KUBERA CROSS-BORDER FUND LIMITED

Consolidated Financial Statements for the year ended 31 December 2016

Kubera Cross-Border Fund Limited

Consolidated financial statements and notes to the consolidated financial statements for the year ended 31 December 2016

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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 "Company" or "Fund") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016.

NAV and Discount

The value of the Fund's net assets decreased from US$ 55.33 million to US$ 41.37 million during the year ended 31 December 2016. As a result, the Fund's net asset value ("NAV") per share decreased from US$ 0.50 per share to US$ 0.38 per share during the year ended 31 December 2016.

The Fund's share price has remained fairly constant at around US$ 0.20 between 31 December 2015 and 31 December 2016. The discount of the Fund's share price to NAV decreased from 60 per cent as at 31 December 2015 to 50 per cent as at 31 December 2016.

Investment Manager

As mentioned in earlier reports, 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.

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

At close of business on 31 December 2016, the Fund's audited NAV per share was US$0.38, 27% lower than the unaudited NAV reported on 30 January 2017. The decline is mainly due to reduction in the carrying values of the investments in PlanetCast and Synergies Castings where we have applied transaction discounts to reflect the lack of liquidity and credit risks.

Post year end, on 20 March 2017, we announced that a leading global private equity firm has agreed to purchase Kubera Cross-Border Fund (Mauritius) Limited ("Kubera Mauritius")'s entire equity interest held by PlanetCast for a consideration net of transaction costs estimated at INR 1,475 million, equivalent to approximately US$22.9 million (at exchange rates of 25 April 2017) and US$21.7 million at the exchange rate prevailing as at 31 December 2016. Kubera Mauritius is ultimately owned by the Company.

In the case of Synergies Castings, a dialogue with a prospective buyer is progressing well. The terms of the transaction, if closed, involve a phased purchase of our equity over the 12 months from signing, assuming a variety of conditions are met, and the purchase of our debt over a 12-month period following the purchase of our equity. The aggregate consideration will be US$14.6 million if the transaction completes as currently agreed in principle.

Major Portfolio Holdings

Note: Fiscal years end in 31 March. FY2017 is the fiscal year ending 31 March 2017 and estimates for this year are each portfolio company's board approved budgets – there is no assurance that these will be actual achieved results.

SYNERGIES CASTINGS LIMITED

Synergies Castings Limited ('SCL') manufactures alloy and chrome-plated wheels for global and Indian Original Equipment Manufacturers ('OEMs').

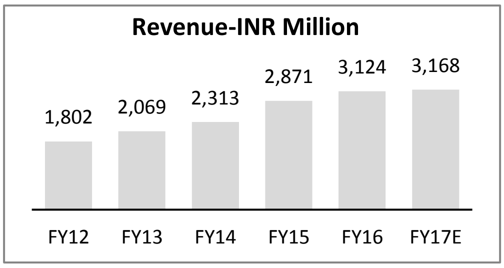
Investment Summary

Investment Date	December 2007	
Fund ownership	58.3%	
Investment Amount	$26.8 million*	
Current carrying value	$13.9 million*	
Current NAV	$0.13 per share	
Types of Security	Equity & Preference shares in India operating company	
Selected Investor Rights	**Liquidity Preference** Yes	**Board Seats** None

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 earns approximately 65% 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.

Current Situation



- Business performance continues to remain strong with plants operating at capacity utilization level of 106% and continued improvement is expected in the coming quarters with the addition of capacity.
- The company continues to face working capital constraints.
- During the first half of FY2017, the company recorded revenue of INR 1,523 million (YoY growth of 8%) and EBITDA of INR 219 million (YoY growth of 11%), with 38 bps improvement in EBITDA margins to 14.4% in H1FY17.
- A dialogue with a prospective buyer is under progress.

**Excludes the former investment manager's co-invest, which is ~9% of each investment.*

PlanetCast (formerly Essel Shyam) is the dominant market leader in providing technology led managed services to the broadcasting industry. It provides comprehensive, customized solutions across content operations (including content storage, enrichment and automated play-out) and distribution (including satellite broadcasting/ up-linking, digital streaming and cloud distribution).

