.

Vital Renewable Energy Company (VREC)

VREC, a renewable energy company focused on the development of sugar-cane-based ethanol and sugar concluded its 2017/2018 crushing season with production levels that were significantly higher than the previous crushing season and financial performance that were above expectations. The company's financial performance was bolstered by commodity prices, particularly for ethanol, which remained strong throughout the crushing season. VREC has also achieved good progress in its post-merger integration efforts as well as in realizing cost synergies due to the business combination that was consummated in the spring of 2017 with an established agricultural firm in the state of Goias.

VREC is focused in progressing its industrial growth initiatives during the 2018/2019 crushing season.

Energía Escalona (Escalona)

Escalona, the hydroelectric project development company based in Mexico City, has completed project development activities for the Escalona project. Escalona successfully secured the Estudio Técnico Justificativo para Cambio de Uso de Suelo" ("ETJ") permit. Escalona is currently in the market to raise project equity and debt financing for the project. Leaf continues to review its strategic options for this asset.

In the coming months, the Leaf Board and management will continue to focus on achieving expedient realisations of the assets to enable additional future distributions to the shareholders. The Leaf Board and management have maintained and will continue to maintain an appropriate cash balance to ensure that Leaf can continue to execute its strategy.

23 March 2018

Condensed consolidated statement of comprehensive income for the six months ended 31 December 2017

	Note	(Unaudited) 6 months ended 31 December 2017 $'000	(Unaudited) 6 months ended 31 December 2016 $'000
Net gain/(loss) on investments at fair value through profit or loss	12.1	620	(13,456)
Net foreign exchange gain/(loss)		23	(254)
Other income		2	-
Gross portfolio return/(loss)		**645**	**(13,710)**
Transaction-related costs	7	(3,009)	(619)
Administration expenses	6	(771)	(976)
Interest on shareholders loan and amortisation of loan facility fee	16	(89)	-
Provision for doubtful intercompany receivable		(11)	(382)
Contingent costs provision reversal/(expense)	8	(3,450)	1,280
Loss before taxation		**(6,685)**	**(14,407)**
Taxation	19	8,039	(164)
Total gain/(loss) and total comprehensive income/(loss) for the period		**1,354**	**(14,571)**
Earnings/(loss) for the period attributable to equity holders		**1,354**	**(14,571)**
Basic and diluted earnings/(loss) per share (cents)	10	**1.15**	**(12.33)**

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

Condensed consolidated statement of financial position as at 31 December 2017

	Note	(Unaudited) 31 December 2017 $'000	(Audited) 30 June 2017 $'000
Assets			
Investments at fair value through profit or loss	12.1	102,000	101,410
Deferred tax assets	19	3,955	8,181
Long term portion of capitalised loan fee		42	-
Total non-current assets		**105,997**	**109,591**
Cash and cash equivalents		1,981	2,286
Trade and other receivables	14	127	65
Total current assets		**2,108**	**2,351**
Total assets		**108,105**	**111,942**
Equity			
Share capital	18	27	27
Share premium	18	297,046	297,046
Retained losses		(207,445)	(208,799)
Total equity		**89,628**	**88,274**
Liabilities			
Deferred tax liabilities	19	7,257	19,522
Shareholders loan	16	2,000	-
Provision for future contingent costs	8	5,100	1,650
Accrued interest on shareholders loan		68	-
Total non-current liabilities		**14,425**	**21,172**
Trade and other payables	15	4,052	2,496
Total current liabilities		**4,052**	**2,496**
Total liabilities		**18,477**	**23,668**
Total equity and liabilities		**108,105**	**111,942**
Net asset value per share (cents)		75.85	74.71

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

The interim condensed consolidated financial statements were approved by the board of directors on 23 March 2018 and signed on their behalf by:

Mark Lerdal
Executive Chairman

Stephen Coe
Non-Executive Director

Condensed consolidated statement of changes in equity for the six months ended 31 December 2017

