Leaf Clean Energy Company

Annual Report

For the year ended 30 June 2014

Contents

Management and administration

Directors	Mark Lerdal (executive chairman) appointed 1 April 2014 Stephen Coe (non-executive director) appointed 1 April 2014 Peter O'Keefe (non-executive director) James Potochny (executive director) appointed 13 May 2014
Solicitors	Wragge Lawrence Graham & Co 4 More London Riverside London SE1 2AU Wilson Sonsini Goodrich & Rosati 1700 K Street, NW Fifth Floor Washington, D.C. 20006-3817 USA
Administrator	EHM International Limited Becket House 36 Old Jewry London EC2R 8DD
Registered Office	PO Box 309 Ugland House George Town Grand Cayman KY1-1104 Cayman Islands
Nominated Advisor, Broker	Cenkos Securities plc 6.7.8 Tokenhouse Yard London EC2R 7AS
Auditors	KPMG PO Box 493 Century Yard, Cricket Square Grand Cayman KY1-1106 Cayman Islands
Depositary, Registrar	Computershare Investor Services plc P.O. Box 82 The Pavilions Bridgewater Road Bristol BS99 6ZZ

Biographies of the directors

Mark David Lerdal (executive chairman)

Mark David Lerdal was appointed as chairman of Leaf Clean Energy Company in April 2014. He is a partner in MP2 Capital, LLC, a company organised to develop, finance, own and operate photovoltaic projects throughout North America. He has been involved in energy development and finance for over 25 years. He resides in San Francisco, California.

Mark is a Director of TerraForm Power, Inc., BluLeaf Ventures LLC, Onsite Energy Corporation, Trading Emissions plc and Element Markets LLC.

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

Stephen Charles Coe was appointed as a non-executive director of Leaf Clean Energy Company in April 2014. He qualified as a Chartered Accountant with Price Waterhouse Coopers in 1990. From 1997 to 2006 he was a director of the Bachmann Trust Company Limited and managing director of Bachmann Fund Administration Limited. Between 2003 and 2006, Stephen was managing director of Investec Administration Services Limited and of Investec Trust (Guernsey) Limited prior to becoming self-employed in 2006, providing director services to financial services clients. Currently, Stephen sits on the board of a number of companies listed on AIM and on the Main Market of the LSE, including Raven Russia Limited, Weiss Korea Opportunities Fund Limited, European Real Estate and Investment Trust Limited. He resides in Guernsey.

Peter O'Keefe (non-executive director)

Peter O'Keefe is an investor in the renewable energy industry and developer of renewable energy projects and technologies. His company, Greenvale Ventures, is active in biomass export markets developing a platform of wood pellet production and storage facilities in the south eastern US. Peter also serves in an advisory capacity to a diverse group of businesses in several industries, including engineering, financial services and direct marketing media. 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 served as the senior advisor to the chairman of the Democratic National Committee, the finance director for the William J. Clinton Presidential Foundation and the associate director for business in the White House under President Clinton. He is an original member of the Clinton Global Initiative and a member of the Economic Club of Washington, DC. Peter serves as a member of Leaf Clean Energy Company's audit and remuneration committees.

James Potochny (executive director)

Mr. Potochny was appointed as executive director of Leaf Clean Energy Company in May 2014, having been appointed as its chief financial officer in May 2010. He also serves as CFO and chief compliance officer of Leaf's wholly-owned, SEC-regulated US investment advisory subsidiary. Over his 25 year career, he has developed an extensive business background spanning many industries, combining strong corporate development, finance, accounting, and regulatory compliance experience.

Mr. Potochny has been chief financial officer at several venture-backed private companies, including, most recently, MicroEdge, a grant management software solutions company in New York City. Prior to MicroEdge, he was CFO of Arkivio, a lifecycle management software solutions company, CDS, a network attached storage company and Axicon Technologies, a power train gearing technology company. Earlier in his career, Mr. Potochny held positions in corporate development, finance and accounting at Hewlett-Packard, and worked as a manufacturing engineer at Intel Corporation.

Mr. Potochny holds an MBA from Stanford University and a BS in Electrical Engineering from Yale University.

Chairman's statement

2014 has been a year of transition for Leaf Clean Energy Company ("Leaf") and its subsidiaries (together, the "Leaf Group"). In April I was elected Chairman of Leaf. Mr. Stephen Coe and Mr. James Potochny also joined the board in April and May, respectively. On July 1, 2014, at an extraordinary general meeting (EGM) of Leaf's shareholders, the investment policy of the Leaf Group was changed to the orderly realisation of Leaf's investments and the return of capital to the shareholders, with no predetermined timeframe and in a manner that produces optimum realisation value to the shareholders. Prior to, and during the transition to the new investment policy, the board and management have continued to focus on enhancing the value of the portfolio of companies and assisting investees in reaching critical business milestones.

We believe that several companies in our portfolio are well positioned for eventual realisation at optimal valuations. Unfortunately, however, certain other investee operations in the portfolio have not performed to forecasts or expectations and we do not expect sales of these investments to result in material capital returns to Leaf's shareholders. The timescale and other details of the new investment policy are discussed below, under Operations and in the Management Report.

Financial

These consolidated financial statements were approved by the Leaf Board of Directors on 17 September 2014. During the year ended 30 June 2014, the Leaf Group's net asset value (NAV) per share decreased by 37% from 142.66 cents (93.80 pence) to 89.90 cents (52.57 pence). Of our US$115.7 million of net assets, US$12.1 million was held in cash and US$103.3 million is invested in portfolio companies. The board believes that the cash balances provide sufficient liquidity to meet the needs of the portfolio and operations for the remaining life of the fund.

NAV per share fell by 51.37 cents (32.67 pence) to 89.90 cents (52.57 pence) from the 31 December 2013 figure of 141.27 cents (85.24 pence). The majority of this decrease has resulted from a revaluation of the portfolio performed by the board and management to reflect the operating performance of investee companies and our realisation strategy. In addition administration expenses of US$2.6 million (6 months to 30 June 2013: US$2.5 million) have impacted on NAV by 1.95 cents (1.16 pence) per share. The fall in NAV and write off of certain investments are disappointing but reflect the board's view as to current values.

Following a thorough board review, budgeted costs for the 12 months to 30 June 2015 are US$3.1 million (excluding staff incentive payments). Actual costs for the 12 months to 30 June 2014 were US$5.4 million. The board also modified the compensation of the Leaf staff, from 1 July 2014 to tie bonuses directly to cash returned to the shareholders to ensure that the timing and amount of incentive pay are aligned with the new strategy.

Portfolio Overview

As outlined and approved by the shareholders at the EGM, Leaf will continue to make judicious additional investments in its existing portfolio as appropriate in order to support these investments to achieve optimum realisation value for the shareholders. Leaf made US$13.5 million of additional investments in its existing portfolio companies during the year, including US$3.3 million in the fourth quarter ended 30 June 2014, and has invested an additional US$1.6 million since 1 July 2014.

