Leaf Clean Energy Company

Annual Report

For the year ended 30 June 2017

Contents

Management and administration

Directors

Mark Lerdal (executive chairman)
Stephen Coe (non-executive director)
Peter O'Keefe (non-executive director)

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Nominated Advisor, Broker

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Depositary, Registrar

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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, Terraform Global and Onsite Energy Corporation.

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

Stephen is currently chairman of European Real Estate Investment Trust Limited and TOC Property Backed Lending Trust plc. He is also director (and chairman of the audit committee) of Raven Russia Limited, Leaf Clean Energy Company, 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 30 June 2017 was $88.3 million, $18.1 million lower than on 30 June 2016 ($3.5 million lower than on 31 December 2016). This change resulted from the comprehensive loss for the period, which consisted primarily of a $14.5 million loss on the revaluation in the carrying value of the portfolio companies, $3.5 million in transaction related costs primarily associated with the litigation against Invenergy, and $1.7 million of administration expenses. Such costs were offset in part by $1.8 million and $0.4 million reduction in the incentive plans expense and the net deferred tax liability, respectively, in each case resulting from the decrease in the carrying value of the investments. At the end of the period, $2.3 million of Leaf's NAV was held in cash and $101.4 million in investments. NAV per share for the Leaf Group was 74.71 cents or 57.49 pence at the period-end exchange rate of $1.30/£ (current rate is $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 the Management Report.

As I noted in the last three Chairman's 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. The Court has scheduled a trial for October 25-27, 2017, to determine the amount of Leaf's 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. The above-mentioned trial will also cover said counterclaim.

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 valued the investment in Invenergy at $99.1 million as at June 30, 2017 and this is the value reflected in the Company's NAV of $88.3 million.

Given the uncertainty on the outcome of the litigation KPMG has not been able to obtain sufficient, appropriate audit evidence over the fair value of our investment in Invenergy. Further, because of the significance of Invenergy to the Company's portfolio, they have not been able to express an opinion on the consolidated financial statements. The Leaf Board is not aware of any other matters arising from their audit process which would have resulted in a qualified audit opinion.

Description of projects

Invenergy Renewables LLC ("Invenergy"). Invenergy develops, owns, and operates clean power generation facilities and storage solutions in the Americas, Europe and Asia. Invenergy continued its efforts to diversify its clean power generation portfolio through the acquisition of a solar facility in Latin America. Additionally, Invenergy announced a partnership with a large Japanese strategic firm in order to advance the company's project development initiatives across Japan. Invenergy also continued to drive growth across its core markets having commissioned a number of projects with aggregate capacity of approximately 265 megawatts. During the fiscal year, Invenergy completed the sale of two wind facilities in Texas as well as a large wind project in Ohio under a build-transfer sale arrangement.

Vital Renewable Energy Company ("VREC"), the owner of a sugar-cane-based facility in Brazil which produces ethanol and refined sugar completed a merger with an established Goias-based agricultural firm. The transaction stands to enhance VREC's strategic objective of building a larger-scale and fully integrated business while significantly strengthening

Description of projects (continued)

the company's proprietary agricultural program. The transaction will likely impact Leaf's ability to monetize this investment in the short to medium-term.

Lehigh Technologies, Inc. ("Lehigh"), the green materials company, experienced financial performance that was below expectations primarily driven by weakness in the tire and plastic segments. Lehigh continues to navigate around a challenging commodity market environment. Leaf is currently exploring options to monetize this investment.

Energía Escalona ("Escalona"), the hydroelectric project development company based in Mexico City, has substantially 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

The Board of Leaf is actively exploring its options to realise the value of Lehigh and Escalona. As discussed above, we will own our share of VREC for some time. We have valued Lehigh and Escalona at our expectation of return in the near future. We valued VREC based upon a market multiples model. As to the Invenergy litigation, 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. With the addition of the loan, Leaf possesses the financial resources and the support of its major shareholders to pursue the litigation to its conclusion.

Mark Lerdal
Chairman

29 September 2017

Management report

Overview

During the year ended 30 June 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, and supporting the put/call appraisal process with Invenergy, while also monitoring Leaf's remaining investments with a view towards future realisation events for these holdings.

Leaf's portfolio consists of four remaining investments: Invenergy, VREC, Lehigh, and Escalona. Leaf is a minority holder in all of these investments with the exception of Escalona.

Strategy

The Leaf Group's investment strategy is 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 Leaf Board at its discretion will balance the goal of returning capital expediently to investors with the goal of maximising the realisation value of the investments.

Leaf's remaining holdings are all in the equity of unlisted companies. Therefore, realisations of these investments require the cooperation of the investee companies and of other investors as well as Leaf. In addition, the individual circumstances and market conditions surrounding each investment must be taken into account, affecting the timescale before which a particular investment can be realised. This means that some investments may be considered appropriate for sale in the short term, while others may be held for a longer period.

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 one-year period ended 30 June 2017:

Invenergy-related highlights

Please refer to Note 23 to the financial statements for more background and information regarding the Invenergy lawsuit and put/call process.

- 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.

- A trial has been scheduled by the Court for October 2017 to determine the damages that will be awarded to Leaf due to Invenergy's breach and to rule on Invenergy's counterclaim.

Financial highlights (continued)

Other highlights

- On 13 July 2016, Leaf agreed to a final settlement with the purchaser of JRE/Leaf LFG of the outstanding indemnity escrow for the sale, including a mutual release of liabilities. Leaf received $48 thousand from the escrow.

- On 2 March 2017, Leaf made an additional investment of $250 thousand in the preferred equity of Lehigh.