	Share Capital	Share Premium	Retained losses	Total equity
	$'000	$'000	$'000	$'000
Balance at 30 June 2017 (audited)	27	297,046	(208,799)	88,274
Total comprehensive income for the period	-	-	1,354	1,354
Balance at 31 December 2017 (unaudited)	**27**	**297,046**	**(207,445)**	**89,628**

	Share Capital	Share Premium	Retained losses	Total equity
	$'000	$'000	$'000	$'000
Balance at 30 June 2016 (audited)	27	297,046	(190,746)	106,327
Total comprehensive loss for the period	-	-	(14,571)	(14,571)
Balance at 31 December 2016 (unaudited)	**27**	**297,046**	**(205,317)**	**91,756**

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

Condensed consolidated statement of cash flows for the six months ended 31 December 2017

	(Unaudited) 6 months ended 31 December 2017 $'000	(Unaudited) 6 months ended 31 December 2016 $'000
Cash flows from operating activities		
Refund from account closure	2	-
Transaction-related expenditures	(1,409)	(763)
Operating expenditures	(818)	(1,021)
Fees for shareholders loan	(125)	-
Advances to investee companies	(8)	-
Net cash used in operating activities	**(2,358)**	**(1,784)**
Cash flows from investing activities		
Additional proceeds from sale of investments	30	48
Post-sale expenditures in relation to prior realisation	-	(5)
Net cash generated from investing activities	**30**	**43**
Cash flows from financing activities		
Proceeds from shareholders loan	2,000	-
Net cash generated from financing activities	**2,000**	**-**
Net decrease in cash and cash equivalents	**(328)**	**(1,741)**
Cash and cash equivalents at start of the period	2,286	5,977
Effect of exchange rate fluctuations on cash and cash equivalents	23	(254)
Cash and cash equivalents at end of the period	**1,981**	**3,982**

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

Condensed consolidated statement of cash flows
for the six months ended 31 December 2017

	(Unaudited) 6 months ended 31 December 2017	(Unaudited) 6 months ended 31 December 2016
Reconciliation of total loss and total comprehensive loss for the period to net cash used in operating activities	$'000	$'000
Total gain/(loss) and total comprehensive income/(loss) for the period	1,354	(14,571)
Adjustments for:		
(Decrease)/Increase in net deferred tax liability	(8,039)	163
Net unrealised (gain)/loss on investments at fair value through profit or loss	(590)	13,500
Increase/(decrease) in provision for future contingent costs	3,450	(1,280)
Net foreign exchange (gain)/loss	(23)	254
Loan facility expenses	21	-
Provision for doubtful intercompany receivables	11	382
Net realised gain on investments at fair value through profit or loss	(30)	(44)
Other income	(6)	
Depreciation expense	-	4
Taxation	-	1
Operating loss before changes in working capital	**(3,852)**	**(1,591)**
Movement in trade and other receivables	(62)	49
Movement in trade and other payables	1,556	(242)
Net cash used in operating activities	**(2,358)**	**(1,784)**

Notes to the interim condensed consolidated financial statements for the six months ended 31 December 2017

1 Leaf

Leaf Clean Energy Company (the "Company" or "Leaf") was incorporated and registered in the Cayman Islands on 14 May 2007. Leaf was established to invest in clean energy projects, predominantly in North America. Clean energy includes activities such as the production of alternative fuels, renewable power generation and the use of technologies to reduce the environmental impact of traditional energy. The investments of Leaf will be realised in an orderly and expedient manner, that is, with a view to achieving a balance between: (i) returning cash to Shareholders at such times and from time to time and in such manner as the Board may (in its absolute discretion) determine; and (ii) maximising the realisation value of Leaf's investments. In light of the realisation strategy, there will be no specific investment restrictions applicable to Leaf's portfolio going forward.

The shares of Leaf were admitted to trading on the AIM market of the London Stock Exchange ("AIM") on 28 June 2007 when dealings also commenced.

During the period, Leaf's executive chairman, agents, and management team (the latter being employees of Leaf) performed all significant functions.

