

27 May 2009

Kubera Cross-Border Fund Limited

Annual Results for the year ended 31 December 2008

Kubera Cross-Border Fund Limited (“KUBC” or the “Fund”) (LSE/AIM: KUBC) has issued its annual audited results for the year ended 31 December 2008.

Key per share information for the reporting period is as set out below:

Net asset value per share at beginning of period	US\$ 0.98
Net investment gain / (loss) per share	US\$ (0.02)
Unrealised and realised gain / (loss) on investments per share	US\$ (0.08)
Net asset value per share, at end of period	US\$ 0.88

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

About Kubera Cross-Border Fund Limited

Kubera Cross-Border Fund Limited is a Cayman Islands incorporated closed-end investment company traded on the AIM market of the London Stock Exchange. The Fund makes private equity investments in cross-border companies, primarily in businesses that operate in the US-India corridor. The Fund’s investment manager, Kubera Partners, brings a strong track record of investing in or managing such businesses. Several of the Fund’s investee companies also benefit from business activities in the growing Indian domestic market. For further information on the Fund, please visit www.kuberacrossborderfund.com.

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Disclaimer:

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

Chairman's Statement

Dear Shareholders:

On behalf of the Board of Directors, I am pleased to present the Annual Report of Kubera Cross-Border Fund Limited ("the Fund" or "KUBC"), for the year ended 31 December 2008. The Fund, advised by Kubera Partners LLC, its investment manager ("the Manager"), invests in businesses that operate in a cross-border, principally India-US, environment.

Fund Update

The Fund was prudent with its cash throughout 2008 in response to the decline in equity markets, with a view towards being well positioned to invest in 2009 and later at improved valuations. However, the deteriorating global macroeconomic environment, and in particular the conditions prevailing in the financial markets in the latter half of the year, have caused the Board and the Manager to rethink the most appropriate use of the Fund's resources in both the short and longer term.

The Board was concerned to see the Fund's share price drop to a significant discount to NAV, 43% at its nadir, and remain at a discount averaging over 35% for the last quarter of the year. The shares traded close to the value of the cash on the Fund's balance sheet, effectively attributing negligible value to its investments.

In accordance with their duties to take note of the discount and examine ways of reducing it, the Directors have evaluated several options, while balancing short term pressures against longer term returns. The Directors have unanimously agreed to take the following steps:

1. **Ceasing all new investments until further notice:** The Board decided that no new investments would be made for the time being. Restarting new investments in private equity assets would require the prior approval of a majority of the independent directors.
2. **Significant return of cash via a buyback:** By ceasing new investments, the Fund was left with sufficient surplus capital to distribute and on 12 December 2008, US\$30 million (15.3% of the then prevailing NAV) was used to effect a buyback of 53.1 million shares in issue at a discount of 40% to NAV prevailing on that day. This had the effect of increasing NAV by US\$ 0.15 per remaining share, and was thus accretive to continuing shareholders and at the same time provided liquidity to shareholders who chose to exit and helped to stabilise the shareholder base.
3. **Fixing the Manager's fee:** Mindful that significant resources continue to be required to properly manage the Fund's assets during this period of stress, the Fund has fixed the Manager's annual fee for 2009 and 2010 at the same level as the last fee paid to the Manager prior to the buyback.
4. **Supporting the portfolio:** The Fund has provided for adequate cash to ensure that likely winners in the portfolio can be supported through this cycle (to the extent that might be necessary), by providing capital support for attractive acquisitions, new growth opportunities, or temporary liquidity needs.

The Directors met several of the investee companies during 2009, in order to gain an independent view of the investments and their prospects. The Manager continues to hold together the many moving parts that make up the Fund, including regular interactions with shareholders and the Board. Among these is a review of how the assets are protected. In response to a heightened focus on how risk involving financial counterparties is best managed, the Fund appointed HSBC as the custodian of its assets. Cash is held at

both HSBC and Barclays Bank. HSBC is one of the largest custodians of Indian assets through its Indian and Mauritian operations.

