



# **Building Global Businesses**

**KuberaCross-Border Fund**  
Annual Report 2010

## About Us

**Kubera Cross-Border Fund (the 'Fund')** is a closed-end investment company listed on the AIM market of the London Stock Exchange. The Fund makes private equity investments in cross-border companies, primarily in businesses that operate in the US-India corridor.

The Fund's investment manager, Kubera Partners LLC, brings a strong track record of investing in or managing such businesses. Several of the Fund's investee companies also benefit from business activities in the growing Indian domestic market.

## Contents

IFC	About Us
2	Chairman's Statement
3	Investment Manager's Report
4	Investing Policy
5	Our Current Portfolio
12	Board of Directors
14	Independent Auditors' Report
15	Consolidated Statement of Assets and Liabilities
16	Consolidated Schedule of Investments
18	Consolidated Statement of Operations
19	Consolidated Statement of Changes in Net Assets
20	Consolidated Statement of Cash Flows
21	Notes to the Consolidated Financial Statements
32	Corporate Information

# Chairman's Statement

**Martin M. Adams**

On behalf of the Board of Directors, I am pleased to present the audited financial statements of Kubera Cross-Border Fund Limited ("KUBC" or the "the Fund"), for the year ended 31 December 2010.

## Review

In 2010, the Indian economy emerged swiftly from the slowdown caused by the global financial crisis of 2007-09. With growth in 2009-10 at 8.0% and estimated at 8.6% in 2010-11, the recovery has been strong.<sup>1</sup>

The Fund has made nine investments since launch and is fully invested. Eight of these investments are in companies that are domiciled in India. Two investments were fully realised last year.

The Fund's audited net asset value per share ('NAV') decreased by 6% from US\$1.07 to US\$1.01 between 31 December 2009 and 31 December 2010. After adjusting for distribution of US\$0.28 per share in October 2010, this represents a year on year increase of 21% and a 34% gain since admission to trading on AIM on 27 December 2006. In addition, the Fund's share price increased by 20% from US\$0.60 as at 31 December 2009 to US\$0.72 as at 31 December 2010. The discount of the Fund's share price to NAV narrowed from 44% as at 31 December 2009 to 29% as at 31 December 2010. The discount has further narrowed to 22% as at 31 March 2011.

## Realizations

During 2010, the Fund sold its position in two portfolio companies. In March 2010, the Fund sold its interest in Infotech Enterprises, with proceeds to the Fund of US\$1.9 million. As announced in August 2010, the Fund received US\$30.7 million from the sale of Venture Infotek.

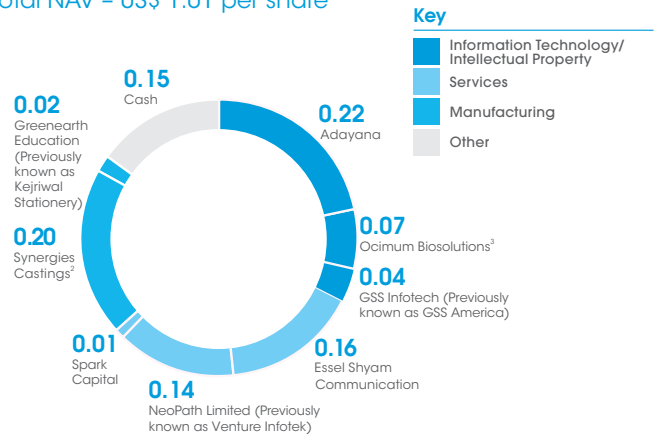
While the global economic crisis has extended the timelines for future realizations, the Manager actively evaluates, on an ongoing basis, partial or complete realisations of investments and remains optimistic about the prospects that attractive returns will be generated.

## Outlook

The Fund's portfolio companies, for the most part, are delivering strong performance and have recovered well from the financial crisis.

## NAV Composition<sup>1</sup> (US\$ per share)

Total NAV – US\$ 1.01 per share



Notes:

1. Excludes co-investment by affiliates of the Manager, which amounts to 9% of every investment made by the Fund
2. Includes loan of US\$ 2.3 million extended to the company in February 2010
3. Includes loan of US\$ 2.3 million extended to the company in December 2010

Additional information can be found in the Manager's Report in this document. Further detailed information on investments, quarterly net asset values and other material events relating to the Fund are available through news releases made to the London Stock Exchange available on [www.londonstockexchange.co.uk](http://www.londonstockexchange.co.uk) under ticker KUBC and through the Fund's website at [www.kuberacrossborderfund.com](http://www.kuberacrossborderfund.com).

**Martin M. Adams**  
Chairman

<sup>1</sup> Government of India, Economic Survey 2010-11.

# Investment Manager's Report

## Kubera Partners LLC

### India Economic Review

2010 saw the Indian economy recover strongly, with GDP growth for FY 2010-11 expected to be over 8.5%. While some clouds such as high inflation linger, a sequenced and gradual withdrawal of the monetary accommodation is helping ease such pressures. Though downside risks of global events, particularly movement in prices of commodities like crude oil (exacerbated by political turmoil in the Middle East) remain, the Indian economy is poised to further improve and consolidate its position.

### Portfolio Highlights

The Fund's portfolio completed the year with two realizations.

In March 2010, the Fund has sold its interest in Infotech Enterprises, generating a gross IRR of 70% and a multiple of 2.2x, with proceeds to the Fund of US\$1.9 million. The Fund returned the net investment proceeds to shareholders, in the form of a buyback of shares at market prices.

In August 2010, Venture Infotek was sold to a strategic buyer. Net distributions to the Fund amount to US\$0.40 per share. This compares with the buyback-adjusted cost basis of US\$0.15 per share for shareholders in the original placing, or a 2.7x multiple. At closing, the Fund received distributions equal to US\$0.28 per share, which were distributed to shareholders in October 2010, by way of a capital distribution.

The Venture Infotek exit validated the Manager's investment philosophy of focusing on market leaders in emerging sectors as that allows for multiple exit paths, taking sizeable equity positions to influence such outcomes, and backing strong incumbent management teams.

### Portfolio Performance

The Fund's audited NAV as at 31 December 2010 was US\$1.01. After adjusting for the distribution of US\$0.28 per share in October 2010, the NAV represents a 21% increase compared to the US\$ 1.07 audited NAV as of the end of 2009. The increase in NAV is primarily on account of the realization of Venture Infotek, and from valuation adjustments, which are reviewed and approved by the audit committee of the Fund, solely comprising of independent directors.

The existing portfolio companies have demonstrated strong operating performance during 2010, considering that most companies lost 18-24 months of momentum during the economic downturn.

The Manager evaluates realisation decisions in conjunction with management teams of the portfolio companies who are also substantial owners. The Manager's decision is influenced by operating performance, a leadership position, global strategic interest in the sector, among several variables.

### Conclusion

We are pleased to observe that the majority of our portfolio continues to show growth, profitability and momentum. Given this performance, we are optimistic about the ultimate outcome.

**Kubera Partners LLC**  
Investment Manager

# Investing Policy

KUBC aims to achieve high returns through capital investments in cross-border businesses, whilst adhering to the following investment policies and guidelines.

## Target Companies

Investee companies will have strong management teams and at least USD 10 million in annual revenues (post-acquisition if the investment is intended to facilitate future acquisitions). The investee company will have a proven performance track record or demonstrate the potential for good short to medium-term growth.

## Geographic Focus

Investments are primarily in companies or assets located in India and in the US. Investments can also be appropriated to target US companies that use low cost domiciles other than India such as China or the Philippines, and also companies that serve other attractive developed markets. The geographic mix of investments may vary over time if suitable opportunities arise and are deemed appropriate for this Company.

## Type of Investments

Investments will be funded by way of cash. Ordinary shares of the Company will not be used as consideration for any investments.

## Number of Investments

The Investment Manager expects to actively manage a concentrated portfolio of approximately 6 to 12 investments when fully invested, in order to reduce the risk profile of the Company whilst aiming for high returns.

## Investment Size

The size of each investment will range between USD 20 million and USD 70 million, although initial investments may be smaller if follow-on investments are anticipated. Initial investments will not exceed 20% of the Company's Net Asset Value (NAV) (calculated at the time of the investment). Generally, the Company expects to take a minimum stake of 10% in each investee company.

## Control of Investee Companies

The Company aims to secure a control position in an investee company, solely or as part of an investment consortium. In cases where the Company holds a minority interest, the Investment Manager will seek to secure minority protection rights. The Investment Manager will expect to be on the Board of all investee companies.

## Borrowings

The Company may borrow up to 20% of NAV of the Company (calculated at the time of borrowing) for investment or short-term funding purposes. The Company may also use overdraft and other short-term borrowings to facilitate short-term working capital needs such as expenses or fees payable by the Company.

## Realisation of Investments

The Company aims to realise investments when deemed appropriate by the Investment Manager in line with the investment objectives. Investments are expected to be held for two to five years on average although the Investment Manager has the discretion to hold investments with strong growth prospects beyond this time horizon.

