Leaf Clean Energy Company

Annual Report

For the year ended 30 June 2018

Contents

Management and administration

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

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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, 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 Property Group Limited, Leaf Clean Energy Company, and Weiss Korean Opportunities Fund Limited.

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 America’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:

At 30 June 2018 Leaf’s Net Asset Value (“NAV”) was $19.3 million (30th June 2017: $88.3 million), after the inclusion of an accrual for the share redemption (which took place in July 2018) of $25.7 million. Accordingly, at 30 June 2018 NAV per share was 36.80 cents (30th June 2017: 74.71 cents) as calculated using post-redemption shares. The main changes taking us from $88.3 million to $19.3 million were a write down of the value of the Invenergy investment of $48.7 million, the $25.7 million accrual for the redemption, costs of $6.5 million, a reduction in our contingent costs provision of $0.8 million and a reduction in our deferred tax provision of $11.3 million. As at the year end our assets comprised: cash balances of $30.0 million (of which $25.7 million was returned to shareholders in July 2018); a receivable of $14.2 million in respect of the Invenergy put/call redemption (being the balance of the redemption price ordered by the Court as detailed below) and investment balances of $2.0 million.

Leaf realized its Invenergy and Lehigh ownership interests during the period and these are no longer held as investments by Leaf. Please refer to the Management Report for further information.

Invenergy

The fiscal year that ended June 30, 2018 was disappointing. As previously reported, on April 19, 2018, the Delaware Court of Chancery (the “Court”) issued a post-trial opinion with respect to certain claims asserted in Leaf Invenergy Company, LLC v. Invenergy Wind LLC, C.A. No. 1830-VCL (the “Invenergy Lawsuit”). The Court previously held Invenergy Renewables LLC (formerly known as Invenergy Wind LLC) ("Invenergy") had breached the parties' Third Amended and Restated Limited Liability Company Agreement ("Operating Agreement") by engaging in a defined "Material Partial Sale" without either obtaining Leaf's consent or paying Leaf a contractually defined return on its investment. In its post-trial opinion, the Court held that Leaf is only entitled to nominal damages of $1 as a result of Invenergy's breach of the Operating Agreement. In addition, the Court rejected Invenergy's counterclaim seeking a declaration that Leaf had breached certain provisions governing Leaf's ability to put its shares, and Invenergy's ability to call those shares, and ordered the parties to complete the put/call redemption process in accordance with the Operating Agreement.

On June 14, 2018, the Court entered its final order and judgment in the Invenergy Lawsuit, awarding Leaf nominal damages of $1 as a result of Invenergy’s breach of the Operating Agreement. The Court's final order also entered judgment in Leaf's favor on Invenergy's counterclaim seeking a declaration that Leaf had breached certain provisions governing Leaf's ability to put its shares, and Invenergy's ability to call those shares, thereby establishing the redemption price to be paid to Leaf in connection with that put/call process at $50.7 million. The final order provided that the parties would complete the put/call process and that Leaf would receive $36.4 million upon filing a notice of appeal to the Delaware Supreme Court. The final order further required Invenergy to place $15.3 million, representing the disputed amount of $14.2 million plus one year of statutory interest, in a court-controlled account pending resolution of Invenergy’s notice of cross-appeal related to its counterclaim.

Also on June 14, 2018, following entry of the Court's final order and judgment, Leaf filed its notice of appeal to the Delaware Supreme Court. Invenergy filed its notice of cross-appeal related to its counterclaim on June 25, 2018. Pursuant to the final order, Invenergy paid Leaf $36.4 million on June 20, 2018. If Leaf is successful on Invenergy’s cross-appeal related to its counterclaim, Invenergy will be required to pay Leaf the remaining $14.2 million plus statutory interest through the conclusion of the appeal. Leaf continues to believe it is entitled to damages of $122.2 million plus pre-judgment interest less $36.4 million already received.

The outcome of the legal process is likely to be known in the first half of 2019 with any remaining amounts due to Leaf paid at that time net of any withholdings required for tax purposes. We are of the view that any tax withholdings from the put/call redemption will be recoverable.

Given the fact that the outcome of Invenergy’s cross-appeal is uncertain, KPMG has not been able to obtain sufficient, appropriate audit evidence over the value of Leaf’s $14.2 million balance for “Additional proceeds receivable from put/call redemption of Invenergy stake”. Further, because of the significance of this balance to Leaf’s NAV, 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.

Investments

Vital Renewable Energy Company (“VREC”) Leaf has an investment in VREC, the owner of a sugar-cane-based facility in Brazil which produces ethanol and refined sugar. This investment is discussed in detail in the management report. A merger deal was done at the plant level with a strategic investor in 2017 and most operating metrics have improved over the last 12 months. Nevertheless, there are several issues for Leaf to realize its investment in VREC. Leaf has a minority investment in VREC which is highly illiquid, and the project is located in a country currently undergoing economic difficulties.

