Regulatory Story

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Kubera Cross-Border Fund Limited - KUBC Annual Financial Report
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Kubera Cross-Border Fund Limited

Annual Results for the year ended 31 December 2017

Kubera Cross-Border Fund Limited ("KUBC" or the "Fund") (LSE/AIM: KUBC) has issued its annual audited results for the year ended 31 December 2017.

Electronic and printed copies of the annual report will be sent to shareholders shortly. Copies of the report will be available, free of charge, from the offices of Grant Thornton UK LLP, 30 Finsbury Square, London EC2P 2YU, and will be available at the Fund's website www.kuberacrossborderfund.com.

About Kubera Cross-Border Fund Limited

Kubera Cross-Border Fund Limited is a closed-end investment company incorporated in the Cayman Islands and traded 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. For further information on the Fund, please visit www.kuberacrossborderfund.com

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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE MARKET ABUSE REGULATION (EU) 596/2014.

Disclaimer:

This announcement may contain certain forward-looking statements with respect to the financial condition, results of operations and business of the Fund and its portfolio companies. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Fund or its portfolio companies' actual performance to be materially different from any future performance expressed or implied by such forward-looking statements. Such forward-looking statements are based on assumptions regarding the Fund and its portfolio companies present and future business strategies and the political and economic environment in which they operate. Reliance should not be placed on these forward-looking statements.

In addition, due to the inherent uncertainties associated with the determination of the valuation of any private equity investment, the amount realised on disposal of a portfolio company may differ materially from the amount estimated in determining its fair value under US GAAP. The impact of such determination cannot be quantified.

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the audited financial statements of Kubera Cross-Border Fund Limited (the "Fund") for the year ended 31 December 2017.

NAV and Discount

The value of the Fund's net assets decreased from USD 41.37 million to USD 41.11 million during the year ended 31 December 2017. The Fund's net asset value ("NAV") per share remained relatively unchanged at USD 0.37 per share at 31 December 2017 compared with the previous year.

The Fund's share price increased from USD 0.19 at 31 December 2016 to USD 0.28 at 31 December 2017. The discount of the Fund's share price to NAV decreased from 50 per cent as at 31 December 2016 to 24 per cent as at 31 December 2017.

Investment Manager

Following the expiration of the Investment Management Agreement on 22 December 2016, the Fund is now self- managed by its Board of Directors (the "Board").

Portfolio Valuations
The Fund's annual financial statements are prepared in accordance with US GAAP. The valuations of investments are reviewed and approved by the Board on a quarterly basis. All investments are recorded at estimated fair value, in accordance with ASC 820 that defines and establishes a framework for measuring fair value. The methodology underlying the Fund's investment valuations is consistent with previous periods.

Costs and Liquidity
The Fund reduced administrative costs by 8% to USD 669,000 for the year to 31 December 2017 (2016: USD 727,000). The current working capital balances are sufficient to sustain normal operations for the foreseeable future without relying on funding from asset sales or operational cash flows.

Closing Remarks
The Investment Report provides information on progress regarding the implementation of the Fund's realisation policy and performance of each of the Fund's investments. 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 under ticker KUBC and through the Fund's website at www.kuberacrossborderfund.com.

Martin M. Adams
Chairman

Investment Report

Planetcast Media Services Limited

Company Overview
Planetcast Media Services Limited ("PMSL" or "Planetcast") provides solutions for the media broadcasting (teleporting, content management, playouts and mobile connectivity via DSNG vans) and satellite communications industries. PMSL also implements TV channel build outs.

Investment Summary

- **Investment amount**[1]: USD 13.38 million
- **Investment Date**: November 2008
- **KUBC Holding**: 27.66%
- **NAV/Share**: USD 0.20

- **Type of security**: Preference and equity shares in India entity
- **Realisation:**
  The Company entered into a share purchase agreement with a leading global private equity firm on 20 March 2017 to sell its investment in PMSL for a consideration net of transaction costs of INR 1,618 million (INR 1,475 million, excluding the former Investment Manager's co-investment). This is equivalent to USD 25.4 million as at 31 December 2017. The realisation proceeds net of transaction costs are expected to be received by 30 June 2018 subject to the Company receiving the required regulatory and ministerial approvals.