Investment Update

At year end, approximately 61% of the Fund's assets consisted of investments in nine underlying portfolio companies, diversified across several sectors.

Despite the pressures on the Indian and US economies, the prospects for the Fund's portfolio continue to look promising. Companies in KUBC's portfolio remain well positioned to benefit from cost reduction pressures in the US as well as from any recovery in the US economy and continuing growth in India. India's population growth, attractive demographics, a large domestic economy and benign government policies should provide an attractive backdrop in which KUBC's investments can thrive in the medium to long term. My colleague and fellow director, Pravin Gandhi, guides those of us on the Board less experienced in the day-to-day issues in India through his advice and observations.

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.

Valuations

Michael Tyler has the challenging task of chairing the audit committee of independent directors, which is responsible for analysing and signing off on the investment valuations. Needless to say, the discount to NAV at which the Fund's shares trade is a function not only of the share price, but also of the valuations of the private equity assets. There is widespread scepticism amongst investors about NAVs of listed private equity funds. Consequently, stress testing of each investment's assumptions, analysis and strategy as at year end has been a time consuming but appropriate response in the current environment.

Our approach to valuations, as prescribed by US GAAP, is provided in the Manager's Report, although given the commercial sensitivities, the Manager does not provide detailed assumptions relating to individual valuations for each investment. These have, however, been reviewed by the audit committee and the auditors.

Summary

The Fund has built a well diversified portfolio of investments with significant potential for value creation. Our investee companies face opportunities and challenges in the present environment, and the Board views the Manager's investment and operating experience as crucial in creating attractive ultimate exits of the Fund's investments. The Board and the Manager have been pro-active in addressing shareholder concerns and will continue to do so while conducting a delicate balancing act between various shareholder desires.

On behalf of the independent directors, I would like to place on record my appreciation of the Manager's efforts, as well as my gratitude to our shareholders for your strong support.

Martin M. Adams
Chairman

Investment Manager's Report

Kubera Partners LLC

2008 was a difficult time in world markets, and the Fund has not been immune to any of the ensuing pressures. Nevertheless there are several reasons to be optimistic about the Fund and its portfolio:

- Our portfolio as a whole continues to show growth, profitability and momentum
- We are well positioned in terms of our experience and skill sets, as well as through our Fund's balance sheet, to assist our portfolio companies
- We have strong governance and financial rights in all of our unlisted investments
- We have robust internal processes for performance management and value addition for our portfolio companies

India Economic Review

India's economy grew at a little less than 7% for the year ending March 31, 2009. Most analysts expect growth in fiscal 2010 between 5-6%, which, while lower than the 8.8% growth from 2003-04 to 2007-08, is nonetheless solid compared to developed economies. The key challenges for future growth are the global demand slowdown which has impacted certain export driven sectors, and a slowdown in capital flows into India which was one of the key growth drivers. Finally, it is critical for India to get a stable government at the centre with the right fiscal and monetary policies to adequately meet the economic challenges. In light of this need, the results of the Indian Lok Sabha elections in May 2009 were comforting.

The BSE Sensex (comprising of 30 stocks) ended the year at below 10,000 from a peak of 21,000 at the beginning of 2008 in line with most global stock markets. At current prices, the Indian market is priced at a forward P/E of 10-12 down from a peak of 23. We expect that the market will remain attractive for global investors, and attention will increase once the global liquidity situation improves and risk appetite returns.

Our long term view on India and the growth of the cross border businesses is positive as the key long term drivers of India's competitiveness are still intact. In coming years, India will have a demographic advantage as the average Indian will be younger than in most developed and developing countries and 60% of the population will be of working age. Wage rates in India remain amongst the lowest in the world, and as margin pressures rise for the Western world, outsourcing will continue to present a compelling, even necessary, business case. In addition India has a strong track record of entrepreneurship and innovation both at the product and process levels.