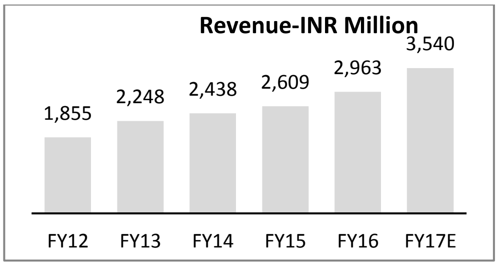
Investment Summary

Investment Date	November 2008
Fund ownership	27.6%
Investment Amount	$13.4 million*
Current carrying value	$20.7 million*
Current NAV	$0.19 per share
Types of Security	Equity & Preference shares in India operating company
Selected Investor Rights	**Liquidity Preference** Yes **Board Seats** Two

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, PlanetCast is well positioned to benefit from this growth.
- **Unique offering:** PlanetCast has a unique portfolio of offerings – teleporting, Digital Satellite News Gathering (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 ~20% CAGR for last ten years.
- **Strong management team:** PlanetCast has a strong and loyal team including the two founding directors with 70 employees having been with the firm for over 5 years.

Current Situation



- Business performance continues to be strong, with the demand for Playout and Teleport services rising from existing customers.
- A leading global private equity firm has agreed to purchase the Kubera Mauritius interest in PlanetCast, for a consideration net of transaction costs estimated at INR 1,475 million, equivalent to approximately US$ 22.9 million (at 25 April 2017 exchange rates). The sale consideration is fixed in Indian Rupees and the actual realization in US dollars will depend on the exchange rate prevailing on the date of remittance of the INR proceeds. The Fund does not hedge the currency risk relating to its investments denominated in Indian rupees.
- For the first half of FY2017, PlanetCast recorded revenue of INR 1,732 million (YoY growth of 20%) and EBITDA of INR 495 million (YoY growth of 13%).
- The high margin, core business segment of teleport services continues to demonstrate good traction with 37% YoY growth, as more number of channels continues to opt for playout services.
- Completion of the transaction is subject to obtaining regulatory approvals from various Government authorities in India, which is expected to occur for several months but before a long stop date of 15 September 2017.

**Excludes the former investment manager's co-invest, which is ~9% of each investment.*

NeoPath Limited

NeoPath Limited (formerly Venture Infotek) is India's leading card transaction processing company, operating in three major business segments: Merchant Acquisition, Credit Card Issuance and Loyalty Cards.

Investment Summary

Investment Date	December 2007
Fund ownership	42.8%
Investment Amount	nil
Current carrying value	$4.16 million*
Current NAV	$0.04 per share
Types of Security	Equity shares in India entity

Current Situation

- Kubera Mauritius exited from the business in 2010, and distributed $0.33 per share to investors from realized cash flows.
- The acquirer deducted withholding tax towards Indian income tax of US$15.96 million which was deposited with the tax authority in India. NeoPath is in the process of claiming a refund of the withholding tax based on its position that the capital gains realized on the sale is exempt from tax in India under the relevant provisions of the India-Mauritius tax treaty. Consequently, based on the opinion of tax counsel, the entire amount of US$ 15.96 million 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 Fund's investment in NeoPath Limited as at 31 December 2016.

**Excludes the former investment manager's co-invest, which is ~9% of each investment.*

Minor Portfolio Holdings: Investment holdings < 5%

Investment Summary

Investment Amount	$16.0 million*
Current carrying value	$0.0 million*
Current NAV	$0.00 per share

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.

Current Situation

Given the various legacy issues associated with the original acquisition that Kubera Mauritius funded, we are contemplating legal remedies.

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

Current Situation

- Kubera Mauritius partially exited from the business in 2016 through a share buy-back and generated a return multiple of 0.85x in US dollar terms, including prior dividends.
- Kubera Mauritius continues to hold a 0.5% stake in Spark Capital valued at $0.03 million.