  The value of the investment is USD 24.63 million (USD 22.44 million, excluding the former Investment Manager's co-investment) which is the realisation value discounted to reflect the time value of money, lack of liquidity and credit risks.

Financial Updates

- PMSL reported revenue of INR 938 million and EBITDA of INR 236 million for the quarter ending 31 December 2017. The decline in EBITDA is due to higher general administration costs and lower revenue during the quarter.
- The high margin business segment, teleport services, continues to demonstrate revenue growth of 7% per annum for April-December 2017 period, with a greater number of channels opting for playout services at higher rates.
- EBITDA margin for the quarter ending 31 December 2017 was 25.17%.
- The company had a net cash surplus position of INR 814 million at 31 December 2017.

Synergies Castings Limited

Company Overview

Synergies Castings Limited ("SCL" or "Synergies Castings") manufactures alloy and chrome plated wheels for OEMs. The company has one of the few integrated chrome plating facilities in the world, and the only one in India with the capability to manufacture large diameter wheels.

Investment Summary

- **Investment amount**[2]: USD 24.00 million
- **Investment Date**: December 2007
- **KUBC Holding**: 49.19%
- **NAV/Share**: USD 0.10
- **Type of security**: Equity and preference shares in India entity
- **Realisation:**
  On 11 August 2017, Kubera Cross-Border Fund (Mauritius) Limited ('Kubera Mauritius') entered into a share purchase and loan assignment agreement with Jamy LLC, a private buyer, for the disposal of its entire equity and debt interests in Synergies Casting Limited for an aggregate consideration of USD 16 million (USD 14.58 million excluding former Investment Manager's co-investment).

The consideration will be paid to the Company in four tranches over an 18-month period. The first tranche of USD 2.8 million was received on 10 August 2017 which includes USD 1.80 million towards the first tranche sale and USD 1 million as advance sale consideration. All the events and formalities with respect to the sale and transfer of the first tranche of shares were completed prior to 31 December 2017. Subsequent to year-end, USD 2.60 million of the second tranche of USD 3.60 million has been received.

The agreement states that the purchase consideration will be reduced by up to USD 2 million to equal USD 14 million (USD 12.76 million excluding former Investment Manager's co-investment) where the payment of purchase consideration is completed in 12 months. The Company has considered the reduced purchase consideration for the fair valuation of the investment.

The value of the investment excluding cash received at 31 December 2017 is USD 11.90 million (USD 10.84 million, excluding the former Investment Manager's co-investment) which is the remaining realisation value discounted to reflect the time value of money, lack of liquidity and credit risks.

Financial Updates

- For the quarter ending 31 December 2017, SCL recorded revenue of INR 1,460 million and EBITDA of INR 181 million. The profit after tax was INR 40 million as compared to INR 31 million in last quarter.
- During the same period, the company's EBITDA margins contracted to 12.4% as compared to 14.27% in prior period due to lower realisation from domestic market.
- The company's net debt position was INR 1,891 million as at 31 December 2017.

NeoPath Limited

Company Overview

NeoPath Limited ("Neopath") is a holding company which is expected, in due course, to receive a withholding tax refund following the sale of a credit card transactions processing business in India in 2010. The Fund's 46.95% interest in NeoPath is ultimately held through a wholly owned subsidiary, New Wave Holdings Limited.

Investment Summary

- **NAV/Share**: USD 0.04
- **Current Value**: USD 4.28 million which is the realisation value discounted to reflect the time value of money, lack of liquidity and credit risks.
- **Realisation:** The pending estimated tax receipt of USD 5.52 million.

Financial Updates

- Kubera Mauritius exited from the business in 2010 and distributed USD 0.33 per share to investors from realized cash flows.

