**BUILDING** GLOBAL BUSINESSES

# KUBERA CROSS-BORDER FUND LIMITED

ANNUAL REPORT 2014

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# About Us

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

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

# 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 ("KUBC" or the "Fund") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2014.

## NAV and Discount

KUBC's audited NAV per share decreased by 4% from US$0.54 to US$0.52 between 31 December 2013 and 31 December 2014. KUBC's share price decreased by 16% from US$0.31 to US$0.26 from 31 December 2013 to 31 December 2014. For the corresponding period, the discount to NAV per share increased from 43% to 50%.

## EGM

At the Extraordinary General Meeting of the Company held in 2013, shareholders passed an ordinary resolution regarding the future of the Company, resolving that (a) the Fund should not continue in existence as presently constituted; and (b) the investment objective and policy of the Fund be changed to seek realisation of its portfolio of investments in the ordinary course of business and to return the net proceeds of all such realisations to Shareholders, following which, the Company will be wound-up. The Fund will make no new investments, except follow-on investments in existing investee companies.

## Investments

Under the terms of the Investment Management Agreement, the Investment Manager has sole authority over the disposition and realisation of KUBC's investments. Given the substantial co-investment made by members of the Investment Manager alongside KUBC in each of the Group's investments, the Investment Manager's interests are aligned with shareholders.

## Portfolio Valuations

The Group's financial statements are prepared in accordance with US GAAP. The valuations of investments are reviewed and approved by the Audit Committee of the Board of Directors ("Board"), on a quarterly basis. All investments are recorded at estimated fair value, in accordance with SFAS 157 that defines and establishes a framework for measuring fair value. The NAV is calculated on this basis. The methodology underlying the Group's investment valuations is consistent with previous periods.

## Closing Remarks

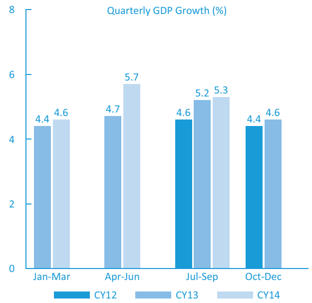
The Investment Manager's report provides information on the investment environment in India, together with progress regarding the implementation of the Group's realisation policy and performance of each of the Company's investments. Further detailed information on investments, quarterly net asset values 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 symbol KUBC and through the Fund's website at www.kuberacrossborderfund.com.

Martin M. Adams
Chairman

# Investment Manager's Report

## India Economic Review[1]

At the start of calendar year 2014, investors were upbeat about the growth prospects of India, albeit with some concerns including higher inflation (Wholesale Price Index ~6-7%), higher oil prices (~$100/bl), higher fiscal deficit, higher interest rates (8%), and uncertainty over anti-tax avoidance rules ("GAAR").

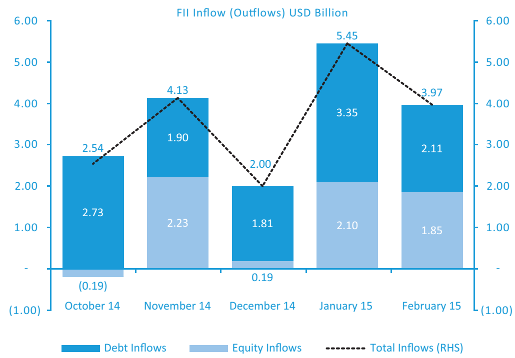



These concerns are waning away, as the Wholesale Price Index fell from 5.11% in January 2014 to -0.39% in January 2015; primarily due to oil prices (drop of ~50%), and further softening in manufacturing inflation. The consumer price inflation in January 2015 came at 5.11% year-over-year, within the comfort zone of the Indian central bank. The Reserve Bank of India cut its repo interest rate by 50 basis points in the last 12 months to 7.50%, as inflation showed signs of slowing and the government made efforts to contain the fiscal deficit. What's aiding the case for further cut in rates to bolster growth is the slide in oil price that's pulling down inflation rates across the globe.

The new budget released by the finance ministry focused on boosting growth, and promised higher investment in India's decrepit roads and railways while offering tax cuts to global companies. In another big announcement, the Finance Minister deferred the roll out of anti-tax avoidance rules (GAAR) by two years and announced the much awaited roll out of GST by Apr 1, 2016.

