

KuberaCross-Border Fund

Interim Report 2008

Building Global Businesses



About Us

Kubera Cross-Border Fund Limited (“the Company”) is a closed-end investment company traded on the AIM market of the London Stock Exchange. **The Company makes private equity investments in cross-border companies, primarily in businesses that operate in the US – India corridor.** The Company’s investment manager, Kubera Partners LLC, brings a strong track record of investing in or managing such businesses. On a selective basis the Company may invest in companies operating in other corridors between developed and emerging markets. Several of the Company’s investee companies also benefit from business activities in the fast-growing Indian domestic market.

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About the Fund

LAUNCH DATE	27 December 2006
FUND SIZE	US\$206 million
MANAGER CO-INVEST	US\$20 million
TERM OF FUND	Closed-end; daily liquidity
MANAGEMENT FEE	2% of NAV
PERFORMANCE FEE	20% on realisations
LISTING	LSE/AIM (KUBC.LN)
DOMICILE	Cayman Islands
ISIN CODE	KYG522771032

Chairman's Statement

Martin M Adams

Dear Shareholders,

I am pleased to present the interim report of the Kubera Cross-Border Fund Limited ("the Company") for the six month period ended 30 June 2008.

Environment

India's economy continues to perform well, with real GDP growing at 9.0% in the fiscal year 2007-08, with projections of 8.0% growth for 2008-09¹. Factors driving long-term growth include favourable demographic trends, a large pool of skilled labour, continued growth in services, a resurgent manufacturing sector and rising integration into global trade. Concerns around energy prices and inflation are rife, as is the case with almost all global markets, but the underlying secular growth story remains in place.

The Manager has benefited from the turbulent global and Indian public equity markets, as market conditions have led to strong deal flow at attractive valuations for private companies. The Company has moderated its efforts in the US during this period, reflecting the more attractive growth/valuation opportunities available in India. We continue to see interesting US-based investment opportunities and will pursue these as appropriate.

Financial performance

At 30 June 2008, the net asset value per share was US\$0.9528 and approximately US\$140.2 million² had been invested or committed. All cash held pending investment in companies is placed in money market instruments or fixed deposits.

The decline in net asset value from the prior period is a consequence of the price volatility of, and illiquidity discount on, the company's sole listed investment, GSS America. This worked in the Company's favour in the first quarter, but against the Company in the second quarter.

Prospects and shareholder information

The Company's competitive edge in the attractive cross-border niche in the India-centric private equity environment continues to strengthen, as a result of the Manager's experience and focus on this area. The Board anticipates that the Company will be fully invested in 2008, subject to holdbacks for follow-on investments and operating costs.

"Concerns around energy prices and inflation are rife, as is the case with almost all global markets, but the underlying secular growth story remains in place."

Martin M Adams
Chairman

Strong macro trends continue to exist in the Company's target areas, and public and private company valuations have reduced substantially over the past few months. As a result, the Board believes the current market environment will provide numerous attractive investment opportunities for the Company in 2008 and 2009.

We believe our exclusive and differentiated focus on cross-border businesses positions the Company to continue winning deals at below-market valuations and attractive terms.

Information on existing and new investments, quarterly net asset values and other material events relating to the Company are available through news releases made to the London Stock Exchange, available on www.londonstockexchange.co.uk under ticker KUBC or through the Company's website at www.kuberacrossborderfund.com.

Our thanks for your continued support.

Martin M Adams
Chairman

Notes:

1. Source: Reserve Bank of India, Monetary Policy Review 29 July 2008.
2. Includes co-investment by affiliates of the Manager.