- The acquirer of the business deducted withholding tax of USD 15.96 million of which USD 5.17 million is attributable to the Fund, which was deposited with the tax authority in India. NeoPath is in the process of claiming a refund of the withholding tax based on its position that the capital gain realized on the sale is exempt from tax in India under the relevant provisions of the India-Mauritius double taxation treaty. Consequently, based on the opinion of tax counsel, the entire amount of USD 15.96 million is considered to be fully recoverable by Neopath. The present value of the estimated tax refund has been included in the fair value estimate of the Fund's investment in NeoPath as at 31 December 2017. The timing of the finalization and receipt of the tax refund remains uncertain though recent legal opinion has confirmed that the formal hearing of the matter should take place in 2018, with a final decision on the case by late 2019.

Cumulative Investment Summary for holdings < 5%

- **Ocimum Biosolutions**: There is no change in status from the prior periods.

- **Spark Capital**: Kubera Mauritius exited most of its investment in the business in 2016 through a share buy-back. In July 2017, Kubera Mauritius reached an agreement to sell its stub ownership of 0.45% in Spark for a consideration of INR 2.37 million (excluding former Investment Manager's co-investment), equivalent to USD 40,257 which was received on 22 December 2017. Kubera Mauritius held no shares in the company as at 31 December 2017.

Kubera Cross-Border Fund Limited

Consolidated statement of assets and liabilities

as at 31 December 2017

(Stated in United States Dollars)

	Note	**2017**	2016
Assets			
Investments in securities, at fair value (cost: USD 58,131,057, 2015: USD 61,670,923)	*4(a), 4(b)*	**41,230,029**	42,660,364
Cash and cash equivalents	*4(e), 6*	**4,729,610**	2,729,884
Prepaid expenses		**22,576**	15,916
Total assets		**45,982,215**	45,406,164
Liabilities			
Accounts payable	*4(b)*	**1,088,822**	133,267
Capital distributions payable		**-**	130,776
Tax liability	*4(g), 8*	**-**	-
Total liabilities		**1,088,822**	264,043

Net assets		**44,893,393**	45,142,121
Analysis of net assets			
Capital and reserves			
Share capital	7	**1,097,344**	1,097,344
Additional paid-in capital	7	**111,886,393**	111,886,393
Accumulated deficit		**(71,873,398)**	(71,609,051)
		41,110,339	41,374,686
Non-controlling interest	9	**3,783,054**	3,767,435
		3,783,054	3,767,435
Total shareholders' interests		**44,893,393**	45,142,121
Net asset value per share		***0.37***	*0.38*

See accompanying notes to the consolidated financial statements.

Kubera Cross-Border Fund Limited

Consolidated schedule of investments

as at 31 December 2017

(Stated in United States Dollars)

Name of the entity	Industry	Country	Instrument	2017 Number of shares	2017 Fair Value	2017 % of net assets	2016 Number of shares	2016 Fair Value	2016 % of net assets
NeoPath Limited	Investment holding company	Mauritius	Equity shares and Preferred shares	27,928,224	**4,701,680**	**10.47%**	27,928,224	4,568,395	**10.12%**
PlanetCast Media Services Limited *	Media services	India	Compulsorily convertible preference shares and Equity shares	6,680,371	**24,630,462**	**55.83%**	6,680,371	22,729,764	**50.35%**
Synergies Castings Limited**	Automotive components	India	Compulsorily convertible cumulative preference shares, Equity shares and loans	15,876,948	**11,897,887**	**29.43%**	15,876,948	15,325,553	**33.95%**
Others	Life sciences, Financial	India	Compulsorily convertible preference shares, Equity	3,819,162	-	-	3,820,241	36,652	**0.08%**

services, IT infrastructure	shares and loans				
Total investments in securities and loans to portfolio companies		**41,230,029**	**95.73%**	42,660,364	**94.50%**

*The Company entered into a share purchase agreement with a leading global private equity firm on 20 March 2017 to sell its investment in Planetcast Media Services Limited for a consideration net of transaction costs of INR 1,618 million (INR 1,475 million, excluding the former Investment Manager's co-investment). This is equivalent to USD 25.4 million as at 31 December 2017. USD 24,630,462 is the realisation value discounted to reflect the time value of money, lack of liquidity and credit risks. The realisation proceeds net of transaction costs are expected to be received by 30 June 2018 subject to the Company receiving the required regulatory and ministerial approvals. The Long Stop Date of the agreement has been extended to 30 June 2018, all other terms and conditions of the Share Purchase Agreement remaining unchanged.