Energía Escalona, a hydroelectricity development company in Mexico is in the process of securing financing to construct a 14.5 megawatt hydroelectric facility in Veracruz. In addition, the Mexican electricity sector is undergoing a landmark reform process that will open the market to additional private generators and will create financial incentives for clean energy producers, which are expected to be finalised in 2015. Leaf plans to review its options and opportunities in the Mexican hydroelectric sector upon completion of this financing and the ongoing reforms.

Johnstown Regional Energy, LLC, a landfill gas reclamation company, completed its multi-year operations and financial enhancement plans over the past year. Subsequently, the company launched a targeted effort to monetise the enhanced assets during the summer of 2014, with the sale process currently under way.

SkyFuel, Inc., the solar thermal power technology company, has completed equipment delivery, on time and on budget, for two new projects. Additionally, SkyFuel developed and launched the next generation of its SkyTrough technology. It is currently in negotiations with a buyer and due diligence by the potential acquirer is well underway.

Lehigh Technologies, Inc., the green materials company and newest Leaf investment, expanded its global presence in the tire, industrial rubber, and plastics industries by establishing marketing and distribution channel partnerships in Europe and South America. Importantly, on 31 July 2014, JSR Corporation made a strategic investment in Lehigh to further expand Lehigh's global presence. JSR is a global chemical company and one of the leading rubber chemical companies in Asia. As part of this investment round, existing investors made follow-on investments of which Leaf made a follow on investment of $1.25 million in the equity financing.

Chairman’s statement (continued)

Invenergy Wind LLC, North America’s largest independently owned wind power generation company, closed a significant equity investment from the institutional fund manager Caisse de Depot et Placement du Quebec (“CDPQ”). Invenergy continues to execute on its capacity expansion plans across its core markets. Leaf is currently evaluating options for monetising its investment in this well-performing asset.

Vital Renewable Energy Company (VREC), the owner of an ethanol plant and sugar factory in Brazil has operated during the 2014 crushing season according to plan. It expects to complete a significant two-stage capacity expansion program in time for the 2015 and 2016 crushing seasons.

MaxWest Environmental Systems, Inc., a supplier of wastewater biogasification systems, was unable to attract third party financing to fund operational improvements at its existing plant and commercialise its technology. The company has therefore filed for bankruptcy protection under Chapter 7 of the United States Bankruptcy Code. Leaf, which has a 44% interest in MaxWest, has written off this investment.

Multitrade Rabun Gap, operator of a wood-fuelled biomass facility in Georgia**,** U.S., has experienced continued operational issues for several months. After a thorough review of its physical plant, Leaf management determined that the project required a significant investment in capital improvements to improve the electricity output. Leaf has declined to make such an investment, preferring to rely on a new owner to implement this improvement strategy. This project is not expected to result in any material return of capital to Leaf’s shareholders.

Multitrade Telogia, operator of a wood-fuelled biomass facility in Florida**,** encountered forced outages and unexpectedly higher than projected fuel costs over the past year, resulting in diminished financial performance versus the prior year. A purchaser has executed a purchase and sale agreement for the plant. However, the agreement includes several contingent events that must take place for the purchaser to be fully obligated. The proceeds from the sale to Leaf and the other investors in Multitrade Telogia will be up to US$2.5 million.

Operations

The Leaf Group’s new investment policy directs the board to an orderly realisation of the portfolio, which will occur in timeframes appropriate for each asset.

While the board is committed to realising its investments as soon as reasonably practicable, it is in the interest of maximising return to shareholders to continually evaluate Leaf’s portfolio in order to assess the most appropriate strategy and timeline for each investment.

In addition, as with all private equity investments, Leaf’s investments are illiquid and cannot be realised without the assistance of the underlying portfolio company and/or other shareholders. Therefore, there is no set timeline for realising Leaf’s investments and it is difficult to precisely predict when the work of the Leaf Board and management will be complete. However, it will likely take several years to realise all of the investments.

Finally, I would like to take this opportunity to thank the members of our high-calibre Leaf management team for their continued efforts and dedication during this transitional time.

Mark Lerdal
Chairman

17 September 2014

Management report

Overview

The six-months ended 30 June 2014 was a period of transition for the investment strategy of Leaf. Several portfolio companies performed well, while others experienced challenges. Throughout the period, the management team remained focused on maximising value of existing investments.

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. Key elements of the new strategy, disclosed in the EGM circular to shareholders in advance of the meeting are:

- *Orderly and expedient realisation*: The investments are to be realised in an orderly and expedient manner, at the Leaf Board's discretion. The board will balance the goal of returning capital expediently to investors with the goal of maximising the realisation value of the investments.

  In executing this aspect of the new strategy, Leaf will take a flexible approach that appropriately balances timing of any monetisation while still maximising value for shareholders. This means that some investments may be considered appropriate for sale in the short term, while others may be held for a longer period, as required by circumstances and market conditions.

- *No new investments into new companies*: Leaf will not invest in any new portfolio companies, but will make judicious additional investments in existing portfolio companies where required to preserve or enhance the realisation value of these investments.

- *Timing of realisations and redemptions is unpredictable*: Leaf's holdings are all in the debt and 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.

The result of this change in strategy will help to accelerate the timing of cash distributions to shareholders. Any such cash distributions, in the form of redemptions, resulting from each realisation will depend on many factors, including Leaf Group's working capital needs and the requirements of Cayman Island law with respect to redemptions. As a result, Leaf will not announce a redemption schedule.

In connection with the change of strategy, Leaf's board and management have undertaken a thorough review of Leaf Group's costs. Leaf's administrative expense budget for the twelve months to 30 June 2014 is US$3.1 million, while actual administrative expenses for the year ended 30 June 2014 were US$5.4 million. This favourable change reflects several actions taken by the board to reduce the overall costs of the Leaf Group. The budget figure does not include payment of incentive compensation to Leaf staff, due to the uncertain timing and amount of such payments, and no amounts have been accrued or otherwise reflected in the NAV per share.

As part of the review of operational costs, the board has aligned the compensation plan for Leaf management with the new strategy. Under a revised compensation plan, staff will only receive incentive payments when cash is returned to the shareholders. The revised compensation plan incorporated third-party information to ensure consistency with market practices, and results in a sliding scale of incentives. As an example, if the Leaf Group returned cash to the shareholders equal to Leaf Group's current net asset value ($115.7 million), total incentive payments would equal US$2.6 million or 2.3% of the cash returned.