The interim condensed consolidated financial statements as at and for the six months ended 31 December 2017 are for the Leaf Group. Refer to note 17.

The consolidated financial statements of the Leaf Group as at and for the six-month period ended 31 December 2017 are available upon request from Leaf's registered office at PO Box 309, Ugland House, George Town, Grand Cayman KY1-1104, Cayman Islands or at www.leafcleanenergy.com.

2 Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of Leaf as at and for the year ended 30 June 2017.

These interim condensed consolidated financial statements were approved by the board of directors on 23 March 2018.

3 Significant accounting policies

Save as for explained above, the accounting policies applied by Leaf in these interim condensed consolidated financial statements are the same as those applied by Leaf in its consolidated financial statements as at and for the year ended 30 June 2017.

4 Use of estimates and judgements

The preparation of interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying Leaf's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 30 June 2017.

The most significant area requiring estimation and judgement by the directors is the valuation of unquoted investments, (see note 12).

Notes to the interim condensed consolidated financial statements for the six months ended 31 December 2017 (continued)

5 Financial risk management

The Leaf Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2017.

The below table summarises the valuation methodologies and key assumptions in deriving the aggregate fair value of the investments as at 31 December 2017 of $102.0 million (30 June 2017: $101.4 million):

Name of Investment	**Valuation methodology**	**Significant inputs / assumptions**
Invenergy Renewables LLC ("Invenergy") (formerly known as Invenergy Wind LLC) Name changed on 24 May 2017	Income approach	Forecast cash flows (damages awarded in lawsuit) discount rate
Vital Renewable Energy Company, LLC ("VREC")	Market multiples	Choice of comparable companies, publicly available data about operating results
Energia Escalona s.r.l. ("Escalona")	Income approach	Forecast cash flows discount rate

The below table summarises the valuation methodologies and key assumptions in deriving the aggregate fair value of the investments as at 30 June 2017.

Name of Investment	**Valuation methodology**	**Significant inputs / assumptions**
Invenergy Renewables LLC ("Invenergy") (formerly known as Invenergy Wind LLC) Name changed on 24 May 2017	Income approach	Forecast cash flows (damages awarded in lawsuit) discount rate
Vital Renewable Energy Company, LLC ("VREC")	Market multiples	Choice of comparable companies, publicly available data about operating results
Energia Escalona s.r.l. ("Escalona")	Income approach	Forecast cash flows discount rate
Lehigh Technologies Inc. ("Lehigh")	Income approach	Forecast cash flows discount rate

Notes to the interim condensed consolidated financial statements for the six months ended 31 December 2017 (continued)

6 Administration expenses

	(Unaudited) 6 months ended 31 December 2017 $'000	(Unaudited) 6 months ended 31 December 2016 $'000
Salaries and related costs	255	387
Directors' remuneration (note 9)	173	173
Legal and professional fees [1]	106	105
Administration fees	75	75
Other expenses	73	98
Audit fees	31	32
Directors' and officers' insurance expense	26	27
Rental fees	19	48
Travel and subsistence expenses	13	31
Total	**771**	**976**

[1]Administration expenses do not include transaction related legal or professional services costs, which are reported as transaction related expenses on the condensed consolidated statement of comprehensive income.

7 Transaction-related costs

Leaf does not budget transaction-related costs, due to the unpredictability of their timing and amounts. The amounts disclosed for the six-month periods ended 31 December 2017 and 31 December 2016 consist primarily of legal costs and professional services incurred during the period in connection with the complaint filed on 21 December 2015 by Leaf against Invenergy Wind LLC.