Energía Escalona (“Escalona”), the hydroelectric project development company based in Mexico City, has completed project development activities and is currently seeking to secure the ability of the project to participate in the Mexican

Investments (continued)

Wholesale Electricity Market (MEM) which allows companies in the private sector to generate and sell electricity directly to qualified users. Leaf continues to explore its strategic options for this asset but is not confident that it can obtain any meaningful return.

Conclusion

This has been a disappointing year with the outcome of the Invenergy legal case at the trial level. We continue to believe the language of the contract at issue there (as well as the parties' intent that Leaf would receive its defined return) was clear and fully evidenced. The outcome of the legal appeals process is uncertain, and costs will be incurred for the appeal and to keep Leaf operating. The Board will seek to make significant cost reductions for 2019 and will need to consider how best to operate Leaf to realize value in VREC and any receivables that remain following the finalization of the Invenergy legal process.

Mark Lerdal
Chairman

28 September 2018

Management report

Overview

During the year ended 30 June 2018, Leaf's management continued its work implementing Leaf's orderly realisation strategy (see Strategy section 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 October 2017 sale of Lehigh Technologies, Inc. to Michelin, and the June 2018 redemption by Invenergy of Leaf's ownership stake in Invenergy pursuant to the Court's order, Leaf's portfolio consists of two remaining investments: VREC and Escalona. Leaf is a minority holder in VREC and a majority holder in Escalona.

While Leaf no longer held Invenergy as an investment as at 30 June 2018, most of the value for Leaf's shareholders still hinges on Invenergy-related future events, namely the resolution of Leaf's appeal from the award of only nominal damages by the Court in Leaf's breach of contract claim against Invenergy, and Invenergy's cross-appeal of the Court's ruling against Invenergy on their counterclaim regarding the put/call process. See below for more information about these events that will likely result in Leaf receiving an additional $14.2 million of put/call redemption proceeds, or possibly as much as $85 million of additional damages, plus any pre- and post-judgment interest where applicable.

Strategy

The Leaf'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 2018:

Invenergy-related highlights

Please refer to Note 22 to the consolidated 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.

Financial highlights (continued)

  - o 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.

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.

- On 19 April 2018, the Court issued a post-trial opinion with respect to Leaf's claims and Invenergy's counterclaim. In its opinion, the Court held that Leaf is only entitled to nominal damages of $1 as a result of Invenergy's breach of the Operating Agreement. In addition, the Court rejected Invenergy's counterclaim seeking a declaration that Leaf had breached certain provisions governing Leaf's ability to put its shares, and Invenergy's ability to call those shares, and ordered the parties to complete the put/call process in accordance with the Operating Agreement.

- On 14 June 2018, the Court entered its final order and judgment with respect to Leaf's claims and Invenergy's counterclaim, awarding Leaf nominal damages of $1 as a result of Invenergy's breach of the Operating Agreement by engaging in a defined "Material Partial Sale" without either obtaining Leaf's consent or paying Leaf a contractually defined return on its investment. The Court's final order also entered judgment in Leaf's favor on Invenergy's counterclaim seeking a declaration that Leaf had breached certain provisions governing Leaf's ability to put its shares, and Invenergy's ability to call those shares, thereby establishing the redemption price to be paid to Leaf in connection with that put/call process at $50,7 million.

  The final order and judgment contemplated that, in the event Leaf appealed the Court's award of nominal damages in its final order and judgment, Invenergy intended to cross-appeal the Court's determination with respect to its counterclaim and therefore would be obligated to pay Leaf $36.4 million, representing an amount that Invenergy does not contest is owed to Leaf, within 5 business days of Leaf's notice of appeal and that the remainder of the redemption price would be paid into an interest bearing account controlled by the Court to be distributed following, and depending on, the appeal. Leaf continues to believe, as the Court found, that Invenergy's counterclaim is without merit.

  The Court's orders of 19 April 2018 and 14 June 2018 can be downloaded and viewed in their entirety at the following URL: http://www.leafcleanenergy.com/media-relations/download-centre/.

- Also on 14 June 2018, following entry of the Court's final order and judgment, Leaf filed its notice of appeal to the Delaware Supreme Court.

- On 20 June 2018, as ordered by the Court, Invenergy redeemed all of Leaf's ownership interests in Invenergy, paying Leaf $36.4 million. Subsequently, Invenergy deposited an additional $15.3 million into the Court-controlled account.

- On 25 June 2018, Invenergy filed its notice of cross-appeal related to its counterclaim to the Delaware Supreme Court.

Other highlights

- On 25 June 2018 Leaf announced the approval by the directors of the return of approximately $25.7 million of cash to the shareholders via a compulsory partial redemption of shares equivalent to 16.50 pence per share outstanding at the time of the announcement (the "Redemption"). The Redemption price per share was 29.72 pence (by reference to the Leaf Board's estimate of the NAV per share as at 31 May 2018), with approximately 55.51% of Leaf's issued share capital to be redeemed and cancelled.