- On 20 September 2017, after the end of the period, 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. On 20 September 2017, Leaf borrowed $2 million from the Shareholder Loan Facility.

Financial performance

The Leaf Group's total net asset value ("NAV") on 30 June 2017 was $88.3 million, $18.1 million lower than on 30 June 2016. This change resulted from the $18.1 million comprehensive loss for the period, which in turn consisted primarily of a $14.5 million loss on revaluation in the carrying value of the portfolio companies, $3.5 million of transaction related costs, and $1.7 million of administration expenses, offset in part by a $1.8 million benefit from a reduction in the provision for incentive plans expense and a $0.4 million benefit from a reduction in the net deferred tax liability.

The taxation and incentive plans provision movements resulted directly from the revaluation of the investments. Based on the decrease in the investment valuations and revised internal cash forecasts, Leaf has decreased its provision for future pay outs under the Company's incentive plans to $1.7 million. In addition, Leaf decreased its net deferred tax liability to $11.3 million, based on movements in the valuations of the investments. The transaction-related expenses resulted primarily from legal costs associated with prosecuting Leaf's complaint against Invenergy, and professional services costs relating to the Invenergy put/call appraisal process.

At the end of the period, $2.3 million of Leaf's NAV was held in cash and $101.4 million in investments.

NAV per share for the Leaf Group was 74.71 cents or 57.49 pence at $1.2995 to the £1. This was a decrease of 17.0 per cent for the one-year period from 30 June 2016. The decrease was entirely due to the comprehensive loss for the period, which was in turn primarily the result of the loss on investments (-13.6%), transaction-related expenses (-3.3%), and administration expenses (-1.6%), partly offset by the decrease in incentive plans provision (1.7%) and the tax provision (0.4%). Following the decline in the value of the GBP relative to the US dollar resulting from the Brexit vote during the prior period, the GBP declined an additional 2% during the current period. As a result, the NAV per share in pence declined by 15.3 per cent.

Leaf's administrative expenses of $1.74 million for the one-year period ended 30 June 2017 were $114 thousand below Leaf's $1.85 million budget. 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's budget for administration expenses for the next fiscal year ending 30 June 2018 is $1.63 million.

Portfolio update

Key updates regarding Leaf's portfolio companies during the annual report period include the following:

<u>Invenergy Renewables LLC (Invenergy)</u>

Invenergy, North America's largest independently owned clean power generation company, commenced commercial operations at its Corriegarth, Gunsight and Roncevaux wind energy projects. Invenergy completed project financings for several wind energy projects including Campo Palomas and Santa Rita.

Invenergy also executed several transactions during the fiscal year including the dispositions of Wake Wind and Bethel Wind energy projects to Southern Power as well as the acquisition of La Jacinta Solar Farm in Uruguay from Fotowatio Renewable Ventures. In May 2017, Invenergy completed the sale of its Hardin wind project, a 175 megawatt wind energy generating facility in Ohio, to a subsidiary of American Electric Power under a build-transfer sale arrangement.

<u>Lehigh Technologies, Inc. (Lehigh)</u>

Lehigh, the green materials company, had financial performance that was below expectations, primarily driven by weakness in the tire and plastic segments. Additionally, the company has experienced modest pricing pressure as Lehigh continues to operate in a competitive environment where the substitute for its products is often a petroleum-derived product.

Management report (continued)

Portfolio update (continued)

On the operations front, Lehigh continues to grow its customer base, having added new customers in the tire, plastic and oilfield segments as well as improving on its geographic expansion plans having initiated sales in Brazil and Argentina, new markets for Lehigh.

<u>Vital Renewable Energy Company (VREC)</u>

VREC, a renewable energy company focused on the development of sugar-cane-based ethanol and sugar has commenced the 2017/2018 crushing season after having completed its offseason maintenance program. While the production levels in the prior crushing season were slightly below expectations, the robust commodity prices witnessed during the end of the previous crushing season helped offset the impact of production shortfalls. VREC continues to focus on driving growth during the 2017/2018 crushing season and beyond and its recently concluded merger with an established agricultural company will significantly aid both its agricultural and industrial growth initiatives.

Given the recent merger, VREC is also focused on ensuring the seamless integration of the operations of the two companies. The merger is highly complementary and positions both companies to realize certain cost synergies.

Market conditions in the Brazilian sugar and ethanol sector have been mixed. While ethanol prices during the current crushing season have held steady, sugar prices have declined.

<u>Energía Escalona (Escalona)</u>

Escalona, the hydroelectric project development company based in Mexico City, has substantially completed project development activities for the Escalona project. Prior to being able to commence construction, Escalona is required to secure a couple of environmental permits including the Estudio Técnico Justificativo para Cambio de Uso de Suelo" ("ETJ"), also known as the Change of Soil Use Permit which is currently in process. Escalona has submitted the ETJ application to the Ministry of Environmental and Natural Resources (known as SEMARNAT). The timing of the ETJ permit approvals is currently anticipated to be in the third or fourth quarter of 2017. Additionally, 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.

Outlook

In the coming months, the Leaf Management team will continue its focus on achieving realisations of the remaining assets to enable additional future distributions to the shareholders. While the timing is uncertain for the realisation of a given investment, it is likely to take until at least the end of calendar 2018 to realise the remaining investments. As a result, the Leaf Board and management have worked with two of Leaf’s major shareholders to ensure the company will continue to maintain an appropriate cash balance required to execute Leaf’s strategy.