Below is a summary of financial highlights across the Leaf portfolio during the year ending 30 June 2014:

- Leaf made an additional US$13.5 million of direct equity and debt investments in existing portfolio businesses;
- Leaf earned US$1.2 million of interest and dividend income from debt and preferred equity investments in the portfolio companies during the year; and
- Leaf received cash payments of accrued and current interest and repayments of principal on loans to its investee companies totalling US$0.8 million and US$6.2 million respectively.

In addition, on 31 July 2014 Leaf invested $1.25 million in Lehigh Technologies as part of a preferred equity financing led by strategic investor JSR Corporation.

Management report (continued)

Financial performance

The Leaf Group's total net asset value ("NAV") on 30 June 2014 was US$115.7 million, US$67.9 million lower than on 30 June 2013. This drop resulted entirely from a US$67.9 million comprehensive loss for the year, caused by a US$63.4 million loss on revaluation in the carrying value of the portfolio companies, US$5.4 million of administration expenses, and US$0.2 million of taxation expense, slightly offset by US$1.2 million of interest income on loans to portfolio companies. At the end of the year, US$12.1 million of the Leaf Group's NAV was held in cash and US$103.3 million in investments.

The US$63 million loss on revaluation resulted from a revaluation of the portfolio performed by the board and management to reflect the operating performance of investee companies (see below) and the new realisation strategy.

NAV per share for the Leaf Group was 89.90 cents or 52.57 pence at US$1.7103 to the GBP1. This was a decrease of 37 per cent for the year from 30 June 2013. The decrease was primarily due to the unrealised loss on investments (-34.5%) and administration expense (-3.1%), slightly offset by interest income on investments (+0.6%).

Portfolio updates

Key performance milestones, as well as challenges, passed by Leaf and its portfolio companies during the annual report period included the following:

- Energía Escalona (Escalona), the hydroelectric project development company based in Mexico City, continued development of its flagship hydroelectric development project and expects to close financing and begin construction in the last calendar quarter of 2014. Importantly, the Mexican government passed sweeping constitutional energy reforms that are expected to catalyse further growth and investment in the country's power generation markets.

- Johnstown Regional Energy, LLC (JRE), a large landfill gas reclamation company, received notice from the California Energy Commission (CEC) in July 2013 that power produced by JRE's customers using its green gas satisfies California's renewable protocol standard. The California market provides an incentive for green gas, which will partially offset the unfavourable impact on JRE of lower natural gas prices triggered by shale gas development.

- SkyFuel, Inc., the solar thermal power technology company, continued its commercial expansion. It has now completed three commercial projects across several applications, including hybrid plant and Integrated Solar Combined Cycle (ISCC) project, and a fourth project has commenced construction. Most recently, the company commissioned the first solar thermal desalination project in North America.

- Lehigh, the green materials company, continued its global expansion with increased non-U.S. sales and significant overall revenue growth. Highlights included making its first sales in the European market, and continuing its growth in Japan and Korea. In November and January, Lehigh added two independent directors to its board: the former chief operating officer of Yokohama Tire Corporation; and the former chief financial officer of Ashland Inc. In April, Lehigh announced a partnership with Rheopave Technology to combine Lehigh's proprietary technology with Rheopave's suspension additives to provide a superior product for the asphalt industry.

- Invenergy Wind LLC (Invenergy), North America's largest independently owned wind power generation company, commissioned several new wind energy projects, increasing its installed capacity by more than 500 megawatts. Invenergy has now developed and placed into service more than 4,000 megawatts of wind generation capacity. The company also completed over half a dozen new project financings having previously raised over US$1 billion of project financings. Additionally, Invenergy consummated a significant corporate equity investment from institutional fund manager Caisse de Depot et Placement du Quebec ("CDPQ").

- Vital Renewable Energy Company (VREC), a developer of sugar-cane-based ethanol facilities in Brazil, closed a US$31 million financing led by Darby Latin American Mezzanine Fund II, L.P. VREC will use the proceeds, along with additional debt financing from bank lenders to fund its agricultural and industrial expansion plans, which include increasing its crushing capacity by circa 50%. The company is on track to achieve a record 2014/2015 crushing season, and hit its key financial targets.

- MaxWest Environmental Systems, Inc. (MaxWest), a supplier of wastewater biogasification systems, was unable to attract third party financing to fund operational improvements at its existing plant and commercialise its technology. The company has therefore filed for bankruptcy under Chapter 7 of the United States Bankruptcy Code. As previously announced, Leaf wrote off this investment, which had a $17.2 million impact on Leaf's results since the 31 December 2013 interim report.

- Multitrade Telogia, LLC (Telogia), owner of a wood-fuelled biomass facility in Florida**,** followed an excellent year of operations with a significantly degraded financial performance in the year through June 2014. Frequent forced outages and unexpectedly higher than projected fuel costs caused the change in the company's fortunes.

Management report (continued)

Portfolio overview

A. <u>Active investments – growth companies</u>

SkyFuel Inc. ("SkyFuel") **Concentrated solar power**

Investment cost: US$39.2mm	**Ownership:** Majority
Company summary SkyFuel was founded in 2007 and is an emerging technology leader in the solar thermal power equipment sector. SkyFuel is one of the few remaining stand-alone concentrated solar power ("CSP") technology providers. SkyFuel possesses proprietary and patented technologies which provide a meaningful cost advantage over its competitors: ▪ SkyTrough® - an advanced, low-cost, accurate parabolic trough based on ReflecTech® ▪ ReflecTech® Mirror Film – a shatterproof glass alternative. **Realisation update** SkyFuel is currently in negotiations to be acquired and due-diligence by the buyer is well underway. *www.skyfuel.com*	**Recent developments** ▪ Continued its commercial expansion, and has now completed three commercial projects across several different applications. ▪ Introduced the next generation of its SkyTrough technology which expects to achieve a material improvement and cost reduction over the current generation. *www.skyfuel.com/#/NEWS/*

Lehigh Technologies, Inc. ("Lehigh") **Green materials**

Investment cost: US$5.0mm	**Ownership:** Minority
Company summary Lehigh is a leading sustainable materials manufacturer whose proprietary, cryogenic turbo mill technology converts end-of-life and post-industrial rubber material into sustainable chemical additives used in a wide range of industrial and consumer applications. Lehigh's micronised rubber powder ("MRP") products help customers lower their consumption of oil-derived and energy intensive materials, cut costs, increase the sustainability profile of end products, and deliver performance without sacrificing the reliability offered by traditional raw materials. Lehigh is a high-growth company with a disruptive technology led by a top-tier management team. www.lehightechnologies.com	**Recent developments** ▪ Booked first sales in the European market. ▪ Added two independent directors to its board: the former Chief Operating Officer of Yokohama Tire Corporation; and the former Chief Financial Officer of Ashland Inc. ▪ On July 31, 2014 Leaf invested an additional $1.25mm in Lehigh as part of a preferred equity financing led by strategic investor JSR Corporation. www.lehightechnologies.com/index.php/news_events/

Management report (continued)

B. <u>Active investments - projects</u>

Johnstown Regional Energy, LLC ("JRE") **Landfill gas**

<table>
<tr><td>Investment cost: US$35.5mm</td><td>Ownership: Wholly owned</td></tr>
<tr><td>Company summary

JRE owns and operates three high-Btu landfill gas-to-methane projects in Pennsylvania.