Portfolio

As at 31 December 2008, the Fund has nine investments:

Company	Sector	Investment ¹ (US\$ million)	% stake held	% of NAV
Venture Infotek	Transaction processing	21.75	59.2%	15.29%
Synergies Castings	Auto components	21.31	61.9%	3.00%
Adayana	Education	20.05	30.6%	14.87%
Kejriwal Stationery	Stationery	20.00	27.5%	3.55%
Essel Shyam Communication	Media services	14.68	30.3%	10.33%
Ocimum Biosolutions	Life sciences	14.00	37.8%	9.84%
GSS America	IT infrastructure	10.23	7.5%	1.75%
Financial Services Co.	Financial services	1.50	10.0%	1.05%
Infotech Enterprises	Engineering services	0.95	0.5%	0.39%
Cash				38.64%
Total				100% ²

¹Includes co-investment by affiliates of the Manager, which amounts to 9% of every investment made by the Fund.

²Portfolio investments and cash account for 99% of the NAV per share. The balance is attributable to convertible loan of US\$ 1.1m to Adayana and net other assets of US\$ 0.15m

We discuss the financial performance and the key challenges and opportunities facing each of the Fund's investee companies in detail in the rest of the report.

Valuations

The slowdown in the US economy has negatively affected two of the Fund's investments in the manufacturing sector – stationery products and automotive components. The Fund has therefore written down the value of these investments, which are reflected in the audited NAV per share. The effect of these losses on a NAV per share basis was largely mitigated by the accretive benefits of the share buyback.

The Fund's financial statements are prepared under US GAAP. All investments are recorded at estimated fair value, in accordance with SFAS 157 that defines and establishes a framework for measuring fair value. The audited NAV per share is calculated on this basis.

Cash Management

In response to the turmoil in the financial markets, the Board and the Manager were very focused on the issue of 'safe and effective' cash management. All un-invested cash was transferred to HSBC and Barclays Bank, amongst the few large global banks to have emerged relatively unscathed from the crisis of the last few months. The Board and Manager will continue to evaluate diversifying cash holdings with a view to mitigating risk.

Conclusion

While we expect the global economic environment to remain volatile throughout 2009, and our portfolio is not immune to macroeconomic shocks, we are pleased to observe that the majority of our portfolio continues to show growth, profitability and momentum. Given this performance at a time of uncertainty and turmoil, we are optimistic about the ultimate outcome as we expect performance to get better as economies recover, and exit valuations to improve as markets recover.

We thank the independent directors of the Board of Kubera and all shareholders for their continued and valued support.

Kubera Partners LLC
Investment Manager

KUBERA CROSS-BORDER FUND LIMITED

Consolidated Statement of Assets and Liabilities

December 31, 2008

(stated in United States Dollars)

	Note	2008	2007
ASSETS			
Non-current assets			
Investments in securities, at fair value (cost:\$124,466,200; 2007: \$84,717,623)	2(b)	85,406,708	84,717,623
Unquoted warrants, at fair value (cost: \$11,380; 2007: \$0)	2(c)	579,352	-
Investments in money market, at fair value (cost: \$0; 2007: \$110,159,832)		-	115,805,254
Short term loan receivable		1,126,620	-
Cash and cash equivalents	5	54,942,189	10,378,605
Other assets	6	275,975	3,742
		<u>142,330,844</u>	<u>210,905,224</u>
Current liabilities			
Accounts payable	7	124,133	124,560
Tax liability	2(i)	1,462	-
		<u>125,595</u>	<u>124,560</u>
Net assets		<u>142,205,249</u>	<u>210,780,664</u>
ANALYSIS OF NET ASSETS			
Capital and reserves			
Share capital	8	1,529,027	2,060,000
Share premium	8	174,327,086	203,940,000
Revenue reserves		(41,468,864)	(3,627,413)
		<u>134,387,249</u>	<u>202,372,587</u>
Minority interest	9	7,818,000	8,408,077
		<u>7,818,000</u>	<u>8,408,077</u>
Total shareholders' interests		<u>142,205,249</u>	<u>210,780,664</u>