Portfolio Summary

As at 30 June 2008

	Industry	Form of Investment	Cost US\$ ¹	Fair Value US\$	% of Net Assets
Adayana	E-learning	Equity	20.05m	20.05m	9.76%
Financial Services Company	Financial services	Equity	1.50m	1.50m	0.73%
GSS America Infotech	IT services	Equity	10.23m	4.64m	2.26%
Kejriwal Stationery	Stationery products	Equity	20.00m	20.00m	9.73%
Ocimum Biosolutions	Life sciences	Equity	14.00m	14.00m	6.81%
Synergies Castings	Automotive components	Equity	21.31m	21.31m	10.37%
Venture Infotek	Transaction processing	Equity	21.75m	21.75m	10.58%

Notes:

1. Includes co-investment by affiliates of the Manager.

Investment Manager's Report

Kubera Partners LLC

Macro environment

The macro environment for the Company and its portfolio remains very attractive. Growth in the Indian economy continues unabated. Although rising inflation and global issues that arise from rising energy prices are cause for some concern, particularly in manufacturing businesses, almost all market analysts forecast continued strong GDP and export growth in India. The recent depreciation of the rupee (approximately 5.4% depreciation against the US dollar over the last four months)¹ has helped ease exchange rate concerns that arose over the sharp appreciation of the rupee in early 2007.

In addition, the recent stock market correction in the US, India and other global markets has greatly enhanced our ability to obtain superior valuations and terms, and as a consequence we expect that 2008 and 2009 will be attractive for private equity investing in our target areas.

Investment environment and strategy

In both India and the US, we operate in a competitive private equity environment. In India, for example, US\$17.14 billion of private equity investments were consummated during the course of 2007². However, in our specific target area of cross-border businesses, we rarely see competition that can effectively counter our ability to offer tangible assistance. We have found that both in the US and in India, management teams have become very aware of the importance of a stable value-added capital partner.

Investments

During the period covered by this report, the Company completed two investments: a US\$10.23 million investment in GSS America, and a US\$1.5 million investment in an Indian investment bank. On 18 June 2008, the Company also disclosed a binding agreement to invest up to US\$22 million in Essel Shyam Communication Limited ("ESCL"). This investment is subject to regulatory approval and is expected to close in the third quarter.

On 7 March 2008, GSS America was admitted to trading on the Indian capital markets. Post listing, KUBC owns approximately 7.5% of the issued capital of the Company, which is subject to a mandatory lock-in period of one year. KUBC invested US\$10.23 million in the Company on 16 January 2008 (including the pro rata investment by affiliates of Kubera Partners LLC, the Investment Manager of KUBC), and its current cost basis is Indian Rupees 400 per share.

In the case of our two new unlisted investments in ESCL and the Indian investment bank, the Company obtained substantial minority interests in the underlying companies, favourable valuation terms, and strong governance rights including board seats and standard veto rights. We obtained strong rights in GSS America as well; as per regulatory requirements, these rights fall away at the time of a listing. We are engaged with all three companies in assisting with their growth strategies, primarily in the following three areas: recruiting in the US and in India at a senior level, evaluating follow-on acquisitions, and improving board reporting and governance.

Portfolio

Upon closing of the investment in ESCL, the Company will have made investments in eight companies. These eight investments are:

- Majority interests in:
 - Synergies Castings, the only vendor of specialised alloy wheels out of India; and
 - Venture Infotek, the leading provider of card processing services in India.
- Minority interests in:
 - Adayana, Inc, a US-headquartered company focused on the e-learning and training industry with a development organisation in Hyderabad, India;
 - Essel Shyam Communication, a provider of end-to-end solutions for the media broadcasting and satellite communications industries in India and other emerging markets;
 - Financial services co, a rapidly growing asset management and corporate advisory firm based in South India; at this time the company's name is undisclosed for commercial sensibilities;
 - GSS America, an IT services company focused on infrastructure management services;
 - Kejriwal Stationery, a provider of stationery products for the US and Indian markets; and
 - Ocimum Biosolutions, a provider of integrated genomics outsourcing services.

Conclusion

We continue to be pleased with the continued strength of our investment theses, our existing investments and the quality of our investment pipeline. We are confident that as our portfolio continues to mature, investors in the Company will obtain unique exposure to the export side of the India story – India as a ‘factory to the world’ for products and services.

Kubera Partners LLC Investment Manager

1. Source: Reserve Bank of India, Monetary Policy Review 29 July 2008.
2. Source: Grant Thornton Dealtracker.

“We have found that both in the US and in India management teams have become very aware of the importance of a stable value-added capital partner.”