**Excludes the former investment manager's co-invest, which is ~9% of each investment.*

Independent Auditor's Report

To the Shareholders and Board of Directors of Kubera Cross-Border Fund Limited

We have audited the accompanying consolidated financial statements of Kubera Cross-Border Fund Limited ('the Company') and its subsidiaries (collectively referred to as 'the Group'), which comprise the consolidated statement of assets and liabilities, including the consolidated schedule of investments as of 31 December 2016 and 31 December 2015 and the related consolidated statement of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Independent Auditor's Report *(Continued)*

Kubera Cross-Border Fund Limited

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of 31 December 2016 and 31 December 2015, the results of their operations, changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

KPMG
Mumbai, India

25 April 2017

Kubera Cross-Border Fund Limited

Consolidated statement of assets and liabilities

as at 31 December 2016

(Stated in United States Dollars)

	Note	2016	2015
Assets			
Investments in securities, at fair value (cost: US$ 58,131,057, 2015: US$ 61,670,923)	*4(a), 4(b)*	**42,660,364**	58,452,133
Cash and cash equivalents	*4(e), 7*	**2,729,884**	2,148,934
Prepaid expenses		**15,916**	31,202
Total assets		**45,406,164**	60,632,269
Liabilities			
Accounts payable		**133,267**	107,091
Capital distributions payable		**130,776**	-
Tax liability	*4(g), 9*	**-**	-
Total liabilities		**264,043**	107,091
Net assets		**45,142,121**	60,525,178
Analysis of net assets			
Capital and reserves			
Share capital	*8*	**1,097,344**	1,097,344
Additional paid-in capital	*8*	**111,886,393**	111,886,393
Accumulated deficit		**(71,609,051)**	(57,656,985)
		41,374,686	55,326,752
Non-controlling interest	*10*	**3,767,435**	5,198,426
		3,767,435	5,198,426
Total shareholders' interests		**45,142,121**	60,525,178
Net asset value per share		***0.38***	*0.50*

Approved by the Board of Directors on 25 April 2017 and signed on its behalf by:

Director

See accompanying notes to the consolidated financial statements.

Kubera Cross-Border Fund Limited

Consolidated schedule of investments

as at 31 December 2016

(Stated in United States Dollars)

				2016				2015			
Name of the entity	**Industry**	**Country**	**Instrument**	**Number of shares**	**Cost**	**Fair Value**	**% of net assets**	**Number of shares**	**Cost**	**Fair Value**	**% of net assets**
NeoPath Limited (Previously known as Venture Infotek Limited)	Investment holding company	Mauritius	Equity shares and Preferred shares	**27,928,224**	**-**	**4,568,395**	**10.12%**	27,928,224	-	5,026,864	8.31%
PlanetCast Media Services Limited (Previously known as Essel Shyam Communication Limited)	Media services	India	Compulsorily convertible preference shares and Equity shares	**6,680,371**	**14,682,134**	**22,729,764**	**50.35%**	6,680,371	14,682,134	30,264,509	50.00%
Synergies Castings Limited	Automotive components	India	Compulsorily convertible cumulative preference shares, Equity shares and loans	**15,876,948**	**29,388,556**	**15,325,553**	**33.95%**	15,876,948	29,388,556	21,660,760	35.79%
Others	Life sciences, Financial services, IT infrastructure	India	Compulsorily convertible preference shares, Equity shares and loans	**3,820,241**	**14,060,367**	**36,652**	**0.08%**	3,874,241	17,600,233	1,500,000	2.48%
Total investments in securities and loans to portfolio companies					**58,131,057**	**42,660,364**	**94.50%**		61,670,923	58,452,133	96.58%

Kubera Cross-Border Fund Limited

Consolidated statement of operations

for the year ended 31 December 2016

(Stated in United States Dollars)

