Leaf Clean Energy Company

Interim Report

For the half year ended 31 December 2015

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MANAGEMENT AND ADMINISTRATION

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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 has also been a managing director of MP2 Capital, LLC, a developer, owner and operator of solar generation assets since 2009. 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 and Onsite Energy Corporation.

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 and European Real Estate Investment Trust Limited. He resides in Guernsey.

Peter O'Keefe (non-executive director)

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

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

Chairman’s statement

Dear Shareholder:

Leaf Clean Energy (the “Company” or “Leaf”) returned capital to shareholders of £6.4 million ($9.8 million) or 5 pence per share on 9 October 2015. Current net asset value (“NAV”) on 31 December 2015 was $109.0 million, $11.2 million lower than on 30 June 2015. This change resulted primarily from the return to the shareholders in the October redemption. The comprehensive loss for the period of $1.5 million consisted of $2.0 million adjustment to the provision for US federal and state income taxes, $1.3 million of administration expenses and $0.5 million in transaction related costs, primarily associated with the litigation against Invenergy, offset by a $2.0 million gain on revaluation in the carrying value of the portfolio companies. At the end of the period, $4.3 million of Leaf’s NAV was held in cash and $117.2 million in investments. Subsequent to year end, Leaf received $3.9 million as part of a mandatory tax distribution by Invenergy to its members. NAV per share for the Leaf Group was 92.28 cents or 62.51 pence at the period-end exchange rate of $1.48/£.

As is evident from our financial statements, the primary source of any future returns to shareholders will be derived from Leaf’s investment in Invenergy Wind LLC (“Invenergy”). Unfortunately Leaf and Invenergy do not agree on certain contractual provisions contained in the operating agreement of Invenergy. As previously reported, Leaf initiated litigation against Invenergy seeking to enforce the Company’s interpretation of the operating agreement. That litigation is in the early stages in Delaware Chancery Court. Pursuant to another provision of the Invenergy operating agreement, in late December 2015, Invenergy initiated a process to purchase Leaf’s interest in Invenergy through a call. Leaf put the interest to Invenergy the same day. The put/call process is also in its infancy. Third party appraisers have been retained by both the Company and Invenergy and their reports are expected in April. The appraisal process could result in a purchase price for Leaf’s interest, or a third independent appraisal may be required to settle the price if the initial appraisals are too disparate. Leaf does not believe the put/call process and the litigation are mutually exclusive. Depending upon the ultimate result in the put/call process, Leaf may seek to pursue the litigation even after this process is completed. I cannot predict with certainty either the outcome or the timing of either process; but one or both of the processes will result in a return on Leaf’s investment with the exact amount to be determined.

Expenses

Leaf’s administration expenses for the six-month period ended 31 December 2015 were $1.3 million, $191 thousand lower than the comparable prior period. The budget for the current fiscal year is $2.4 million. The budget does not include transaction-related costs or payments of incentives under the Company’s incentive plans. Payments of $126 thousand were made under the incentive plans in respect of the redemption completed in October. Costs related to the Invenergy litigation and put/call process will be the largest and most unpredictable expenses going forward.

Private Equity Portfolio

Invenergy Wind LLC Invenergy develops, owns, and operates wind power generation facilities and storage solutions in North America and Europe. 2015 was a strong year for Invenergy including the sale of 832 megawatts of wind power generated facilities to TerraForm Power for approximately $2 billion. A final closing for an additional 98 megawatts of projects is scheduled to be completed in early 2016. In another positive development for Invenergy and the wind industry, the wind production tax credit (PTC) was extended for five years through 2020.

Vital Renewable Energy Company (“VREC”), the owner of a sugar-cane-based facility in Brazil which produces ethanol and refined sugar, recorded a strong 2015/2016 crushing season with growth of 9% over the prior year. The company also exceeded its financial targets for the most recent operating period having achieved a 10% higher EBITDA than budgeted. The company continued with its industrial and agricultural expansion initiatives and believes that it’s on target to complete the initiative during the 2016/2017 crushing season. VREC is a well-managed company with a best-in-class asset that continues to operate at high levels of efficiency.

Despite the operational progress achieved by the company, the overall macro-economic and political environment in Brazil continues to deteriorate and as a consequence, the value of the Brazilian real has continued to fall. These factors will continue to present near term challenges for VREC and for Leaf to realise the value of its investment.