Kubera Partners LLC
Investment Manager

Our Current Portfolio

Adayana

ADAYANA

Investment Overview¹

INVESTMENT AMOUNT: **US\$20.05m**

INVESTMENT DATE: **May 2007**

FUND HOLDING: **> 25%**

BOARD SEATS: **One**
(Mahadeva)

Business Description

Adayana designs, produces, and delivers off-the-shelf and customised training and workforce solutions to its customers via both electronic means and instructor-led media in specific vertical markets including automotive services, defence, agriculture and life sciences.

Investment Thesis

Market

- Skill shortage across most industries in US; focus on corporate training.
- Rising demand for skilled manpower in emerging countries including India.
- E-learning's growing acceptance as the chosen channel for training in the corporate world.

Company Positioning

- Opportunity to create one of the larger e-learning companies in US by building on a foothold in key verticals and scaling in international markets.
- Vertical expertise coupled with breadth of services, including custom course work, extensive libraries, strong collaboration and creation tools, and offshore delivery, create a compelling proposition that differentiates the company.

GSS America



Investment Overview¹

INVESTMENT AMOUNT: **US\$10.23m**

INVESTMENT DATE: **January 2008**

FUND HOLDING: **7.5%**

BOARD SEATS: **None**

Business Description

GSS America is one of India's fastest growing information technology and outsourcing companies. It specialises in IT infrastructure management services and enterprise application integration.

Investment Thesis

Market

- Enterprise Application Integration ("EAI") and Infrastructure Management ("IM") – which involves remote management of onsite IT infrastructure such as servers and desktops – are amongst the fastest growing segments within IT services.
- IM market expected to grow at 30+% CAGR, at much faster rate than general IT services and BPO.

Company Positioning

- Deep value deal in IT services.
- Company growing at 70% CAGR, much higher than market growth rates; higher profitability (25+% EBITDA margins) compared to peers.
- Attractive and defensible sub-segments.

1. Includes co-investment by affiliates of the Manager.

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Investment Overview¹

INVESTMENT AMOUNT:	US\$20.00m
INVESTMENT DATE:	April 2007
FUND HOLDING:	> 25%
BOARD SEATS:	One (Raghavendran)

Business Description

Kejriwal Stationery manufactures and distributes paper-based stationery products in the US and Indian markets using Indian manufacturing and global sourcing of paper.

Investment Thesis

Differentiators

- In the short term, the promulgation of onerous anti-dumping duties against vendors from China, Indonesia and India.
- In the long term, a focus on a cost-conscious design-intensive production model as price may cease to be a major differentiator.

Company Positioning

- Large addressable market in US school supplies; market size of over US\$1.2 billion in paper-based stationery alone.
- Potential for greater growth rates due to a major shift of production to offshore vendors; significant anti-dumping duties for Chinese and Indonesian companies providing opportunity.
- Promoters have decades of experience in paper-related industries.

Investment Overview¹

INVESTMENT AMOUNT:	US\$14.00m
INVESTMENT DATE:	December 2007
FUND HOLDING:	> 25%
BOARD SEATS:	Two (Raghavendran, Maheshwari)

Business Description

Ocimum offers genomics outsourcing services to pharmaceutical and biotech companies, through three business units: BioIT provides software solutions for the research community; BioMolecules provides basic reagents required in a genomics lab; and Bioresearch strings the two into a service offering in the discovery, development or diagnostics application.

Investment Thesis

Market

- Bioinformatics and Bioresearch markets are expected to grow at double digit rates due to increased use of genomics in target discovery and acceptance of outsourcing and offshoring of biology services.

Company Positioning

- Opportunity to create a premier global genomics outsourcing business; biology lagging IT and chemistry in outsourcing and India is a compelling destination.
- Strong management team backed by an experienced board, good scientific talent and product portfolio.
- Track record of acquisitions and successful integrations.
- Only end-to-end genomics outsourcing company in India.

1. Includes co-investment by affiliates of the Manager.

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Our Current Portfolio

Synergies Castings

Investment Overview¹

INVESTMENT AMOUNT: **US\$21.31m**

INVESTMENT DATE: **December 2007**

FUND HOLDING: **> 50%**

BOARD SEATS: **Two**
(Raghavendran, Maheshwari)

Business Description

Synergies Castings is engaged in the business of manufacturing alloy and chrome-plated wheels for Original Equipment Manufacturers ("OEMs"). It is one of the few integrated chrome-plating facilities in the world, and the only one out of India, with the capability to manufacture large diameter wheels (22" and 24" wheels).