## Investment Timeline

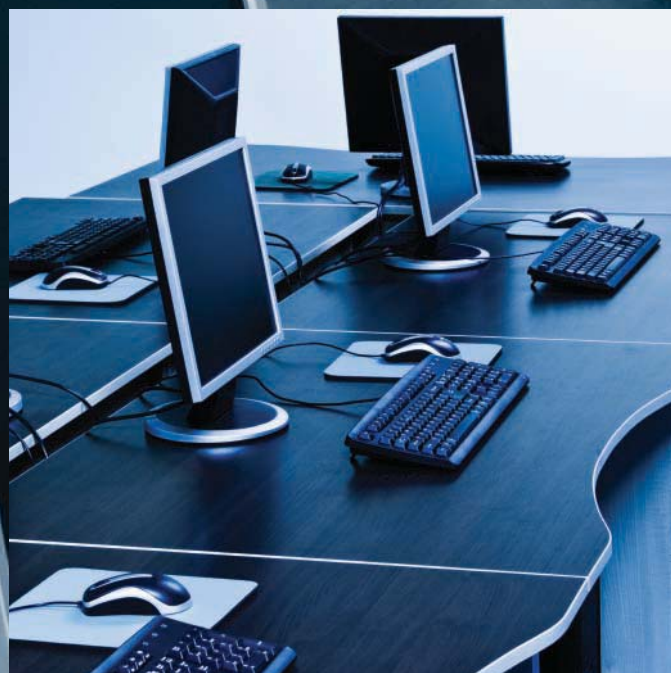
At least half of the placing proceeds are expected to be invested within 12 months following admission to the Alternative Investment Market of the London Stock Exchange. The Company intends to be fully invested within 18 months from the date of admission, subject to funds reserved for potential follow-on investments and future management fees.

## Uninvested Funds

Any cash pending investment, reinvestment or distribution will be placed in bank deposits, bonds or treasury securities of the USA and its agencies and capital-guaranteed schemes offered by major global financial institutions.

# Our Current Portfolio

Note: Fiscal years end in March. FY2012 is the fiscal year ending March 2012 and estimates for this year are the portfolio company's board approved budgets – there is no assurance that these will be actual achieved results.



## Investment Summary

Investment Date	May 2007
Percentage of Fund NAV	22%
Fund Investment Amount	US\$ 18.3m for 31.1% equity ownership
Manager co-invest Amount	US\$ 1.8m for 3.0% equity ownership
Types of Security	Participating Preferred and Convertible Preferred in operating company in the US
Selected Investor Rights	Liquidity Preference Yes Redemption Rights No Board Seats Three

Adayana designs, produces, and delivers off-the-shelf and customized training and workforce solutions to its customers both electronically and through instructor-led media in specific vertical markets including automotive services, defense, agriculture and life sciences.

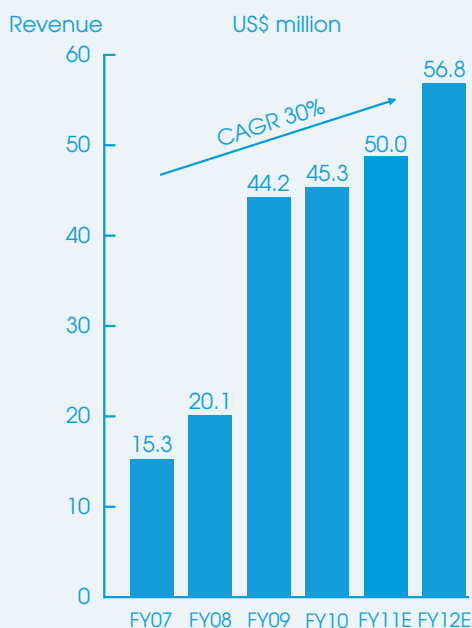
- The management expects the profitability to improve significantly on account of high operational leverage in the business and continuous cost restructuring.

## Company Positioning

- **Differentiated product offering:** Adayana's vertical expertise and its unique breadth of services – including custom course work, extensive libraries, strong collaboration and creation tools, sound technology understanding, and offshore delivery – create a strong sales proposition that differentiates the company.
- **Strong business model:** Adayana has successfully leveraged its core competencies and broad service offerings to grow existing verticals and spawn new verticals.
- **Experienced management team:** Adayana has a strong top and middle management team with extensive industry experience.

## Growth

- Adayana will close the year FY2011 with moderate annual revenue growth over FY2010 but with stronger profitable profile.
- The company had a good year in terms of new sales and has ended the year with a strong confirmed order book based on which it expects to have a strong FY2012.



## Our Current Portfolio



### SYNERGIES CASTINGS LIMITED

#### Investment Summary

Investment Date	December 2007
Percentage of Fund NAV <sup>1</sup>	20%
Fund Investment Amount	US\$ 19.4m for 53.0% equity ownership
Manager co-invest Amount	US\$ 1.9m for 5.1% equity ownership
Types of Security	Equity & Preference shares in India operating company
Selected Investor Rights	Liquidity Preference Yes Redemption Rights No Board Seats Two

Synergies Castings Limited ('SCL') manufactures alloy and chrome-plated wheels for global and Indian Original Equipment Manufacturers ('OEMs'). The company has one of the few integrated chrome-plating facilities in the world, and is the only one in India, with the capability to manufacture large diameter wheels.

### Company Positioning

- **Targeting an attractive niche:** SCL is one of the few integrated chrome-plating facilities worldwide with an ability to produce large diameter wheels. It has a dominant market position in India.
- **Design and engineering capabilities:** SCL has a world class manufacturing facility that has been validated by most large OEMs; excellent, and award-winning, design and engineering capabilities.
- **Good mix of domestic and global OEM business:** SCL currently gets about 50% of its revenues from exports and the rest from the Indian market and has a strong order book both globally and in the domestic market.
- **Capable management team:** SCL is founded by four first-generation entrepreneurs with significant industry experience who hold the key positions in the organization.

### Growth

- SCL expects to close FY2011 at a significant uptick to FY2010 due to growth in domestic volumes and new order wins. The company completed its capacity expansion in Q4.
- FY2012 is expected to be a strong year for the company on the back of a strong order book and the capacity expansion. SCL expects to maintain its margins during the year.

1. Includes loan of US\$ 2.3 million extended to the company in February 2010

# Our Current Portfolio

Note: Fiscal years end in March. FY2012 is the fiscal year ending March 2012 and estimates for this year are the portfolio company's board approved budgets – there is no assurance that these will be actual achieved results.



## Investment Summary

Investment Date	November 2008
Percentage of Fund NAV	16%
Fund Investment Amount	US\$ 13.4m for 27.6% equity ownership
Manager co-invest Amount	US\$ 1.3m for 2.7% equity ownership
Types of Security	Equity & Preference shares in India operating company
Selected Investor Rights	Liquidity Preference Yes Redemption Rights Yes Board Seats Two

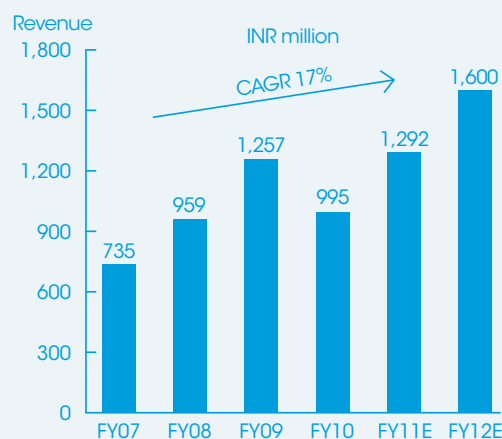
EsSEL Shyam Communication Limited ('ESCL') provides solutions for media broadcasting (teleporting, content management, play outs and mobile via Digital Satellite News Gathering ('DSNG') vans) and satellite communications industries. ESCL also implements full channel build out projects.

## Company Positioning

- **Derivative play on Media industry:** The media broadcasting industry in India is expected to witness high growth in the coming year with the launch of several new channels. As the largest outsourced provider of teleporting and other services, ESCL is well positioned to benefit from this growth.
- **Unique offering:** ESCL has a unique portfolio of offerings – teleporting, DSNG and system integration capabilities – for the media broadcast industry and has deep and long term customer relationships. It has a range of services for satellite-based communications which target the large government spending in this segment.
- **Strong performance record:** The company has been profitable since inception and has grown at over 20% CAGR for last ten years.
- **Strong management team:** ESCL has a strong and loyal team including the two founding directors with 70 employees having been with the firm for over 5 years.

## Growth

- FY2011 was a strong year for the company with 73% profit growth. This was driven by overall recovery in media capex spending and the company winning a large long term teleporting contract with STAR TV.
- ESCL has strengthened its market position as the largest independent teleport operator and the 5th largest VSAT ('Very Small Aperture Terminal') player in India. It also has the largest DSNG fleet in the country.
- The company is expanding its geographic footprint by setting up of teleports in Mumbai and Kochi, which is expected to generate significant growth in the coming years.
- The company is well positioned financially with strong cash balances.



## Our Current Portfolio

Note: Fiscal years end in March. FY2012 is the fiscal year ending March 2012 and estimates for this year are the portfolio company's board approved budgets – there is no assurance that these will be actual achieved results.