Lehigh Technologies, Inc. (“Lehigh”), the green materials company, continued to grow its market presence and was recognized with the prestigious iChemE Global Award for Sustainable Technology. This award followed several customer additions in the asphalt and plastics segments during the reporting period. To date, Lehigh has appropriately managed the historic reductions in commodity prices and the rapid strengthening of the US dollar. Nonetheless, Lehigh continues to operate in a competitive environment where the substitute for its products is often a petroleum-derived product.

Chairman’s Statement (continued)

Energía Escalona (“Escalona”), the hydroelectric project development company based in Mexico City, has been impacted by the continued decline in oil prices, which has led to a 37% reduction in the market price of electricity in Mexico in calendar year 2015. This decline in power prices terminated Escalona’s negotiations regarding a power purchase agreement with certain off-takers. Escalona is pursuing opportunities for a long-term US dollar-based contract as part of several government-sponsored auctions in the country in 2016 and 2017. Importantly, the satisfactory completion of a long-term purchase arrangement, either from a private off-taker or a government-sponsored auction, will be required for Escalona to close debt financing and commence construction. Without such a power purchase agreement, this investment is unlikely to have any value.

Continued Operations

The Board of Leaf continue to look for opportunities to realise the value of the remaining investments. As stated above, it has taken action with respect to the Invenergy investment. VREC and Lehigh are both well managed companies facing external headwinds. They are both highly illiquid in the current environment and neither can be realised without the assistance of the underlying company and/or other shareholders. In the last Chairman’s Statement we predicted it would take at least two years to complete the realization of the remaining investments. Your board continues to believe in that timing, but is willing to be patient with regard to VREC and Lehigh, albeit with a reduced expense structure at Leaf. As to Invenergy, your board believes that Leaf possesses the financial resources, and the support of the major shareholders, to pursue the litigation and the put/call processes to their conclusion.

Mark Lerdal
Chairman

28 March 2016

Management report

Overview

During the six months ended 31 December 2015 Leaf's management remained focused on portfolio management and on orderly realisation activities, with due attention to maximizing realisation value. These activities included post-closing monitoring activities relating to the sales of the biomass power plants Multitrade Telogia, LLC (MT) and Multitrade Rabun Gap, LLC (MRG), and the landfill gas portfolio owned by Johnstown Regional Energy, LLC (JRE), all of which closed prior to 30 June 2015, and the conclusion of the sale of SkyFuel, Inc., which occurred during the period on 12 August 2015.

Following the sale of SkyFuel, Leaf's portfolio consists of four remaining investments: Invenergy, VREC, Lehigh, and Escalona.

Strategy

The Leaf Group's investment strategy is an orderly realisation and return of capital to the shareholders, which will occur on an asset-by-asset basis in timeframes appropriate for each asset. The Leaf Board at its discretion will balance the goal of returning capital expediently to investors with the goal of maximising the realisation value of the investments.

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

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

Financial highlights

Below is a summary of financial highlights across the Leaf portfolio during the six-month period ended 31 December 2015:

- Leaf returned $9.8 million (£6.4 million) to Leaf's shareholders via a compulsory redemption, completed on 9 October 2015.

- As previously announced, on 21 December 2015 Leaf filed a complaint against Invenergy, in the Delaware Court of Chancery in Delaware, USA, alleging that Invenergy breached provisions of both Invenergy's Operating and Note Purchase Agreements, by failing to either obtain Leaf's consent to the TerraForm Transaction (see below) prior to its consummation or, absent such consent, make a payment to Leaf upon the closing of the sale, and seeking payment by Invenergy to Leaf of $126.0 million.

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

- Leaf received cash proceeds of $2.5 million from the sale of SkyFuel.

- Leaf collected a $1.5 million receivable relating to the sale of JRE and a $148 thousand cost reimbursement receivable from SkyFuel.

- Leaf made an additional $366 thousand direct equity investment in VREC.

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

On the same day (7 January 2016) Leaf received its portion ($178 thousand) of funds released from the indemnity escrow in relation to the sale of its membership units in Multitrade Telogia, LLC, as the indemnification period had expired without any claims having been made against the escrow by the seller.