29 September 2017

Report of the directors

The directors hereby submit their annual report of the audited consolidated financial statements of Leaf Clean Energy Company and its subsidiaries (together the "Leaf Group") for the financial year ended 30 June 2017.

The Company

Leaf Clean Energy Company ("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, except that Leaf will not make any investment in a new portfolio company.

Results and dividends

The results and financial position of the Leaf Group for the year ended 30 June 2017 are set out in the attached consolidated financial statements.

The directors do not intend to declare a dividend at this time (2016: $nil).

Redemption

The directors did not approve any redemptions during the year ended 30 June 2017 (2016: $10.1 million).

Directors and directors' interests

The directors during the year were:

Mark Lerdal (executive chairman)
Stephen Coe (non-executive director)
Peter O'Keefe (non-executive director)

Details of interests

The interests of the directors in the share capital of Leaf as at 30 June 2017 are set out below:

	2017	**2016**
Name	**No. of ordinary shares**	**No. of ordinary shares**
Peter O'Keefe	46,807	46,807
Stephen Charles Coe	20,000	20,000

Notified shareholdings

As at the date of this report, the following interests in the ordinary shares of Leaf of 3% and over of the issued share capital had been notified to Leaf:

Name	**No. of shares**	**% of issued share capital**
INVESCO Asset Management Limited	47,197,428	39.94%
Crystal Amber Advisers (UK) LLP	35,326,462	29.90%
Weiss Asset Management	22,444,550	18.99%

Independent auditors

Our Auditors, KPMG, being eligible have expressed their willingness to continue in office.

Report of the directors (continued)

Corporate governance
The directors have taken measures to ensure that the Leaf Group complies with the Quoted Companies Allliance (QCA) Guidelines for AIM Companies to the extent they consider appropriate, taking into account the size of the Leaf Group and nature of its business.

Board of directors
Leaf has an experienced board which is currently comprised of three directors, Mark Lerdal is the executive chairman of the board, Stephen Coe and Peter O'Keefe are non-executive directors.

Audit committee
An audit committee has been established to operate with effect from Admission. The current audit committee is chaired by non-executive director Stephen Coe. Mr. Coe qualified as a Chartered Accountant with Price Waterhouse in 1990. Mark Lerdal, Leaf's executive chairman, and non-executive director Peter O'Keefe are the other members on this three-member committee. It meets whenever there is business to discuss and at least twice each year. The audit committee is responsible for ensuring that the financial performance of the Leaf Group is properly monitored, controlled and reported on. It also communicates with the auditors and reviews the auditors' reports relating to accounts and internal control systems.

Remuneration committee
Leaf has established a remuneration committee, comprising Mark Lerdal and Peter O'Keefe. The remuneration committee meets when the board considers it necessary to review the level of directors' fees.

Leaf takes all reasonable steps to ensure compliance by the directors, the directors' families and any employees with the provisions of the Market Abuse Regulations (MAR) of the European Union and the AIM Rules relating to dealings in securities of Leaf and has adopted the Model Code under the FCA's Listing Rules for this purpose.

Nomination committee
Leaf does not currently consider it necessary to establish a nomination committee.

Internal control
There are inherent limitations in any system of internal control and such a system can provide only reasonable, but not absolute, assurances against material misstatement or loss. The Leaf Group does not have its own internal audit function but places reliance on compliance and other control functions of its service providers.

Where necessary the board obtains specialist advice from advisers.

On behalf of the board

Mark Lerdal
Chairman
29 September 2017

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the directors' report and the consolidated financial statements in accordance with applicable law and regulations. In addition, the directors have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards.

The consolidated financial statements are required to give a true and fair view of the state of affairs of the Leaf Group and the profit or loss of the Leaf Group for that year.

In preparing these consolidated financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with International Financial Reporting Standards; and
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Leaf Group will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Leaf Group's transactions and disclose with reasonable accuracy at any time its financial position. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Leaf Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on Leaf's website. Legislation governing the preparation and dissemination of consolidated financial statements may differ from one jurisdiction to another.

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Independent Auditors' Report to the Board of Directors

We were engaged to audit the accompanying consolidated financial statements of Leaf Clean Energy Company (the "Company"), which comprise the consolidated statement of financial position as of 30 June 2017, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

At 30 June 2017, the Company holds an investment in Invenergy Renewables LLC (formerly known as Invenergy Wind LLC) ("Invenergy"), with a fair value of US$99,100,000 that is subject to litigation proceedings as described in note 23, the outcome of which is uncertain. Due to this uncertainty, we were not able to obtain sufficient, appropriate audit evidence over the fair value of the Company's investment in Invenergy. As a result of this matter, we were unable to determine whether any adjustments might be necessary to the amounts shown in the consolidated financial statements for the Company's investment in Invenergy and the elements making up the consolidated statements of comprehensive income and changes in equity as at and for the year ended 30 June 2017.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these consolidated financial statements.