**Ocimum**  
Biosolutions

### Investment Summary

Investment Date	December 2007
Percentage of Fund NAV <sup>2</sup>	7%
Fund Investment Amount	US\$ 12.8m for 33.4% equity ownership
Manager co-invest Amount	US\$ 1.2m for 3.2% equity ownership
Types of Security	Equity & Preference shares in India operating company
Selected Investor Rights	Liquidity Preference Yes Redemption Rights Yes Board Seats Two

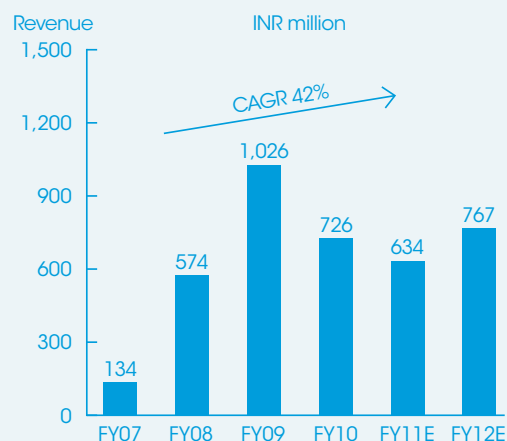
Ocimum offers genomics outsourcing services from offices in India and the US. The company provides information products and software solutions for the research community; basic reagents required in a genomics lab; and outsourced research services, including gene expression analysis, genotyping and hybridization services. The company's customers include some of the world's largest pharmaceutical and biotech companies

### Company Positioning

- **Global Genomics business:** Ocimum informatics, bioresearch and GeneLogic genomics services capabilities provide an opportunity to create a premier genomics outsourcing business.
- **Attractive market:** The genomics market is fast growing due to increased usage in target discovery by pharmaceutical companies, increasing affordability of services and consumables & emergence of new end markets such as molecular diagnostics.
- **Outsourcing and offshoring potential:** Ocimum is the largest such player out of India and is well positioned to capture the offshoring wave in genomics and biotechnology.

### Growth

- Ocimum revenues declined in FY2011 over FY2010 due to the challenging customer environment and slow down in high margin IP sales division. The company expects modest growth in FY2012 driven by stronger performance of the BioResearch services and LIMS business. Further the company expects significant improvement in its operating margins on account of business restructuring of its US operations.
- The macro trends should be favorable for Ocimum as global pharmaceutical and biotech companies appear to be increasing their focus on outsourcing of genomics services.
- Ocimum remains well positioned as the only company that can offer high end genomics services from India.



2. Includes loan of US\$ 2.3 million extended to the company in December 2010

# Our Current Portfolio



## Investment Summary

Investment Date	January 2008
Percentage of Fund NAV	4%
Fund Investment Amount	US\$ 9.3m for 6.4% equity ownership
Manager co-invest Amount	US\$ 0.9m for 0.6% equity ownership
Types of Security	Equity shares
Selected Investor Rights	Liquidity Preference No Redemption Rights No Board Seats One

GSS Infotech provides IT Infrastructure Management services ('IMS') and Enterprise Application Integration services ('EAI') to Fortune 500 clients. The company is listed on the NSE and the BSE in India.

## Company Positioning

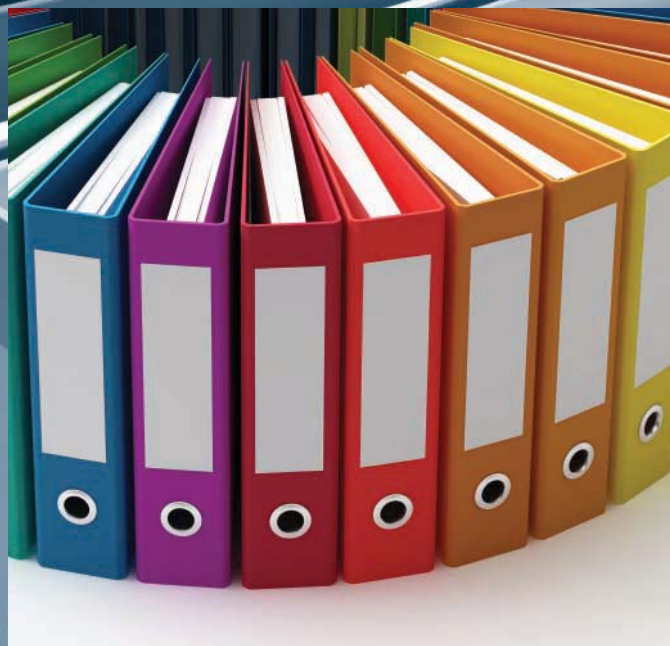
- **Compelling market opportunity:** Both IMS and EAI are high growth segments within the IT services domain. IMS is expected to be the next growth driver for offshore IT as it is relatively under-penetrated compared to application development and maintenance.

## Growth

INR million	July 09-June 10	July 10-Dec 10
Revenue	4288	2480
Growth	N/A	26%
EBITDA	867	484
Margin	20%	20%

- As per estimates from Systematix Research, an Indian broking and research house that initiated coverage on the stock, the company is expected to grow by 20% in FY2012.
- During the year company acquired GCI Systems - a company in the business of IT virtualization and IT infrastructure, Veloce – a company in the business of IT security management using Symantic tools, and Infovista – a company in the business of remote database administration.

## Our Current Portfolio



**KEJRIWAL  
STATIONERY**

### Investment Summary

Investment Date	April 2007
Percentage of Fund NAV	2%
Fund Investment Amount	US\$ 18.2m for 25.1% equity ownership
Manager co-invest Amount	US\$ 1.8m for 2.4% equity ownership
Types of Security	Preference shares in holding company in Singapore
Selected Investor Rights	Liquidity Preference Yes Redemption Rights Yes Board Seats One

Kejriwal Stationery Holdings Limited ('KSHL') manufactures and distributes paper-based stationery products in the US and the Indian markets using Indian manufacturing and global sourcing of paper.

### Company Positioning

- **Cost effective manufacturing:** The management had, through an asset light model of owned and leased facilities, created cost efficient production facilities to cater to the seasonal nature of the industry; In addition, the promoters had strong paper sourcing capabilities.
- **Low anti dumping duties:** The US had inflicted onerous anti-dumping duties against vendors from China and Indonesia and some vendors in India. KSHL had the lowest anti-dumping duty of all major vendors giving it a unique opportunity to capture the large US back-to-school market.

### Growth

- The business environment for the company continues to be challenging. Paper trading, which is a low margin business, accounts for majority of its revenues.
- The company continues to get some traction on its 'green initiatives'. It is leveraging its experience in the global paper industry by adding wastepaper and newsprint trading to its portfolio of services.

# Our Current Portfolio



## Investment Summary

Investment Date	April 2008
Percentage of Fund NAV	1%
Fund Investment Amount	US\$ 1.4m for 9.1% equity ownership
Manager co-invest Amount	US\$ 0.1m for 0.9% equity ownership
Types of Security	Preference shares in India operating company
Selected Investor Rights	Liquidity Preference Yes Redemption Rights Yes Board Seats One

Spark Capital ('Spark') is a full service investment bank with a strong presence in Southern India.

## Company Positioning

- Strong management team and good market presence:** Despite its smaller size, Spark is among the leading investment banks in South India, particularly in Chennai. The promoters and management team have long experience in the region and have strong relations with major business houses in South India.
- Critical mass in major segments:** The investment banking practice has stabilized and is well set for the next phase of growth in terms of larger transactions, greater coverage and public market opportunities. Similarly, the securities broking business and asset management practice have the necessary building blocks in place for strong growth.

## Growth

- The company is expected to end FY2011 with an extremely robust revenue growth. The company in FY2012 expects to benefit from the recovery in transaction activity.

## Board of Directors

### Martin Michael Adams

#### Chairman of the Board and Non-Executive Director

Mr. Adams is the founder and Managing Director of Vietnam Fund Management Company group (VFMC), which previously managed The Vietnam Fund Limited – the first institutional private equity fund to specialise in Vietnam – and Beta Viet Nam Fund Limited.

Mr. Adams is also currently the Chairman of Trinity Capital Plc and a non-executive Director of Aberdeen Latin American Income Fund Limited, Metage Funds Limited, Metage Special Emerging Markets Fund Limited and Terra Catalyst Fund. Prior to establishing VFMC, Mr. Adams worked for the Lloyds Bank Group in the United Kingdom, the Netherlands, Portugal and Hong Kong. Mr. Adams holds an MA in Economic Science from the University of Aberdeen, where he specialised in International Economics, Economic Development and Public Finance.

### Pravin Ratilal Gandhi

#### Non-Executive Director

Mr. Gandhi is Managing Partner of the SEED Fund, an early stage venture capital fund, and is also on the board of several public and private technology companies in India. He is also President of The Indus Entrepreneurs (TIE) Mumbai, a global non-profit organisation focused on promoting entrepreneurship in India.

As an entrepreneur since 1971 and an active private equity investor in the Indian technology sector, Mr. Gandhi formed one of the first India-focused equity stage venture capital funds, Infinity Venture Fund. As co-founder of Hinditron Computers Private Limited, Mr. Gandhi played a key part in the merger of Hinditron and Digital Equipment Corporation to form Digital Equipment India Limited. Key previous positions held include: Director on the Board of Digital Equipment India Limited; President of the Manufacturers Association of Information Technology, and member of the executive council of the National Association of Software and Service Companies (NASSCOM) – a trade body and the chamber of commerce of the IT software and services industry in India. Mr. Gandhi holds a BSc in Industrial Engineering from Cornell University, New York.