8 Contingent costs provision

The Leaf Board has adopted incentive compensation arrangements for the Company and its advisors under which Company payees will receive incentive payments only when cash is returned to the shareholders and certain advisors will receive incentive payments upon the redemption of Leaf's Invenergy stake following the conclusion of the Invenergy lawsuit. The arrangements for the Company payees include a sliding scale of incentives based on cash returned to the shareholders. As at 31 December 2017, the Leaf Group updated its prior estimate of these contingent costs to be $5.10 million (30 June 2017: $1.65 million), using an estimate of total cash that will be returned to the shareholders that is based on the 31 December 2017 net asset value, including the $99.1 million valuation for Invenergy, less the estimated cash requirements of the Company in completing the realisation of the investments. Revisions to the estimate of total cash that will be returned to shareholders and other factors result in adjustments to the provision for future incentive payments, which are recognised in profit or loss during the period of the adjustment.

9 Directors' remuneration

Details of the directors' basic annual remuneration areas in effect during the period was as follows:

31 December 2017	Basic annual remuneration
	$'000
Mark Lerdal (executive chairman)	250
Stephen Coe	70
Peter O'Keefe	25
	345

Directors' fees and expenses payable during the six months ended 31 December 2017 were:

31 December 2017	Directors' fees	Reimbursements	Total
	$'000	$'000	$'000
Mark Lerdal (executive chairman)	125	10	135
Stephen Coe	35	-	35
Peter O'Keefe	13	-	13
	173	**10**	**183**

31 December 2016	Directors' fees	Reimbursements	Total
	$'000	$'000	$'000
Mark Lerdal (executive chairman)	125	15	140
Stephen Coe	35	-	35
Peter O'Keefe	13	-	13
	173	**15**	**188**

Each director is also entitled to receive reimbursement of any expenses in relation to their appointment. Total reimbursement to the directors for the six-months ended 31 December 2017 amounted to $9,952 (2016: $14,473) of which $nil was outstanding at 31 December 2017 (2016: $nil).

10 Basic earnings/loss per share

Basic and Diluted

Basic and diluted earnings/(loss) per share is calculated by dividing the earnings/(loss) attributable to equity holders of Leaf by the weighted average number of ordinary shares in issue during the period:

	(Unaudited) 6 months ended 31 December 2017	(Unaudited) 6 months ended 31 December 2016
Earnings/(loss) attributable to equity holders ($'000)	1,354	(14,571)
Weighted average number of ordinary shares in issue (thousands)	118,163	118,163
Basic and fully diluted earnings/(loss) per share (cents)	**1.15**	**(12.33)**

There is no difference between the basic and diluted loss per share for the period.

11 Investments

Investments in underlying investee companies (held through various wholly owned intermediary subsidiaries) comprise membership units, ordinary stock, and preferred stock, preferential return of capital and capped rights to share in profits. The directors, with advice from Leaf's employee management team, have reviewed the carrying value of each investment and calculated the aggregate value of the Leaf Group's portfolio. Investments are measured at the directors' estimate of fair value at the reporting date, in accordance with IAS 39 'Financial Instruments: Recognition and measurement.

12 Critical accounting estimates and assumptions

These disclosures supplement the commentary on the use of estimates and judgments (see note 4).

Key sources of estimation uncertainty

Determining fair values
The determination of fair values for financial assets for which there is no observable market prices requires the use of valuation techniques as described in accounting policy 3.1 from the 30 June 2017 financial statements. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also "Valuation of financial instruments" below.

Critical judgements in applying the Leaf Group's accounting policies
Critical judgements made in applying the Leaf Group's accounting policies include:

Valuation of financial instruments
The Leaf Group's accounting policy on fair value measurements is discussed in accounting policy 3.1 from the 30 June 2017 consolidated financial statements. The Leaf Group measures fair value using the following hierarchy that reflects the significance of inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments: quoted market prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Leaf Group determines fair values using valuation techniques.

Leaf, through its wholly-owned subsidiaries, holds full or partial ownership interests in a number of unquoted clean energy companies. These investments are classified as level 3 in the fair value hierarchy.

12.1 Investments at fair value through profit or loss (continued)

The following table shows a reconciliation of the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy.