Investment Thesis

Market

Market for alloy wheels is growing as:

- Global wheel market shifts from steel to alloy (alloy market share at 68% in 2007 compared with 58% in 2001).
- Wheels players in Western markets undergo major restructuring.
- Increasing alloy wheel penetration in India.

Company Positioning

- Targeting an attractive niche of large diameter high-end alloy wheels globally. Command about 75% market share in domestic market.
- World class design and engineering capabilities and high-end manufacturing.
- Very strong OEM relationships position Company favourably against competition.

Venture Infotek



Investment Overview¹

INVESTMENT AMOUNT: **US\$21.75m**

INVESTMENT DATE: **November 2007**

FUND HOLDING: **> 50%**

BOARD SEATS: **Three**
(Raghavendran, Maheshwari, Mahadeva)

Business Description

Venture Infotek ("VI") is India's leading transaction processing company operating in three major business segments: merchant acquisition, credit card issuance and loyalty cards. VI has recently entered direct merchant acquiring.

Investment Thesis

Market

- Rapid growth in e-payments in India.
- Point of Sale ("PoS") terminals are predicted to grow at a CAGR of over 40% over the next five years from a current base of 400,000 terminals.
- Card penetration to grow by 30% and spending to grow by 35%.

Company Positioning

- Largest outsourced transaction processing services provider in India (120,000 PoS terminals and over 1 million cards under management).
- Longstanding customer relationships.
- Scalable business model with low capital investment.
- Significant organic and inorganic growth opportunities in India and globally.

1. Includes co-investment by affiliates of the Manager.

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Consolidated Statement of Assets and Liabilities

as at 30 June 2008

The Group

	Notes	30 Jun 2008 (un-audited) US\$	30 Jun 2007 (un-audited) US\$
Assets			
Non-current assets			
Investments in securities, at fair value (cost: US\$108,832,898)		103,250,739	40,000,000
Investments in money market, at fair value (cost: US\$94,765,784)		101,062,033	164,946,226
Short-term loan receivable		1,138,000	-
Cash and cash equivalents	6	104,278	4,909
Other assets	7	53,138	-
Total assets		205,608,188	204,951,135
Current liabilities			
Accounts payable	8	106,837	120,378
Total liabilities		106,837	120,378
Total net assets		205,501,351	204,830,757
Equity and liabilities			
Capital and reserves			
Share capital	9	2,060,000	2,060,000
Share premium	9	203,940,000	203,940,000
Reserve		(9,741,425)	(4,707,858)
		196,258,575	201,292,142
Minority interest	10	9,242,776	3,538,615
Total shareholders' interests		205,501,351	204,830,757

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

Consolidated Schedule of Investments

as at 30 June 2008

The Group

Investments in Securities	Investment date	Industry	Instrument
Adayana, Inc.	Jun-07	E-learning	Convertible participating preferred & convertible preferred
	Feb-08		Equity
Financial services co.	Apr-08	Financial services	Equity & convertible preference
GSS America Infotech Limited	Jan-08	IT services	Equity
Kejriwal Stationery Holdings Limited	Apr-07	Stationery products	Convertible redeemable preference
New Wave Holdings Limited	Sep-07	Transaction processing	Preferred
	Jan-08		Preferred
Ocimum Biosolutions (India) Limited	Dec-07	Life sciences	Preference
			Equity
Synergies Castings Limited	Dec-07	Automotive components	Equity
			Compulsorily convertible preference

Investment in money market

Money market instruments

Note: On 18 June 2008 the Group entered into a binding agreement to invest up to US\$22 million in Essel Shyam Communication Limited, a leading India-based end-to-end solutions provider for the media broadcasting and satellite communications industries. This investment is subject to regulatory approval and is expected to close by September 2008.