	Note	**2016**	2015
Investment income			
Interest	*4(a)*	**2,850**	5,877
Dividend	*4(a)*	**317,818**	369,317
Foreign exchange loss	*4(c)*	**(627)**	(4,719)
		320,041	370,475
Expenses			
Investment management fee	*4(j), 5*	**-**	1,602,516
Carried interest	*4(k), 5*	**-**	-
Professional fees		**255,844**	196,444
Audit fees		**45,183**	55,470
Insurance		**87,574**	84,934
Directors' fees and expenses	*6*	**68,802**	84,600
Administration fees		**121,717**	141,000
License fees		**17,245**	19,045
Custodian fees		**7,812**	9,265
Other expenses		**122,917**	32,393
		727,094	2,225,667
Net investment loss before tax		**(407,053)**	(1,855,192)
Taxation	*4(g), 9*	**-**	-
Net investment loss after tax		**(407,053)**	(1,855,192)
Realized and unrealized (loss)/gain from investments			
Net realized loss from investment in securities	*4(a), 4(b)*	**(496,840)**	(7,097,636)
Net change in unrealized loss from investments in securities	*4(a), 4(b)*	**(14,348,388)**	7,426,705
Net (loss)/gain from investments		**(14,845,228)**	329,069
Net decrease in net assets resulting from operations		**(15,252,281)**	(1,526,123)
Equity holding of parent		**(13,952,066)**	(1,576,543)
Non-controlling interest		**(1,300,215)**	50,420
		(15,252,281)	(1,526,123)

See accompanying notes to the consolidated financial statements.

Kubera Cross-Border Fund Limited

Consolidated statement of changes in net assets
as at 31 December 2016

(Stated in United States Dollars)

	2016	2015
Operations		
Net investment loss	**(407,053)**	(1,855,192)
Net realized loss from investments in securities	**(496,840)**	(7,097,636)
Net change in unrealized loss from investments in securities	**(14,348,388)**	7,426,705
Net decrease in net assets resulting from operations	**(15,252,281)**	(1,526,123)
Capital share transactions		
Issuance of shares	**-**	-
Capital distribution	**(130,776)**	-
Decrease in net assets resulting from capital share transactions	**(130,776)**	-
Decrease in net assets	**(15,383,057)**	(1,526,123)
Net assets, beginning of year	60,525,178	62,051,301
Net assets, end of year	**45,142,121**	60,525,178

See accompanying notes to the consolidated financial statements.

Kubera Cross-Border Fund Limited

Consolidated statement of cash flows

for the year ended 31 December 2016

(Stated in United States Dollars)

	2016	2015
Cash flow from operating activities		
Net decrease in net assets resulting from operations	**(15,252,281)**	(1,526,123)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by / (used in) operating activities		
Net unrealized loss / (gain) from investments in securities	**14,348,388**	(7,426,705)
Realized loss from investment in securities	**496,840**	7,097,636
Proceeds from sale of investment in securities	**946,541**	191,165
Change in operating assets and liabilities:		
Decrease in prepaid expenses	**15,286**	88,641
Increase / (decrease) in accounts payables	**156,952**	(106,482)
Net cash provided by / (used in) operating activities	**711,726**	(1,681,868)
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 / (decrease) in cash and cash equivalents	**580,950**	(1,681,868)
Cash and cash equivalents, beginning of year	**2,148,934**	3,830,802
Cash and cash equivalents, end of year	**2,729,884**	2,148,934

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. The Fund makes private equity investments in cross-border companies, primarily in businesses that operate in the US-India corridor.

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 investment portfolios 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 the Fund, Kubera Mauritius and the Partnership.

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 the 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 *(Continued)*

Going concern

In assessing the going concern basis of preparation of the consolidated financial statements for the year ended 31 December 2016, 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 to continue in operational existence for the foreseeable future, and for a period of at least 12 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 2016.

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

Investments in securities are held in the custody of Kotak Mahindra Bank Limited. 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 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 *(Continued)*

b. Fair value (Continued)

Definition and hierarchy (Continued)

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 that are used in determining fair value of an instrument may include price information; quotations received from market makers, brokers, dealers and / or counterparties (when available and considered reliable); credit data; volatility statistics and other factors. 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.

Valuation

Listed equity securities

Investments in equity securities that are freely tradable and are listed on a national securities exchange are valued at their last sales price as of the valuation date. These investments are classified as Level I in the fair value hierarchy and include common stocks and preferred stock.

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 Group’s best estimate of fair value at acquisition of the investment. 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 Group performs ongoing reviews based on an assessment of trends in the performance of each underlying investment from the acquisition date through the most recent valuation date. These assessments typically incorporate the original transaction price, recent transactions in the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets and changes in financial ratios or cash flows.