	(Unaudited) Year ended 31 December 2017	(Audited) Year ended 30 June 2017
Balance brought forward	101,410	115,700
Additional investments in subsidiaries	-	250
Movement in fair value of investments	590	(14,540)
Balance carried forward	**102,000**	**101,410**
Total gain/(losses) for the year included in profit or loss relating to investments held at the end of the reporting period.	590	(14,540)

Investments are stated at fair value through profit or loss on initial recognition. All investee companies are unquoted. Leaf has an established control framework with respect to the measurement of fair values. The directors, with advice from the management team, has overall responsibility for all significant fair value measurements, including Level 3 fair values. The management team regularly reviews significant unobservable inputs and valuation adjustments.

12.2 (a) Significant unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 31 December 2017 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	Fair value at 31 December 2017 $'000	Valuation technique	Unobservable input	Range	Sensitivity to changes in significant unobservable inputs
Unlisted private equity investments	$102,000	Market multiples, income approach	Operational multiples	$57/mm tons - $68/mm tons	The estimated fair value would increase (decrease) if the operational multiples were higher/lower.
			Discount rates	7.2%-15%	The estimated fair value would increase/(decrease) if the discount rate were lower/higher
			Forecast cash flows	n/a	n/a
			Forecast cash flows (lawsuit outcomes)	$50.7mm - $144.0mm	The estimated fair value would increase/(decrease) if the lawsuit outcome cash flow were higher/lower

12.2 (a) Significant unobservable inputs used in measuring fair value (continued)

The table below sets out information about significant unobservable inputs used at 30 June 2017 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	Fair value at 30 June 2017 $'000	Valuation technique	Unobservable input	Range	Sensitivity to changes in significant unobservable inputs
Unlisted private equity investments	$101,410	Market multiples, income approach	Operational multiples	$57/mm tons - $63/mm tons	The estimated fair value would increase (decrease) if the operational multiples were higher/lower.
			Discount rates	7.2%-15%	The estimated fair value would increase/(decrease) if the discount rate were lower/higher
			Forecast cash flows	n/a	n/a
			Forecast cash flows (lawsuit outcomes)	$50.7mm - $144.0mm	The estimated fair value would increase/(decrease) if the lawsuit outcome cash flow were higher/lower

Significant unobservable inputs are developed as follows.

Operational multiples: Represent amounts that market participants would use when pricing the investments. Operational multiples are selected from comparable public companies based on geographic location, industry, size, target markets and other factors that management considers to be reasonable. The traded multiples for the comparable companies are determined by dividing the enterprise value of the company by its operational metric and further adjusted if appropriate for considerations such as the lack of marketability and other differences between the comparable peer group and specific company.

Discount rate: Represents the rate used to discount projected levered or unlevered forecasted cash flows and terminal value for a project or company to their present values as part of the calculation of enterprise value for the project or company, or for the expected cash flows to Leaf from a forecasted transaction.

Forecast cash flows: Cash flows are forecast by Leaf by considering possible operational scenarios and transaction terms, the amount to be paid or received under each scenario and the probability of each scenario. In the case of Invenergy, they also consider alternative possible outcomes for the damages that might be awarded in Leaf's lawsuit against Invenergy.

12.2 (b) Effects of unobservable input on fair value measurement

Although Leaf believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects on Leaf's net asset value (NAV) at 31 December 2017 ($ millions): (Favourable: 27.6, Unfavourable: (56.0)).

The favourable and unfavourable effects of using reasonably possible alternative assumptions for the above unobservable inputs for the valuation of Leaf's unlisted private equity investments have been calculated by varying these inputs in the applicable valuation models based on a reasonable lower and upper range as determined by Leaf Management. The most significant unobservable inputs are the discount rate, the forecasted cash flows for lawsuit outcomes and operational multiples. The discount rate used in the models at 31 December 2017 ranged between 7.2% and 15% (with reasonably possible alternative assumptions ranging between 6.2% and 20.0%). The forecasted cash flows for lawsuit outcomes used in the model was $122.2mm, with reasonably possible outcomes of $50.7mm and $144mm. The operational multiples used in the model at 31 December 2017 ranged between $57/mm tons and $68/mm tons, with reasonably possible alternative assumptions of $41.5/mm tons to $84/mm tons.