### Robert Michael Tyler

#### Non-Executive Director and Chairman, Audit Committee

Mr. Tyler is Managing Director and Co-founder of Tyler & Company, a provider of analytical services in telecoms and IT. He is also a Director and Audit Committee member of the Telecommunications Corporation of New Zealand (Telecom New Zealand) – the principal telephone company in New Zealand and number three in Australia. He is active in developing new modes of operation in service businesses, including telcos, cellular/wireless and cable TV. In addition to strategic advisory work, Mr. Tyler has concentrated on investment transactions including a US\$ 2.2 billion transaction for Swisscom.

## Michel Casselman

### Non-Executive Director

Mr. Casselman is director of Petercam Private Projects, Petercam's private equity arm.

Mr. Casselman joined the Petercam Private Projects team in September 2005 to focus on projects in renewable energies and aviation. Before that, he was an analyst in technology stocks with Petercam since 1998 and successfully started Petercam's brokerage presence in the Scandinavian market.

Prior to joining Petercam, Mr. Casselman was Director of Consulting at Numetrix, a Canadian software company (now part of Oracle). Mr. Casselman has an education background in engineering and economics.

## Kumar Mahadeva

### Executive Director

Mr. Mahadeva founded Kubera Cross-Border Fund together with Ramanan Raghavendran.

He was previously founder, Chairman and CEO of Cognizant Technology Solutions Corporation (NASDAQ: CTSI), one of the largest India-centric IT services businesses with a market cap of approximately US\$7.2 billion. During his decade-long career with Cognizant and prior to his retirement in December 2003, he was instrumental in creating in excess of US\$ 5 billion in shareholder value and generating total shareholder return in excess of 2,700% (between initial public offering in 1998 and December 2003).

Prior to founding Cognizant, Mr. Mahadeva was Corporate Vice President and Chief Executive for India and China at D&B (formerly Dun & Bradstreet) for five years. Previous positions held include Corporate Director for Strategy and Corporate Development at AT&T and Associate Principal at McKinsey & Company. Mr. Mahadeva holds an MSc in Electrical Engineering from Cambridge University and an MBA from Harvard Business School.

## Ramanan Raghavendran

### Executive Director

Mr. Raghavendran founded Kubera Cross-Border Fund together with Kumar Mahadeva.

Mr. Raghavendran has more than 18 years of private equity investment experience in Asia, US and Europe. Prior to founding Kubera, he was responsible for leading the successful cross-border investing efforts at TH Lee Putnam Ventures (THLPV) as a Senior Partner and continues to oversee the THLPV portfolio today. Mr. Raghavendran was formerly a Senior Partner at Insight Venture Partners where he invested in business process outsourcing and enterprise software companies, including cross-border investing via Connect Capital, an Insight affiliate.

Prior to joining Insight, Mr. Raghavendran was a senior member of the investment team at General Atlantic where he initiated the internet-related investment effort and also led sector efforts in technology services and enterprise software. Mr. Raghavendran began his career at McKinsey & Company. He holds a BSc in Finance from the University of Pennsylvania's Wharton School and a BSE in Computer Science from the University of Pennsylvania's Moore School of Engineering.

# Independent Auditors' Report

## to the Shareholders' and Board of Directors of Kubera Cross-Border Fund Limited

We have audited the accompanying consolidated statement of assets and liabilities of Kubera Cross-Border Fund Limited (the 'Fund') and its subsidiaries (collectively referred to as the 'Group'), including the consolidated schedule of investments as of 31 December 2010 and 31 December 2009 and the related consolidated statements of operations, consolidated statement of changes in net assets and consolidated cash flows for the year then ended. These consolidated financial statements are the responsibility of the Fund's management. 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2010 and 31 December 2009, the consolidated results of their operations, the consolidated changes in their net assets and their consolidated cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

KPMG  
Mumbai, India  
4 April 2011

# Consolidated Statement of Assets and Liabilities

## as at 31 December 2010

(Stated in United States Dollars)	Notes	2010	2009
<b>Assets</b>			
Investments in securities (other than warrants), at fair value	2(c)	97,932,814	101,940,509
Unquoted warrants, at fair value	2(d)	6,280	39,371
Loans to portfolio companies	2(f), 11	5,000,000	3,343,200
Cash and cash equivalents	2(h), 6	17,200,260	23,176,529
Interest and dividend receivable		138,476	307,231
Prepaid expenses		83,061	139,814
<b>Total assets</b>		<b>120,360,891</b>	<b>128,946,654</b>
<b>Liabilities</b>			
Audit fees payable		84,000	73,000
Accounts payable		383,720	16,742
Tax liability (net)	2(j), 8	–	235
<b>Total liabilities</b>		<b>467,720</b>	<b>89,977</b>
<b>Net assets</b>		<b>119,893,171</b>	<b>128,856,677</b>
<b>Analysis of net assets</b>			
<b>Capital and reserves</b>			
Share capital	7	1,097,344	1,119,044
Additional paid-in capital	7	117,373,109	149,737,069
Accumulated deficit		(7,718,409)	(31,342,587)
		<b>110,752,044</b>	<b>119,513,526</b>
Non-controlling interest	9	9,141,127	9,343,151
		<b>9,141,127</b>	<b>9,343,151</b>
<b>Total shareholders' interests</b>		<b>119,893,171</b>	<b>128,856,677</b>
<i>Net asset value per share</i>		1.09	1.15

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

# Consolidated Schedule of Investments

## as at 31 December 2010

(Stated in United States Dollars)

Name of the Entity	Industry	Country	Instrument
<b>Investments in securities (other than warrants)</b>			
NeoPath Limited (Previously known as Venture Infotek Limited)	Investment holding company	Mauritius	Equity shares Preferred shares
Adayana, Inc.	Education	United States of America	Series A (2007) convertible participating preferred stock Series B (2007) convertible preferred stock Common stock
Essel Shyam Communication Limited	Media services	India	Compulsorily convertible preference shares Equity shares
Ocimum Biosolutions (India) Limited	Life sciences	India	Compulsorily convertible preference shares Equity shares
Greenearth Education Limited (Previously known as Kejriwal Stationery Holdings Limited)	Stationery products	India	Convertible redeemable preference shares
GSS Infotech Limited (Previously known as GSS America Infotech Limited)	IT infrastructure	India	Equity shares
Synergies Castings Limited	Automotive components	India	Compulsorily convertible cumulative preference shares Equity shares
Spark Capital Advisors (India) Private Limited	Financial services	India	Convertible preference shares Equity shares
Infotech Enterprises Limited	Engineering services	India	Equity shares
<b>Total investments in securities (other than warrants)</b>			
<b>Investments in securities (Unquoted warrants)</b>			
Adayana, Inc.	Education	United States of America	Convertible to common stock
Essel Shyam Communication Limited	Media services	India	Convertible to compulsorily convertible preference shares
Spark Capital Advisors (India) Private Limited	Financial services	India	Convertible to convertible preference shares
<b>Total unquoted warrants</b>			

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

2010				2009			
Number of shares	Cost	Fair value	% of Net assets	Number of shares	Cost	Fair value	% of Net assets
134,112,451	–	17,191,062	14.34%				
	–	–	–	134,112,451	21,745,286	29,432,631	22.84%
	–	17,191,062	14.34%		21,745,286	29,432,631	22.84%
3,750,000	15,000,000	19,561,905	16.32%	3,750,000	15,000,000	13,330,575	10.35%
1,250,000	5,000,000	7,179,942	5.99%	1,250,000	5,000,000	6,951,677	5.39%
16,667	50,001	20,275	0.02%	16,667	50,001	–	0.00%
	20,050,001	26,762,122	22.33%		20,050,001	20,282,252	15.75%
5,555,056	12,208,914	15,727,113	13.12%	5,555,056	12,208,914	14,683,941	11.40%
1,125,315	2,473,220	3,185,919	2.66%	1,125,315	2,473,220	2,974,598	2.31%
	14,682,134	18,913,032	15.77%		14,682,134	17,658,539	13.71%
3,818,162	14,000,000	5,546,203	4.63%	3,818,162	14,000,000	6,567,785	5.10%
1,000	3,667	1,452	0.00%	1,000	3,667	1,720	0.00%
	14,003,667	5,547,655	4.63%		14,003,667	6,569,505	5.10%
455,172	20,000,000	2,269,672	1.89%	455,172	20,000,000	2,915,453	2.26%
	20,000,000	2,269,672	1.89%		20,000,000	2,915,453	2.26%
1,000,000	10,225,274	4,415,715	3.68%	1,000,000	10,225,274	6,282,644	4.88%
	10,225,274	4,415,715	3.68%		10,225,274	6,282,644	4.88%
5,333,334	10,000,000	9,168,602	7.65%	5,333,334	10,000,000	7,375,162	5.72%
7,076,298	11,333,556	12,164,954	10.15%	5,936,298	11,308,670	8,208,966	6.37%
	21,333,556	21,333,556	17.80%		21,308,670	15,584,128	12.09%
–	–	–	–	55,000	1,497,849	1,497,849	1.16%
55,079	1,500,000	1,500,000	1.25%	79	2,151	2,151	0.00%
	1,500,000	1,500,000	1.25%		1,500,000	1,500,000	1.16%
–	–	–	–	260,000	951,168	1,715,357	1.33%
	<b>101,794,632</b>	<b>97,932,814</b>	<b>81.70%</b>		<b>124,466,200</b>	<b>101,940,509</b>	<b>79.1%</b>
83,580	16,800	6,280	0.01%	83,580	16,800	–	0.00%
–	–	–	0.00%	1,316,749	–	34,864	0.03%
–	–	–	0.00%	61,199	–	4,507	0.00%
	<b>16,800</b>	<b>6,280</b>	<b>0.01%</b>		<b>16,800</b>	<b>39,371</b>	<b>0.03%</b>