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

Cost US\$	30 Jun 2008 (un-audited)		30 Jun 2007 (un-audited)	
	Fair Value US\$	% of net assets	Fair Value US\$	% of net assets
20,000,000	20,000,000	9.73%	20,000,000	9.76%
50,001	50,001	0.02%	-	-
1,500,000	1,500,000	0.73%	-	-
10,225,274	4,643,115	2.26%	-	-
20,000,000	20,000,000	9.73%	20,000,000	9.76%
19,405,286	19,405,286	9.44%	-	-
2,340,000	2,340,000	1.14%	-	-
14,000,000	14,000,000	6.81%	-	-
3,667	3,667	0.00%	-	-
11,308,670	11,308,670	5.50%	-	-
10,000,000	10,000,000	4.87%	-	-
108,832,898	103,250,739	50.23%	40,000,000	19.52%
Cost US\$	Fair Value US\$	% of net assets	Fair Value US\$	% of net assets
94,765,784	101,062,033	49.18%	164,946,226	80.53%

Consolidated Statement of Operations

for the period 1 January 2008 to 30 June 2008

The Group

	Notes	Six months to 30 Jun 2008 (un-audited) US\$	23 Nov 2006 to 30 Jun 2007 (un-audited) US\$
Income			
Interest income		64,172	166,081
Other income		8,975	-
		73,147	166,081
Expenses			
Organisational costs	2(d)	-	7,355,819
Investment management fee	3	2,044,492	1,995,615
Re-imbursment of expenses		181,594	-
Professional fees		53,852	25,555
Insurance		129,120	200,101
Director fees	4	66,296	65,238
Administration fees		17,500	-
Licence fees		4,626	1,500
Exchange difference		280	-
Other expenses		104,111	31,059
Total expenses		2,601,871	9,674,887
Net investment loss		(2,528,724)	(9,508,806)
Unrealised loss on investment in securities		(5,582,159)	-
Unrealised gain on investment in money market		650,827	4,110,676
Realised gain on investment in money market		857,997	690,669
Net decrease in net assets resulting from operations		(6,602,059)	(4,707,461)
Minority interest		(488,047)	397
Equity holding of parent		(6,114,012)	(4,707,858)
		(6,602,059)	(4,707,461)

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

Consolidated Statement of Changes in Shareholders' Equity

for the period 1 January 2008 to 30 June 2008

The Group

Six months to
30 Jun 2008
(un-audited)
US\$

23 Nov 2006 to
30 Jun 2007
(un-audited)
US\$

	Six months to 30 Jun 2008 (un-audited) US\$	23 Nov 2006 to 30 Jun 2007 (un-audited) US\$
Shareholders' equity		
At the beginning of the period	202,372,587	-
Issued during the period	-	206,000,000
Net decrease in net assets resulting from operations	(6,114,012)	(4,707,858)
At the end of the period	196,258,575	201,292,142

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

Consolidated Statement of Cash Flows

for the period 1 January 2008 to 30 June 2008

The Group

	Six months to 30 Jun 2008 (un-audited) US\$	23 Nov 2006 to 30 Jun 2007 (un-audited) US\$
Cash flows from operating activities		
Net decrease in net assets resulting from operations	(6,602,059)	(4,707,461)
Interest income	(64,172)	(166,081)
Operating loss before working capital changes	(6,666,231)	(4,873,542)
Changes in working capital:		
Increase in accounts receivable	(49,396)	-
Increase in accounts payable	(17,723)	120,378
Net cash used in operations	(6,733,350)	(4,753,164)
Investing activities		
Investments acquired	(3,789,895)	(204,946,226)
Short-term loan	(1,138,000)	-
Interest received	64,172	166,081
Net cash used in investing activities	(4,863,723)	(204,780,145)
Financing activities		
Proceeds from issue of shares	-	206,000,000
Minority interest	1,322,746	3,538,218
Net cash generated from financing activities	1,322,746	209,538,218
Net increase in cash and cash equivalents	(10,274,327)	4,909
	US\$	US\$
Movement in cash and cash equivalents		
Balance brought forward	10,378,605	-
Net increase during the period	(10,274,327)	4,909
Balance carried forward	104,278	4,909

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

Notes to the Financial Statements (unaudited)

for the period 1 January 2008 to 30 June 2008

1. Organisation

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

The Company is a closed-end investment company trading on AIM, a market operated by the London Stock Exchange plc. The Company makes private equity investments in cross-border companies, primarily in businesses that operate in the US-India corridor. On a selective basis the Company may invest in companies operating in other corridors between developed and emerging markets. Several of the Company's investee companies also benefit from business activities in the fast-growing Indian domestic market.