JRE extracts raw landfill gas that is subsequently cleaned in advanced technology processing plants and sold to utility gas providers via connecting pipelines as an alternative to fossil-based natural gas.

This high quality "green" gas can displace the use of fossil-fuel-based natural gas, making it eligible for certain incentives in states such as California.

Realisation update

This summer JRE launched a targeted process to identify an acquirer for the company, which is currently under way.</td><td>Recent developments

▪ Currently selling 100% of JRE's gas production to buyers in California.

▪ In July 2013, JRE's major customer in California received CEC certification for JRE's green gas.</td></tr>
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Multitrade Rabun Gap ("Rabun Gap") **Wood-fuelled biomass**

<table>
<tr><td>Investment cost: US$11.4mm</td><td>Ownership: Majority</td></tr>
<tr><td>Company summary

Rabun Gap is a 20 megawatt capacity wood-fuelled biomass facility in Georgia.

Rabun Gap utilises renewable fuel from the local forest industry and sells power to a Georgia co-operative under a long-term power purchase agreement.

Realisation update

Leaf and its co-investors are currently considering several offers to buy the plant. This project is not expected to result in any significant return of capital to Leaf's shareholders.</td><td>Recent developments

▪ After a thorough review of its physical plant, Leaf management determined that the project required a significant investment in capital improvements to improve the electricity output. Leaf declined to make such an investment, preferring to find a new owner for the plant who would make the required investment for these improvements.</td></tr>
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Management report (continued)

Multitrade Telogia ("Telogia") **Wood-fuelled biomass**

Investment cost: US$7.3mm	**Ownership:** Majority
Company summary Telogia is a 14 megawatt capacity wood-fuelled biomass facility in Telogia, Florida. Telogia utilises renewable fuel from the local forest industry and sells power to a local co-operative under a long-term power purchase agreement. **Realisation update** A purchaser has executed a purchase and sale agreement for the plant. However, the agreement includes several contingent events that must take place for the purchaser to be fully obligated. Reflecting recent plant performance, the proceeds from the sale to Leaf and the other Telogia investors will be up to $2.5 million.	**Recent developments** ▪ Following an excellent year of operations, this year Telogia experienced frequent forced outages and unexpectedly higher than projected fuel costs, resulting in diminished financial performance versus the prior year.

Vital Renewable Energy Company ("VREC") **Biofuels - ethanol**

Investment cost: US$23.0mm	**Ownership:** Minority
Company summary VREC is a renewable energy company focused on the development of sugar-cane-based ethanol facilities and electricity generation in Brazil, as well as related infrastructure projects. www.vrec.com.br	**Recent developments** ▪ Closed a US$31 million financing led by Darby Latin American Mezzanine Fund II, L.P. ▪ These proceeds, along with additional debt financing from bank lenders will be used to fund VREC's agricultural and industrial expansion plans, which include increasing the crushing capacity of the Bom Sucesso facility by 50%. ▪ Achieved a record 2013/2014 crushing season and hit most of its key financial targets.

Energía Escalona ("Escalona") **Hydro**

Investment cost: US$10.1mm	**Ownership:** Majority
Company summary Escalona is a hydroelectric project development company based in Mexico City. The company's flagship development is a 14.5 megawatt run-of-river hydroelectric facility located in Veracruz, Mexico.	**Recent developments** ▪ Over the past year, Mexico has passed sweeping constitutional and legislative changes that will reshape the energy in the country. The completion of these changes, which is anticipated in 2015, is expected to result in additional private participation in the electricity sector and implementation of an incentive system for clean energy. ▪ Escalona successfully completed permits related to the federal and municipal construction approvals as well as certain associated permissions for construction of roadways.

C. <u>Passive investments</u>

Invenergy Wind LLC ("Invenergy") **Wind power**

Investment cost: US$30.0mm	**Ownership:** Minority
Company summary The largest independently-owned wind energy developer in North America. Invenergy has now put into service 45 wind farms in the United States, Canada and Europe, totalling over 4,000 megawatts. In addition to its large portfolio of operating assets, Invenergy has a strong and diversified pipeline of wind power projects across North America and Europe. **Realisation update** Leaf is currently reviewing its monetisation options for this excellently performing investment. www.invenergyllc.com	**Recent developments** ▪ Completed project financings for its existing Orangeville, Prairie Breeze, Gorzyce, Miami and Marsh Hill wind energy projects. ▪ Commenced commercial operations at its Orangeville, Prairie Breeze, and Goldthwaite wind energy projects. ▪ Announced the sale of its 500 megawatt Highland Energy wind project to MidAmerican Energy Company. ▪ Secured significant equity financing from institutional fund manager Caisse de Depot et Placement du Quebec ("CDPQ"). www.invenergyllc.com/news.html

17 September 2014

Report of the directors

The directors hereby submit their annual report of the audited consolidated financial statements of the Leaf Group for the financial year ended 30 June 2014.

The Company

Leaf was incorporated and registered in the Cayman Islands on 14 May 2007. Leaf was established to invest in clean energy projects, predominantly in North America. Clean energy includes activities such as the production of alternative fuels, renewable power generation and the use of technologies to reduce the environmental impact of traditional energy. The investments of Leaf will be realised in an orderly and expedient manner, that is, with a view to achieving a balance between: (i) returning cash to Shareholders at such times and from time to time and in such manner as the Board may (in its absolute discretion) determine; and (ii) maximising the realisation value of Leaf's investments. In light of the realisation strategy, there will be no specific investment restrictions applicable to Leaf's portfolio going forward, except that Leaf will not make any investment in a new portfolio company.

Results and dividends

The results and financial position of the Leaf Group for the year ended 30 June 2014 are set out in the attached consolidated financial statements.

The directors do not intend to declare a dividend at this time (2013: US$nil).