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

KUBERA CROSS-BORDER FUND LIMITED

Consolidated Schedule of Investments

December 31, 2008 (stated in United States Dollars)			2008			2007		
Industry	Instrument	Number of shares	Cost	% of Net assets	Number of shares	Cost	% of Net assets	
Investments in securities								
New Wave Holdings Limited	Transaction processing	Preferred	1,916,883	21,745,286	15.29%	1,752,778	19,405,286	9.21%
Adayana, Inc.	Education	Series A convertible participating preferred	3,750,000	15,000,000	10.55%	3,750,000	15,000,000	7.12%
		Series B convertible preferred	1,250,000	5,000,000	4.28%	1,250,000	5,000,000	2.37%
		Common	16,667	50,001	0.04%	-	-	0.00%
				<u>20,050,001</u>	<u>14.87%</u>		<u>20,000,000</u>	<u>9.49%</u>
Essel Shyam Communication Limited	Media services	Compulsorily convertible preference Equity	5,555,056	12,208,914	8.59%	-	-	0.00%
			1,125,315	2,473,220	1.74%	-	-	0.00%
				<u>14,682,134</u>	<u>10.33%</u>		<u>-</u>	<u>0.00%</u>
Ocimum Biosolutions (India) Limited	Life sciences	Preference	3,818,162	14,000,000	9.84%	3,818,162	14,000,000	6.64%
		Equity	1,000	3,667	0.00%	1,000	3,667	0.00%
				<u>14,003,667</u>	<u>9.84%</u>		<u>14,003,667</u>	<u>6.64%</u>

Kejriwal Stationery Holdings Limited	Stationery products	Convertible redeemable preference	455,172	20,000,000	3.55%	455,172	20,000,000	9.49%
GSS America Infotech Limited	IT infrastructure	Equity	1,000,000	10,225,274	1.75%	-	-	-
Synergies Castings Limited	Automotive components	Compulsorily convertible cumulative preference Equity	5,333,334	10,000,000	1.42%	-	-	-
			5,936,298	11,308,670	1.58%	5,936,298	11,308,670	5.37%
				21,308,670	3.00%		11,308,670	5.37%
Financial Services Co.	Financial services	Convertible preference Equity	55,000	1,497,849	1.05%	-	-	-
			79	2,151	0.00%	-	-	-
				1,500,000	1.05%		-	-
Infotech Enterprises Limited	Engineering services	Equity	260,000	951,168	0.39%	-	-	-
Total investments in securities								
			124,466,200		60.07%		84,717,623	40.20%

Unquoted warrants

Adayana, Inc.	Education	Convertible to common	533,034	11,380	0.04%	-	-	-
Essel Shyam Communication Limited	Media services	Convertible to compulsorily convertible preference	1,316,749	-	0.27%	-	-	-

Financial Services Co.	Financial services	Convertible to convertible preference	61,199	-	0.10%	-	-	-
Total unquoted warrants				<u>11,380</u>	<u>0.41%</u>		<u>-</u>	<u>-</u>
Investments in money market								
Money market instruments			-	-	-	-	<u>110,159,832</u>	<u>54.94%</u>
Total investments in money market				<u>-</u>	<u>-</u>		<u>110,159,832</u>	<u>54.94%</u>

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

KUBERA CROSS-BORDER FUND LIMITED

Consolidated Statement of Operations

For the year ended December 31, 2008

(stated in United States Dollars)