**On 11 August 2017, Kubera Cross-Border Fund (Mauritius) Limited ('Kubera Mauritius') entered into a share purchase and loan assignment agreement with Jamy LLC, a private buyer, for the disposal of its entire equity and debt interests in Synergies Casting Limited for an aggregate consideration of USD 16 million (USD 14.58 million excluding former Investment Manager's co-investment).

The agreement states that the purchase consideration will be reduced by up to USD 2 million to equal USD 14 million (USD 12.76 million excluding former Investment Manager's co-investment) where the payment of purchase consideration is completed in 12 months. The Company has considered the reduced purchase consideration for the fair valuation of the investment.

The value of the investment excluding cash received at 31 December 2017 is USD 11.90 million (USD 10.84 million, excluding the former Investment Manager's co-investment) which is the remaining realisation value discounted to reflect the time value of money, lack of liquidity and credit risks.

Kubera Cross-Border Fund Limited

Consolidated statement of operations

for the year ended 31 December 2017

(Stated in United States Dollars)

	Note	**2017**	2016
Investment income			
Interest	*4(a)*	**13,282**	2,850
Dividend	*4(a)*	**-**	317,818
Foreign exchange loss	*4(c)*	**(3,340)**	(627)
		9,942	320,041
Expenses			
Professional fees		**381,661**	255,844
Audit fees		**40,022**	45,183
Insurance		**14,361**	87,574
Directors' fees and expenses	*5*	**67,340**	68,802

Administration fees		**98,250**	121,717
License fees		**16,743**	17,245
Custodian fees		**9,020**	7,812
Other expenses		**41,194**	122,917
		668,591	727,094
Net investment loss before tax		**(658,649)**	(407,053)
Taxation	*4(g), 8*	**-**	-
Net investment loss after tax		**(658,649)**	(407,053)
Realized and unrealized gain/(loss) from investments			
Net realized loss from investment in securities	*4(a), 4(b)*	**(1,324,076)**	(496,840)
Net change in unrealized gain/ (loss) from investments in securities	*4(a), 4(b)*	**1,733,997**	(14,348,388)
Net gain/(loss) from investments		**409,921**	(14,845,228)
Net decrease in net assets resulting from operations		**(248,728)**	(15,252,281)
Equity holding of parent		**(265,290)**	(13,952,066)
Non-controlling interest		**16,562**	(1,300,215)
		(248,728)	(15,252,281)

See accompanying notes to the consolidated financial statements.

Kubera Cross-Border Fund Limited

Consolidated statement of changes in net assets

as at 31 December 2017

(Stated in United States Dollars)

	2017	2016
Operations		
Net investment loss	**(658,649)**	(407,053)
Net realized loss from investments in securities	**(1,324,076)**	(496,840)
Net change in unrealized loss from investments in securities	**1,733,997**	(14,348,388)
Net decrease in net assets resulting from operations	**(248,728)**	(15,252,281)
Capital share transactions		
Capital distribution	**-**	(130,776)
Decrease in net assets resulting from capital share transactions	**-**	(130,776)

Decrease in net assets	**(248,728)**	(15,383,057)
Net assets, beginning of year	**45,142,121**	60,525,178
Net assets, end of year	**44,893,393**	45,142,121

See accompanying notes to the consolidated financial statements.