# Consolidated Statement of Operations

for the year ended 31 December 2010

(Stated in United States Dollars)	Notes	Year ended 31 December 2010	Year ended 31 December 2009
<b>Investment income</b>			
Interest	12	682,596	539,423
Dividends		254,449	40,093
Other income		61,807	9,469
		<b>998,852</b>	<b>588,985</b>
<b>Expenses</b>			
Investment management fee	3, 10	3,896,420	3,896,420
Carried interest	2(n), 3, 10	2,874,197	–
Professional fees		378,382	246,957
Insurance		142,066	144,070
Directors' fees	5	138,946	133,929
Administration fees		43,251	24,027
License fees		20,447	19,273
Custodian fees		10,399	28,288
Brokerage		182,534	49,345
Other expenses		332,186	432,786
		<b>8,018,828</b>	<b>4,975,095</b>
<b>Net investment loss before tax</b>			
Taxation	2(i), 8	(7,019,976)	(4,386,110)
		–	1,818
<b>Net investment loss after tax</b>			
		<b>(7,019,976)</b>	<b>(4,387,928)</b>
<b>Realised and unrealised gain/(loss) on investment transactions</b>			
Unrealised gain on investments in securities	2(c)	18,692,863	15,965,689
Unrealised loss on investments in warrants	2(c)	(39,371)	–
Realised gain on investments in securities	2(c)	15,029,191	–
		<b>33,682,683</b>	<b>15,965,689</b>
<b>Net increase in net assets resulting from operations</b>			
		<b>26,662,707</b>	<b>11,577,761</b>
Non-controlling interest		3,038,529	1,451,484
Equity holding of parent		23,624,178	10,126,277
		<b>26,662,707</b>	<b>11,577,761</b>

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

# Consolidated Statement of Changes in Net Assets

## for the year ended 31 December 2010

(Stated in United States Dollars)	Share capital	Additional paid-in capital	Accumulated deficit	Non-controlling interest	Total
As at 1 January 2009	1,529,027	174,327,086	(41,468,864)	7,818,000	142,205,249
Issued/capital contribution during the year	–	–	–	73,668	73,668
Repurchased during the year (refer Note 7)	(409,983)	(24,590,017)	–	–	(25,000,000)
Net increase in net assets resulting from operations	–	–	10,126,277	1,451,483	11,577,760
<b>As at 31 December 2009</b>	<b>1,119,044</b>	<b>149,737,069</b>	<b>(31,342,587)</b>	<b>9,343,151</b>	<b>128,856,677</b>
As at 1 January 2010	1,119,044	149,737,069	(31,342,587)	9,343,151	128,856,677
Repurchased during the year (refer Note 7)	(21,700)	(1,638,350)	–	–	(1,660,050)
Capital contribution	–	–	–	472,593	472,593
Capital distribution	–	(30,725,610)	–	(3,713,147)	(34,438,757)
Net increase in net assets resulting from operations	–	–	23,624,178	3,038,530	26,662,708
<b>As at 31 December 2010</b>	<b>1,097,344</b>	<b>117,373,109</b>	<b>(7,718,409)</b>	<b>9,141,127</b>	<b>119,893,171</b>

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

# Consolidated Statement of Cash Flows

## for the year ended 31 December 2010

(Stated in United States Dollars)	Year ended 31 December 2010	Year ended 31 December 2009
<b>Operating activities</b>		
Net increase/(decrease) in net assets resulting from operations	26,662,707	11,577,761
<i>Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities</i>		
Movement in net unrealised gain on investments in securities (including warrants)	(18,653,492)	(15,965,689)
Realised gain on investments in securities	(15,029,191)	–
Purchase of securities	(24,886)	(5,420)
Sale of investments in securities	37,748,356	–
Change in operating assets and liabilities:		
Loans given during the period	(5,000,000)	(2,216,580)
Repayment of loans given	3,343,200	
Decrease in other assets	225,508	(193,783)
Increase in current liabilities	377,978	(34,390)
Decrease in tax liability	(235)	(1,227)
	<b>29,649,945</b>	<b>(6,839,328)</b>
<b>Financing activities</b>		
Shares repurchased during the year	(1,660,050)	(25,000,000)
Capital distribution	(30,725,610)	–
Capital contribution by non-controlling interest shareholders	472,593	–
Capital distribution to non-controlling interest shareholders	(3,713,147)	73,668
	<b>(35,626,214)</b>	<b>(24,926,332)</b>
Net change in cash and cash equivalents during the year	(5,976,269)	(31,765,660)
Cash and cash equivalents at beginning of year	23,176,529	54,942,189
<b>Cash and cash equivalents at end of year</b>	<b>17,200,260</b>	<b>23,176,529</b>

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

# Notes to the Consolidated Financial Statements

## for the year ended 31 December 2010

### 1. Organization and principal activity

Kubera Cross-Border Fund Limited (the "Fund") was incorporated in the Cayman Islands on 23 November 2006 as an exempted company with limited liability.

The Fund is a closed-end investment company trading on Alternative Investment Market (AIM), a market operated by the London Stock Exchange plc. The Fund makes private equity investments in cross-border companies, primarily in businesses that operate in the US-India corridor.

The Fund is managed by Kubera Partners, LLC (the "Investment Manager"). The Investment Manager is responsible for the day-to-day management of the Fund's investment portfolio in accordance with the Fund's investment objective and policies.

The Fund is a Limited Partner in Kubera Cross-Border Fund LP (the "Partnership"), an exempted limited partnership formed on 28 November 2006, in accordance with the laws of the Cayman Islands. The primary business of the Partnership is to invest in, purchase and sell investments for the purpose of carrying out an investment strategy that is consistent with the strategy described in the Admission Document and Offering Memorandum of the Fund.

Kubera Cross-Border Fund (GP) Limited, a company incorporated under the laws of the Cayman Islands and a wholly owned subsidiary of the Fund, serves as the General Partner of the Partnership.

The Partnership holds 100% ownership in Kubera Cross-Border Fund (Mauritius) Limited ("Kubera Mauritius"), a company incorporated in Mauritius. The primary business of Kubera Mauritius is to carry on business as an investment holding company.

Kubera Mauritius holds 100% ownership in New Wave Holdings Limited, a company incorporated in Mauritius. The primary business of New Wave Holdings Limited is to carry on business as an investment holding company.

### 2. Significant accounting policies

The significant accounting policies are as follows:

#### a. Basis of preparation

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP). US GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, the results of operations during the reporting period and the reported amounts of increases and decreases in net assets from operations during the reporting period. Significant estimates and assumptions are used for, but not limited to, accounting for the fair values of investments in portfolio companies. Management believes that the estimates made in the preparation of the consolidated financial statements are prudent and reasonable. Actual results could differ from those estimates. Changes in estimates are reflected in the financial statements in the period in which the changes are made and if material, these effects are disclosed in the notes to the consolidated financial statements.

The measurement and presentation currency of the consolidated financial statements is the United States dollar rather than the local currency of the Cayman Islands reflecting the fact that subscriptions to and redemptions from the Fund are made in United States dollars and the Fund's operations are primarily conducted in United States dollars.

#### b. Basis of consolidation

The consolidated financial statements include the accounts of the Fund and its wholly owned subsidiary, Kubera Cross-Border Fund (GP) Limited and its majority owned subsidiaries, Kubera Cross-Border Fund LP, Kubera Cross-Border Fund (Mauritius) Limited and New Wave Holdings Limited (together referred to as the 'Group'). All material inter-company balances and transactions have been eliminated.

# Notes to the Consolidated Financial Statements

## for the year ended 31 December 2010 (continued)

### 2. Significant accounting policies (continued)

#### c. Valuation, security transactions and income

Substantially all securities are held in custody by the Hong Kong & Shanghai Banking Corporation Limited. Security transactions are recorded on the trade date basis. Interest is recorded on period proportionate basis and dividends are accounted when right to receive dividend is established. The Fund uses the weighted average cost method to determine the realized gain or loss on sale of investments.

Investments are recorded at estimated fair value (as discussed herein).

Investments are recorded at estimated fair value as at the balance sheet date. The Fund follows ASC 820 "Fair Value Measurements and Disclosures" which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Fair value of an investment is the amount that would be received to sell the investment in an orderly transaction between market participants at the measurement date (i.e. the exit price).