Management report (continued)

Financial performance

The Leaf Group's total net asset value (NAV) on 31 December 2015 was $109.0 million, $11.2 million lower than on 30 June 2015. This change resulted from the $9.8 million compulsory redemption of shares and the $1.5 million comprehensive loss for the period, which in turn consisted primarily of $2.0 million of taxation expense, $1.3 million of administration expenses, and $0.5 million of transaction related costs, offset by a $2.0 million gain on revaluation in the carrying value of the portfolio companies. At the end of the period, $4.3 million of Leaf's NAV was held in cash and $117.2 million in investments.

NAV per share for the Leaf Group was 92.28 cents or 62.51 pence at $1.4763 to the £1. This was a decrease of 1.1 per cent for the six-month period from 30 June 2015. The increase was primarily due to the comprehensive loss for the period (-1.3%), partially offset by the effect of the reduction in the weighted average shares outstanding due to the redemption.

Leaf's administrative expenses for the six-month period ended 31 December 2015 were $191 thousand lower than the comparable prior period, having adhered to the previously announced $2.4 million budget for the current fiscal year. Leaf is currently on track to meet this budget for the full year. Note that, due to uncertain timing and amounts the budget did not include transaction-related costs or payments under the Company's incentive plans. Leaf has not accrued anything for future transaction costs, other than certain transaction-related costs that were incurred during the period and recognised either in administration expenses or in recognised gain or loss from the sale of investments. Leaf has made a $2.4 million provision for future pay outs from the Company's incentive plans.

Portfolio update

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

- Invenergy Wind LLC (Invenergy), North America's largest independently owned wind power generation company, commenced commercial operations at its Beech Ridge, Gorzyca and Buckeye wind energy projects during the period, increasing its installed capacity by approximately 300 megawatts. In addition, the company completed project financings for several wind energy projects including Prairie Breeze II, Corriegarth, Prairie Breeze III and Gunsight. Invenergy has now put into service 48 wind farms in the United States, Canada and Europe, totalling over 4,000 megawatts.

  Invenergy continues to advance its expansive project development and execution efforts having signed several wind power purchase agreements (PPAs) with commercial and industrial (C&I) customers such as Owens Corning, Equinix, Inc and Google. These agreements with C&I customers bring Invenergy's total corporate customer wind portfolio to 450 megawatts. Continuing to execute on its growth plan, Invenergy has also commenced construction of numerous projects with generating capacity in excess of 700 megawatts.

  On the strategic front, Invenergy continues to execute on select M&A and growth initiatives. On 15 December 2015, Invenergy consummated the sale of a majority stake in a portfolio of wind farms in the U.S. and Canada to TerraForm Power Inc. in a transaction valued at $2 billion (the "TerraForm Transaction"). Invenergy plans to reinvest the proceeds from the transaction to further its project development activities. Additionally, Invenergy's future growth initiatives will be boosted as a result of favourable regulatory developments in the US. On 21 December 2015, the US Congress passed an omnibus spending bill that included a five-year extension for production and investment tax credits (PTCs and ITCs) on renewable power projects including wind projects. The tax credit extensions will be a significant driver of project economics value and capacity growth for Invenergy.

- Lehigh Technologies, Inc. (Lehigh), the green materials company, was awarded the iChemE Global Award for Sustainable Technology in November 2015, demonstrating the continued recognition Lehigh's products in the chemicals industry. Lehigh also established a corporate subsidiary in Europe to advance its efforts in the European market. In addition to product recognition, the company continued to innovate and improve its cost of supply. Lehigh filed [three] patents in 2015 and is known in the tire industry as a technical leader in micronized rubber powder. Amidst these positive factors, the rapid and surprising decline in commodity prices to levels not seen since 2008, combined with a considerable strengthening in the US dollar, have proven to be headwinds to Lehigh's near-term growth. These headwinds have been largely offset by the growing customer interest in sustainability, new customer additions, product innovation, and improved plant efficiency. Overall, Lehigh has managed the current commodity and macro environment well, and remains positioned for growth in 2016, with a particular focus on geographic expansion.

- Vital Renewable Energy Company (VREC), a renewable energy company focused on the development of sugar-cane-based ethanol facilities and electricity generation in Brazil, achieved strong results during the 2015/2016 crushing season with growth of 9% over the prior period. The company continues to execute across several growth areas and expects to substantially complete its industrial expansion efforts during the upcoming 2016/2017 crushing season. VREC has also initiated the development of a biomass cogeneration facility at its BSA mill which is expected to add long term value by enabling the company to meet the energy needs of its BSA facility and exporting surplus power to the electricity grid.