Kubera Cross-Border Fund Limited

Consolidated statement of cash flows

for the year ended 31 December 2017

(Stated in United States Dollars)

	2017	**2016**
Cash flow from operating activities		
Net decrease in net assets resulting from operations	**(248,728)**	(15,252,281)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by) operating activities		
Net unrealized (gain)/loss from investments in securities	**(1,733,997)**	14,348,388
Realized loss from investment in securities	**1,324,076**	496,840
Proceeds from sale of investment in securities	**1,840,256**	946,541
Change in operating assets and liabilities:		
(Increase)/ decrease in prepaid expenses	**(6,660)**	15,286
Increase in accounts payables	**955,555**	26,176
Net cash provided by operating activities	**2,130,502**	580,950
Cash flow from financing activities		
Proceeds from capital distributions, net of change in capital distributions payable	**(130,776)**	-
Net cash used in financing activities	**(130,776)**	-
Net increase in cash and cash equivalents	**1,999,726**	580,950
Cash and cash equivalents, beginning of year	**2,729,884**	2,148,934
Cash and cash equivalents, end of year	**4,729,610**	2,729,884

See accompanying notes to the consolidated financial statements.

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 the AIM market of the London Stock Exchange. As per shareholder resolutions passed in early 2013, the Fund is in realisation mode, with no new investments other than follow-ons.

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 Cayman Islands. The primary business of the Partnership is to 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 Partners LLC ('the former Investment Manager'), a Delaware limited liability company, managed the investments of the Fund and had full discretionary investment management authority until the expiry of the Investment Management Agreement on 22 December 2016. Following the expiration of the Investment Management Agreement, the Fund has been self-managed by the Board of Directors ('the Board').

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.

FIM Capital Limited, ('the Administrator') is the administrator of the Fund and performs certain administrative and accounting services on behalf of the Fund.

2. Basis of Preparation

The accompanying consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles ('US GAAP'). The Fund is an investment company and follows the accounting and reporting guidance in Financial Accounting Standards Board ('FASB') Accounting Standards Codification Topic 946.

Functional currency

The measurement and presentation currency of the consolidated financial statements is United States Dollar 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.

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, the Partnership, Kubera Mauritius and New Wave Holdings Limited (together referred to as the 'Group'). All material inter-company balances and transactions have been eliminated.

2. Basis of Preparation

Going concern

In assessing the going concern basis of preparation of the consolidated financial statements for the year ended 31 December 2017, the Directors, with the assistance of the Administrator, have prepared cash-flow forecasts, and stress-tested the assumptions in those forecasts. The conclusion reached is that while there will always remain inherent uncertainty within the cash flow forecasts, the Directors have a reasonable expectation that the Fund has adequate resources backed up by the intent to continue in operational existence for the foreseeable future, and for a period of at least 18 months from the date of signing of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2017.

3. Use of estimates

US GAAP requires 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 consolidated 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. The Directors believe 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 consolidated 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.

4. Significant accounting policies

a. Investment transactions and related investment income and expenses

Investment transactions are accounted for on a trade date basis.

Realized gains and losses and movements in unrealized gains and losses are recognized in the consolidated statement of operations and determined on a weighted average cost method basis. Movements in fair value are recorded in the consolidated statement of operations at each valuation date.

Dividend income is recognized when the right to receive dividend is established and is presented net of withholding taxes. Interest income and expense are recognized on an accruals basis except for securities in default for which interest is recognized on a cash basis.

b. Fair value

Definition and hierarchy

Investments are recorded at estimated fair value as at the balance sheet date. The Group 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 is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

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.

4. Significant accounting policies

b. Fair value

Definition and hierarchy

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

Level I - Unadjusted quoted prices in active markets for identical assets or liabilities that the Group has the ability to access.

Level II - Observable inputs other than quoted prices included in Level 1 that are not observable for the asset or liability either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates, and similar data.

Level III - Unobservable inputs for the asset or liability to the extent that relevant observable inputs are not available, representing the Group's own assumptions about the assumptions that a market participant would use in valuing the asset or liability, and that would be based on the best information available.