ASC 820 establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

*Level I* – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I are publicly traded equity securities and are valued at the last sales price on a national securities exchange on the valuation date. As required by ASC 820, the Fund does not adjust the quoted price for these investments even in situations, if any, where the Fund holds a large position and a sale could reasonably impact the quoted price.

*Level II* – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, are valued at prices for similar assets or liabilities in markets that are not active, or determined through the use of models or other valuation methodologies. Investments which are generally included in this category are publicly traded equity securities with restrictions and derivative contracts.

*Level III* – Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment. Fair value for these investments is determined using valuation methodologies that consider a range of factors, including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. The inputs into the determination of fair value require significant management judgment. Due to the inherent uncertainty of these estimates, these fair value estimates may differ materially from the values that would have been used had a ready market for these investments existed. Investments that are included in this category generally are privately held debt and equity securities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Investment Manager's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

#### Fund's valuation policy

Securities listed on a stock exchange or traded on any other regulated market are valued at the last closing price on such exchange or market or, if no such price is available, at the mean of the bid and asked price on such day. If there is no such price or such market price is not representative of the fair market value of any such security, then the security is valued based on quotations readily available from principle-to-principle markets, financial publications, or recognized pricing services, or a good faith estimate of fair value is made in accordance with US GAAP.

If a security is listed on several stock exchanges or markets, the last closing price on the stock exchange or market which constitutes the main market for such security is used.

A discount from values of actively traded securities is taken for holdings of securities when there is a formal restriction that limits sale of the securities. Discounts for restricted equity securities from their market price range from 0% to 30%. When determining a discount to actively traded restricted securities, factors taken into consideration include the investee company's trading characteristics, the Fund's ability to sell its position when the restriction expires, and the term of the restriction. The adjustment of the discount depends on the duration of the restriction.

In the event that a listed security has no such price or the market price is not representative of the fair market value, the security has limited marketability, or the security is unlisted, its fair value is determined by the Investment Manager, taking into account forward market comparable multiples, trailing market comparable multiples, transaction multiples, and discounted cash flow models. Inputs include trading values on public exchanges for comparable securities, historic, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment. A discount of up to 10% is taken for holdings in securities where there is a risk associated with a lack of liquidity or marketability. A revaluation of these securities is accepted by the Fund only upon majority approval of the independent directors of the Fund.

The following table summarizes the valuation of the Fund's investments based on the above ASC 820 fair value hierarchy levels as of 31 December 2010.

	Total	Level I	Level II	Level III
Investments in securities	97,932,814	4,415,715	–	93,517,099
Investment in warrants	6,280	–	–	6,280
<b>Total</b>	<b>97,939,094</b>	<b>4,415,715</b>	<b>–</b>	<b>93,523,379</b>

The changes in the investments classified as Level III are as follows:

Balance at 1 January 2010	93,981,879
Purchases during the year	24,886
Sale proceeds received during the year	(35,709,860)
Transfers in (out of) Level III	–
Realized gains for the year	13,941,863
Unrealized gains for the year (including warrants)	21,284,611
Balance at 31 December 2010	93,523,379
Unrealized gains included in earnings relating to investments held at 31 December 2010	21,284,611

# Notes to the Consolidated Financial Statements

## for the year ended 31 December 2010 (continued)

### 2. Significant accounting policies (continued)

The following table summarizes the valuation of the Fund's investments based on the above ASC 820 fair value hierarchy levels as of 31 December 2009.

	Total	Level I	Level II	Level III
Investments in securities	101,940,509	7,998,001	–	93,492,508
Investment in warrants	39,371	–	–	39,371
<b>Total</b>	<b>101,979,880</b>	<b>7,998,001</b>	<b>–</b>	<b>93,981,879</b>

The changes in the investments classified as Level III are as follows:

Balance at 1 January 2009	82,945,129
Purchases during the year	5,420
Sale proceeds received during the year	–
Transfers in (out of) Level III	–
Realized gains for the year	–
Unrealized gains for the year	11,031,330
Balance at 31 December 2009	93,981,879
Unrealized gains included in earnings relating to investments held at 31 December 2009	11,031,330

Total realized and unrealized gains and losses, if any, recorded for the Level III investment is reported in net realized gain (loss) on investments in securities and net change in unrealized gain (loss) on investments in securities respectively, in the statement of operations.

Gains and losses from investments, including those that result from foreign currency changes, are recorded in the consolidated statement of operations under net realized gains and losses on investments and net change in unrealized gains and losses on investments.

#### d. Unquoted warrants

Unquoted warrants have been recorded at fair value. Changes in fair value are reported in net change in unrealized gain/(loss) on investments in securities, in the consolidated statement of operations.

Unquoted warrants are derivative instruments which do not have an active quoted market price. The fair value of the warrants at 31 December 2010 is estimated, using the Black-Scholes model, taking into account the terms and conditions upon which the warrants were granted.

#### e. Buy back

The Fund has repurchased its shares by allocating the excess of repurchase price over par value against additional paid-in capital.

#### f. Loans

Loans are reported at their outstanding principal balances.

#### g. Foreign currency translation

The Fund's accounting records are maintained in U.S. dollars as follows: (1) the foreign currency market value of investments and other assets and liabilities denominated in foreign currency are translated at the prevailing exchange rate at the end of the period; and (2) purchases and sales, income and expenses are translated at the prevailing exchange rate on the respective date of such transactions. The resulting net foreign currency gain/(loss) is included in the consolidated statement of operations.

The Fund does not generally isolate that portion of the results of operations arising as a result of changes in the foreign currency exchange rates from the fluctuations arising from changes in the market prices of securities. Accordingly, such foreign currency gain/(loss) is included in net realized and unrealized gain/(loss) on investments.

#### **h. Cash and cash equivalents**

Cash and cash equivalents represent amounts held with the Fund's and its subsidiaries' bank accounts and deposits held with banks having original maturity for a period of less than or equal to three months.

#### **i. Related parties**

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

#### **j. Income taxes**

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Fund and its subsidiaries. Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the consolidated financial statements carrying amount of existing assets and liabilities and their respective tax bases and operating loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statement of operations in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits of which future realization is not more likely than not.

#### **k. Expenses**

The Fund bears its own expenses on an accrual basis including, but not limited to organisational costs, brokerage, custody, legal, accounting, audit and other operating and administrative expenses.

#### **l. Fair value of financial instruments**

The Fund's investments are accounted as described in Note 2(c) and 2(d). The Fund's financial instruments include other current assets, accounts payable and accrued expenses, which are realizable or to be settled within a short period of time. The carrying amounts of these financial instruments approximate their fair values.

#### **m. Management fees**

The Investment Manager is entitled to receive an aggregate investment management fee of 2 per cent per annum of the Fund's net asset value, to be paid quarterly in advance based on the published net asset value of the Fund of the previous quarter or an amount which is agreed by the Board of Directors of the Fund.

#### **n. Carried interest**

Under the terms of the Partnership Agreement, Kubera Cross-Border Incentives SPC – Carried Interest SP, the Special Limited Partner of the Partnership is entitled to receive a carried interest from the Partnership equivalent to 20 per cent, of the aggregate return over investment received by the Partnership following the full or partial cash realization of an investment.

The payment of the carried interest is conditional upon the last announced net asset value of the Fund prior to the date of a distribution as adjusted by adding back the value of any income or capital distributions made by the Fund to its shareholders, being equal to or greater than the Par Value. In addition, the carried interest payment will be adjusted, up or down, by such amount as is required to achieve the position that, following such distribution, the aggregate cumulative amount of carried interest paid at the date of such distribution will equal 20 per cent, of the eligible carried interest proceeds (being the net realised gains of the Partnership to the date of such distribution reduced by the net unrealised losses). Eligible carried interest proceeds may not be less than zero.

# Notes to the Consolidated Financial Statements

## for the year ended 31 December 2010 (continued)

### 3. Management fees and carried interest

#### Management fees

On 8 December 2008, the Board of Directors of the Fund fixed the management fees for the twenty four month period beginning 1 January 2009 and ending on 31 December 2010 at a fixed quarterly payment of US\$ 974,105. For the year ended 31 December 2010, investment management fees totalled US\$ 3,896,420 (31 December 2009: US\$ 3,896,420).

#### Carried interest

For the year ended 31 December 2010, carried interest totalled US\$ 2,874,197 (31 December 2009: Nil).

### 4. Sale of investments held by NeoPath Limited

On 25 August 2010, NeoPath Limited (formerly Venture Infotek Limited), a portfolio company, has sold its 100% holding in Venture Infotek Global Private Limited, its wholly owned subsidiary to Atos Origin (Singapore) Pte Limited (Atos), a company incorporated and resident in Singapore, for a consideration of US\$ 110 million. As part of the terms of the share purchase agreement, US\$ 69.04 million was paid to NeoPath Limited.

On 21 September 2010, NeoPath Limited declared a dividend of US\$ 0.26 per share amounting to US\$60.51 million, out of which US\$ 35.71 million was distributed as dividend to New Wave Holdings Limited. Out of this distribution, New Wave Holdings Limited has credited USD 21.77 million towards the cost of investment in NeoPath Limited and the balance of USD 13.94 million has been recorded as realized gain on sale of investment. Thus, as at 31 December 2010, the cost of investment in NeoPath Limited is Nil. However, the fair value of the investment in Neopath Limited is estimated to be USD 17.19 million at 31 December 2010, resulting in recognition of unrealized gain amounting to USD 17.19 million.