Last month, the government released GDP growth figures based on a new methodology, under which it expects economic expansion of 7.4% in the current fiscal ending March 2015, while the GDP growth rate of the last fiscal year has been revised upward to 6.9%. The new revision in the base year makes it more difficult for analysts to forecast next year's GDP growth rate, but on the basis of the old series it is likely to grow at 7%. After updating the base year and incorporating new data sources, India's recent growth estimates were bumped up sharply, at odds with other indicators of business and consumer activity, from imports to industrial production, that still show weakness. A broader and sustained economic revival will likely be elusive without structural reforms and a continued uptick in foreign investment. One of the fundamental requirements to reduce vulnerability to capital outflows is to maintain appropriate monetary and fiscal policies that ensure good macroeconomic fundamentals.

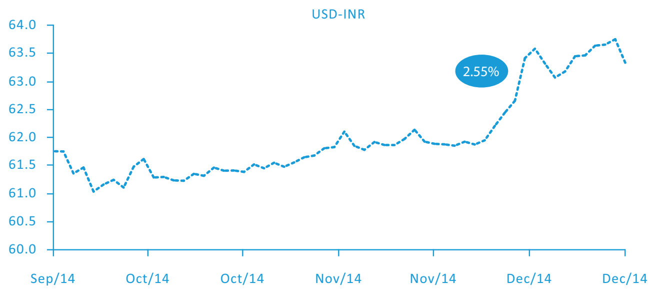
The new government seeks to increase trade liberalization and openness to foreign direct investment (FDI). The FDI limits in the insurance and defence sectors have been increased from 26% to 49% to help draw more funds into sectors starved of capital and squeezed by stringent regulations. A similar increase in the FDI cap has been approved in construction and medical device sectors.




FDI inflows during the calendar year 2014 showed 248% growth to US$ 42.2 billion compared to US$ 12.1 billion during the comparable period in 2013. Debt markets continue to attract higher investment than equity markets. In the first two months of calendar year 2015, India has managed to attract inflows to the tune of US$ 9.4 billion compared to US$ 4.2 billion during Jan-Feb 2014.

The BSE Sensex (which comprises 30 stocks) reached an all-time high of 28,694 during November 2014 and closed at 27,499 on December 31, 2014. The Sensex continued its upward momentum during the October to December 2014 period by gaining 3.3% and touched its all-time high of 30,000 on Mar 04th 2015. During the same period (Oct-Dec 2014) the mid-cap index (NIFTY Midcap) increased by 7.5%.

The rupee traded within a range of 61 to 64 rupees to the dollar throughout the quarter and ended at 63.3 rupees on December 31 compared to 61.8 rupees to the dollar at the end of the previous quarter. During the quarter, the US dollar appreciated by more than 2.5% against the rupee.




1. Sources: Reserve Bank of India, BSE India, Securities and Exchange Board of India, Thomson Reuters & others.

# Investment Manager's Report (continued)

## Quarterly portfolio summary

At close of business on 31 December 2014, the Fund's unaudited net asset value per share ("NAV") was US$ 0.52. The aggregate value of shareholder distributions to date and the NAV amount to US$ 0.85 per share. The denomination of the Fund is in US Dollars; the Fund does not hedge the currency risk relating to its investments denominated in Indian rupees. The Manager and the Board continue to discuss the future presentation of portfolio company-specific information, in light of ongoing disposition processes and related commercial issues. In this report, the smaller investments have been aggregated and reporting for these has been simplified in the pages that follow.

The Investment Manager remains focused on realizing the remaining portfolio, details of which are provided in this report.  As set out in further detail in the company reports, the on-going sale processes for Essel Shyam and Synergies Castings are proceeding slowly. The Manager, on behalf of the Fund, intends also to, in parallel and without foreclosing individual company sales, selectively explore a partial or full sale of the portfolio. There is no guarantee that such efforts will be successful, given the concentrated portfolio, at a price acceptable to shareholders.

Kubera Partners LLC
Investment Manager

# Major Portfolio Holdings

Note: Fiscal years' end in March. FY2015 is the fiscal year ending March 2015 and estimates for this year are the portfolio company's board approved budgets or Kubera Partners' estimates – there is no assurance that these will be actual achieved results.