- On 4 July 2018, Leaf repurchased and cancelled 65,592,161 of the 118,162,853 shares that were outstanding as at 30 June 2018. The Redemption was completed on 10 July 2018, following payment to the holders of the cancelled shares. In relation to the Redemption Leaf has booked a liability of $25.7 million in the accounts as at 30 June 2018 and has accordingly reduced share capital and premium by this same aggregate amount. Leaf has also reduced the number of shares outstanding for the purposes of these financial statements for consistency, even though there were actually 118,162,853 shares outstanding as at 30 June 2018. Following the 4 July 2018 cancellation of the repurchased shares, there were 52,570,692 ordinary shares in issue.

Management report (continued)

Financial highlights (continued)

Other highlights (continued)

- 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 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, Leaf's holding in Lehigh was valued at $310,000.

Financial performance

The Leaf's total net asset value ("NAV") on 30 June 2018 was $19.3 million, $69.0 million lower than on 30 June 2017. This change resulted from a $25.7 million accrual in respect of the July 2018 return of cash to shareholders approved by the Leaf Board and announced to shareholders on June 25, 2018, and the $43.2 million comprehensive loss for the period, which in turn consisted primarily of a $48.7 million write off of the remaining carrying value of Leaf's Invenergy stake following the Court's June 14, 2018 ruling and the June 20, 2018 redemption of Leaf's Invenergy stake by Invenergy in accordance with this ruling, $4.5 million of transaction related costs, $1.4 million of administration expenses, and $0.3 million of interest and fees on the shareholder loan, offset in part by an $11.3 million reduction in the net deferred tax liability and a $0.8 million reversal of the future contingent costs provision.

Leaf wrote off its net deferred tax liability ($11.3 million), based on the tax implications of the $48.7 million write off of the remaining book value of Leaf's investment in Invenergy, after accounting for the $36.4 million receipt of redemption proceeds and the recognition of a $14.2 million receivable representing additional amounts Leaf expects to receive from Invenergy in connection with the put/call redemption ordered by the Court on June 14, 2018, following the appeal process in the lawsuit. Leaf expects that it would owe approximately $3 million of taxes if Leaf were to be awarded the additional damages it is seeking under its appeal in its breach of contract claim. The reduction in the provision for future contingent costs resulted mainly from a decrease in the provision for future payments from Leaf's incentives plans. 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, $30.0 million of Leaf's NAV was held in cash, $25.7 million of which was reserved for return to the shareholders via the July 2018 redemption, and $2.0 million in investments.

NAV per post-redemption share for the Leaf was 36.80 cents or 27.87 pence at $1.3206 to the £1. This was a decrease of 50.7 per cent for the one-year period from 30 June 2017. The decrease was due to the combination of: 1) the comprehensive loss for the period (-48.9%), which was in turn primarily the result of the loss on investments (-55.2%), transaction-related expenses (-5.1%), and administration expenses (-1.6%), partly offset by the decrease in the tax (+12.9%) and future contingent costs (+0.9%) provisions, and 2) the redemption (-1.8% net unfavourable effect of decrease in shares outstanding and decrease in cash).

Leaf's administrative expenses of $1.42 million for the year ended 30 June 2018 were $208 thousand below Leaf's $1.63 million budget. Note that, due to uncertain timing and amounts the budget did not include transaction-related costs or payments under Leaf's incentive plans or to third parties. With the exception of $0.9 million of contingent costs including expected payments under Leaf'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 2019 is $1.55 million.

Portfolio update

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

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

As mentioned above, on 20 June 2018 Invenergy, North America's largest independently owned clean power generation company, redeemed all of Leaf's ownership interests in Invenergy in accordance with the Court's order of 14 June 2018, and as a result, Leaf no longer held an investment in Invenergy as at 30 June 2018. Leaf believes it will receive additional proceeds in relation to its former investee in the form of additional proceeds from the put/call redemption and possibly additional damages awarded by the Court or the Delaware Supreme Court in respect of the breach by Invenergy of the Operating Agreement. Please refer to the Invenergy Highlights above and to Note 22 to the financial statements for further details.

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

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. As a result, Leaf no longer held Lehigh as an investment as at 30 June 2018.

Management report (continued)

Portfolio update (continued)

Vital Renewable Energy Company (VREC)

VREC, a renewable energy company focused on the development of sugar-cane-based ethanol and sugar has commenced the 2018/2019 crushing season after having completed its offseason maintenance program. VREC anticipates that it will substantially complete its industrial growth initiatives during the 2018/2019 crushing season as well as advance its proprietary cane program such that it enhances its reliance on its captive feedstock program.

Energía Escalona (Escalona)

Escalona, the hydroelectric project development company based in Mexico City, has completed project development activities for the Escalona project and is currently in the process modifying the scheme under which it plans to sell electricity generated by the project. Concurrently with the aforementioned efforts, Leaf and its partner continue to review strategic options for this asset.

Outlook

With respect to Leaf's most valuable remaining asset, the remaining put/call proceeds and any additional damages awarded in Leaf's appeal of the damages awarded by the Court in the Invenergy lawsuit, Leaf continues to believe it is entitled to damages of $122.2 million plus pre- and post-judgment interest. Taking into account the amount already received from Invenergy, this would represent at least an additional $85.8 million or 54.6 pence per pre-Redemption share. Leaf has not recognized an asset for this amount in these accounts.