  While challenging macro-economic conditions (including continued weakness in the Brazilian real) and political headwinds continue to persist in Brazil, market conditions in the Brazilian sugar and ethanol sector did see an improvement late in the 2015/2016 crushing season as evidenced by a rally in ethanol and sugar prices. While such positive movements occurred too late in the year to materially impact 2015 results, the improvement in near-term fundamentals (commodity prices) appears poised to continue in the near term. Coupled with strong demand for ethanol, these trends support a favourable outlook for VREC's upcoming 2016/2017 crushing season.

- Energía Escalona (Escalona), the hydroelectric project development company based in Mexico City, continued development of its flagship hydroelectric development project. While progress was made in certain areas, completion of a key development step—a private off-take contract for remaining capacity—has been indefinitely delayed due to the sharp declines in electricity prices in Mexico, which declined by 37% during calendar year 2015. In response, Escalona is evaluating opportunities to bid into one (or more) of the three planned auctions in 2016 and 2017 for long-term energy, capacity, and clean energy credits. These government-sponsored auctions provide a parallel-track option for Escalona to monetize its uncontracted capacity in dollar-indexed contracts, as opposed to peso-based contracts in a bilateral power purchase agreement. Importantly, without the satisfactory completion of a long-term purchase arrangement, either from a private off-taker or a government-sponsored auction, Escalona will not be able to close debt financing and commence construction. Leaf continues to review its strategic options for this asset in light of the unfavourable power price changes, partially offset by favourable market features such as the dollar-indexed auctions and clean energy credits.

- SkyFuel, Inc. (SkyFuel), the solar thermal power technology company, announced that it had been acquired by Chinese-based Sunshine Kaidi New Energy Group ("Kaidi") of Wuhan, China, through their US subsidiary Harvest International New Energy, Inc.

In the coming months the Leaf Management team will continue its focus on achieving expedient realisations of the assets to enable additional future distributions to the shareholders, with careful attention paid to the appropriate timing required for each investment to maximise realisation value. While this timing is uncertain for the realisation of a given investment, it is likely to take an additional two years or more to realise the remaining investments. As a result, the Leaf Board and management have maintained and will continue to maintain an appropriate cash balance to ensure that Leaf can continue to execute Leaf's strategy.

28 March 2016

Condensed consolidated statement of comprehensive income for the six months ended 31 December 2015

	Note	(Unaudited) 6 months ended 31 December 2015 $'000	(Unaudited) 6 months ended 31 December 2014 $'000
Interest income on cash balances		-	-
Interest income on investments at fair value through profit or loss		-	169
Net gain/(loss) on investments at fair value through profit or loss	12.1	1,968	(8,885)
Net foreign exchange loss		(195)	(7)
Gross portfolio return/(loss)		**1,773**	**(8,723)**
Administration expenses	6	(1,269)	(1,460)
Transaction-related costs	7	(491)	(47)
Incentive plans expense	8	498	-
Profit/(loss) before taxation		**511**	**(10,230)**
Taxation	19	(1,974)	(12)
Total loss and total comprehensive loss for the period		**(1,463)**	**(10,242)**
Loss for the period attributable to equity holders		**(1,463)**	**(10,242)**
Basic and diluted loss per share (cents)	10	**(1.18)**	**(7.96)**

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

Condensed consolidated statement of financial position as at 31 December 2015

	Note	(Unaudited) 31 December 2015 $'000	(Audited) 30 June 2015 $'000
Assets			
Investments at fair value through profit or loss	12.1	117,200	117,320
Deferred tax assets	19	9,884	9,884
Property, plant and equipment		4	5
Total non-current assets		**127,088**	**127,209**
Trade and other receivables	14	455	2,062
Restricted cash	16	30	30
Cash and cash equivalents		4,311	12,522
Total current assets		**4,796**	**14,614**
Total assets		**131,884**	**141,823**
Equity			
Share capital	18	27	28
Share premium	18	297,046	306,809
Retained losses		(188,034)	(186,571)
Total equity		**109,039**	**120,266**
Liabilities			
Deferred tax liabilities	19	20,079	18,103
Provision for future incentive plans payouts	8	2,376	3,000
Total non-current liabilities		**22,455**	**21,103**
Trade and other payables	15	390	454
Total current liabilities		**390**	**454**
Total liabilities		**22,845**	**21,557**
Total equity and liabilities		**131,884**	**141,823**
Net asset value per share (cents)		92.28	93.41