Directors and directors' interests

The directors during the year were:

Mark Lerdal (executive chairman)	Appointed on 1 April 2014
Stephen Coe (non-executive director)	Appointed on 1 April 2014
Peter O'Keefe (non-executive director)	
James Potochny (executive director)	Appointed on 13 May 2014
Peter Tom (non-executive chairman)	Resigned on 10 April 2014
Bran Keogh (executive director)	Resigned on 31 May 2014
J. Curtis Moffatt (non-executive director)	Resigned on 13 May 2014

Details of interests

The interests of the directors in the share capital of Leaf as at 30 June 2014 are set out below:

	2014	**2013**
Name	**No. of ordinary shares**	**No. of ordinary shares**
Peter O'Keefe	51,000	51,000

Notified shareholdings

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

Name	**No. of shares**	**% of issued share capital**
INVESCO Asset Management Limited	51,424,526	39.94%
Lansdowne Partners Limited	18,340,000	14.25%
Kames Capital	13,739,999	10.67%
Crystal Amber Advisers (UK) LLP	13,372,600	10.39%
Jupiter Asset Management Ltd.	9,100,000	7.07%
Woodford Investment Management LLP	7,575,474	5.88%
J.P. Morgan Chase	5,010,000	3.89%
BlueCrest Capital Management LLP	4,275,000	3.32%

Report of the directors (continued)

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

Corporate governance
The directors have taken measures to ensure that the Leaf Group complies with the UK Corporate Governance Code to the extent they consider appropriate, taking into account the size of the Leaf Group and nature of its business.

Board of directors
Leaf has an experienced board which is currently comprised of four directors, Mark Lerdal is the executive chairman of the board, James Potochny is an executive director and 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 PriceWaterhouseCoopers in 1990. Mark Lerdal, Leaf's executive chairman, and non-executive director Peter O'Keefe are the other members of this 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 Leaf Group is properly monitored, controlled and reported on. It 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 at least once a year and reviews the level of directors' fees and staff remuneration.

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

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

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

Where necessary the board obtains specialist advice from advisers.

On behalf of the board

Mark Lerdal
Chairman
17 September 2014

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

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

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

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

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

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

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

Report of the independent auditors to the directors of Leaf Clean Energy Company

We have audited the accompanying consolidated financial statements of Leaf Clean Energy Company (the “Company”) which comprises the consolidated statement of financial position as of 30 June 2014, 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 our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the consolidated financial position of the Company as of 30 June 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

PO Box 493
Century Yard, Cricket Square
Grand Cayman KY1-1106
Cayman Islands
17 September 2014

Consolidated statement of comprehensive income for the year ended 30 June 2014

	Note	**Year ended 30 June 2014 US$'000**	**Year ended 30 June 2013 US$'000**
Interest income on cash balances		7	47
Interest income on investments at fair value through profit or loss		1,160	777
Net (losses)/gains on investments at fair value through profit or loss	11.1	(63,387)	5,955
Net foreign exchange loss		(12)	(10)
Gross portfolio return		**(62,232)**	**6,769**
Administration expenses	7	(5,446)	(5,172)
(Loss)/gain before taxation		**(67,678)**	**1,597**
Taxation		(249)	(129)
Total (loss)/gain and total comprehensive (loss)/income for the year		**(67,927)**	**1,468**
Basic and diluted (loss)/earnings per share (cents)	9	**(52.76)**	**1.14**

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

Consolidated statement of financial position as at 30 June 2014

	Note	Year ended 30 June 2014	Year ended 30 June 2013
		US$'000	US$'000
Assets			
Investments at fair value through profit or loss	11.1	103,300	162,633
Property, plant and equipment		15	20
Total non-current assets		**103,315**	**162,653**
Trade and other receivables	13	884	887
Restricted cash	6,14	69	3,171
Cash and cash equivalents	14	12,002	17,824
Total current assets		**12,955**	**21,882**
Total assets		**116,270**	**184,535**
Equity			
Share capital	16	28	28
Share premium	16	306,809	306,809
Retained losses		(191,097)	(123,170)
Total equity		**115,740**	**183,667**
Liabilities			
Trade and other payables	15	530	868
Total current liabilities		**530**	**868**
Total liabilities		**530**	**868**
Total equity and liabilities		**116,270**	**184,535**
Net asset value per share (cents)	5	89.90	142.66

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

The consolidated financial statements were approved by the board of directors on 17 September 2014 and signed on their behalf by:

Mark Lerdal
Executive Chairman

Stephen Coe
Non-executive Director

Consolidated statement of changes in equity for the year ended 30 June 2014

	Share Capital	Share Premium	Retained Losses	Total Equity
	US$'000	US$'000	US$'000	US$'000
Balance at 1 July 2012	28	306,809	(124,638)	182,199
Total comprehensive gain for the year	-	-	1,468	1,468
Balance at 30 June 2013	**28**	**306,809**	**(123,170)**	**183,667**
Balance at 1 July 2013	28	306,809	(123,170)	183,667
Total comprehensive loss for the year	-	-	(67,927)	(67,927)
Balance at 30 June 2014	**28**	**306,809**	**(191,097)**	**115,740**

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

Consolidated statement of cash flows for the year ended 30 June 2014

	Note	Year ended 30 June 2014 US$'000	Year ended 30 June 2013 US$'000
Cash flows from operating activities			
Interest received on cash balances		7	54
Interest received on loans		389	570
Dividend income (preferred return)		441	-
Operating expenses paid		(5,825)	(5,311)
Income tax paid		(199)	(267)
Net cash used in operating activities		**(5,187)**	**(4,954)**
Cash flows from investing activities			
Purchase of financial assets at fair value through profit or loss		(9,883)	(21,492)
Repayment of capital by investee companies		6,160	3,548
Net purchases of property, plant and equipment		(2)	(21)
Net cash used in by investing activities		**(3,725)**	**(17,965)**
Net decrease in cash and cash equivalents		**(8,912)**	**(22,919)**
Cash and cash equivalents at start of the year		20,995	43,924
Effect of exchange rate fluctuations on cash and cash equivalents		(12)	(10)
Cash and cash equivalents at end of the year		**12,071**	**20,995**
Non-cash transactions[1]:			
Interest received on loans	11.1	331	-
Purchase of financial assets at fair value through profit and loss	11.1	(3,619)	-
Repayment of capital by investee companies	11.1	3,288	-

[1]During the year Leaf received repayment of secured senior convertible promissory notes in the form of new secured senior convertible promissory notes and the issue of preferred equity, totaling US$3.6 million, in accordance with the terms of the notes.

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

Consolidated statement of cash flows for the year ended 30 June 2014 (continued)

Reconciliation of total (loss)/gain and total comprehensive (loss)/gain for the year to net cash used in operating activities	**Year ended 30 June 2014 US$'000**	**Year ended 30 June 2013 US$'000**
Total (loss)/gain and total comprehensive gain/(loss) for the year	(67,927)	1,468
Adjustments for:		
Net loss/(gain) on investments at fair value through profit or loss	63,387	(5,955)
Depreciation expense	10	18
Written off tax receivables	(53)	-
Non-cash interest received on loans	(331)	-
Net foreign exchange loss	12	10
Taxation	249	129
Operating loss before changes in working capital	**(4,653)**	**(4,330)**
Movement in trade and other receivables	3	(270)
Movement in trade and other payables	(338)	(87)
Income taxes paid	(199)	(267)
Net cash used in operating activities	**(5,187)**	**(4,954)**

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

Notes to the consolidated financial statements for the year ended 30 June 2014

1. Leaf

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.