Notes to the interim condensed consolidated financial statements for the six months ended 31 December 2017 (continued)

12 Critical accounting estimates and assumptions (continued)

12.2 (b) Effects of unobservable input on fair value measurement

For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects on Leaf's net asset value (NAV) at 30 June 2017 ($ millions): (Favourable: 18.3, Unfavourable: (58.6)).

The favourable and unfavourable effects of using reasonably possible alternative assumptions for the above unobservable inputs for the valuation of Leaf's unlisted private equity investments have been calculated by varying these inputs in the applicable valuation models based on a reasonable lower and upper range as determined by Leaf Management. The most significant unobservable inputs are the discount rate, the forecasted cash flows for lawsuit outcomes and operational multiples. The discount rate used in the models at 30 June 2017 ranged between 7.2% and 15% (with reasonably possible alternative assumptions ranging between 6.2% and 20.0%). The forecasted cash flows for lawsuit outcomes used in the model was $122.2mm, with reasonably possible outcomes of $50.7mm and $144mm. The operational multiple used in the model at 30 June 2017 was $74/mm tons, with reasonably possible alternative assumptions of $14.5/mm tons to $75/mm tons.

13 Financial instruments not measured at fair value

The financial instruments not measured at fair value through profit or loss are short-term financial assets and financial liabilities whose carrying amounts approximate their fair value, these are all categorised within level 2 of the fair value hierarchy.

14 Trade and other receivables

	(Unaudited) 31 December 2017 $'000	**(Audited) 30 June 2017 $'000**
Current portion of capitalised loan fee	63	-
Prepayments	61	62
Other receivables	3	3
Total	**127**	**65**

Amounts due from group companies are unsecured, interest free and receivable on demand.

15 Trade and other payables

	(Unaudited) 31 December 2017 $'000	**(Audited) 30 June 2017 $'000**
Other creditors	4,020	2,373
Audit fees payable	32	65
Administration fees payable	-	37
Taxes payable	-	21
Total	**4,052**	**2,496**

Note that Leaf has an arrangement with outside counsel to defer 75% of its hourly fees in relation to the Invenergy lawsuit pending its resolution. As at 31 December 2017, $3.7 million of fees (30 June 2017: $1.7 million) have been deferred under this arrangement and are included in the other creditors figure in the above table.

Notes to the interim condensed consolidated financial statements for the six months ended 31 December 2017 (continued)

16 Loan from shareholders

On 20 September 2017, Leaf entered into a $5 million loan facility (the "Shareholder Loan Facility") with certain shareholders to support its operating requirements over the next two years. The two-year facility, provided by Crystal Amber Fund Ltd, Brookdale International Partners, L.P. and Brookdale Global Opportunity Fund, is unsecured and is subject to an interest rate of 12% per annum, payable at maturity. On 20 September 2017, Leaf borrowed $2 million from the Shareholder Loan Facility. $68 thousand of interest was accrued and $21 thousand of the $125 thousand loan facility fee was amortised in respect of the loan during the period (2016: $nil and $nil, respectively).

17 The subsidiaries

The following subsidiaries of the Leaf Group are held at fair value on the consolidated financial statements in accordance with IFRS 10:

	Country of incorporation	Principal activity	Effective interest held
Escalona Coopertief U.A	Netherlands	Hydro Energy	87.5%
Escalona B.V	Netherlands	Hydro Energy	87.5%
Energentum Renewable Energy S.A. de C.V.	Mexico	Hydro Energy	87.5%
Energía Escalona s.r.l.	Mexico	Hydro Energy	51.2%
Leaf Invenergy Company	Cayman Islands		100%
Leaf Invenergy US Investments, Inc.	USA (Delaware)		100%
Leaf Biomass Investments, Inc.	USA (Delaware)		100%
Leaf SkyFuels Company	Cayman Islands		100%
Leaf Solar Company	Cayman Islands		100%
Leaf VREC Company	Cayman Islands		100%

18 Share capital

Ordinary shares of £0.0001 each	**Number of shares**	**Share capital**	**Share premium**
		$'000	$'000
At 31 December 2017	**118,162,853**	**27**	**297,046**
At 30 June 2017	**118,162,853**	**27**	**297,046**

The authorised share capital of the Leaf Group is £25,000 divided into 250 million Ordinary Shares of 0.0001 each.