While Leaf believes it is entitled to the damages noted above it is the case that if Leaf was unsuccessful in its appeal then Leaf would receive, subject to the cross-appeal described below, additional amounts due under the put/call process previously described in chairman's statements. Leaf believes it would be due $50.7 million less the amount already received from Invenergy of $36.4 million being 9.1 pence per pre-Redemption share. Leaf has recognized a $14.2 million asset in these accounts reflecting this additional expected put/call amount.

As noted above, Invenergy has filed a cross-appeal with the Delaware Supreme Court, contesting the $50.7 million amount and Invenergy has deposited $15.3 million, representing the disputed amount plus one year of interest, in a court-controlled account pending resolution of these matters.

The realisation of Leaf's remaining assets will likely take longer than the resolution of the appeal in the Invenergy lawsuit, in all probability until the end of calendar 2020. Leaf's board and management are currently making plans to achieve an appropriately lower-cost structure which will be put in place following the resolution of the Invenergy appeal.

28 September 2018

Report of the directors

The directors hereby submit their annual report of the audited consolidated financial statements of the Leaf for the financial year ended 30 June 2018.

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 for the year ended 30 June 2018 are set out in the attached consolidated financial statements. The directors do not intend to declare a dividend at this time (2017: $nil).

Redemption

On 25 June 2018 Leaf announced the approval by the directors of the return of approximately $25.7 million of cash to the shareholders via a compulsory partial redemption of shares equivalent to 16.50 pence per share outstanding at the time of the announcement (the "Redemption"). The Redemption price per share was 29.72 pence (by reference to the Leaf Board's estimate of the NAV per share as at 31 May 2018), with approximately 55.51% of Leaf's issued share capital redeemed on 4 July 2018. The Redemption completed on 10 July 2018, after the end of the period.

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 2018 are set out below:

	2018	**2017**
Name	**No. of ordinary shares**	**No. of ordinary shares**
Peter O'Keefe	46,807	46,807
Stephen Charles Coe	20,000	20,000

55.1% of the above numbers of shares owned by Messrs. Coe and O'Keefe were redeemed in the compulsory Redemption.

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	35,391,462	29.95%
Weiss Asset Management	22,554,550	19.09%

55.1% of the above numbers of shares were redeemed in connection with the compulsory Redemption.

Report of the directors (continued)

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

Corporate governance
In line with the London Stock Exchange's recent changes to the AIM Rules requiring all AIM-listed companies to adopt and comply with a recognised corporate governance code, the board has decided to adopt and comply with the Quoted Companies Alliance (QCA) Corporate Governance Code (the "QCA Code"). A Statement of Compliance with the QCA Corporate Governance Code outlining how Leaf complies with the QCA Code will be published on Leaf's website going forward from 28 September 2018.

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 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 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
(28 September 2018)

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 and the profit or loss of the Leaf 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 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 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 2018, 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 2018, the Company recognized a receivable balance of "Additional proceeds receivable from put/call redemption of Invenergy stake", amounting to US$14,237,000 that is subject to a cross appeal proceedings as described in note 22 to the consolidated financial statements, the outcome of which is uncertain. Due to this uncertainty, we were not able to obtain sufficient, appropriate audit evidence about the rights to receive the receivable and the related carrying amount of this balance. As a result, we were unable to determine whether any adjustments might be necessary to the amount of Additional proceeds receivable from put/call redemption of Invenergy stake presented in the consolidated statement of financial position as of 30 June 2018 and the elements making up the consolidated statements of comprehensive income and changes in equity for the year ended 30 June 2018.

Disclaimer of Opinion

Because of the significance of the matter 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

28 September 2018

Leaf Clean Energy Company

Consolidated statement of comprehensive income for the year ended 30 June 2018

	Note	**Year ended 30 June 2018 US$'000**	**Year ended 30 June 2017 US$'000**
Interest and other income		2	-
Net loss on investments at fair value through profit or loss	12.1, 22	(48,711)	(14,496)
Net foreign exchange loss		(276)	(130)
Gross portfolio return		**(48,985)**	**(14,626)**
Transaction-related costs	7	(4,466)	(3,456)
Administration expenses	6	(1,419)	(1,738)
Interest on shareholders loan and amortisation of loan facility fee	19	(308)	-
Write off of doubtful intercompany receivable	19	(116)	(387)
Contingent costs provision reversal	8	770	1,750
Loss before taxation		**(54,524)**	**(18,457)**
Taxation	18	11,341	404
Total loss and total comprehensive loss for the period		**(43,183)**	**(18,053)**
Loss for the period attributable to equity holders		**(43,183)**	**(18,053)**
Basic and diluted loss per share (cents)	10	**(36.55)**	**(15.28)**