KPMG

29 September 2017

Consolidated statement of comprehensive income for the year ended 30 June 2017

	Note	**Year ended 30 June 2017 US$'000**	**Year ended 30 June 2016 US$'000**
Interest income on cash balances		-	1
Net (loss)/gain on investments at fair value through profit or loss	23	(14,496)	4,523
Net foreign exchange loss		(130)	(510)
Gross portfolio return		**(14,626)**	**4,014**
Administration expenses	7	(1,738)	(2,371)
Transaction-related costs	8	(3,456)	(1,739)
Provision for doubtful intercompany receivable	20	(387)	-
Incentive plans reversal/(expense)	9	1,750	(526)
Loss before taxation		**(18,457)**	**(622)**
Taxation	19	404	(3,553)
Total loss and total comprehensive loss for the year		**(18,053)**	**(4,175)**
Basic and diluted loss per share (cents)	11	**(15.28)**	**(3.45)**

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

Leaf Clean Energy Company

Consolidated statement of financial position as at 30 June 2017

	Note	**Year ended 30 June 2017 US$'000**	**Year ended 30 June 2016 US$'000**
Assets			
Investments at fair value through profit or loss	13.1, 23	101,410	115,700
Deferred tax assets	19	8,181	9,339
Property, plant and equipment		-	2
Total non-current assets		**109,591**	**125,041**
Trade and other receivables	15	65	510
Restricted cash	6,16	-	30
Cash and cash equivalents	16	2,286	5,947
Total current assets		**2,351**	**6,487**
Total assets		**111,942**	**131,528**
Equity			
Share capital	18	27	27
Share premium	18	297,046	297,046
Retained losses		(208,799)	(190,746)
Total equity		**88,274**	**106,327**
Liabilities			
Deferred tax liabilities	19	19,522	21,107
Provision for future incentive plans payouts	9	1,650	3,400
Total non-current liabilities		**21,172**	**24,507**
Trade and other payables	17	2,496	694
Total current liabilities		**2,496**	**694**
Total liabilities		**23,668**	**25,201**
Total equity and liabilities		**111,942**	**131,528**
Net asset value per share (cents)	5	74.71	89.98

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

The consolidated financial statements were approved by the board of directors on 29 September 2017 and signed on their behalf by:

Mark Lerdal
Executive Chairman

Stephen Coe
Non-executive Director

Leaf Clean Energy Company

Consolidated statement of changes in equity for the year ended 30 June 2017

	Share Capital	Share Premium	Retained Losses	Total Equity
	US$'000	**US$'000**	**US$'000**	**US$'000**
Balance at 1 July 2015	28	306,809	(186,571)	120,266
Repayment to shareholders via compulsory redemption	(1)	(9,763)	-	(9,764)
Total comprehensive loss for the year	-	-	(4,175)	(4,175)
Balance at 30 June 2016	**27**	**297,046**	**(190,746)**	**106,327**
Balance at 1 July 2016	27	297,046	(190,746)	106,327
Total comprehensive loss for the year	-	-	(18,053)	(18,053)
Balance at 30 June 2017	**27**	**297,046**	**(208,799)**	**88,274**

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

Consolidated statement of cash flows for the year ended 30 June 2017

	Year ended 30 June 2017 US$'000	Year ended 30 June 2016 US$'000
Cash flows from operating activities		
Collection of receivable	-	1,503
Tax refunds, security deposits and cost reimbursements	8	185
Incentive Plan Payments	-	(126)
Income tax paid	-	(242)
Transaction-related costs paid	(1,514)	(1,404)
Operating expenses paid	(1,853)	(2,404)
Net cash used in operating activities	**(3,359)**	**(2,488)**
Cash flows from investing activities		
Repayment of capital by investee companies	-	3,910
Proceeds from sale of investments	48	2,643
Purchase of financial assets at fair value through profit or loss	(250)	(366)
Net cash (used in)/generated from investing activities	**(202)**	**6,187**
Cash flows financing activities		
Repayment to shareholders via compulsory redemption	-	(9,764)
Net cash generated from/(used in) financing activities	**-**	**(9,764)**
Net increase/(decrease) in cash and cash equivalents	**(3,561)**	**(6,065)**
Cash and cash equivalents at start of the year	5,977	12,552
Effect of exchange rate fluctuations on cash and cash equivalents	(130)	(510)
Cash and cash equivalents at end of the year	**2,286**	**5,977**

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

Consolidated statement of cash flows for the year ended 30 June 2017 (continued)

Reconciliation of total (loss)/gain and total comprehensive (loss)/gain for the year to net cash used in operating activities	**Year ended 30 June 2017 US$'000**	**Year ended 30 June 2016 US$'000**
Total loss and total comprehensive loss for the year	(18,053)	(4,175)
Adjustments for:		
Net unrealised (gain)/loss on investments at fair value through profit or loss	14,540	(4,523)
Net realised (gain)/loss on investments at fair value through profit or loss	(48)	-
(Decrease)/increase in incentive plans provision	(1,750)	400
(Decrease)/increase in net deferred tax liability	(427)	3,549
Net foreign exchange loss	130	510
Taxation	23	7
Depreciation expense	2	2
Other	(2)	(50)
Provision for doubtful intercompany receivables	387	-
Operating loss before changes in working capital	**(5,198)**	**(4,280)**
Movement in trade and other receivables	58	1,552
Movement in trade and other payables	1,781	240
Net cash used in operating activities	**(3,359)**	**(2,488)**

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

Notes to the consolidated financial statements for the year ended 30 June 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 all employees of Leaf's subsidiary, Leaf Capital Management, LLC ("Leaf USA")) performed all significant functions. Accordingly, Leaf itself had no employees prior to 1 January 2017. Following the merger of Leaf USA into Leaf subsidiary, Leaf Biomass Investments, Inc. ("LBI"), the remaining former employees of Leaf USA have become employees of Leaf, effective 1 January 2017. Refer to note 20.

The consolidated financial statements as at and for the year ended 30 June 2017 are for the Leaf Group. Refer to note 21.

The consolidated financial statements of Leaf as at and for the year ended 30 June 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. Basis of preparation

2.1 Statement of compliance

Leaf and its subsidiaries' (together the "Leaf Group") consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Leaf has consistently applied the accounting policies as set out in note 3 to all periods presented. There were no new or changes to existing accounting standards that impacted the Leaf Group's financial statements for the year ended 30 June 2017.