(Stated in United States Dollars)

4. Significant accounting policies *(Continued)*

b. Fair value (Continued)

Definition and hierarchy (Continued)

Valuation process

The Group 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 oversees the entire valuation process of the Group's investments.

The Board, with assistance from the Administrator, 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$42,660,364 (previous year: US$58,452,133), the Board considers the following:

- recent prices of similar investments, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices. Comparable transactions look at multiples such as the EV/EBITDA ratio, among others;
- discounted cash flow projections based on reliable estimates of future cash flows. The projected income and expense figures are mathematically extended with adjustments for estimated changes in economic conditions. The discount rates used for valuing equity securities are determined based on historic equity returns for other entities operating in the same industry for which market returns are observable. The discount rate adopted for the investments ranged from 10.6% - 12.9%; and
- a discount for lack of marketability to the value as per the valuation model ranging from 20.0% - 30.0%.
- the present value of the expected tax refund receivable from the Government of India by end of 2018 as per the opinion of tax counsel, discounted by the 2-year Government of India securities yields.

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 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**

(Stated in United States Dollars)

4. Significant accounting policies (*Continued)*

b. Fair value (Continued)

Valuation Process (Continued

The following table summarizes the valuation of the Group's investments based on ASC 820 fair value hierarchy levels as of 31 December 2015.

	Total	Level I	Level II	Level III
Investments in securities and loans to portfolio companies	**58,452,133**	**-**	**-**	**58,452,133**
Total	**58,452,133**	**-**	**-**	**58,452,133**

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

Balance at 1 January 2015	**57,997,388**
Net change in unrealized gains	**454,745**
Balance at 31 December 2015	**58,452,133**

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 statement of operations. Investment in securities includes loans given to subsidiaries of portfolio companies as financial support for working capital requirement with a fair value of US$2,766,826.

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

c. Foreign currency translation

Assets and liabilities denominated in a currency other than the 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.

d. 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.

e. Cash and cash equivalents

Cash and cash equivalents include highly liquid investments, such as money market funds, that are readily convertible to known amounts of cash within 90 days from the date of purchase. All cash balances are held at major banking institutions.

f. 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.

4. Significant accounting policies *(Continued)*

g. 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 2016.

h. 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.

i. 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.

j. Investment management fees

With effect from 1 January 2016, investment management fees are no longer chargeable. The former Investment Manager received management fees of US$1,697,515 for the period from 1 January 2015 to 31 December 2015 less the administration fee payable to the Administrator.

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

k. 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.

(Stated in United States Dollars)

4. Significant accounting policies *(Continued)*

l. Recent accounting announcements

There are no recent accounting pronouncements that will have a material impact on the Group's financial condition or results of operations.

m. 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. Investment management fees and carried interest

Investment management fees

For the year ended 31 December 2016, the Fund paid / provided for US$ Nil towards investment management fees. (Previous year: US$ 1,602,516)

Carried interest

During the year ended 31 December 2016, no carried interest was paid / provided for by the Fund. (Previous year: Nil)

6. 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.

7. Cash and cash equivalents

	2016	**2015**
Cash at bank	**1,629,884**	548,934
Time Deposits	**1,100,000**	1,600,000
	2,729,884	2,148,934

8. Share capital and additional paid-in capital

	2016	**2015**
Authorized 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 2015	109,734,323	1,097,344	111,886,393	112,983,737
Capital distribution	-	-	-	-
As at 31 December 2015	109,734,323	1,097,344	111,886,393	112,983,737
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**

Share capital consists of a single class of ordinary shares.

(Stated in United States Dollars)

9. 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 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.

Tax reconciliation	**2016**	**2015**
Net decrease in net assets resulting from operations	**(15,252,281)**	(1,526,123)
Add: Non allowable expense	**118,767**	23,990
Add: Unrealized loss on investment in securities	**458,470**	2,096,432
Add: Realized loss on investment in securities	**496,840**	7,097,636
Add: Unrealized loss on investment	**14,348,388**	(7,426,705)
Less: Adjustment of brought forward loss	**-**	-
Net taxable income	**170,184**	265,230
Tax @ 15%	**25,528**	39,785
Foreign tax credit tax credit	**(25,528)**	(75,616)
Tax charge	**-**	-

The components of deferred tax balances are as follows:

	2016	**2015**
Deferred tax assets		
Business losses – New Wave Holdings Limited	**1,122**	9
Less: Valuation allowance	**(1,122)**	(9)
Total deferred tax assets	**Nil**	Nil

(Stated in United States Dollars)

9. Income taxes *(Continued)*

The Group 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 Group will not realize the benefits of the deferred tax assets. Accordingly, the Group has created a valuation allowance against the entire amount of deferred tax assets as of 31 December 2016.