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

The interim condensed consolidated financial statements were approved by the board of directors on 28 March 2016 and signed on their behalf by:

Mark Lerdal
Executive Chairman

Stephen Coe
Non-Executive Director

Condensed consolidated statement of changes in equity for the six months ended 31 December 2015

	Share Capital	Share Premium	Retained losses	Total equity
	$'000	$'000	$'000	$'000
Balance at 30 June 2015 (audited)	28	306,809	(186,571)	120,266
Redemption to shareholders	(1)	(9,763)	-	(9,764)
Total comprehensive loss for the period	-	-	(1,463)	(1,463)
Balance at 31 December 2015 (unaudited)	**27**	**297,046**	**(188,034)**	**109,039**

	Share Capital	Share Premium	Retained losses	Total equity
	$'000	$'000	$'000	$'000
Balance at 30 June 2014 (audited)	28	306,809	(191,097)	115,740
Total comprehensive loss for the period	-	-	(10,242)	(10,242)
Balance at 31 December 2014 (unaudited)	**28**	**306,809**	**(201,339)**	**105,498**

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

Condensed consolidated statement of cash flows for the six months ended 31 December 2015

	Note	(Unaudited) 6 months ended 31 December 2015 $'000	(Unaudited) 6 months ended 31 December 2014 $'000
Cash flows from operating activities			
Income tax refund		30	15
Interest received on loans	12.1	-	169
Reimbursements from investee companies		152	52
Transaction-related costs paid		(332)	(47)
Operating expenses paid		(1,463)	(1,651)
Income tax paid		(242)	(28)
Net cash used in operating activities		**(1,855)**	**(1,490)**
Cash flows from investing activities			
Purchase of financial assets at fair value through profit or loss	12.1	(366)	(2,715)
Proceeds from sale of investments		3,969	-
Repayment of capital by investee companies	12.1	-	1,180
Net cash (used in)/generated by investing activities		**3,603**	**(1,535)**
Cash flows from financing activities			
Compulsory redemption of shares	12.1	(9,764)	-
Net cash (used in)/generated by financing activities		**(9,764)**	**-**
Net decrease in cash and cash equivalents		**(8,016)**	**(3,025)**
Cash and cash equivalents at start of the period		12,552	12,071
Effect of exchange rate fluctuations on cash and cash equivalents		(195)	(1)
Cash and cash equivalents at end of the period		**4,341**	**9,045**

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

Condensed consolidated statement of cash flows for the six months ended 31 December 2015

	(Unaudited) 6 months ended 31 December 2015	(Unaudited) 6 months ended 31 December 2014
Reconciliation of total loss and total comprehensive loss for the period to net cash used in operating activities	$'000	$'000
Total loss and total comprehensive loss for the period	(1,463)	(10,242)
Adjustments for:		
Net unrealised (gain)/loss on investments at fair value through profit or loss	(1,964)	8,885
Net realised (gain)/loss on investments at fair value through profit or loss	(4)	-
Incentive plans expense	(498)	-
Incentive plans payouts for October 2015 redemption	(126)	-
Depreciation expense	1	6
Net foreign exchange loss	195	2
Increase in deferred tax liability	1,976	-
Taxation	(2)	12
Operating loss before changes in working capital	**(1,885)**	**(1,337)**
Movement in trade and other receivables	1,607	91
JRE receivable collected included in investment cash flows	(1,503)	-
Movement in trade and other payables	(74)	(232)
Taxes paid (net of refunds received) in excess of accruals	-	(12)
Net cash used in operating activities	**(1,855)**	**(1,490)**

Notes to the interim condensed consolidated financial statements for the six months ended 31 December 2015

1 Leaf

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.

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 executive chairman, agents, and management team (the latter all employees of Leaf's subsidiary, Leaf Capital Management, LLC) perform all significant functions. Accordingly, Leaf itself has no employees.

The consolidated financial statements of the Leaf Group as at and for the year ended 30 June 2015 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.

The interim condensed consolidated financial statements as at and for the six months ended 31 December 2015 are for the Leaf Group. Refer to note 17.

Throughout this interim report, including in the Chairman's Statement, the Management Report, the interim condensed consolidated financial statements and these notes, the "$" sign indicates US dollars and the "£" sign indicates pounds sterling unless otherwise indicated.

2 Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of Leaf as at and for the year ended 30 June 2015.