These consolidated financial statements were approved by the board of directors on 29 September 2017.

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the investments held at fair value through profit and loss that are measured at fair value in the consolidated statement of financial position.

2.3 Functional and presentation currency

The consolidated financial statements are presented in thousands of United States Dollars ("US$"), which is the Leaf Group's functional currency. All financial information presented in US$ has been rounded to the nearest thousand, except when otherwise indicated.

2.4 Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

The most significant area requiring estimation and judgement by the directors is the valuation of unquoted investments, see note 13.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

3.1 Financial instruments

(i) Non-derivative financial assets

The Leaf Group classifies non-derivative financial assets into the following categories: investments at fair value through profit or loss and loans and receivables.

The Leaf Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Leaf Group becomes a party to the contractual provision of the instrument.

The Leaf Group derecognises a financial asset when the contractual rights to the cash flows from the instrument expire, or the rights to receive the contractual cash flows are transferred in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred assets that is created or retained by the Leaf Group is recognised as a separated asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Leaf Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise and settle the liability simultaneously.

Investments held at fair value through profit or loss

The Leaf Group records its investments in equity, loans and similar instruments, at fair value through profit or loss on initial recognition. Attributable transaction costs are recognised in the consolidated statement of comprehensive income as incurred. Gains and losses arising from changes in fair value of investments, including foreign exchange movements, are recognised in the consolidated statement of comprehensive income.

3. Significant accounting policies (continued)

3.1 Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Unquoted investments are valued at fair value using recognised valuation methodologies, based on the International Private Equity and Venture Capital Guidelines, which reflect the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, restricted cash and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents consists of cash balances and call deposits with maturities of one year or fewer from the acquisition date that are subject to an insignificant risk of changes in value, and are used by the Leaf Group in the management of its short-term commitments.

(ii) Non-derivative financial liabilities

The Leaf Group classifies non-derivative financial liabilities into the other financial liability category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

The Leaf Group initially recognises debt securities issued and subordinated liabilities on the date that they originated. All other financial liabilities (including liabilities designated as at fair value through profit or loss) are recognised initially on trade date, which is the date that the Leaf Group becomes a party to the contractual provision of the instrument.

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

Financial liabilities comprise trade and other payables, deferred tax and incentive plans payouts.

Bank overdrafts that are repayable on demand and form an integral part of the Leaf Group’s cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

3.2 Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity.

3 Significant accounting policies (continued)

3.3 Revenue and expense recognition

Interest income is recognised on a time-proportionate basis using the effective interest rate method.

Dividends receivable on equity and non-equity shares, which carry significant equity rights, are recognised as revenue when the shareholders' right to receive payment has been established, normally the ex-dividend date. When no ex-dividend date is available, dividends receivable on or before the year end are treated as revenue for the year. Provision is made for any dividends not expected to be received.

Fixed returns on debt securities and loans are recognised on an effective interest rate basis, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Expenses are accounted for on an accrual basis and are charged to the consolidated statement of comprehensive income. This includes expenses directly related to making an investment which is held at fair value through profit or loss.

Incentive fees have been accrued for as per note 9.

3.4 Foreign currency translation

Transactions in foreign currencies are translated to the functional currency of the Leaf Group at the exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate on the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the consolidated statement of comprehensive income.

3.5 Dividends payable

Dividends payable are recognised as a liability in the period in which they are declared and approved.

3.6 Earnings per share

The Leaf Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the basic earnings attributable to ordinary shareholders of Leaf by the weighted average number of ordinary shares outstanding during the year, adjusted for any shares held by the Leaf Group. Diluted EPS is determined by adjusting the basic earnings attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for any shares held by the Leaf Group, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

3.7 Income tax expense

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

3 Significant accounting policies (continued)

3.7 Income tax expense (continued)

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Leaf Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption. Deferred tax assets and liabilities are offset only if certain criteria are met.

United States taxation

Certain of Leaf's investments are in the equity of US companies which are considered to be US Real Property Interests as defined by the US Foreign Investor Real Property Tax Act ("FIRPTA"). Also, certain of Leaf's investments are in US partnership interests. Leaf is subject to US federal taxation under FIRPTA on income attributable to US Real Property Interests.

With respect to such investments, Leaf recognises a deferred tax liability equal to the applicable blended US federal and state tax rates multiplied by the difference between the carrying value of Leaf's investment for financial reporting purposes and the applicable tax base used for applicable US federal and state taxation. Leaf reviews the deferred tax liability in connection with the revaluation process and adjusts accordingly.

Leaf recognises a deferred tax asset with respect to unused taxable losses, to the extent that Leaf will have sufficient future taxable income against which to offset such losses. The tax asset is equal to such unused losses multiplied by the applicable blended US federal and state tax rates. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Cayman Islands taxation

Leaf received from the Governor-in-Cabinet of the Cayman Islands, an undertaking that, for a period of 20 years from 5 June 2007 no laws of the Cayman Islands imposing any tax on profits, income, gains or appreciation shall apply to Leaf and that no such tax or any tax in the nature of estate duty or inheritance tax shall be payable on the shares, debentures or other obligations of Leaf. Under the current Cayman Islands law, no tax will be charged on profits or gains of Leaf and dividends of Leaf would be payable to Shareholders resident in or outside the Cayman Islands without deduction of tax.

3. Significant accounting policies (continued)

3.8 Subsidiaries

Subsidiaries are investees controlled by Leaf. Leaf controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Leaf Board concluded that Leaf meets the definition of an investment entity and measures investments in its subsidiaries at fair value through profit or loss.