	Note	Year ended 31 Dec 2008	23 Nov 2006 to 31 Dec 2007
Investment income			
Interest		520,896	317,194
Dividends		53,419	-
Other income		14,437	-
		<u>588,752</u>	<u>317,194</u>
Expenses			
Organisational costs	2(d)	-	7,071,341
Investment management fee	3, 10	3,999,938	4,011,483
Re-imbusement of expenses		420,814	420,171
Professional fees		257,379	297,994
Insurance		133,826	200,101
Director fees	4	126,859	135,498
Administration fees		39,560	35,000
Licence fees		13,312	6,923
Foreign exchange loss		2,210	-
Other expenses		176,292	241,068
		<u>5,170,190</u>	<u>12,419,579</u>
Net investment loss		(4,581,438)	(12,102,385)
Taxation	2(i)	1,462	-
Net investment loss after tax		<u>(4,582,900)</u>	<u>(12,102,385)</u>
Realised and unrealised gain/(loss) on investment transactions			
Movement in unrealised loss on investments in securities		(38,491,520)	-
Movement in unrealised gain on investments in money market		(5,645,422)	5,645,422
Realised gain on investments in money market		7,490,296	2,839,182
		<u>(36,646,646)</u>	<u>8,484,604</u>
Net decrease in net assets resulting from operations		<u>(41,229,546)</u>	<u>(3,617,781)</u>
Minority interest		(3,388,095)	9,632
Equity holding of parent		(37,841,451)	(3,627,413)
		<u>(41,229,546)</u>	<u>(3,617,781)</u>

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

KUBERA CROSS-BORDER FUND LIMITED

Consolidated Statement of Changes in Net Assets

For the year ended December 31, 2008

(stated in United States Dollars)

	Share Capital	Share Premium	Revenue Reserves	Total
At 23 November 2006 (date of incorporation)	-	-	-	-
Issued during the period	2,060,000	203,940,000	-	206,000,000
Net decrease in net assets resulting from operations	-	-	(3,627,413)	(3,627,413)
At 31 December 2007	<u>2,060,000</u>	<u>203,940,000</u>	<u>(3,627,413)</u>	<u>202,372,587</u>
At 1 January 2008	2,060,000	203,940,000	(3,627,413)	202,372,587
Issued during the year	-	-	-	-
Repurchased during the year	(530,973)	(29,612,914)	-	(30,143,887)
Net decrease in net assets resulting from operations	-	-	(37,841,451)	(37,841,451)
At 31 December 2008	<u>1,529,027</u>	<u>174,327,086</u>	<u>(41,468,864)</u>	<u>134,387,249</u>

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

KUBERA CROSS-BORDER FUND LIMITED

Consolidated Statement of Cash Flows

For the year ended December 31, 2008

(stated in United States Dollars)

	Year ended 31 Dec 2008	23 Nov 2006 to 31 Dec 2007
Operating activities		
Net decrease in net assets resulting from operations	(41,229,546)	(3,617,781)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash used in operating activities:		
Movement in unrealised loss on investments in securities	38,491,520	-
Realised gain on investments in money market	(7,490,296)	(2,839,182)
Movement in unrealised gain on investments in money market	5,645,422	(5,645,422)
Purchase of investments	(39,759,957)	(84,717,623)
Purchase of money market instruments	117,650,128	(199,981,592)
Proceeds on disposal of money market instruments		92,660,942
Change in operating assets and liabilities:		
Increase in short term loan receivable	(1,126,620)	-
Increase in other assets	(272,233)	(3,742)
Increase in accounts payable	(427)	124,560
Increase in tax liability	1,462	-
	<hr/>	<hr/>
	71,909,453	(204,019,840)
Financing activities		
Proceeds from issue of shares	-	206,000,000
Shares repurchased during the year	(30,143,887)	-
Movement in minority interest	2,798,018	8,398,445
	<hr/>	<hr/>
	(27,345,869)	214,398,445
Net change in cash and cash equivalents during the period	44,563,584	10,378,605
Cash and cash equivalents at beginning of period	10,378,605	-
Cash and cash equivalents at end of period	<hr/> <hr/>	<hr/> <hr/>
	54,942,189	10,378,605

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

KUBERA CROSS-BORDER FUND LIMITED

Notes to the Consolidated Financial Statements

December 31, 2008

(stated in United States dollars)

1. Organisation 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 AIM, a market operated by the London Stock Exchange plc. The Fund makes private equity investments in cross-border companies, primarily in businesses that operate in the US-India corridor. On a selective basis the Fund may invest in companies operating in other corridors between developed and emerging markets. Several of the Fund’s investee companies also benefit from business activities in the growing Indian domestic market.