Under the terms of the placement on 22 June 2007, Leaf issued 200,000,000 shares of £0.0001 each par value at a price of £1 each. The difference between the issue price and the par value was transferred to share premium account, net of share issue expenses.

Leaf have repurchased 10,582,873 shares in 2015. Share capital and premium received was translated to US Dollars at the exchange rate prevailing at the date of receipt of the proceeds.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of Leaf. All shares rank equally with regards to the Leaf Group's assets.

Notes to the interim condensed consolidated financial statements for the six months ended 31 December 2017 (continued)

18 Share capital (continued)

Capital management

At an extraordinary general meeting ("EGM") held on 1 July 2014, Leaf's shareholders voted to accept the board's proposed resolution to change the Leaf Group's investment strategy to an orderly realisation and return of capital to the shareholders, which will occur on an asset-by-asset basis in timeframes appropriate for each asset. The details of the new strategy are disclosed in the EGM circular for this meeting, which can be found on Leaf's website.

The Leaf Group's capital comprises share capital, share premium and reserves and is not subject to externally imposed capital requirements.

19 Income tax

	(Unaudited) Six months ended 31 December 2017 $'000	(Unaudited) Six months ended 31 December 2016 $'000
Current tax expense		
Current year	-	1
	-	**1**
Deferred tax expense		
Temporary differences	(8,039)	163
	-	**163**
Tax (gain)/expense on continuing operations	**(8,039)**	**164**

The Leaf Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

2017 $'000	(Audited) Net balance at 01 July 2017	Recognised in profit or loss during the period	(Unaudited) Balance as at 31 December 2017 Net	Deferred tax assets	Deferred tax liabilities
Investments held at fair value through profit and loss	(11,341)	8,039	(3,302)	3,955	(7,257)
Net tax assets (liabilities)	**(11,341)**	**8,039**	**(3,302)**	**3,955**	**(7,257)**

Consistent with the revised US corporate tax rates from the 2017 Tax Cuts and Jobs Act, enacted in December 2017, the deferred tax asset has been calculated using the 21% top US federal tax rate. The deferred tax liability has an effective tax rate of 26% which consists of the 21% top US federal tax rate plus an estimate of 5% for the blended state tax rate, taking into the account the deductibility of state taxes in the calculation of federal taxes.

20 Investment in Invenergy

On 21 December 2015, as previously announced, Leaf filed a lawsuit in Delaware Court of Chancery (the "DCC") against Invenergy alleging, in part, that Invenergy breached the Third Amended and Restated Limited Liability Company Agreement governing the membership interests in Invenergy (the "Operating Agreement"). Leaf alleged that Invenergy was required to either obtain Leaf's prior consent to a sale of 832 megawatts of Invenergy's wind power generation facilities to TerraForm Power for approximately $2 billion (the "TerraForm Transaction"), or, absent such consent, make a payment to Leaf upon the closing date of the sale.

20 Investment in Invenergy (continued)

On 28 December 2015, Invenergy exercised its rights under the Operating Agreement to redeem the LLC membership units owned by Leaf, and Leaf exercised its right to put these units to Invenergy.

On 7 January 2016, Leaf received a $3.9 million cash distribution from Invenergy pursuant to the terms of Invenergy's Operating Agreement.

On 15 April 2016, Leaf filed a motion for partial judgment on the pleadings with respect to its claim that Invenergy breached the Operating Agreement.