In respect of above, Atos, the acquirer, has deducted withholding tax towards Indian income tax of US\$15.96 million and deposited with the Government of India and the balance of US\$ 25 million has been kept in Escrow. NeoPath Limited is in the process of claiming a refund of the withholding tax based on its position that the capital gains realized on the sale is exempt from tax in India under the relevant provisions of the India-Mauritius tax treaty. Consequently, based on the tax counsel opinion, the entire amount of USD 15.96 million (and USD 25 million held in escrow) has been considered as fully recoverable and the present value of the expected tax refund has been included in the fair value estimate of the investment in NeoPath Limited as at 31 December 2010.

### 5. Directors' fees and expenses

The Fund pays each of its directors an annual fee of £20,000 and the Chairman is paid an annual fee of £25,000, plus reimbursement for out-of-pocket expenses incurred in the performance of their duties. The members of the Audit Committee are paid an annual fee of £2,000 and the Chairman of the Committee is paid an annual fee of £5,000. Mr. Mahadeva and Mr. Raghavendran have waived their Director's fees so long as they are interested in the Investment Manager.

The Fund does not remunerate its directors by way of share options and other long term incentives or by way of contribution to a pension scheme.

### 6. Cash and cash equivalents

	2010	2009
Cash at bank	9,190,697	4,168,691
Time deposits	8,009,563	19,007,837
<b>Total</b>	<b>17,200,260</b>	<b>23,176,530</b>

## 7. Share capital and additional paid-in capital

			2010	2009
Authorised share capital:				
1,000,000,000 ordinary shares of \$0.01 each			10,000,000	10,000,000
	Number of Shares	Share Capital	Additional paid-in capital	Total
As at 1 January 2009	152,902,655	1,529,027	174,327,086	175,856,113
Repurchased during the year	(40,998,332)	(409,983)	(24,590,017)	(25,000,000)
<b>As at 31 December 2009</b>	<b>111,904,323</b>	<b>1,119,044</b>	<b>149,737,069</b>	<b>150,856,113</b>
As at 1 January 2010	111,904,323	1,119,044	149,737,069	150,856,113
Repurchased during the year	(2,170,000)	(21,700)	(1,638,350)	(1,660,050)
Capital Distribution	–	–	(30,725,610)	(30,725,610)
<b>As at 31 December 2010</b>	<b>(109,734,323)</b>	<b>1,097,344</b>	<b>117,373,109</b>	<b>118,470,453</b>

During the year, the Fund repurchased 2,170,000 ordinary shares of US\$ 0.01 each for an aggregate consideration of US\$ 1,660,050. These repurchased shares were cancelled.

On 7 October 2010, the Fund announced a distribution of capital of US\$ 30,725,610 prorata to all shareholders of the Fund. The distribution consisted of a payment of US\$ 0.28 per share paid in cash from the Fund's additional paid-in capital.

## 8. Income taxes

Under the laws of the Cayman Islands, the Fund, Kubera Cross-Border Fund (GP) Limited and Kubera Cross-Border Fund LP, are not required to pay any tax on profits, income, gains or appreciations and, in addition, no tax is to be levied on profits, income, gains, or appreciations or which is in the nature of estate duty or inheritance tax on the shares, debentures or other obligations of the Fund and its Cayman based subsidiaries, or by way of withholding in whole or part of a payment of dividend or other distribution of income or capital by the Fund and its Cayman based subsidiaries, to its members or a payment of principal or interest or other sums due under a debenture or other obligation of the Fund and its Cayman based subsidiaries.

Under current laws and regulations in Mauritius, the Fund's majority owned subsidiaries, Kubera Cross-Border Fund (Mauritius) Limited and New Wave Holdings Limited, are liable to pay income tax on their net income at a rate of 15%. They are however entitled to a tax credit equivalent to the higher of actual foreign tax suffered or 80% of Mauritius tax payable in respect of their foreign source income tax thus reducing their maximum effective tax rate to 3%. Both subsidiaries have received a tax residence certificate from the Mauritian authorities certifying that they are residents of Mauritius, which is renewable on an annual basis subject to meeting certain conditions and which make them eligible to obtain benefits under the Double Tax Avoidance Treaty between Mauritius and India.

# Notes to the Consolidated Financial Statements

## for the year ended 31 December 2010 (continued)

### 8. Income taxes (continued)

	Year ended 31 December 2010	Year ended 31 December 2009
<i>Tax reconciliation</i>		
Net increase in net assets resulting from operations	26,662,707	11,577,761
Chargeable income	26,662,707	9,274,600
Less: Allowable expense	–	(1,388)
Add: Non allowable expense	8,018,254	–
Less: Movement in unrealised gain on investment in securities/warrants	(18,653,492)	(9,700,140)
Add: Movement in unrealised loss on investment in securities/warrants	–	487,531
Less: Movement in realized gain on investment in securities	(15,029,191)	–
Add: Exempt income	(709,629)	–
Less: Adjustment of brought forward loss	(186)	–
Net taxable income	288,463	60,603
Tax @ 15%	43,269	9,090
Foreign tax paid USD 51,117 (limited to amount of tax liability)	(43,269)	–
Foreign tax credit (80%)	–	7,272
Tax charge	–	1,818

As at 31 December 2010, New Wave Holdings Limited had accumulated tax losses of US\$ 20,391 and therefore no provision for income tax liability arises for the period. The accumulated tax losses can be used and set off against future taxable profits as follows:

Up to the year ending 31 March 2014 – US\$ 12,197

Up to the year ending 31 March 2015 – US\$ 8,194

The components of deferred tax balances are as follows:

	2010	2009
<b>Deferred tax assets</b>		
Business losses – New Wave Holdings Limited	612	617
Less: Valuation allowance	612	617
<b>Total deferred tax assets</b>	<b>Nil</b>	<b>Nil</b>

The Fund has established a valuation allowance against the deferred tax asset related to business loss. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Accordingly, based on projections of future taxable income of the periods in which the deferred tax assets would be realizable, management is of the view that it is more likely than not, that the Fund will not realize the benefits of the deferred tax assets. Accordingly, the Fund has created a valuation allowance against the entire amount of deferred tax assets as of 31 December 2010.

ASC 740, "Accounting for Income Taxes" clarifies when and how to recognize tax benefits in the financial statements with a two-step approach of recognition and measurement. It also requires the enterprise to make explicit disclosures about uncertainties in their income tax positions, including a detailed roll-forward of tax benefits taken that do not qualify for financial statement recognition. There are no uncertain tax positions and related interest and penalties as of 31 December 2010.

The Fund monitors proposed and issued tax law, regulations and cases to determine the potential impact to uncertain income tax positions. As at 31 December 2010, there are no potential subsequent events that would have a material impact on unrecognized income tax benefits within the next twelve months.

## 9. Non-controlling interest

	2010	2009
Share capital	8,029,578	11,270,132
Accumulated profit(loss) share	1,111,549	(1,926,981)
<b>Total</b>	<b>9,141,127</b>	<b>9,343,151</b>

Non-controlling interest is primarily composed of the partnership interests of Kubera Cross-Border Incentives SPC – Co-Investment Segregated Portfolio, a Cayman Islands company and an affiliate of the Investment Manager, in the consolidated affiliates.

## 10. Transactions with related parties

### A. The following table lists the related parties of the Group:

Name	Nature of relationship
Wijayaraj Anandakumar Mahadeva	Director
Ramanan Raghavendran	Director
Michel Casselman	Director
Martin Michael Adams	Independent Director
Robert Michael Tyler	Independent Director
Pravin Ratilal Gandhi	Independent Director
Kubera Partners LLC	Investment Manager
Kubera Cross-Border Incentives SPC – Carried Interest SP	Special Limited Partner of the Partnership

### B. During the period transactions with related parties are as disclosed below:

#### i. Transactions during the year

	2010	2009
Investment management fees paid to Investment Manager	3,896,420	3,896,420
Carried interest to Kubera Cross-Border Incentives SPC – Carried Interest SP	2,874,197	–
Reimbursement of expenses to Kubera Partners LLC	188,748	224,686
Director fee, audit committee member fee and reimbursement of expenses to Martin Michael Adams	67,279	43,321
Director fee, audit committee member fee and reimbursement of expenses to Robert Michael Tyler	41,697	43,880
Director fee and audit committee member fee to Pravin Ratilal Gandhi	34,221	35,234
Director fee and reimbursement of expenses to Michel Casselman	38,270	20,549

#### ii. Amounts outstanding as at 31 December 2010

	2010	2009
Reimbursement of expenses to Kubera Partners LLC	188,748	–
Reimbursement of expenses to Michel Casselman	7,152	–

# Notes to the Consolidated Financial Statements

## for the year ended 31 December 2010 (continued)

### 11. Loans receivables

Loans receivable as at 31 December 2010 are given below:

Borrower name	Sector	Cost	Fair Value	Date of loan	Carrying rate of interest (% p.a.)	Original date of maturity
Ocimum Biosolutions Inc	Life sciences	2,500,000	2,500,000	6 December 2010	17.5	6 December 2012
Synergies Castings USA Inc.	Automotive Components	2,500,000	2,500,000	3 February 2010	12.5	3 February 2012
<b>Total</b>		<b>5,000,000</b>	<b>5,000,000</b>			

Loans receivable as at 31 December 2009 are given below:

Borrower name	Sector	Cost	Fair Value	Date of loan	Carrying rate of interest (% p.a.)	Original date of maturity
Adayana, Inc.	Education	1,000,000	1,000,000	14 July 2009	17.5	14 July 2010
Adayana, Inc.	Education	2,343,200	2,343,200	14 July 2009	17.5	14 July 2011
<b>Total</b>		<b>3,343,200</b>	<b>3,343,200</b>			

### 12. Interest income

Interest income consists of the following:

	Year ended 31 December 2010	Year ended 31 December 2009
Bank interest	14,012	117,193
Interest on loan	668,584	422,230
<b>Total</b>	<b>682,596</b>	<b>539,423</b>

### 13. Concentration of risks

The Group's investment activities expose it to various types of risks, which are associated with the financial instruments and markets in which it invests. The financial instruments expose the Group in varying degrees to elements of liquidity, market and credit risk. The following summary is not intended to be a comprehensive summary of all risks inherent in investing in the Group and reference should be made to the Group's admission document for a more detailed discussion of risks.