In determining fair value, the Group uses various valuation approaches. Inputs, including price information, may be provided by independent pricing services or derived from market data. Inputs can be either observable or unobservable.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level III. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The valuations of those investments subject to sales and purchase agreements are based on the net sales proceeds contracted to be received.

Valuation

Private company

Investment in a private company consists of a direct ownership of common and/or preferred stock of a privately held company. The transaction price, excluding transaction costs, is typically the Board's best estimate of fair value at inception. When evidence supports a change to the carrying value from the transaction price, adjustments are made to reflect expected exit values in the investment's principal market under current market conditions.

The Board, with assistance from the Administrator and advisers, performs ongoing valuation reviews to ensure the investments are carried at the appropriate estimated fair values.

Valuation process

The Board, with assistance from the Administrator and advisers, establishes valuation processes and procedures to ensure that the valuation techniques for investments that are categorized within Level III of the fair value hierarchy are fair, consistent, and verifiable.

The Board, with assistance from the Administrator and advisers, is responsible for reviewing the Group's written valuation processes and procedures, conducting periodic reviews of the valuation policies, and evaluating the overall fairness and consistent application of the valuation policies.

Valuations are required to be supported by market data, third-party pricing sources; industry accepted pricing models, or other methods the Board deems to be appropriate, including the use of internal proprietary pricing models.

In completing the valuations of investments in equity shares, preferred shares, compulsorily convertible preference shares, compulsorily convertible cumulative preference shares and loans having a fair value of US$41,230,029 (previous year: US$42,660,364), the Board considers the following:

- expected realisation based on sales and purchase agreements discounted to reflect the time value of money, lack of liquidity and credit risks. The discount rates range from 5% to 10%.
- the present value of the expected tax refund receivable from the tax authority in India. The timing of the finalization and receipt of the tax refund remains uncertain though recent legal opinion has confirmed that the formal hearing of the matter should take place in 2018, with a final decision on the case by late 2019.

There are significant uncertainties surrounding these assumptions and the impact of such uncertainty cannot be quantified.

The following table summarizes the valuation of the Group's investments based on ASC 820 fair value hierarchy levels as of 31 December 2017.

	Total	**Level I**	**Level II**	**Level III**
Investments in securities and loans to portfolio companies	**41,230,029**	**-**	**-**	**41,230,029**
Total	**41,230,029**	**-**	**-**	**41,230,029**

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

Balance at 1 January 2017	**42,660,364**
Proceeds from sale of investments*	**(1,840,256)**
Realised loss for the year	**(1,324,076)**
Change in net unrealized loss	**1,733,997**
Balance at 31 December 2017	**41,230,029**

*In addition, USD 1,000,000 advance was received as part of the sale consideration for first tranche of shares of Synergies Casting Limited which will be set off against the final tranche consideration and is included in the USD 1,088,822 accounts payable balance.

Definition and hierarchy

The following table summarizes the valuation of the Group's investments based on ASC 820 fair value hierarchy levels as of 31 December 2016.

	Total	**Level I**	**Level II**	**Level III**
Investments in securities and loans to portfolio companies	**42,660,364**	**-**	**-**	**42,660,364**
Total	**42,660,364**	**-**	**-**	**42,660,364**

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

Balance at 1 January 2016	**58,452,133**
Proceeds from sale	(946,541)
Realised loss for the year	(496,840)
Change in net unrealized loss	(14,348,388)
Balance at 31 December 2016	**42,660,364**

Total realized and unrealized gains and losses, if any, recorded for the Level III investments 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 consolidated statement of operations. Investment in securities includes loans provided to portfolio companies as financial support for working capital requirement with a fair value of USD 2,050,091.

During the year ended 31 December 2017 and 31 December 2016, the Group did not have any transfers between any of the levels of the fair value hierarchy.

b. Foreign currency translation

Assets and liabilities denominated in a currency other than United States Dollar are translated into United States Dollars at the exchange rate as at the reporting date. Purchases and sales of investments and income and expenses denominated in currencies other than United States Dollars are translated at the exchange rate on the respective dates of such transactions.