Leaf's agents and the management team (all employees of Leaf's subsidiary) perform all significant functions. Accordingly, Leaf itself has no employees.

The consolidated financial statements as at and for the year ended 30 June 2014 are for the Leaf Group. Refer to note 18.

The consolidated financial statements of the Leaf Group as at and for the year ended 30 June 2014 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

The Leaf Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Except for the changes below, Leaf has consistently applied the accounting policies as set out in note 3 to all periods presented.

Changes in accounting policies:

a. IFRS 13 Fair Value Measurement;

Fair value measurement

In accordance with the provisions of IFRS 13, the Leaf Group has applied the new definition of fair value, as follows: fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Leaf Group has access at that date. The fair value of a liability reflects its non-performance risk.

This change had no significant impact on the measurements of the Leaf Group's assets and liabilities, however the Leaf Group has included new disclosures in the financial statements, which are required under IFRS 13, refer to note 11.2.

These consolidated financial statements were approved by the board of directors on 17 September 2014.

2.2 Basis of measurement

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

2. Basis of preparation (continued)

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

The most significant area requiring estimation and judgement by the Directors is the valuation of unquoted investments, see note 11.

3. Significant accounting policies

Except for the changes explained in note 2, 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 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 designates its investments, including equity, loans and similar instruments, as at fair value through profit or loss on initial recognition. Attributable transaction costs are recognised in the consolidated statement of comprehensive income as incurred. Gains and losses arising from changes in fair value of investments, including foreign exchange movements, are recognised in the consolidated statement of comprehensive income.

3. Significant accounting policies (continued)

3.1 Financial instruments (continued)

(i) Non-derivative financial assets (continued)

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

Loans and receivables

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

Loans and receivables comprise cash and cash equivalents 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 less 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 are originated. All other financial liabilities (including liabilities designated as at fair value through profit or loss) are recognised initially on trade date, which is the date that the Leaf Group becomes a party to the contractual provision of the instrument.

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

Financial liabilities comprise trade and other payables.

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

3.2 Share capital

Ordinary shares

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

Repurchase of share capital

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

3 Significant accounting policies (continued)

3.3 Revenue and expense recognition

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

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

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

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

3.4 Foreign currency translation

Transactions in foreign currencies are translated to the functional currency of the Leaf Group at exchange rates at the dates of the transactions. 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 at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the consolidated statement of comprehensive income.

3.5 Dividends payable

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

3.6 Earnings per share

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

3.7 Income tax expense

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.

In June 2010, Leaf established a subsidiary, Leaf Clean Energy USA, LLC in Washington, DC which provides asset advisory, portfolio management and certain administrative services to Leaf and pays applicable taxes in the United States.

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

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)
Annual Improvements to IFRSs – 2011-2013 Cycle	Not yet endorsed IASB effective date 1 July 2014
IFRS 9 Financial Instruments	Not yet endorsed IASB effective date 1 January 2018

The impact on the Leaf Group's financial statements is currently being considered by the Leaf Board.

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.

All of 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.

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

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 of $103.3 million (2013: $162.6 million):

Name of Investment	**Valuation methodology**	**Significant inputs / assumptions**
Johnstown Regional Energy LLC ("JRE")	Market value	Proposed transaction terms
Invenergy Wind LLC ("Invenergy")	Market value	Choice of comparable companies, publicly available data about transactions and operating results
SkyFuel Inc ("SkyFuel")	Market value	Proposed transaction terms, forecast cash flows discount rate
Multitrade Rabun Gap, LLC ("MRG")	Estimated recovery value	Estimated recovery value
MaxWest Environmental Systems, Inc. ("MaxWest")	Estimated recovery value	Estimated recovery value
Vital Renewable Energy Company, LLC ("VREC")	Market value	Choice of comparable companies, publicly available data about transactions and operating results
Multitrade Telogia, LLC ("MT")	Market value	Transaction terms, discount rate
Energia Escalona s.r.l. ("Escalona")	Market value Income approach	Forecast cash flows discount rate
Lehigh Technologies Inc. ("Lehigh")	Market value	Transaction terms

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

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 2013.

Name of Investment	Valuation methodology	Significant inputs / assumptions
Johnstown Regional Energy LLC ("JRE")	Income approach	Forecast cash flows Discount rate
Invenergy Wind LLC (“Invenergy”)	Market value	Choice of comparable companies, publicly available data about transactions and operating results
SkyFuel Inc (“SkyFuel”)	Income approach	Forecast cash flows Discount rate
Multitrade Rabun Gap, LLC ("MRG")	Income approach	Forecast cash flows Discount rate
MaxWest Environmental Systems, Inc. (“MaxWest”)	Income approach	Forecast cash flows Discount rate
Vital Renewable Energy Company, LLC ("VREC")	Market value	Choice of comparable companies, publicly available data about transactions and operating results
Multitrade Telogia, LLC ("MT")	Income approach	Forecast cash flows Discount rate
Energia Escalona s.r.l. (“Escalona”)	Market value	Transaction terms
Lehigh Technologies Inc. (“Lehigh”)	Market value	Transaction terms

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 2014 is as follows:

	Net Assets US$'000s 30 June 2014	Net Assets US$'000s 30 June 2013
US Dollars	115,740	183,552
Sterling	-	114
Euro	-	1
Total	**115,740**	**183,667**

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

4. Financial risk management (continued)

An appreciation of the Sterling against the US Dollar of 5% would have decreased net assets by US$nil (2013: US$8,670). A decrease of 5% would have an equal and opposite effect.

The Leaf Group's investments in VREC and Escalona are exposed to the Brazilian Real and the Mexican 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.

Interest rate risk

The Leaf Group has no borrowings. As interest rates earned on the Leaf Group's cash balances are minimal, and interest earned on its loans to the portfolio companies are small, there was no material interest rate risk to the Leaf Group as at 30 June 2014 and 2013.

Credit risk

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

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

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

	30 June 2014	**30 June 2013**
	US$'000	**US$'000**
Investments at fair value through profit or loss	68,576	64,462
Trade and other receivables	884	887
Cash and cash equivalents	12,071	20,995
Total	**81,531**	**86,344**

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. 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 would not usually be subject to credit risk. However, the purpose of these subsidiaries is to hold the Leaf Group's underlying investments in the investee companies. Portions of the underlying investments are in the form of loans, convertible notes or other instruments that are subject to credit risk, and therefore the value attributable to such instruments is provided in the credit risk table above.

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 for the 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 when 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.