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

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

The Partnership holds 100% ownership of a company 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.

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.

2. Significant accounting policies

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

(a) Basis of preparation

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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.

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

KUBERA CROSS-BORDER FUND LIMITED

Notes to the Consolidated Financial Statements

December 31, 2008

(stated in United States dollars)

2. Significant accounting policies (continued)

(b) Valuation, security transactions and income (continued)

Substantially all securities are held in custody by the Hong Kong & Shanghai Banking Corporation. Security transactions are recorded on the trade date basis. Interest is recorded on the accrual basis and dividends are recorded on the ex-dividend date. The Fund uses the weighted average cost method to determine the realised gain or loss on sale of investments.

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

In September 2006, the FASB issued Statement of Financial Accounting Standards No.157, Fair Value Measurement ("FAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

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

SFAS No. 157 establishes a hierarchal disclosure framework which prioritises and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

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

Level I - Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I are publicly traded equity securities and are valued at the last sales price on a national securities exchange on the valuation date. As required by FAS No. 157, the Fund does not adjust the quoted price for these investments even in situations, if any, where the Fund holds a large position and a sale could reasonably impact the quoted price.

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

KUBERA CROSS-BORDER FUND LIMITED

Notes to the Consolidated Financial Statements

December 31, 2008

(stated in United States dollars)

2. Significant accounting policies (continued)

(b) Valuation, security transactions and income (continued)

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

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

In October 2008, the FASB issued FASB Staff Position No. 157-3, ("FSP No. 157-3"), "Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active". FSP No. 157-3 clarified the application of FAS 157 in cases where the market for a financial instrument is not active and provides an example to illustrate key considerations in determining fair value in those circumstances. FSP No. 157-3 was effective upon issuance and did not have a material impact on the consolidated financial statements of the Fund.

Fund's valuation policy

Securities listed on a stock exchange or traded on any other regulated market are valued at the last closing price on such exchange or market or, if no such price is available, at the mean of the bid and asked price on such day. If there is no such price or such market price is not representative of the fair market value of any such security, then the security is valued based on quotations readily available from principle-to-principle markets, financial publications, or 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 Fund's ability to sell its position when the restriction expires, and the term of the restriction. The adjustment of the discount depends on the duration of the restriction.

In the event that a listed security has no such price or the market price is not representative of the fair market value, the security has limited marketability, or the security is unlisted, its fair value is determined by the Investment Manager, taking into account 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 Fund only upon majority approval of the independent directors of the Fund.

KUBERA CROSS-BORDER FUND LIMITED

Notes to the Consolidated Financial Statements

December 31, 2008

(stated in United States dollars)

2. Significant accounting policies (continued)

(b) Valuation, security transactions and income (continued)

The consolidated financial statements include investments valued at \$82,945,129 representing 58.33% of net assets whose fair values have been estimated by the Fund based on the recommendation of the Investment Manager in the absence of readily ascertainable market values. However, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the difference could be material. Additionally, current widespread economic uncertainty and indeterminate financial markets could have a material impact on the actual value that would be realised if such investments were sold in an orderly disposition between willing parties.