3.9 Future changes in accounting policies

IASB (International Accounting Standards Board) and IFRIC (International Financial Reporting Interpretations Committee) have issued the following standards and interpretations with an effective date after the date of these financial statements:

New/Revised International Financial Reporting Standards (IAS/IFRS)	**European Union Effective date** (accounting periods commencing on or after)
IFRS 9 Financial Instruments	EU and IASB effective date 1 January 2018

4. Financial risk management

The Leaf Group's investments expose it to a variety of financial risks: market risk (including market price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

Market price risk

The portfolio companies in which Leaf invests operate in sectors that may be affected by the prevailing prices of electricity, oil, natural gas and other commodities. As energy and fuels derived from non-renewable sources become more expensive or scarce, renewable energy and alternative fuels become more valuable. Conversely, if non-renewable energy and fuels become more abundant or, for other reasons become less expensive, the value of renewable or alternative fuels may be negatively affected. As a result, the performance of the project companies is likely to be dependent upon prevailing prices for these commodities, which have been historically, and may continue to be, volatile and subject to wide variations for a variety of reasons beyond the control of the Leaf Group. These factors include the level of consumer product demand, weather conditions, governmental regulations in producing and consuming countries, the price and availability of alternative fuels, the supply of oil and natural gas, and overall geo-political and economic conditions. Therefore, volatility of commodity prices may adversely affect the value of the Leaf Group's investments.

Leaf does not have any material direct market price risk. Leaf does not manage the market price risk of its investee companies either, relying instead on the management of each investee company to appropriately manage its own risks.

The Leaf Group's investments comprise interests in companies which are not publicly traded or freely marketable. The Leaf Group may also be restricted from selling certain securities by contract or regulatory considerations. Such investments may therefore be difficult to value or realise. Any such realisation may involve significant time and expense.

4. Financial risk management (continued)

Market price risk (continued)

The below table summarises the valuation methodologies and key assumptions in deriving the aggregate fair value of the investments as at 30 June 2017 of $101.4 million (2016: $115.7 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
Lehigh Technologies Inc. ("Lehigh")	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 2016.

Name of Investment	Valuation methodology	Significant inputs / assumptions
Invenergy Wind LLC ("Invenergy")	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

Foreign exchange risk

The Leaf Group was exposed to foreign exchange risk with regard to transactions made in Sterling and balances held in Sterling.

4. Financial risk management (continued)

Foreign exchange risk (continued)

An analysis of net assets by currency exposure as at 30 June 2017 is as follows:

	Net Assets US$'000 30 June 2017	Net Assets US$'000 30 June 2016
US Dollars	86,072	102,660
GBP	2,202	3,648
Euro	-	19
Total	**88,274**	**106,327**

The Leaf Group's investments in VREC and Escalona are exposed to the Brazilian Real ("Reals") and the Mexican Peso ("Peso"), respectively. VREC has primary operations in Brazil with most of its costs (including debt-related costs) and revenues denominated in Reals. The Escalona hydroelectric project is being developed in Mexico, with current and future costs (including debt-related costs) and future expected revenues denominated in Pesos. The Leaf Group does not currently take any measures to hedge against these exposures.

During the year ended 30 June 2017, the Company did not have exposure to the Peso or the Real.

Interest rate risk

The Leaf Group had no borrowings as at 30 June 2017 and 2016. As interest rates earned on the Leaf Group's cash balances are minimal, there was no material interest rate risk to the Leaf Group as at 30 June 2017 and 2016.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Leaf Group.

The carrying amounts of financial assets, excluding equity investments in portfolio companies, best represent the maximum credit risk exposure at the reporting date. This relates also to financial assets carried at amortised cost, as they have a short-term maturity.

At the reporting date, the Leaf Group's financial assets exposed to credit risk amounted to the following:

	Year ended 30 June 2017 US$'000	Year ended 30 June 2016 US$'000
Trade and other receivables	65	510
Cash and cash equivalents	2,286	5,977
Total	**2,351**	**6,487**

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. Management does not expect any counterparty to fail to meet its obligations. No impairment provisions have been made as at the year end and no debtors were past their due date.

Leaf's intermediary subsidiaries are equity investments of the Leaf Group which are not subject to credit risk, given that the purpose of these subsidiaries is to hold the Leaf Group's underlying investments in the investee companies, and all such underlying investments are in the form of equity instruments that are not subject to credit risk.

Cash balances are held with P-1* financial institutions.

**- A Moody's rating of Prime-1 (P-1) means that the issuer has a superior ability to repay short-term debt obligations.*

4. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Leaf Group will not be able to meet its financial obligations as they fall due. The Leaf Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet their liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses. The Leaf Group's liquidity position is monitored by Leaf's board of directors.

Residual undiscounted contractual maturities of financial liabilities:

30 June 2017	Total, all maturities US$'000	Less than 1 month US$'000	1-3 months US$'000	3 months to 1 year US$'000	1-5 years US$'000	Over 5 years US$'000	No stated maturity US$'000
Financial liabilities							
Deferral arrangement	(1661)	-	-	-	(1,661)	-	-
Trade and other payables	(835)	(631)	(204)	-	-	-	-
Total	**(2,496)**	**(631)**	**(204)**	**-**	**(1,661)**	**-**	**-**

30 June 2016	Total, all maturities US$'000	Less than 1 month US$'000	1-3 months US$'000	3 months to 1 year US$'000	1-5 years US$'000	Over 5 years US$'000	No stated maturity US$'000
Financial liabilities							
Trade and other payables	(694)	(694)	-	-	-	-	-
Total	**(694)**	**(694)**	**-**	**-**	**-**	**-**	**-**

Fair values
All assets and liabilities at 30 June 2017 are considered to be stated at fair value.