4. Financial risk management (continued)

Liquidity risk (Continued)

Residual undiscounted contractual maturities of financial liabilities:

30 June 2014	Less than 1 month US$'000	1-3 months US$'000	3 months to 1 year US$'000	1-5 years US$'000	Over 5 years US$'000	No stated maturity US$'000
Financial liabilities						
Trade and other payables	(530)	-	-	-	-	-
Total	**(530)**	**-**	**-**	**-**	**-**	**-**

30 June 2013	Less than 1 month US$'000	1-3 months US$'000	3 months to 1 year US$'000	1-5 years US$'000	Over 5 years US$'000	No stated maturity US$'000
Financial liabilities						
Trade and other payables	(868)	-	-	-	-	-
Total	**(868)**	**-**	**-**	**-**	**-**	**-**

Fair values
All assets and liabilities at 30 June 2014 are considered to be stated at fair value.

5. Net Asset Value per Share

The net asset value per share as at 30 June 2014 is 89.90 cents based on net assets of US$115.7 million and 128,745,726 ordinary shares in issue as at that date (2013: 142.66 cents based on net assets of US$ 183.7 million and 128,745,726 ordinary shares).

6. Restricted cash

The restricted cash balance at 30 June 2014 consisted of collateral deposits of US$39,000 and US$30,134 associated with the corporate credit cards for Leaf Clean Energy Company and Leaf Clean Energy USA, LLC held by HSBC Cayman and HSBC US, respectively.

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

7. Administration expenses

	Year ended 30 June 2014 US$'000	Year ended 30 June 2013 US$'000
Salaries and related costs	1,756	1,757
Legal and professional fees	1255	887
Directors' remuneration (note 8)	812	1,166
Travel and subsistence expenses	597	501
Administration fees	225	225
Rental fees	170	163
Audit fees	117	119
IT and communication fees	92	92
Directors' and officers' insurance expense	90	97
Other expenses	332	165
Total	**5,446**	**5,172**

The Leaf Board has aligned the compensation plan for Leaf management with Leaf's new investment strategy. Under the revised compensation plan, staff will only receive incentive payments when cash is returned to the shareholders. The revised compensation plan includes a sliding scale of incentives. As an example, if the Leaf Group returned cash to the shareholders equal to the Leaf Group's current net asset value ($115.7 million), total incentive payments would equal US$2.6 million or 2.3% of the cash returned. Due to the uncertain timing and amount of such payments, Leaf considers this to be a contingent liability and no amounts have been accrued or otherwise reflected in the NAV per share.

8. Directors' remuneration

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

	Basic annual remuneration US$'000
Mark Lerdal (executive chairman) appointed 1 April 2014	250
Stephen Coe (non-executive director) appointed 1 April 2014	70
Peter O'Keefe (non-executive director)	43
James Potochny (executive director) appointed 13 May 2014	-
Bran Keogh (executive director) resigned 31 May 2014	300
Peter Tom (non-executive chairman) resigned 10 April 2014	125
J. Curtis Moffatt (non-executive director) resigned 13 May 2014	43

Mr. Potochny currently receives an annual base salary of US$230,000 as CFO of Leaf's wholly-owned investment advisory subsidiary, and will participate from 1 July 2014 in the employee bonus plan described in note 7.

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

8. Directors' remuneration (continued)

Directors' fees and expenses were:

30 June 2014	Directors' fees	Annual bonus	Reimbursements	Total
	US$'000	US$'000	US$'000	US$'000
Mark Lerdal (Chairman)	62	-	30	92
Stephen Coe	58	-	9	67
Peter O'Keefe	64	-	8	72
James Potochny	-	-	4	4
Bran Keogh	283	175	7	465
Peter Tom	121	-	-	121
J. Curtis Moffatt	49	-	2	51
Total	**637**	**175**	**60**	**872**

30 June 2013	Directors' fees	Annual bonus	Reimbursements	Total
	US$'000	US$'000	US$'000	US$'000
Peter Tom (Chairman)	200	-	2	202
Bran Keogh	400	350	5	755
J. Curtis Moffatt	106	-	-	106
Peter O'Keefe	110	-	1	111
Total	**816**	**350**	**8**	**1,174**

The composition of the board changed during the year with Mark Lerdal appointed as executive chairman, Stephen Coe appointed as non-executive director and James Potochny appointed as executive director. Peter Tom, Bran Keogh and J Curtis Moffatt resigned.

Each director is also entitled to receive reimbursement of any expenses in relation to their appointment. Total reimbursement to the directors for the year ended 30 June 2014 amounted to US$59,694 (2013: US$7,857) of which US$7,708 was outstanding at 30 June 2014 (2013: US$Nil).

Leaf's wholly-owned U.S. investment advisory subsidiary paid Mr. Potochny salary and bonus equal to US$302,500 for the year ended 30 June 2014 (2013: US$298,333)

9. 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 2014	Year ended 30 June 2013
(Loss)/earnings attributable to equity holders (US$'000)	(67,927)	1,468
Weighted average number of ordinary shares in issue (thousands)	128,746	128,746
Basic and fully diluted (loss)/earnings per share (cents)	**(52.76)**	**1.14**

There is no difference between the basic and diluted earnings/(loss) per share for the year.

10. Investments

Investments in underlying investee companies (held through various wholly owned intermediary subsidiaries) comprise ordinary stock, loans, convertible notes and preferred stock carrying a cumulative preferred dividend, preferential return of capital and capped rights to share in profits. The directors, with advice from the in-house management team, Leaf Clean Energy USA, LLC, 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'.

11. Critical accounting estimates and assumptions

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

Key sources of estimation uncertainty

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

Critical judgements in applying the Leaf Group's accounting policies

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

Valuation of financial instruments

The Leaf Group's accounting policy on fair value measurements is discussed in accounting policy 3.1. The Leaf Group measures fair value using the following hierarchy that reflects the significance of inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments: quoted market prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- 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.

11. Critical accounting estimates and assumptions (continued)

11.1 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 2014	Year ended 30 June 2013
Balance brought forward	162,633	138,734
Additional investments in subsidiaries	13,502	21,492
Repayment of capital investment	(9,448)	(3,548)
Movement in fair value of investments	(63,387)	5,955
Balance carried forward	**103,300**	**162,633**
Total gains/(losses) for the year included in profit or loss relating to investments held at the end of the reporting period.	(63,387)	5,905

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 in-house management team, Leaf Clean Energy USA, LLC, has overall responsibility for all significant fair value measurements, including Level 3 fair values. The in-house management team regularly reviews significant unobservable inputs and valuation adjustments.

Leaf received repayment by one of its investee companies of a US$1.2 million secured senior convertible promissory note along with US$96,267 of accrued interest due in the form of a new secured senior convertible promissory note with a principal amount of US$1.296 million during the period. US$2.1 million of principal and US$234,632 of accrued interest on a senior secured convertible promissory note was converted into preferred equity of the borrower in accordance with the terms of the note.