On 30 June 2016, the Court granted Leaf's motion, ruling that, because Invenergy did not obtain Leaf's prior consent to the closing of the TerraForm Transaction, Invenergy breached the Operating Agreement.

The following key developments with respect to these proceedings occurred during the one-year period ended 30 June 2017:

On 18 July 2016, Leaf filed a motion for entry of an order and final judgment, asking the Court to order Invenergy to pay damages of $126.1 million, based on the calculation of the Target multiple per the terms of the Operating Agreement, less the $3.9 million previously reported tax distribution from Invenergy, plus interest on the net $122.2 in damages at the Delaware statutory rate of interest of 6%, compounded quarterly, from the date of the breach.

On 12 August 2016 Invenergy filed an answering brief to Leaf's motion, disputing that Leaf is entitled to the damages Leaf is seeking and arguing that Leaf is entitled, at most, to nominal damages. Invenergy also asserted in its brief that any obligation it owes to Leaf is excused because of the put/call process described in the interim statements. On this same date, Invenergy also filed a motion to amend its original answer to the lawsuit to add five additional affirmative defenses and two counterclaims.

On 6 October 2016, the Court heard oral arguments by the parties on the Leaf and Invenergy motions. In two orders on 7 and 10 October 2016 which can be downloaded and viewed in their entirety at the following URL: http://www.leafcleanenergy.com/media-relations/download-centre/, the Court denied Leaf's and Invenergy's motions, apart from allowing one of Invenergy's counterclaims.

- The Court allowed Invenergy to assert a counterclaim against Leaf alleging that Leaf acted in bad faith by causing its appraiser in the put/call to provide a biased and inaccurate appraisal. Leaf believes this counterclaim to be without merit.

- The Court made additional rulings, including: 1) finding that Leaf's claims are not excused as a result of Leaf exercising the put, 2) that an exchange of mutual releases required in the put/call will not moot the lawsuit, and 3) that Leaf's right to a remedy for Invenergy's breach is not barred because Leaf did not seek injunctive relief to block the closing of the TerraForm Transaction.

A trial was held by the Court on 25-27 October 2017 to determine the damages that will be awarded to Leaf due to Invenergy's breach and to rule on Invenergy's counterclaim. The Court held post-trial argument on 19 January 2018. A decision is expected within 90 days of that date. Both parties will have the right to appeal the ruling to the Delaware Supreme Court.

Because of the inherent risks associated with litigation and collection if Leaf prevails, together with income taxes and transaction expenses associated with the judgement, the board of directors has maintained the value of the investment in Invenergy at its 30 June 2017 value of $99.1 million, and this is the value reflected in the Company's December 31, 2017 NAV of $89.6 million.

Put/call process summary:

Invenergy called Leaf's interest in Invenergy on 28 December 2015. On the same day, Leaf put its interest to Invenergy in order to mitigate its damages from Invenergy's breach. Each party appointed a third-party appraiser to value Leaf's stake in Invenergy. The results were $73.1 million (from the appraiser appointed by Leaf) and $36.4 million (from the appraiser appointed by Invenergy). As noted above, Invenergy has asserted a counterclaim alleging that Leaf acted in bad faith by allegedly causing its appraiser to provide a biased and inaccurate appraisal. A third appraiser was retained jointly by Leaf and Invenergy to value Leaf's interest in Invenergy and appraised the value of Leaf's stake in Invenergy to be $42.5 million. Pursuant to the Operating Agreement, the average of the three appraisals ($50.7 million) should determine the price for Leaf's interest in Invenergy for purposes of the put/call process. Leaf

20 Investment in Invenergy (continued)

believes that the put/call process outcome will determine the ultimate value of Leaf's stake in Invenergy only if the Court decides Leaf is entitled to less than the put/call outcome in damages for Invenergy's breach of contract.

If Leaf does not prevail in the litigation, the ultimate recovery of the investment in Invenergy will be substantially lower than the Leaf's current holding value for its investment in Invenergy.

21 Subsequent Events

There were no subsequent events to report.