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

Consolidated statement of financial position as at 30 June 2018

	Note	**Year ended 30 June 2018 US$'000**	**Year ended 30 June 2017 US$'000**
Assets			
Investments at fair value through profit or loss	12.1, 22	2,000	101,410
Deferred tax assets	18	-	8,181
Total non-current assets		**2,000**	**109,591**
Trade and other receivables	14	106	65
Additional proceeds receivable from put/call redemption of Invenergy stake	22	14,237	-
Cash and cash equivalents	15	29,975	2,286
Total current assets		**44,318**	**2,351**
Total assets		**46,318**	**111,942**
Equity			
Share capital	17	18	27
Share premium	17	271,310	297,046
Retained losses		(251,982)	(208,799)
Total equity		**19,346**	**88,274**
Liabilities			
Deferred tax liabilities	18	-	19,522
Total non-current liabilities		**-**	**19,522**
Provision for future contingent costs	8	880	1,650
Trade and other payables	16	347	2,496
Accrual for compulsory redemption of shares	23	25,745	-
Total current liabilities		**26,972**	**4,146**
Total liabilities		**26,972**	**23,668**
Total equity and liabilities		**46,318**	**111,942**
Net asset value per share (cents)	5	36.80	74.71

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

The consolidated financial statements were approved by the board of directors on 28 September 2018 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 2018

	Share Capital	**Share Premium**	**Retained Losses**	**Total Equity**
	US$'000	**US$'000**	**US$'000**	**US$'000**
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**
Balance at 1 July 2017	**27**	**297,046**	**(208,799)**	**88,274**
Compulsory redemption of shares	(9)	(25,736)		(25,745)
Total comprehensive loss for the year	-	-	(43,183)	(43,183)
Balance at 30 June 2018	**18**	**271,310**	**(251,982)**	**19,346**

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

Consolidated statement of cash flows for the year ended 30 June 2018

	Year ended 30 June 2018 US$'000	Year ended 30 June 2017 US$'000
Cash flows from operating activities		
Proceeds from sale of investments	36,462	48
Transaction-related costs paid	(6,619)	(1,514)
Operating expenses paid	(1,562)	(1,853)
Interest paid on shareholders loan	(183)	-
Fees for shareholders loan	(125)	-
Advances to investee companies	(10)	-
Tax refunds, returns of deposits and cost reimbursements	2	8
Purchase of financial assets at fair value through profit or loss	-	(250)
Net cash generated from/(used in) operating activities	**27,965**	**(3,561)**
Cash flows from investing activities		
Net cash generated from/(used in) investing activities	**-**	**-**
Cash flows financing activities		
Proceeds from shareholders loan	2,000	-
Repayment of shareholders loan	(2,000)	-
Net cash generated from/(used in) financing activities	**-**	**-**
Net increase/(decrease) in cash and cash equivalents	**27,965**	**(3,561)**
Cash and cash equivalents at start of the year	2,286	5,977
Effect of exchange rate fluctuations on cash and cash equivalents	(276)	(130)
Cash and cash equivalents at end of the year	**29,975**	**2,286**

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

Consolidated statement of cash flows for the year ended 30 June 2018 (continued)

Reconciliation of total gain/(loss) and total comprehensive gain/(loss) for the year to net cash generated/(used in) from operating activities	**Year ended 30 June 2018 US$'000**	**Year ended 30 June 2017 US$'000**
Total loss and total comprehensive loss for the year	(43,183)	(18,053)
Adjustments for:		
Net realised loss/(gain) on investments at fair value through profit or loss	48,711	(48)
Proceeds from sale of investments	36,462	48
(Decrease) in net deferred tax liability	(11,341)	(427)
(Decrease) in provision for future contingent costs	(770)	(1,750)
Net foreign exchange loss	276	130
Net unrealised (gain)/loss on investments at fair value through profit or loss	-	14,540
Taxation	-	23
Depreciation expense	-	2
Other	-	(2)
Purchase of financial assets at fair value through profit or loss	-	(250)
Write off of doubtful intercompany receivables	-	387
Operating profit/(loss) before changes in working capital	**30,155**	**(5,400)**
Movement in trade and other receivables	(41)	58
Movement in trade and other payables	(2,149)	1,781
Net cash generated from/(used in) operating activities	**27,965**	**(3,561)**

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

Notes to the consolidated financial statements for the year ended 30 June 2018

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 consolidated financial statements as at and for the year ended 30 June 2018 are for the Leaf Group. Refer to note 20.

The consolidated financial statements of Leaf as at and for the year ended 30 June 2018 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 2018.

These consolidated financial statements were approved by the board of directors on 28 September 2018.

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.

The consolidated financial statements are prepared on a going concern basis, which is aligned with management's strategy of the orderly realization on an asset-by-asset basis in timeframes appropriate for each asset and the return of capital to shareholders. This process of realization could extend until calendar year 2020.

2.3 Functional and presentation currency

The consolidated financial statements are presented in United States Dollars ("US$"), which is the Leaf Group's functional currency.

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.

2.4 Use of estimates and judgements (continued)

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

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.

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, receivable for additional put/call proceeds 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.