5. Net Asset Value per Share

The net asset value per share as at 30 June 2017 is 74.71 cents based on net assets of $88.3 million and 118,162,853 ordinary shares in issue as at that date (2016: 89.98 cents based on net assets of $106.3 million and 118,162,853 ordinary shares).

6. Restricted cash

The restricted cash balance at 30 June 2017 is $nil (2016: $30 thousand associated with the corporate credit cards for Leaf Capital Management, LLC held by HSBC US).

7. Administration expenses

	Year ended 30 June 2017 US$'000	Year ended 30 June 2016 US$'000
Salaries and related costs	647	849
Directors' remuneration (note 10)	345	345
Legal and professional fees [1]	186	403
Administration fees	150	175
Other expenses	112	188
Travel and subsistence expenses	75	135
Rental fees	67	115
Audit fees	65	60
Directors' and officers' insurance expense	53	61
Registrar fees and costs	38	40
Total	**1,738**	**2,371**

7. Administration expenses (continued)

[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.

8. Transaction-related costs

Leaf does not budget transaction-related costs, due to the unpredictability of their timing and amounts. The amount disclosed for the year ended 30 June 2017 consists primarily of legal costs incurred during the period in connection with the complaint filed on 21 December 2015 by Leaf against Invenergy Wind LLC, and professional services incurred in connection with the put/call appraisal process for Invenergy.

9. Incentive plans expense

The Leaf Board has adopted incentive compensation plans for the Company under which payees will receive incentive payments only when cash is returned to the shareholders. These plans include a sliding scale of incentives. As at 30 June 2017, the Leaf Group updated its prior estimate of the incentive payments to be $1.7 million ($3.4 million: 2016), using an estimate of total cash that will be returned to the shareholders that is based on the 30 June 2017 net asset value 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 result in adjustments to the provision for future incentive plans payouts, which are recognised in profit or loss during the period of the adjustment.

10. Directors' remuneration

Details of the directors' basic annual remuneration are as follows:

	Basic annual remuneration
	US$'000
Mark Lerdal (executive chairman)	250
Stephen Coe (non-executive director)	70
Peter O'Keefe (non-executive director)	25

Directors' fees and expenses were:

30 June 2017	**Directors' fees**	**Reimbursements**	**Total**
	US$'000	US$'000	US$'000
Mark Lerdal (Chairman)	250	40	290
Stephen Coe	70	9	79
Peter O'Keefe	25	-	25
Total	**345**	**49**	**394**

30 June 2016	**Directors' fees**	**Reimbursements**	**Total**
	US$'000	US$'000	US$'000
Mark Lerdal (Chairman)	250	41	291
Stephen Coe	70	10	80
Peter O'Keefe	25	-	25
Total	**345**	**51**	**396**

Each director is entitled to receive reimbursement of any expenses in relation to their appointment. Total reimbursement to the directors for the year ended 30 June 2017 amounted to $49 (2016: $51) of which $14 was outstanding at 30 June 2017 (2016: $nil).

11. 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 year:

	Year ended 30 June 2017	Year ended 30 June 2016
Loss attributable to equity holders (US$'000)	(18,053)	(4,175)
Weighted average number of ordinary shares in issue (thousands)	118,163	120,967
Basic and fully diluted (loss) per share (cents)	**(15.28)**	**(3.45)**

There is no difference between the basic and diluted earnings per share for the year.

12. Investments

Investments in underlying investee companies (held through various wholly owned intermediary subsidiaries – see note 21) comprise membership units, ordinary stock, and preferred stock carrying a cumulative preferred dividend, preferential return of capital and capped rights to share in profits. The directors, with advice from the in-house management team, Leaf Capital Management, LLC (for the period from 1 July 2016 to 31 December 2016), Leaf's employee management team (for the period 1 January 2017 to 30 June 2017), and a third party financial advisor, DBO Partners (for the 31 December 2015 Invenergy valuation only), have reviewed the carrying value of each investment and calculated the aggregate value of the Leaf's investment 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. Refer to note 23 for details about Invenergy and its valuation.

13. Critical accounting estimates and assumptions

These disclosures supplement the commentary on the use of estimates and judgments (see note 2.4).

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. 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. 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.

13. Critical accounting estimates and assumptions (continued)

Critical judgements in applying the Leaf Group's accounting policies (continued)

- 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.

13.1 Investments at fair value through profit or loss

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.

	Year ended 30 June 2017	Year ended 30 June 2016
Balance brought forward	115,700	117,320
Derecognition of convertible note investment upon conversion	-	(95,000)
Recognition of equity investment upon conversion of convertible note	-	95,000
Additional investments in subsidiaries	250	366
Repayment of capital by investee companies	-	(3,910)
Proceeds from sale of investments	-	(2,454)
Transaction related expenses paid and included in realised loss/gain from sale of investment	-	-
Movement in fair value of investments	(14,540)	4,378
Balance carried forward	**101,410**	**115,700**
Total gain/(losses) for the year included in profit or loss relating to investments held at the end of the reporting period.	(14,540)	4,374

Investments are stated at fair value through profit or loss on initial recognition. Loans are reviewed for impairment in conjunction with the related equity investment in the investee company. 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, have overall responsibility for all significant fair value measurements, including Level 3 fair values. The management team regularly reviews significant unobservable inputs and valuation adjustments.