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

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

The Partnership has interests in a partially-owned subsidiary incorporated in Mauritius, Kubera Cross-Border Fund (Mauritius) Limited. The primary business of Kubera Cross-Border Fund (Mauritius) Limited is to carry on business as an investment holding company and, as at 30 June 2008, it had holdings in private equity investments.

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

2. Significant accounting policies

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and are stated in United States dollars. The significant accounting policies are as follows:

Notes to the Financial Statements (unaudited)

for the period 1 January 2008 to 30 June 2008 (continued)

2. Significant accounting policies (continued)

(a) Securities

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

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

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

In the event that a listed security has no such price or the market price is not representative of the fair market value, the security has limited marketability, or the security is unlisted, its fair value is determined by the Investment Manager, taking into account the financial conditions, operating results, value of additional equity or equity-related offerings of the issuer, comparable company transactions, performance multiples, or other valuation methodology that the Investment Manager in good faith considers appropriate. A revaluation of these securities is accepted by the Company only upon majority approval of the independent directors of the Company.

Because of the inherent uncertainty of valuations, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the difference could be material.

(b) Foreign currency

Purchase and sales of investment securities and income and expenses items denominated in foreign currencies are translated into United States dollar amounts on the respective dates of such transactions. Investment securities and other assets and liabilities denominated in foreign currencies are translated into United States dollar amounts at each reporting date.

Currency translation gains and losses on investments, if any, are reflected in net unrealised appreciation on investments. All other translation gains and losses are recognised in the Statement of Operations.

(c) Use of estimates

The preparation of consolidated financial statements in conformity with US GAAP requires the directors 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 and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

(d) Others

Organisational costs of the Company are expensed as incurred.

(e) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Kubera Cross-Border Fund LP and Kubera Cross-Border Fund (GP) Limited and the partially owned subsidiary, Kubera Cross-Border Fund (Mauritius) Limited. All material intercompany balances and transactions have been eliminated. The un-audited financial statements for the period 23 November 2006 to 30 June 2007 have been re-grouped, where necessary for consolidation purposes.

(f) Investment transactions and related investment income

Investment transactions are accounted for on a trade date basis. Interest and dividend income are recorded on the accrual basis.

(g) Cash and cash equivalents

Cash and cash equivalents represent amounts held with the Company's and Subsidiaries' bank accounts.

(h) Related parties

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

(i) Taxes

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company. Deferred tax assets and liabilities are recognised for future tax consequences attributable to temporary differences between the consolidated financial statements carrying amount of existing assets and liabilities and their respective tax bases and accumulated tax losses. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the Statement of Operations in the year 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 realisation is uncertain.

Notes to the Financial Statements (unaudited)

for the period 1 January 2008 to 30 June 2008 (continued)

3. Investment management fee

The Investment Manager is entitled to receive an aggregate investment management fee of 2% per annum of the Company's net asset value determined based on the valuation policy of the Company, to be paid quarterly in advance based on the published net asset value of the Company of the previous quarter.

4. Directors' fees and expenses

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

5. Taxation

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

However, the Company's partially owned subsidiary, Kubera Cross-Border Fund (Mauritius) Limited is subject to income taxes in Mauritius on its net income at a rate of 15%, though it receives a tax credit of 80% on its foreign source income. Thus the maximum effective tax rate is 3%. Capital gains are exempted from taxation in Mauritius. No tax was suffered by the Mauritius-based subsidiary due to tax losses.