3. Significant accounting policies (continued)

3.1 Financial instruments (continued)

(ii) Non-derivative financial liabilities (continued)

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 accrual for compulsory redemption.

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.

3.3 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.

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.

Certain future contingent costs have been accrued for as per note 8.

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. 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 Significant accounting policies (continued)

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.

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. The below table summarises the valuation methodologies and key assumptions in deriving the aggregate fair value of the investments as at 30 June 2018 of $2 million (2017: $101.4 million):

Name of Investment	**Valuation methodology**	**Significant inputs / assumptions**
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

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.

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

Foreign exchange risk

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

An analysis of net assets by currency exposure as at 30 June 2018 is as follows:

	Net Assets US$’000 30 June 2018	**Net Assets US$’000 30 June 2017**
US Dollars	18,059	86,072
GBP	1,287	2,202
Total	**19,346**	**88,274**

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 years ended 30 June 2018 and 30 June 2017, Leaf did not have material exposure to the Peso or the Real.

Interest rate risk

The Leaf Group had no borrowings as at 30 June 2018 and 2017. 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 2018 and 2017.

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.

4. Financial risk management (continued)

Credit risk (continued)

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

	Year ended 30 June 2018 US$'000	Year ended 30 June 2017 US$'000
Trade and other receivables	106	65
Additional proceeds receivable from put/call redemption of Invenergy stake	14,237	-
Cash and cash equivalents	29,974	2,286
Total	**44,317**	**2,351**

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. Except for the $116 thousand write off of doubtful intercompany receivable shown in the financial statements (2017: $387 thousand), 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.*

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 2018	**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							
Accrual for compulsory redemption of shares	(25,745)	(25,745)					
Trade and other payables	(347)	(347)					
Total	**(26,092)**	**(26,092)**					

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)**	**-**	**-**

Fair values
All assets and liabilities at 30 June 2018 are considered to be stated at fair value.

5. Net Asset Value per Share

The net asset value (NAV) per share as at 30 June 2018 is 36.80 cents based on net assets of $19.3 million and 52,570,692 ordinary shares in issue as at that date, after taking into account the effect of the accrual for compulsory redemption of shares (2017: 74.71 cents based on net assets of $88.3 million and 118,162,853 ordinary shares).

Note that there were 118,162,853 ordinary shares actually outstanding at 30 June 2018, of which 65,592,161 shares were cancelled shortly after the end of the period on 4 July 2018 in connection with the Redemption.

6. Administration expenses

	Year ended 30 June 2018 US$'000	Year ended 30 June 2017 US$'000
Salaries and related costs	516	647
Directors' remuneration (note 9)	345	345
Administration fees	150	150
Legal and professional fees [1]	98	186
Other expenses	84	112
Audit fees	64	65
Directors' and officers' insurance expense	53	53
Rental fees	39	67
Registrar fees and costs	38	38
Travel and subsistence expenses	32	75
Total	**1,419**	**1,738**

[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. See note 7.

7. Transaction-related costs

The amount disclosed for the year ended 30 June 2018 consists primarily of legal and professional services costs incurred during the period in connection with the complaint filed on 21 December 2015 by Leaf against Invenergy Renewables LLC, including Leaf's ongoing appeal of the damages award and defence of Invenergy's cross-appeal.

8. Contingent costs provision

The Leaf Board has adopted incentive compensation arrangements for Leaf 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 and/or damages awarded following the conclusion of the Invenergy lawsuit. The arrangements for Leaf payees include a sliding scale of incentives based on cash returned to the shareholders. As at 30 June 2018, the Leaf Group updated its prior estimate of these contingent costs to be $0.88 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 30 June 2018 net asset value, including the $25.7 million of cash that was paid to shareholders shortly after the period end as part of the compulsory redemption of shares, and net proceeds expected from the $14.2 million of additional put/call proceeds from Invenergy, less the estimated cash requirements of Leaf in completing the appeal of the Invenergy lawsuit and the realisation of the remaining 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 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 2018	Directors' fees	Reimbursements	Total
	US$'000	US$'000	US$'000
Mark Lerdal (Chairman)	250	22	272
Stephen Coe	70	-	70
Peter O'Keefe	25	-	25
Total	**345**	**22**	**367**

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**

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 2018 amounted to $22 thousand (2017: $49 thousand) with nothing outstanding at 30 June 2018 (2017: $14 thousand).

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 year:

	Year ended 30 June 2018	Year ended 30 June 2017
Loss attributable to equity holders (US$'000)	(43,183)	(18,053)
Weighted average number of ordinary shares in issue (thousands)	118,163	118,163
Basic and fully diluted (loss) per share (cents)	**(36.55)**	**(15.28)**

There is no difference between the basic and diluted earnings per share for the year. Given that the accrual for the compulsory redemption of shares was made on the last day of the period, the weighted average number of ordinary shares in issue do not include the effect of this redemption.

11. Investments

Investments in underlying investee companies (held through various wholly owned intermediary subsidiaries) comprise 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 2.4).

12. Critical accounting estimates and assumptions (continued)

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.