The following table summarises the valuation of the Fund's investments by the above SFAS No. 157 fair value hierarchy levels as of December 31, 2008:

	Total	Level I	Level II	Level III
Investments in securities	85,406,708	548,617	2,492,314	82,365,777
Unquoted warrants	579,352	-	-	579,352
Total	85,986,060	548,617	2,492,314	82,945,129

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

Balance at 1 January 2008	84,717,623
Purchases	28,583,515
Transfers in (out) of Level III	-
Total unrealised gains / (losses)	(30,356,009)
Balance, 31 December 2008	82,945,129

Changes in unrealised gains / (losses) included in earnings relating to investments still held at 31 December 2008 (30,356,009)

Total realised and unrealised gains and losses, if any, recorded for the Level III investments is reported in net realised gain (loss) on investments and movement in unrealised gain (loss) on investments in the consolidated statement of operations.

(c) Unquoted warrants

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

Unquoted warrants are derivative instruments which do not have an active quoted market price. The fair value of the warrants at 31 December 2008 is estimated, using the Black-Scholes model, taking into account the terms and conditions upon which the warrants were granted.

KUBERA CROSS-BORDER FUND LIMITED

Notes to the Consolidated Financial Statements

December 31, 2008

(stated in United States dollars)

2. Significant accounting policies (continued)

(d) Organisational costs

Organisational costs of the Fund are expensed as incurred.

(e) Foreign currency translation

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

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

(f) Basis of consolidation

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

(g) Cash and cash equivalents

Cash and cash equivalents represent amounts held with the Fund'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) Taxation

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

KUBERA CROSS-BORDER FUND LIMITED

Notes to the Consolidated Financial Statements

December 31, 2008

(stated in United States dollars)

2. Significant accounting policies (continued)

(i) Taxation (continued)

However, the Fund's majority 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.

	31 Dec 2008	31 Dec 2007
Tax liability of Mauritius subsidiary	1,462	-

(j) Comprehensive income

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

(k) Expenses

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

3. Management and performance fees

Management fees

The Investment Manager is entitled to receive an aggregate investment management fee of 2 per cent per annum of the Fund's net asset value, to be paid quarterly in advance based on the published net asset value of the Fund of the previous quarter. For the year ended 31 December 2008, investment management fees totaled \$3,999,938.

On 8 December 2008, the Board of Directors of the Fund fixed the management fees for the years 2009 and 2010 at a fixed quarterly payment equal to the management fee for the calendar quarter ending 31 December 2008.

Performance fees

Under the terms of the Partnership Agreement, an affiliate of the Investment Manager 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 realisation of an investment.

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

For the year ended 31 December 2008, no performance fees were payable.

KUBERA CROSS-BORDER FUND LIMITED

Notes to the Consolidated Financial Statements

December 31, 2008

(stated in United States dollars)

4. Director's fees and expenses

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

5. Cash and cash equivalents

	31 Dec 2008	31 Dec 2007
Cash at bank	54,942,189	10,378,605

6. Other assets

	31 Dec 2008	31 Dec 2007
Accrued interest on short term loan	132,292	-
Prepaid expenses	143,683	3,742
Total	<u>275,975</u>	<u>3,742</u>

7. Accounts payable

	31 Dec 2008	31 Dec 2007
Accrued expenses	124,133	124,560

8. Share capital and share premium

		31 Dec 2008	31 Dec 2007
Authorised share capital:			
1,000,000,000 ordinary shares of \$0.01 each		10,000,000	10,000,000
Issued and fully paid:			
	Number of shares	Share Capital	Share premium
			Total
At 23 November 2006 (incorp.)	-	-	-
Issued during the period	206,000,000	2,060,000	203,940,000
At 31 December 2007	<u>206,000,000</u>	<u>2,060,000</u>	<u>203,940,000</u>
At 1 January 2008	206,000,000	2,060,000	203,940,000
Repurchased during the year	(53,097,345)	(530,973)	(29,612,914)
At 31 December 2008	<u>152,902,655</u>	<u>1,529,027</u>	<u>174,327,086</u>

On 12 December 2008, the Fund repurchased 53,097,345 ordinary shares of \$0.01 each at \$0.565 per share, for an aggregate consideration of \$30,143,887. These repurchased shares were cancelled.