6. Cash and cash equivalents

	30 Jun 2008 US\$	30 Jun 2007 US\$
Cash at bank	104,278	4,909

7. Other assets

	30 Jun 2008 US\$	30 Jun 2007 US\$
Interest receivable on short-term loan	44,572	–
Prepaid expenses	8,566	–
	53,138	–

8. Accounts payable

	30 Jun 2008 US\$	30 Jun 2007 US\$
Accrued expenses	106,837	120,378

9. Share capital and share premium

	30 Jun 2008 US\$	30 Jun 2007 US\$
Authorised share capital:		
1,000,000,000 ordinary shares of US\$0.01 each	10,000,000	10,000,000
Issued and fully paid:		
	30 Jun 2008 US\$	30 Jun 2007 US\$
Share capital		
206,000,000 ordinary shares at US\$0.01 each	2,060,000	2,060,000
Share premium	203,940,000	203,940,000
At the end of the period	206,000,000	206,000,000

10. Minority interest

	30 Jun 2008 US\$	30 Jun 2007 US\$
Opening balance	8,408,077	-
Share of capital	1,322,746	3,538,218
Profit share	(488,047)	397
	9,242,776	3,538,615

Minority Interest is primarily composed of the partnership interests of Kubera Cross-Border Incentives SPC – Co-Investment Segregated Portfolio in the consolidated affiliates. In accordance with the terms of the Amended and Re-stated Exempted Limited Partnership Agreement dated 21 December 2006, the Co-Investment Segregated Portfolio of Kubera Cross-Border Incentives SPC, a Cayman Islands segregated portfolio company, was admitted as a Limited Partner to the Partnership, in addition to the Company.

Notes to the Financial Statements (unaudited)

for the period 1 January 2008 to 30 June 2008 (continued)

11. Material transactions with related parties

During the period there were no material transactions with related parties except as disclosed below.

	30 Jun 2008 US\$	30 Jun 2007 US\$
Investment management fees paid to Kubera Partners LLC, the investment manager	2,044,492	1,995,615

The Company has borne part of expenses relating to deals made, on behalf of its subsidiaries. These would not be reclaimed back.

12. Financial highlights

The following summarises the Company's financial highlights during the six month period ended 30 June 2008:

	30 Jun 2008 US\$	30 Jun 2007 US\$
Per share information:		
Net asset value per share on subscriptions /beginning of period	0.98	1.00
Net investment gain/(loss)	(0.01)	(0.04)
Unrealised and realised gain/(loss) on investments	(0.02)	0.02
Net asset value per share, at end of period	0.95	0.98

Corporate Information

Board of Directors

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

Audit Committee

Robert Michael Tyler, Chairman
Martin Michael Adams
Pravin Ratilal Gandhi

Investment Manager

Kubera Partners LLC®
The Lincoln Building
60 East 42nd Street, Suite 450
New York, NY 10165
Tel +1 (212) 295 2400
www.kuberapartners.com

Broker

LCF Edmond de Rothschild
Securities Limited
5 Upper St Martin's Lane
London WC2H 9EA
United Kingdom
Tel +44 (0) 20 7845 5960
www.countryfunds.co.uk

Custodian

Butterfield Bank (Guernsey) Limited
PO Box 25, Regency Court
Gatigny Esplanade, St Peter Port
Guernsey GY1 3AP
Tel +44 1481 733204
www.butterfieldbank.gg

Administrator, Registrar & Company Secretary

Multiconsult Limited
10 Frère Félix de Valois Street
Port Louis
Mauritius
Tel +230 202 3020
www.multiconsult.mu

Nominated Adviser

Grant Thornton Corporate Finance
30 Finsbury Square
London EC2P 2YU
United Kingdom
Tel +44 (0) 20 7383 5100
www.grant-thornton.co.uk

Auditor

KPMG
Century Yard, Cricket Square
Grand Cayman
Cayman Islands
Tel +1 345 914 4424
www.kpmg.ky

Legal Adviser (as to English law)

Lawrence Graham LLP
4 More London Riverside
London SE1 2AU
United Kingdom
Tel +44 (0) 20 7379 0000
www.lg-legal.com

Legal Adviser (as to Cayman Islands law)

Maples and Calder
Princes Court, 7 Princes Street
London EC2R 8AQ
United Kingdom
+44 (0) 20 7466 1600
www.maplesandcalder.com

KuberaCross-Border Fund

Kubera Cross-Border Fund Limited
PO Box 309GT
Ugland House, South Church Street
George Town, Grand Cayman
Cayman Islands
ir@kuberacrossborderfund.com
www.kuberacrossborderfund.com

Kubera Partners LLC®
60 East 42nd Street, Suite 450
New York, NY 10165
Tel: +1 (212) 295 2400
info@kuberapartners.com
www.kuberapartners.com