The Group 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.

c. Buy back

The Fund repurchases its shares by allocating the excess of repurchase price over par value against additional paid-in capital and reserves on a pro rata basis.

d. Cash and cash equivalents

Cash and cash equivalents are Company assets in cash form or in a form that can be easily converted to cash. All cash balances are held at major banking institutions.

e. Related parties

Related parties include parties that are defined as such under FASB Accounting Standards Codification Topic 850-10-20 whereby amongst other criteria, 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.

f. Income taxes

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Group. Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between carrying amount of existing assets and liabilities in the consolidated financial statements and their respective tax bases and operating losses carried forward. Deferred tax assets and liabilities are measured using prevailing 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.

The Fund is required to determine whether its tax positions are "more likely than not" to be sustained upon examination by applicable taxing authority, based on technical merits of the position. Tax positions not deemed to meet a "more likely than not" threshold would be recorded as a tax expense in the current year. Based on its analysis, the Fund has determined that it has not incurred any liability for unrecognized tax benefits in income tax expense. There were no interest and penalties for the year ended 31 December 2017.

g. Fair value of financial instruments other than investment in securities

The Group's investments are accounted as described in Note 4(a). The Group's financial instruments include other current assets and accounts payable, which are realizable or to be settled within a short period of time. The carrying amounts of these financial instruments approximate their fair values.

h. Comprehensive income

The Group has no comprehensive income other than the net loss disclosed in the consolidated statement of operations. Therefore, a statement of comprehensive income has not been prepared.

i. 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 (as adjusted to add back the value of any income or capital shareholder distributions to date) at the date of payment of such carried interest, being equal to or greater than the value of the gross proceeds of the original placing of the Fund's shares. 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 realized gains of the Partnership to the date of such distribution reduced by the net unrealized losses). Eligible carried interest proceeds may not be less than zero.

j. Recent accounting pronouncements

There are no recent relevant standards and interpretations that will have a material impact on the Group's financial condition or results of operations.

k. Net asset value per share

The net asset value per share is computed by dividing the net assets attributable to the shareholders by the number of shares at the end of the reporting period.

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. Mr. Raghavendran has waived his Director's fees as he has interest in the former 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

	2017	**2016**
Cash at bank	**3,629,610**	1,629,884
Time Deposits	**1,100,000**	1,100,000
	4,729,610	2,729,884

7. Share capital and additional paid-in capital

	2017	**2016**
Authorized share capital:		
1,000,000,000 ordinary shares of USD 0.01 each	**10,000,000**	10,000,000

	Number of Shares	**Share Capital**	**Additional paid-in capital**	**Total**
As at 1 January 2016	109,734,323	1,097,344	111,886,393	112,983,737
Capital distribution	-	-	-	-
As at 31 December 2016	109,734,323	1,097,344	111,886,393	112,983,737
As at 1 January 2017	**109,734,323**	**1,097,344**	**111,886,393**	**112,983,737**
Capital distribution	**-**	**-**	**-**	**-**
As at 31 December 2017	**109,734,323**	**1,097,344**	**111,886,393**	**112,983,737**

Share capital consists of a single class of ordinary shares.

8. Income taxes

Under the laws of the Cayman Islands, the Fund, the General Partner and the Partnership are not required to pay any tax on profits, income and gains or appreciations. 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 entities, 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 entities, 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 entities.

Under laws and regulations in Mauritius, the Fund's majority owned subsidiaries, Kubera Mauritius 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.

No Mauritian capital gains tax is payable on profits arising from sale of securities, and any dividends and redemption proceeds paid by Kubera Mauritius and New Wave Holdings Limited to its shareholders will be exempt in Mauritius from any withholding tax.

With the assistance of the Administrator and advisers, the Board monitors proposed and issued tax law, regulations and cases to determine the potential impact to uncertain income tax positions. As at 31 December 2017, there are no potential subsequent events that would have a material impact on unrecognized income tax benefits within the next 12 months.