These interim condensed consolidated financial statements were approved by the board of directors on 28 March 2016.

3 Significant accounting policies

Save as for explained above, the accounting policies applied by Leaf in these interim condensed consolidated financial statements are the same as those applied by Leaf in its consolidated financial statements as at and for the year ended 30 June 2015.

4 Use of estimates and judgements

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

The significant judgements made by management in applying Leaf's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 30 June 2015.

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

5 Financial risk management

The Leaf Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2015.

The below table summarises the valuation methodologies and key assumptions in deriving the aggregate fair value of the investments as at 31 December 2015 of $119.8 million (30 June 2015: $117.3 million):

Name of Investment	Valuation methodology	Significant inputs / assumptions
Invenergy Wind LLC ("Invenergy")	Market value	Choice of comparable companies, publicly available data about transactions and operating results
Vital Renewable Energy Company, LLC ("VREC")	Market value	Choice of comparable companies, publicly available data about transactions and operating results
Energia Escalona s.r.l. ("Escalona")	Income approach	Forecast cash flows discount rate
Lehigh Technologies Inc. ("Lehigh")	Income approach	Forecast cash flows discount rate

The below table summarises the valuation methodologies and key assumptions in deriving the aggregate fair value of the investments as at 30 June 2015.

Name of Investment	Valuation methodology	Significant inputs / assumptions
Invenergy Wind LLC ("Invenergy")	Market value	Choice of comparable companies, publicly available data about transactions and operating results
SkyFuel Inc ("SkyFuel")	Market value	Transaction terms
Vital Renewable Energy Company, LLC ("VREC")	Market value	Choice of comparable companies, publicly available data about transactions and operating results
Energia Escalona s.r.l. ("Escalona")	Income approach	Forecast cash flows discount rate
Lehigh Technologies Inc. ("Lehigh")	Market value Income approach	Transaction terms and Forecast cash flows Discount rate

6 Administration expenses

	(Unaudited) 6 months ended 31 December 2015 $'000	(Unaudited) 6 months ended 31 December 2014 $'000
Salaries and related costs	418	476
Legal and professional fees [1]	244	216
Directors' remuneration (note 9)	173	172
Other expenses	117	222
Administration fees	88	100
Travel and subsistence expenses	72	78
Rental fees	66	88
Audit Fees	35	48
Directors' and officers' insurance expense	31	31
Registrar fees and costs	20	23
Printing and stationery expenses	5	6
Total	**1,269**	**1,460**

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

7 Transaction-related costs

Leaf does not budget transaction-related costs, due to the unpredictability of their timing and amounts. The amount disclosed for the six-month period ended 31 December 2015 consists primarily of legal costs incurred during the period in connection with the complaint filed on 21 December 2015 by Leaf against Invenergy Wind LLC. An additional $11.5k of transaction-related costs incurred in connection with the Multitrade Telogia, LLC and Multitrade Rabun, LLC sales are included in net (loss)/gain on investments at fair value through profit or loss.

8. Incentive plans expense

The Leaf Board has adopted incentive compensation plans for the Company under which payees will receive incentive payments only when cash is returned to the shareholders. These plans include a sliding scale of incentives. As at 31 December 2015, the Leaf Group updated its prior estimate of the incentive payments to be $2.4 million, using an estimate of total cash that will be returned to the shareholders that is based on the 31 December 2015 net asset value less the estimated cash requirements of the Company in completing the realisation of the investments. Revisions to the estimate of total cash that will be returned to shareholders result in adjustments to the provision for future incentive plans payouts, which are recognised in profit or loss during the period of the adjustment.

9 Directors' remuneration

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

31 December 2015	Basic annual remuneration
	$'000
Mark Lerdal (executive chairman)	250
Stephen Coe	70
Peter O'Keefe	26
	346

Directors' fees and expenses payable during the six month ended 31 December 2015 were:

31 December 2015	Directors' fees	Annual bonus	Reimbursements	Total
	$'000	$'000	$'000	$'000
Mark Lerdal (executive chairman)	125	-	21	146
Stephen Coe	35	-	1	36
Peter O'Keefe	13	-	-	13
	173	**-**	**22**	**195**

31 December 2014	Directors' fees	Annual bonus	Reimbursements	Total
	$'000	$'000	$'000	$'000
Mark Lerdal (executive chairman)	125	-	23	148
Stephen Coe	35	-	19	54
Peter O'Keefe	15	-	-	15
	175	**-**	**42**	**217**

Each director is also entitled to receive reimbursement of any expenses in relation to their appointment. Total reimbursement to the directors for the six-months ended 31 December 2015 amounted to $21,976 (2014: $42,030) of which $9,127 was outstanding at 31 December 2015 (2014: $nil).