Included in "Net (loss)/gain on investments at fair value through profit and loss" on the consolidated statement of comprehensive income is an amount received for an investment sold during the year ended 30 June 2015.

13. Critical accounting estimates and assumptions (continued)

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

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 US$'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

The table below sets out information about significant unobservable inputs used at 30 June 2016 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	Fair value at 30 June 2016 US$'000	Valuation technique	Unobservable input	Range	Sensitivity to changes in significant unobservable inputs
Unlisted private equity investments	$115,700	Market multiples, income approach	Operational multiples	$62/mm tons - $87/mm tons	The estimated fair value would increase (decrease) if the operational multiples were higher/lower.
			Discount rates	8.8%-20%	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)	$54.8mm - $138.0mm	The estimated fair value would increase/(decrease) if the lawsuit outcome cash flow were higher/lower

13. Critical accounting estimates and assumptions (continued)

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

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.

13.2 (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 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 multiples used in the model at 30 June 2017 ranged between $57/mm tons and $63/mm tons, with reasonably possible alternative assumptions of $41.5/mm tons to $75/mm tons.

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 2016 ($ millions): (Favourable: 17.6, Unfavourable: (59.6)).

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 2016 ranged between 9.8% and 17% (with reasonably possible alternative assumptions ranging between 8.8% and 20.0%). The forecasted cash flows for lawsuit outcomes used in the model was $122.2mm, with reasonably possible outcomes of $54.8mm and $138mm. The operational multiple used in the model at 30 June 2016 was $74/mm tons, with reasonably possible alternative assumptions of $62/mm tons to $87/mm tons.

14. 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.

15. Trade and other receivables

	Year ended 30 June 2017 US$'000	Year ended 30 June 2016 US$'000
Prepayments	62	137
Other receivables	3	-
Inter-company receivables	-	373
Total	**65**	**510**

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

16. Cash and cash equivalents

	Year ended 30 June 2017 US$'000	Year ended 30 June 2016 US$'000
Bank current account balances	2,286	5,947
Sub Total	**2,286**	**5,947**
Restricted cash	-	30
Total	**2,286**	**5,977**

17. Trade and other payables

	Year ended 30 June 2017 US$'000	Year ended 30 June 2016 US$'000
Other creditors	2,373	584
Audit fees payable	65	65
Administration fees payable	37	45
Taxes payable	21	-
Total	**2,496**	**694**

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 30 June 2017, $1.7 million of fees (30 June 2016: $nil) have been deferred under this arrangement and are included in the other creditors figure in the above table.

18. Share capital

Ordinary shares of GBP0.0001 each	Number of shares	Share capital	Share premium
		US$'000	US$'000
At 30 June 2017	**118,162,853**	**27**	**297,046**
At 30 June 2016	**118,162,853**	**27**	**297,046**

The authorised share capital of the Leaf Group is GBP25,000 divided into 250 million ordinary Shares of GBP0.0001 each.

Under the terms of the placement on 22 June 2007, Leaf issued 200,000,000 shares of GBP0.0001 each par value at a price of GBP1 each. The difference between the issue price and the par value was transferred to share premium account, net of share issue expenses.

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

18. Share capital (continued)

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.

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

	Year ended 30 July 2017 US$'000	Year ended 30 July 2016 US$'000
Current tax expense		
Current year	23	4
	23	**4**
Deferred tax expense		
Temporary differences (gain)/loss	(427)	3,549
	(427)	**3,549**
Tax (gain)/expense on continuing operations	**(404)**	**3,553**

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.

			Balance as at 30 June 2017		
2017 **US$'000**	**Net balance at 01 July 2016**	**Recognised in profit or loss**	**Net**	**Deferred tax assets**	**Deferred tax liabilities**
Investments held at fair value through profit and loss	(11,768)	(11,341)	(11,341)	8,181	(19,522)
Net tax assets (liabilities)	**(11,768)**	**(11,341)**	**(11,341)**	**8,181**	**(19,522)**

The deferred tax asset has been calculated using a 35% top US federal tax rate. The deferred tax liability has an effective tax rate of 40% which consists of a 35% 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. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial or operational decisions.

Leaf's directors are related parties and details of their fee arrangements are given in note 10 and their shareholdings are disclosed under report of the directors.

The company's incentive plans disclosed in note 9 will be paid out to related parties.

Leaf's wholly owned subsidiary, Leaf Capital Management, LLC ("Leaf USA"), in Arlington, VA provided asset advisory, portfolio management and certain administrative services to Leaf through 31 December 2016. Leaf USA was merged into

20. Related party transactions (continued)

Leaf subsidiary, Leaf Biomass Investments, Inc. ("LBI"), effective 31 December 2016, with LBI being the surviving entity. The remaining employees of Leaf USA have become employees of Leaf effective 1 January 2017.

On 20 September 2017, after the end of the period, 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. On 20 September 2017, Leaf borrowed $2 million from the Shareholder Loan Facility.

During the year ended 30 June 2017, an intercompany receivable of $387 was written off as nonrecoverable.

21. 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
Energía 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	55.7%
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%

22. Capital commitments

As at 30 June 2017, there were no capital commitments in respect of investments.

23. 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.

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:

23. Investment in Invenergy (continued)

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.

The Court has scheduled a trial for October 2017 to determine the amount of Leaf's damages and to address Invenergy's counterclaim.

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 valued the investment in Invenergy at $99.1 million as at 30 June 2017.

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 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.

24. Subsequent Events

On 20 September 2017, after the end of the period, 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. On 20 September 2017, Leaf borrowed $2 million from the Shareholder Loan Facility.