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

The table below sets out information about significant unobservable inputs used at 30 June 2014 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

11. Critical accounting estimates and assumptions (continued)

Description	Fair value at 30 June 2014 US$'000	Valuation technique	Unobservable input	Range	Sensitivity to changes in significant unobservable inputs
Unlisted private equity investments	US$103,300	Transaction and market multiples, income approach, transaction terms	EBITDA multiple	10.4	The estimated fair value would increase (decrease) if the EBITDA or operational multiples were higher/lower.
			Operational multiples	$108/mm tons - $97/mm tons	
			Operational multiples	$1,828/kW - $1,964/kW	
			Discount rates	13.6%-22.9%	The estimated fair value would increase/(decrease) if the discount rate were lower/higher
			Forecast cash flows	n/a	n/a
			Transaction terms	n/a	n/a
			Estimated recovery value	n/a	The estimated fair value would increase/(decrease) if the recovery value were higher/lower

Significant unobservable inputs are developed as follows.

EBITDA and operational multiples: Represent amounts that market participants would use when pricing the investments. EBITDA and operational multiples are selected from comparable public companies or publicly disclosed transactions 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 EBITDA or 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. Leaf uses a capital asset pricing model (CAPM) approach to calculate a discount rate appropriate for each project or company.

Forecast cash flows: Cash flows are forecast by the Leaf Group by considering possible operational scenarios and transaction terms, the amount to be paid or received under each scenario and the probability of each scenario.

Estimated recovery value: Estimated recovery value is the amount estimated by management to be realised on an investment in a liquidation scenario.

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

Although the Leaf Group 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 2014(US$ millions): (Favourable: US$29.1 million, Unfavourable: US$29.4 million)).

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

11. Critical accounting estimates and assumptions (continued)

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 discount rates used in the models at 30 June 2014 ranged between 13.6% and 22.9% (with reasonably possible alternative assumptions ranging between 12.6% and 23.9%). The EBITDA multiple used in the models at 30 June 2014 was 10.4, with reasonably possible alternative assumptions of 13.0 and 8.0. The operational multiples used in the models at 30 June 2014 ranged from US$97/mm tons to US$108/mm tons, and US$1,828/kW to US$1,964/kW, with reasonably possible alternative assumptions of US$67/mm tons to US$127/mm tons, and US$777/kW to US$2,619/kW.

12. 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.

13. Trade and other receivables

	Year ended 30 June 2014 US$'000	**Year ended 30 June 2013** US$'000
Inter-company receivables	288	238
Prepayments	189	215
Income tax refund receivable	90	-
Other receivables	317	434
Total	**884**	**887**

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

14. Cash and cash equivalents

	Year ended 30 June 2014 US$'000	**Year ended 30 June 2013** US$'000
Short term fixed deposits	-	10,009
Bank current account balances	12,002	7,815
Sub Total	**12,002**	**17,824**
Restricted cash	69	3,171
Total	**12,071**	**20,995**

The short-term deposits are subject to interest rates at 0.002% per annum and are fixed for periods ranging up to 8 months from the consolidated statement of financial position date.

15. Trade and other payables

	Year ended 30 June 2014 US$'000	**Year ended 30 June 2013** US$'000
Other creditors	378	362
Audit fees payable	96	76
Administration fees payable	56	56
Directors' fees payable	-	374
Total	**530**	**868**

16. Share capital

Ordinary shares of GBP0.0001 each	**Number of shares**	**Share capital**	**Share premium**
		US$'000	US$'000
At 30 June 2014 and 30 June 2013	**128,745,726**	**28**	**306,809**

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.

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

During the period, the board's policy was to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board managed the Leaf Group's affairs to achieve shareholder returns through capital growth rather than income, and monitored the achievement of this through growth in net asset value per share. Subsequent to the 1 July 2014 extraordinary general meeting of Leaf's shareholders, a board-recommended change in strategy was approved by Leaf's shareholders and adopted by Leaf (see note 20).

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

17. 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 8 and their shareholdings are disclosed under report of the directors. Note 7 provides disclosures regarding contingent bonus payments to employees of Leaf USA, one of whom is a director.

Leaf's wholly owned subsidiary, Leaf Clean Energy USA, LLC ("Leaf USA"), in Washington, DC provides asset advisory, portfolio management and certain administrative services to Leaf.

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

18. The subsidiaries

The consolidated financial statements comprise Leaf and the following consolidated subsidiary:

	Country of incorporation	Percentage of shares held
Leaf Clean Energy USA, LLC	USA (Delaware)	100%

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%
Energíia Escalona I S.A. de C.V	Mexico	Hydro Energy	87.5%
Energía Escalona s.r.l.	Mexico	Hydro Energy	87.5%
Johnstown Regional Energy LLC	USA (Pennsylvania)	Landfill Gas	100%
Multitrade Rabun Gap LLC	USA (Virginia)	Biomass	75%(1)
Multitrade Telogia LLC	USA (Virginia)	Biomass	66.25%
Telogia Power LLC	USA (Florida)	Biomass	66.25%
SkyFuel Inc	USA (Delaware)	Solar Energy	54.4%
Leaf Escalona Company*	Cayman Islands		100%
Leaf Hydro Company	Cayman Islands		100%
Leaf Invenergy Company*	Cayman Islands		100%
Leaf Invenergy US Investments, Inc*	USA (Delaware)		100%
Leaf Lehigh Company	Cayman Islands		100%
Leaf LFG Company	Cayman Islands		100%
Leaf LFG US Investments, Inc.*	USA (Delaware)		100%
Leaf MaxWest Company*	USA (Delaware)		100%
Leaf Bioenergy Company	Cayman Islands		100%
Leaf Biomass Company	Cayman Islands		100%
Leaf Biomass Investments, Inc.*	USA (Delaware)		100%
Leaf SkyFuels Company*	Cayman Islands		100%
Leaf Solar Company	Cayman Islands		100%
Leaf Wind Company	Cayman Islands		100%
Leaf VREC*	Cayman Islands		100%
Leaf Waste Energy	Cayman Islands		100%

(1) Voting rights 81.9%

Notes to the consolidated financial statements for the year ended 30 June 2014 (continued)

19. Capital commitments

As at 30 June 2014, there were no capital commitments in respect of investments.

20. Subsequent Events

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.

On 3 July 2014, Leaf investee company, MaxWest Environmental Systems, Inc. filed for protection under Chapter 7 of the U.S. bankruptcy code.

On 31 July 2014, Leaf made a follow-on investment of US$1.25 million in the preferred stock of Lehigh Technologies, as part of a preferred equity financing round led by strategic investor JSR Corporation.