10 Basic gain/loss per share

Basic and Diluted

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

	(Unaudited) 6 months ended 31 December 2015	(Unaudited) 6 months ended 31 December 2014
Loss attributable to equity holders ($'000)	(1,463)	(10,242)
Weighted average number of ordinary shares in issue (thousands)	123,742	128,745
Basic and fully diluted loss per share (cents)	**(1.18)**	**(7.96)**

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

11 Investments

Investments in underlying investee companies (held through various wholly owned intermediary subsidiaries) comprise membership units, ordinary stock, and preferred stock carrying a cumulative preferred dividend, preferential return of capital and capped rights to share in profits. The directors, with advice from the in-house management team, Leaf Capital Management, LLC, and third-party financial advisor, DBO Partners (for Invenergy only), have reviewed the carrying value of each investment and calculated the aggregate value of the Leaf Group's portfolio. Investments are measured at the directors' estimate of fair value at the reporting date, in accordance with IAS 39 'Financial Instruments: Recognition and measurement.

12 Critical accounting estimates and assumptions

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

Key sources of estimation uncertainty

Determining fair values
The determination of fair values for financial assets for which there is no observable market prices requires the use of valuation techniques as described in accounting policy 3.1 from the 30 June 2015 financial statements. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also "Valuation of financial instruments" below.

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

Valuation of financial instruments
The Leaf Group's accounting policy on fair value measurements is discussed in accounting policy 3.1 from the 30 June 2015 consolidated financial statements. The Leaf Group measures fair value using the following hierarchy that reflects the significance of inputs used in making the measurements:

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

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

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

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

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

	(Unaudited) 31 December 2015 $'000	(Audited) 30 June 2015 $'000
Balance brought forward	117,320	103,300
Additional investments in subsidiaries	366	3,280
Repayment of capital investment	-	(2,010)
Proceeds from sale of investments	(2,454)	(5,902)
Realised gain/(loss) on investments held at beginning of period	4	207
Movement in fair value of investments	1,964	18,445
Balance carried forward	**117,200**	**117,320**
Total gain/(losses) for the period/year included in profit or loss relating to investments held at the end of the reporting period.	1,964	21,288

Investments are stated at fair value through profit or loss on initial recognition. All investee companies are unquoted. Leaf has an established control framework with respect to the measurement of fair values. The directors, with advice from the in-house management team, Leaf Capital Management, 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.

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

The table below sets out information about significant unobservable inputs used at 31 December 2015 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	Fair value at 31 December 2015 $'000	Valuation technique	Unobservable input	Range	Sensitivity to changes in significant unobservable inputs
Unlisted private equity investments	$117,200	Transaction and market multiples, income approach, transaction terms	Operational multiples	$53/mm tons - $100/mm tons	The estimated fair value would increase (decrease) if the operational multiples were higher/lower.
			Operational multiples	$1,646/kW - $2,337/kW	
			Discount rates	12.2%-18.0%	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

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

The table below sets out information about significant unobservable inputs used at 30 June 2015 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	Fair value at 30 June 2015 $'000	Valuation technique	Unobservable input	Range	Sensitivity to changes in significant unobservable inputs
Unlisted private equity investments	$117,320	Transaction and market multiples, income approach, transaction terms	Operational multiples	$48/mm tons - $109/mm tons	The estimated fair value would increase (decrease) if the operational multiples were higher/lower.
			Operational multiples	$1,640/kW - $2,326/kW	
			Discount rates	12.9%-17.0%	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

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 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 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 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.

12 Critical accounting estimates and assumptions (continued)

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

Although Leaf believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects on Leaf's net asset value (NAV) at 31 December 2015 ($ millions): (Favourable: 25.9, Unfavourable: (27.8)).

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 31 December 2015 ranged between 13.2% and 17.0% (with reasonably possible alternative assumptions ranging between 12.2% and 18.0%). The operational multiples used in the models at 31 December 2015 ranged from $63/mm tons to $81/mm tons, and $2,041/kW, with reasonably possible alternative assumptions of $53/mm tons to $100/mm tons, and $1,646/kW to $2,337/kW.