- 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

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 2018	**Year ended 30 June 2017**
Balance brought forward	101,410	115,700
Additional investments in subsidiaries	-	250
Proceeds from sale of investments	(36,462)	-
Additional proceeds receivable from sale of investments	(14,237)	-
Movement in fair value of investments	(48,711)	(14,540)
Balance carried forward	**2,000**	**101,410**
Total realised and unrealised gain/(losses) for the year included in profit or loss relating to investments held at the end of the reporting period.	-	(14,540)

12. Critical accounting estimates and assumptions (continued)

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

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 2018.

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

The table below sets out information about significant unobservable inputs used at 30 June 2018 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	Fair value at 30 June 2018 US$'000	Valuation technique	Unobservable input	Range	Sensitivity to changes in significant unobservable inputs
Unlisted private equity investments	$2,000	Market multiples, income approach	Operational multiples	$54/mm tons - $57/mm tons	The estimated fair value would increase (decrease) if the operational multiples were higher/lower.
			Discount rates	7.2%	The estimated fair value would increase/(decrease) if the discount rate were lower/higher
			Forecast cash flows	n/a	n/a

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

12. Critical accounting estimates and assumptions (continued)

12.2 (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.

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 30 June 2018 ($ millions): (Favourable: 1.0, Unfavourable: (1.0)).

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, and operational multiples. The discount rate used in the models at 30 June 2018 was 7.2% (with reasonably possible alternative assumptions ranging between 6.2% and 8.2%). The operational multiples used in the model at 30 June 2018 ranged between $54/mm tons and $57/mm tons, with reasonably possible alternative assumptions of $41.5/mm tons to $72/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 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.

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

	Year ended 30 June 2018 US$'000	Year ended 30 June 2017 US$'000
Prepayments	103	62
Other receivables	3	3
Total	**106**	**65**

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

15. Cash and cash equivalents

	Year ended 30 June 2018 US$'000	Year ended 30 June 2017 US$'000
Bank current account balances	29,975	2,286
Total	**29,975**	**2,286**

As disclosed below in notes 16 and 17, $25.7 million of the above cash balance for 30 June 2018 was used to redeem approximately 55.1% of Leaf's shares that were outstanding on 30 June 2018.

16. Trade and other payables

	Year ended 30 June 2018 US$'000	Year ended 30 June 2017 US$'000
Other creditors	282	2,373
Audit fees payable	65	65
Admin fees payable	-	37
Taxes payable	-	21
Total	**347**	**2,496**

17. Share capital

Ordinary shares of GBP0.0001 each	Number of shares	Share capital US$'000	Share premium US$'000
At 30 June 2018	**52,570,692**	**18**	**271,310**
At 30 June 2017	**118,162,853**	**27**	**297,046**

As described below in note 23, Leaf resolved to repurchase and cancel 65,592,161 shares on 22 June 2018. In relation to this repurchase, Leaf has booked a liability of $25.7 million and has reduced share capital and premium by this same aggregate amount. Leaf has also reduced the number of shares outstanding for the purposes of these financial statements for consistency, even though there were actually 118,162,853 shares outstanding as at 30 June 2018. Following the cancellation of the repurchased shares on 4 July 2018, there were 52,570,692 ordinary shares in issue.

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.

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.

17. Share capital (continued)

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

18. Income tax

	Year ended 30 July 2018 US$'000	Year ended 30 July 2017 US$'000
Current tax expense		
Current year	-	23
		23
Deferred tax expense		
Temporary differences (gain)/loss	(11,341)	(427)
Tax (gain)/expense on continuing operations	**(11,341)**	**(404)**

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 2018		
2018 **US$'000**	**Net balance at 01 July 2017**	**Recognised in profit or loss during the period**	**Net**	**Deferred tax assets**	**Deferred tax Liabilities**
Investments held at fair value through profit and loss	(11,341)	11,341	-	-	-
Net tax assets (liabilities)	**(11,341)**	**11,341**	**-**	**-**	**-**

The deferred tax asset has been calculated using a blended 28% top US federal tax rate. The deferred tax liability has an effective tax rate of 33% which consists of a 28% 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.

19. 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 9 and their shareholdings are disclosed under report of the directors. After the end of the period, 55.1% of the numbers of shares disclosed in the report as being owned by Messrs. Coe and O'Keefe were redeemed by Leaf as a result of the compulsory Redemption.

Leaf's incentive plans disclosed in note 8 will be paid out to related parties.

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, was unsecured and subject to a $125 thousand facility fee and an interest rate of 12% per annum. On 20 September 2017, Leaf borrowed $2 million from the Shareholder Loan Facility. On 25 June 2018 Leaf paid all amounts outstanding under the Shareholder Loan Facility, including all outstanding principal and accrued interest.

During the year ended 30 June 2018, an intercompany receivable of $116 thousand was written off as nonrecoverable.

20. 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	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%

21. Capital commitments

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

22. Investment in Invenergy

On 21 December 2015, as previously announced, Leaf filed a lawsuit in Delaware Court of Chancery (the “Court”) 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.

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 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.