#### a) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market variables such as interest, foreign exchange rates and equity prices, whether those changes are caused by factors specific to the particular security or factors that affect all securities in the markets. Investments are typically made with a specific focus on India and thus are concentrated in that region. Political or economic conditions and the possible imposition of adverse governmental laws or currency exchange restrictions in that region could cause the Group's investments and their markets to be less liquid and prices more volatile. The Group is exposed to market risk on all of its investments.

#### b) Industry risk

The Group's investments may have concentration in a particular industry or sector and performance of that particular industry or sector may have a significant impact on the Group. The Group's investments may also be

subject to the risk associated with investing in private equity securities. Investments in private equity securities may be illiquid and subject to various restrictions on resale and there can be no assurance that the Group will be able to realize the value of such investments in a timely manner.

#### c) Credit risk

Credit risk is the risk that an issuer/counterparty will be unable or unwilling to meet its commitments to the Group. Financial assets that are potentially subject to significant credit risk consist of cash and cash equivalents, investments in convertible loans and receivables. The maximum credit risk exposure of these items is their carrying value.

#### d) Currency risk

The Group has assets denominated in currencies other than the US\$, the functional currency. The Group is therefore exposed to currency risk as the value of assets denominated in other currencies will fluctuate due to changes in exchange rates.

The Group's cash and cash equivalents are held in US Dollars.

#### e) Liquidity risk

The Group is exposed to liquidity risk as a majority of the Group's investments are largely illiquid. Illiquid investments include any securities or instruments which are not actively traded on any major securities market or for which no established secondary market exists where the investments can be readily converted into cash. Reduced liquidity resulting from the absence of an established secondary market may have an adverse effect on the prices of the Group's investments and the Group's ability to dispose of them where necessary to meet liquidity requirements. As a result, the Group may be exposed to significant liquidity risk.

#### f) Political, economic and social risk

Political, economic and social factors, mainly changes in Indian laws or regulations and the status of India's relations with other countries may adversely affect the value of the Group's investments.

## 14. Financial highlights

The financial highlights presented below consist of the Fund's operating expenses and net operating loss ratios for the year ended 31 December 2010, and the internal rate of return ("IRR") since the Fund's admission to trading on AIM, net of all expenses, including carried interest to the Investment Manager:

	2010	2009
Net operating income/(loss)	22.18%	(3.24%)
Operating expenses before carried interest	4.28%	3.67%
Carried interest	2.39%	–
Operating expenses after carried interest	6.67%	3.67%
Cumulative IRR since inception through the year end	0.64%	(5.75%)

The net operating income/(loss) and operating expenses ratios are computed as a percentage of the Fund's average net asset value during the period. Both ratios are presented on an annualized basis. The IRR is computed based on the Fund's actual dates of the cash inflows (capital contributions), outflows (cash and stock distributions) and the ending net asset value at the end of the period/year (residual value) as of each measurement date.

## 15. Subsequent events

Fund evaluated all events or transactions that occurred after 31 December 2010 up through 4 April 2011, the date the financial statements were issued. Based on this evaluation, the Fund is not aware of any events or transactions that would require recognition or disclosure in the consolidated financial statements.

## 16. Previous year comparatives

Prior year comparatives have been regrouped and reclassified wherever necessary to confirm with the current year's presentation.

# Corporate Information

## Board of Directors

Martin Michael Adams, Chairman  
Robert Michael Tyler  
Pravin Ratilal Gandhi  
Michel Casselman  
Kumar Mahadeva  
Ramanan Raghavendran

## Audit Committee

Robert Michael Tyler, Chairman  
Martin Michael Adams  
Pravin Ratilal Gandhi

## Investment Manager

Kubera Partners LLC®  
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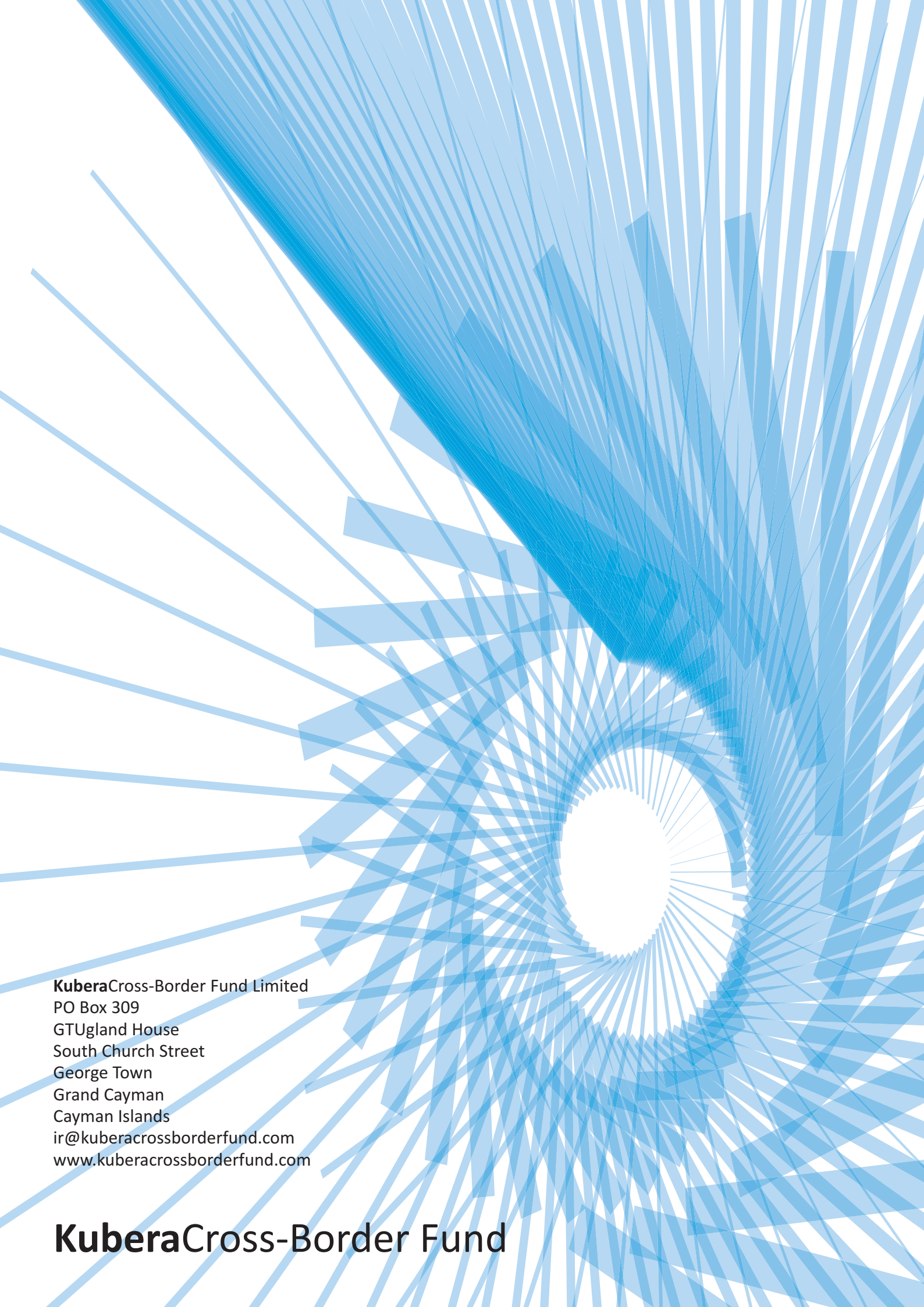
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www.maplesandcalder.com

# Notes

The background features a complex, abstract geometric pattern composed of numerous overlapping, semi-transparent blue lines and shapes. These elements radiate from a central white circular void, creating a sense of depth and movement, similar to a stylized sunburst or a tunnel effect. The lines vary in thickness and orientation, some being straight and others slightly curved, contributing to a dynamic and modern aesthetic.

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**KuberaCross-Border Fund**