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 2015 ($ millions): (Favourable: $27.8 million, Unfavourable: $37.5 million).

The discount rates used in the models at 30 June 2015 ranged between 12.9% and 17.0% (with reasonably possible alternative assumptions ranging between 13.6% and 23.9%). The operational multiples used in the models at 30 June 2015 ranged from $62/mm tons to $81/mm tons, and $2,097/kW, with reasonably possible alternative assumptions of $48/mm tons to $109/mm tons, and $1,640/kW to $2,326/kW.

13 Financial instruments not measured at fair value

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

14 Trade and other receivables

	(Unaudited) 31 December 2015 $'000	**(Audited) 30 June 2015 $'000**
Inter-company receivables	214	214
Other receivables	153	1,667
Prepayments	88	153
Income tax refund receivable	-	28
Total	**455**	**2,062**

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

In relation to the sales of JRE/Leaf LFG, Leaf is eligible to possibly receive additional receipts of up to $435 thousand in aggregate, subject to the satisfaction of certain contingencies and/or achievement by the purchaser of certain milestones. Leaf has not recorded any of these possible receipts due to their being unlikely of receipt.

15. Trade and other payables

	(Unaudited) 31 December 2015 $'000	(Audited) 30 June 2015 $'000
Other creditors	350	86
Audit fees payable	40	75
Income tax payable	-	243
Administration fees payable	-	50
Total	**390**	**454**

In relation to the sale of JRE/Leaf LFG, Leaf may incur up to $500 thousand of liability under an indemnity. As this contingent liability has not been drawn upon and may not occur, it has not been recognised in the financial statements.

16 Restricted cash

The restricted cash balance at 31 December 2015 consisted of collateral deposits of $30,206 associated with the corporate credit cards for Leaf Capital Management, LLC held by HSBC US. Leaf does not expect to have corporate credit cards after 31 December 2016, after which time these funds will be released and become unrestricted.

17 The subsidiaries

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

	Country of incorporation	Percentage of shares held
Leaf Capital Management, 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%
Energentum Energias Renovables S.A. de C.V.	Mexico	Hydro Energy	87.5%
Energía Escalona s.r.l.	Mexico	Hydro Energy	54.3%
Leaf Invenergy Company	Cayman Islands		100%
Leaf Invenergy US Investments, Inc.	USA (Delaware)		100%
Leaf LFG Company	Cayman Islands		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%

Notes to the interim condensed consolidated financial statements for the six months ended 31 December 2015 (continued)

18 Share capital

Ordinary shares of £0.0001 each	**Number of shares**	**Share capital**	**Share premium**
		$'000	$'000
At 30 June 2015	**128,745,726**	**28**	**306,809**
At 31 December 2015	**118,162,853**	**27**	**297,046**

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

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

Leaf have repurchased 10,582,873 shares during the current year. 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.

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

19. Income tax

	(Unaudited) Six months ended 31 December 2015 $'000	**(Audited) Year ended 30 June 2015 $'000**
Current tax expense		
Current year	2	245
	2	**245**
Deferred tax expense		
Temporary differences	(1,976)	8,219
	(1,976)	**8,219**
Tax (gain)/expense on continuing operations	**(1,974)**	**8,464**

Notes to the interim condensed consolidated financial statements for the six months ended 31 December 2015 (continued)

19. Income tax (continued)

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.

			(Unaudited) Balance as at 31 December 2015		
2015 $'000	**(Audited) Net balance at 01 July 2015**	**Recognised in profit or loss**	**Net**	**Deferred tax assets**	**Deferred tax liabilities**
Investments held at fair value through profit and loss	(8,219)	(1,976)	(10,195)	9,884	(20,079)
Net tax assets (liabilities)	**(8,219)**	**(1,976)**	**(10,195)**	**9,884**	**(20,079)**

The deferred tax asset has been calculated using a 35% top US federal tax rate. The deferred tax liability has an effective tax rate of 40% which consists of a 35% top US federal tax rate plus an estimate of 5% for the blended state tax rate, taking into the account the deductibility of state taxes in the calculation of federal taxes.

20 Subsequent Events

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

On 7 January 2016 Leaf received its portion ($178 thousand) of funds released from the indemnity escrow in relation to the sale of its membership units in Multitrade Telogia, LLC, as the indemnification period had expired without any claims.