Tax reconciliation	**2017**	**2016**
Net decrease in net assets resulting from operations	**(248,728)**	**(15,252,281)**
Add: Non allowable expense	**226,978**	**118,767**
Add: Unrealized loss on investment in securities	**133,285**	**458,470**
Add: Realized loss on investment in securities	**1,324,076**	**496,840**
Add: Unrealized (gain)/loss on investments	**(1,733,997)**	**14,348,388**
Less: Adjustment of brought forward loss	**-**	**-**
Net taxable (loss)/income	**(298,386)**	**170,184**
Tax @ 15%		**25,528**
Foreign tax credit tax credit	**-**	**(25,528)**
Tax charge	**-**	**-**

The components of deferred tax balances are as follows:

	2017	**2016**
Deferred tax assets		
Business losses - New Wave Holdings Limited	**-**	**1,122**
Less: Valuation allowance	**-**	**(1,122)**
Total deferred tax assets	**Nil**	**Nil**

9. Non-controlling interest

	2017	**2016**

Share capital	**7,648,511**	7,648,511
Accumulated share of loss	**(3,865,457)**	(3,881,076)
Total	**3,783,054**	3,767,435

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 former Investment Manager, in the consolidated financial statements.

10. Transactions with related parties

A. The following table lists the related parties of the Fund:

Name	**Nature of relationship**
Ramanan Raghavendran	Director
Martin Michael Adams	Independent Director
Robert Michael Tyler	Independent Director
Kubera Cross-Border Incentives SPC - Carried Interest SP	Special Limited Partner of the Partnership
Kubera Cross-Border Fund GP Limited	Subsidiary
Kubera Cross-Border Fund LP	Subsidiary
Kubera Cross-Border Fund (Mauritius) Limited	Subsidiary
New Wave Holdings Limited	Subsidiary

Transactions during the year with related parties and amounts outstanding as at 31 December 2017 are as disclosed below:

i. Transactions during the year ended 31 December 2017

	2017	**2016**
Director fee, consultancy fees and reimbursement of expenses paid to Martin Michael Adams	**35,061**	35,627
Director fee, consultancy fees and reimbursement of expenses paid to Robert Michael Tyler	**32,279**	33,175

ii. Closing balance as at 31 December 2017

	2017	**2016**
Capital distribution payable to Kubera Cross-Border Incentives SPC - Co-Investment SP	**-**	130,776

11. Financial instruments and associated 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. Risk management is carried out by the Board, with assistance from the Administrator to the extent possible and as appropriate.

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 Fund's admission document for a more detailed discussion of risks.

Considering the unlisted nature of investments, each of the risks viz. market risk, industry risk, credit risk, currency risk, liquidity risk and political, economic and social risk are considered by management while undertaking the fair value of investments on a quarterly basis and appropriately factored in wherever necessary to ensure that they are within the risk appetite.

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. 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 Dollar, 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. The Group does not hedge against foreign exchange movement.

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. However, the Group maintains sufficient cash and marketable securities, and aims to maintain flexibility in funding.

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.

12. Financial highlights

The financial highlights presented below consist of the Group's operating expenses and net operating loss ratios for the years ended 31 December 2017 and 31 December 2016, 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 former Investment Manager:

	2017	**2016**
Net operating loss	**(0.55%)**	(25.22%)
Operating expenses before carried interest	**1.49%**	1.20%
Carried interest	**-**	-
Operating expenses after carried interest	**1.49%**	1.20%
Cumulative IRR since inception (including realized & unrealized gains and losses)	**(6.01%)**	(6.38%)

The net operating loss and operating expenses ratios are computed as a percentage of the Group'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.

13. Subsequent events

The Company's long stop date for the disposal of the entire equity stake held in Planetcast Media Services Limited was extended from 31 March 2018 to 30 June 2018.

There were no other significant subsequent events.

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[1] *Excludes former Manager's co-invest, which is ~9% of each investment; data as of 31 December 2017*

[2] *Excludes former Manager's co-invest, which is 9% of each investment; data as of 31 December 2017*

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