22. Investment in Invenergy (continued)

- 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 following key developments with respect to these proceedings occurred during the one-year period ended 30 June 2018:

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.

On 19 April 2018, the Court issued a post-trial opinion with respect to Leaf's claims and Invenergy's counterclaim. In its opinion, the Court held that Leaf is only entitled to nominal damages of $1 as a result of Invenergy's breach of the Operating Agreement. In addition, the Court rejected Invenergy's counterclaim seeking a declaration that Leaf had breached certain provisions governing Leaf's ability to put its shares, and Invenergy's ability to call those shares, and ordered the parties to complete the put/call process in accordance with the Operating Agreement. As a result of and following this ruling, Leaf wrote down its investment in Invenergy from $99.1 million to $50.7 million, the amount determined by the terms of the Operating Agreement governing the put/call process.

On 14 June 2018, the Court entered its final order and judgment in Leaf Invenergy Company, LLC v. Invenergy Wind LLC, C.A. No. 1830-VCL, awarding Leaf nominal damages of $1 as a result of Invenergy's breach of the Operating Agreement by engaging in a defined "Material Partial Sale" without either obtaining Leaf's consent or paying Leaf a contractually defined return on its investment. The trial court's final order also entered judgment in Leaf's favor on Invenergy's counterclaim seeking a declaration that Leaf had breached certain provisions governing Leaf's ability to put its shares, and Invenergy's ability to call those shares, thereby establishing the redemption price to be paid to Leaf in connection with that put/call process at $50.7 million. The final order and judgment contemplated that, in the event Leaf appealed the Court's award of nominal damages in its final order and judgment, Invenergy intended to cross-appeal the Court's determination with respect to its counterclaim and therefore would be obligated to pay Leaf $36.4 million, representing an amount that Invenergy does not contest is owed to Leaf, within 5 business days of Leaf's notice of appeal and that the remainder of the redemption price would be paid into an interest bearing account controlled by the Court to be distributed following, and depending on, the appeal.

Also on 14 June 2018, following entry of the Court's final order and judgment, Leaf filed its notice of appeal to the Delaware Supreme Court.

On 20 June 2018, as ordered by the Court, Invenergy redeemed all of Leaf's ownership interests in Invenergy, paying Leaf $36.4 million. Subsequently, Invenergy deposited an additional $15.3 million into the Court-controlled account.

On 25 June 2018, Invenergy filed its notice of cross-appeal to the Delaware Supreme Court.

Leaf continues to believe it is entitled to damages of $122.2 million plus pre-judgment interest. Taking into account the amount already received from Invenergy, this would represent at least an additional $85.8 million or 54.6 pence per pre-Redemption share. Leaf has not recognized an asset for this amount in these accounts.

Whilst Leaf believes it is entitled to the damages noted above it is the case that if Leaf was unsuccessful in its appeal then Leaf would receive additional amounts due under the put/call process previously described in chairman's statements. Leaf believes it would be due $50.7 million less the amount already received from Invenergy of $36.4 million being 9.1 pence per pre-Redemption share. Leaf has recognized a $14.2 million asset in these accounts reflecting this additional expected put/call proceeds receivable.

As noted above, Invenergy has filed a cross-appeal with the Delaware Supreme Court, contesting the $50.7 million amount and Invenergy has deposited $15.3 million, representing the disputed amount plus one year of interest, in a court-controlled account pending resolution of these matters.

Leaf expects the appeal and cross-appeal to be resolved by sometime in the first half of 2019. However, this is just an estimate provided by Leaf's litigation counsel and there can be no assurance that these matters will be resolved by then.

22. Investment in Invenergy (continued)

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). In accordance with the Operating Agreement terms, 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. As noted above, Invenergy asserted a counterclaim alleging that Leaf acted in bad faith by allegedly causing its appraiser to provide a biased and inaccurate appraisal. The Court ruled against Invenergy on its counterclaim. Invenergy has filed a cross-appeal with respect to the Court's ruling on its counterclaim.

23. Subsequent Events

On 25 June 2018 Leaf announced the approval by the directors of the return of approximately $25.7 million of cash to the shareholders via a compulsory partial redemption of shares equivalent to 16.50 pence per share outstanding at the time of the announcement (the "Redemption"). The Redemption price per share was 29.72 pence (by reference to the Leaf Board's estimate of the NAV per share as at 31 May 2018), with approximately 55.51% of Leaf's issued share capital to be redeemed and cancelled. On 4 July 2018, Leaf repurchased and cancelled 65,592,161 shares. The compulsory redemption was completed on 10 July 2018, following payment to the holders of the cancelled shares. In relation to the Redemption Leaf has booked a liability of $25.7 million in the accounts as at 30 June 2018 and has accordingly reduced share capital and premium by this same aggregate amount. Leaf has also reduced the number of shares outstanding for the purposes of these financial statements for consistency, even though there were actually 118,162,853 shares outstanding as at 30 June 2018. Following the 4 July 2018 cancellation of the repurchased shares, there were 52,570,692 ordinary shares in issue.