KUBERA CROSS-BORDER FUND LIMITED

Notes to the Consolidated Financial Statements

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9. Minority interest

	31 Dec 2008	31 Dec 2007
Share capital	11,196,463	8,398,445
Accumulated profit share	(3,378,463)	9,632
	7,818,000	8,408,077

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

10. Material transactions with related parties

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

	31 Dec 2008	31 Dec 2007
Investment management fees paid to Investment Manager	3,999,938	4,011,483

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

11. Investments and associated risks

The Fund'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 Fund in varying degrees to elements of liquidity, market and credit risk. The following summary is not intended to be a comprehensive summary of all risks inherent in investing in the Fund and reference should be made to the Fund's admission document for a more detailed discussion of risks.

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to finance the Fund's operations and to mitigate the effects of fluctuations in cash flows.

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's receivables from investment securities.

Cash and cash equivalents are placed with banks and financial institutions which are regulated. The carrying amount of financial assets represents the maximum credit exposure.

KUBERA CROSS-BORDER FUND LIMITED

Notes to the Consolidated Financial Statements

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(stated in United States dollars)

12. Financial highlights

	2008	2007
Net asset value per ordinary share at beginning of period/on subscription	0.98	1.00
Income from investment operations		
Net investment loss ⁽¹⁾	(0.02)	(0.06)
Net realised and unrealised gain on investment activities ⁽²⁾	(0.08)	0.04
	<u>(0.10)</u>	<u>(0.02)</u>
Net asset value per ordinary share at end of period	<u>0.88</u>	<u>0.98</u>
Total return:		
Total return before performance fees	(10.20%)	(2.00%)
Performance fees	-	-
Total return after performance fees	<u>(10.20%)</u>	<u>(2.00%)</u>
Supplemental data: ⁽³⁾		
Ratio of expenses to average net assets:		
Operating expenses	2.77%	6.12%
Performance fees	-	-
	<u>2.77%</u>	<u>6.12%</u>
Total expenses		
	<u>2.77%</u>	<u>6.12%</u>
Ratio of net investment loss to average net assets	(2.45)%	(6.03)%

(1) The amounts are based on the average number of ordinary shares outstanding during the period.

(2) This figure is a balancing amount necessary to reconcile the change in net asset value per ordinary share with the other per share information presented. The amount shown may not agree with the change in aggregate gains and losses for the period due to the use of the average number of ordinary shares outstanding during the period.

(3) Expense ratios have not been annualised.

13. New accounting pronouncements

In July 2006, the FASB released FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 ("FIN 48"). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's consolidated financial statements to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority based on technical merits of the position. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the year of determination.

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Notes to the Consolidated Financial Statements

December 31, 2008

(stated in United States dollars)

13. New accounting pronouncements (continued)

On December 30, 2008, the Financial Accounting Standards Board (“FASB”) issued FIN 48-3, Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises (“FSP 48-3”), which deferred the effective date of the adoption of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement no. 109 (“FIN 48”). Under FSP 48-3, in the absence of early adoption, FIN 48 will become effective for the Fund at December 31, 2009. The Fund has elected to take advantage of this deferral and will continue to accrue for liabilities relating to uncertain tax positions only when such liabilities are probable and reasonably estimable. Based on its continued analysis, the Fund has determined that the adoption of FIN 48 will not have a material impact to the Fund's consolidated financial statements. However, the Fund's conclusions regarding FIN 48 may be subject to review and adjustment at a later date based on on-going analyses of tax laws, regulations and interpretations thereof and other factors.

In March 2008, FASB issued Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities (“FAS 161”). FAS 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. FAS 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008. Management is currently evaluating the impact the adoption of FAS 161 will have on the Fund's consolidated financial statement disclosures.

14. Subsequent events

There were no material subsequent events after the balance sheet date.