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 2016.

With the assistance of the Administrator, the Group monitors proposed and issued tax law, regulations and cases to determine the potential impact to uncertain income tax positions. As at 31 December 2016, there are no potential subsequent events that would have a material impact on unrecognized income tax benefits within the next twelve months.

Kubera Mauritius and New Wave Holdings Limited file income tax returns in Mauritius and are not subject to income tax examinations by tax authorities.

The Group's Mauritius tax resident companies expect to obtain benefits under the double taxation treaty between India and Mauritius ("DTAA"). In 2016, the governments of India and Mauritius revised the existing DTAA where certain changes have been brought to the existing tax benefits. The revised DTAA provides for capital gains arising on disposal of shares acquired by a Mauritius company on or after 1 April 2017 to be taxed in India. However, investments in shares acquired up to 31 March 2017 will remain exempted from capital gains tax in India irrespective of the date of disposal. In addition, shares acquired as from 1 April 2017 and disposed of by 31 March 2019 will be taxed at a concessionary rate equivalent to 50% of the domestic tax rate prevailing in India provided the Mauritius company meets the prescribed limitation of benefits clause, which includes a minimum expenditure level in Mauritius.

Disposal of investments made by a Mauritius company in Indian financial instruments other than shares (such as limited partnerships, options, futures, warrants, debentures, and other debt instruments) are not impacted by the change and will continue to be exempted from capital gains tax in India.

10. Non-controlling interest

	2016	2015
Share capital	**7,648,511**	7,648,511
Accumulated share of loss	**(3,881,076)**	(2,450,085)
Total	**3,767,435**	5,198,426

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.

11. 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

(Stated in United States Dollars)

11. Transactions with related parties *(Continued)*

B. Transactions during the year with related parties and amounts outstanding as at 31 December 2016 are as disclosed below:

i. Transactions during the year ended 31 December 2016

	2016	**2015**
Investment management fees paid to former Investment Manager	**-**	1,602,516
Director fee, consultancy fees and reimbursement of expenses paid to Martin Michael Adams	**35,627**	40,962
Director fee, consultancy fees and reimbursement of expenses paid to Robert Michael Tyler	**33,175**	37,889

ii. Closing balance as at 31 December 2016

	2016	**2015**
Capital distribution payable to Kubera Cross-Border Incentives SPC – Co-Investment SP	**130,776**	-

12. 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.

12. Financial instruments and associated risks *(Continued)*

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.

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.

13. 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 2016 and 31 December 2015, 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:

	2016	**2015**
Net operating loss	**(25.22%)**	(2.49%)
Operating expenses before carried interest	**1.20%**	3.63%
Carried interest	**-**	-
Operating expenses after carried interest	**1.20%**	3.63%
Cumulative IRR since inception (including realized & unrealized gains and losses)	**(6.38%)**	(4.73%)

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.

14. Subsequent events

On 20 March 2017, the Fund announced that it had entered into a binding sale and purchase agreement to dispose of its entire equity interest in PlanetCast Media Services Ltd ("PlanetCast"). Entities managed by a leading global private equity firm have agreed to purchase the Fund's interest in PlanetCast for a consideration net of transaction costs estimated at INR1,475 million, equivalent to US$22.9 million at 25 April 2017 exchange rates and US$21.7 million at the exchange rate prevailing as at 31 December 2016.

Completion of the transaction is subject to obtaining regulatory approvals from various Government authorities in India, which is not expected to occur for several months. Completion of the transaction is subject to a long stop date of 15 September 2017.

The Board further evaluated subsequent events from the balance sheet date through to 25 April 2017, the date at which the consolidated financial statements were available to be issued, and determined that there are no other items to disclose.