**SYNERGIES** CASTINGS LIMITED

## Investment Summary

| | |
|---|---|
| Investment Date | December 2007 |
| Fund ownership | 58.3% |
| Investment Amount | $26.9mn |
| Current carrying value | $21.1mn |
| Current NAV | $0.19 per share |
| Types of Security | Equity & Preference shares in India operating company |
| Selected Investor Rights | **Liquidity Preference** Yes<br>**Board Seats** None |

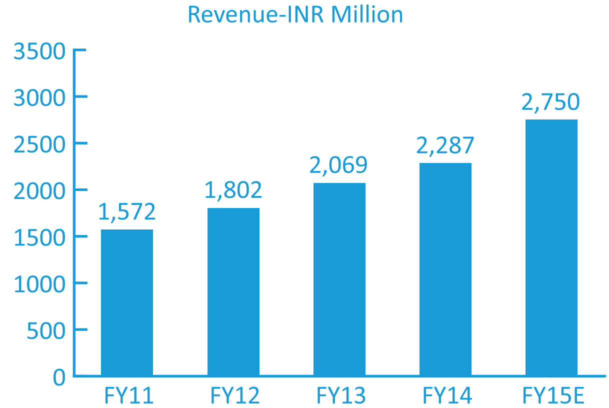
Synergies Castings Limited ('SCL') manufactures alloy and chrome-plated wheels for global and Indian Original Equipment Manufacturers ('OEMs'). The company has one of the few integrated chrome-plating facilities in the world, and is the only one in India, with the capability to manufacture large diameter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

## Company Positioning

- **Targeting an attractive niche:** SCL is one of the few integrated chrome-plating facilities worldwide with an ability to produce large diameter wheels. It has a dominant market position in India
- **Design and engineering capabilities:** SCL has a world class manufacturing facility that has been validated by most large OEMs; excellent, and award-winning, design and engineering capabilities
- **Good mix of domestic and global OEM business:** SCL currently gets approximately 75% 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

- The international & domestic order book continues to remain strong as a result of a large increase in volume demand from GM.
- With Chinese imports wiped out of Indian market because of stringent anti-dumping tariffs, the domestic order book is full for the next three years.
- For the first half of FY2015, the company recorded revenue of INR 1,355 million (YoY growth of 37%) and EBITDA of INR 185 million (YoY growth of 98%), with an improvement in EBITDA margins from 9% in H1FY14 to 14% in H1FY15
- Business performance continues to remain strong and continued improvement is expected in the coming quarters.
- Strategic options continue to be evaluated, via a structured sale process.



# Major Portfolio Holdings

## Investment Summary

| | |
|---|---|
| Investment Date | November 2008 |
| Fund ownership | 27.6% |
| Investment Amount | $13.4mn |
| Current carrying value | $25.7mn |
| Current NAV | $0.23 per share |
| Types of Security | Equity & Preference shares in India operating company |
| Selected Investor Rights | **Liquidity Preference** Yes<br>**Board Seats** Two |

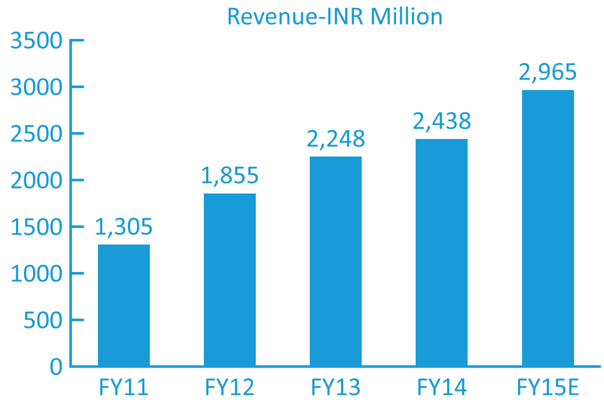
Essel Shyam is the dominant market leader in providing technology led managed services to the broadcasting industry. It provides comprehensive, customized solutions across content operations (including content storage, enrichment and automated play-out) and distribution (including satellite broadcasting/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

## Company Positioning

- **Derivative play on media industry:** The media broadcasting industry in India is expected to witness high growth in the coming year with the launch of several new channels. As the largest outsourced provider of teleporting and other services, ESCL is well positioned to benefit from this growth.
- **Unique offering:** ESCL has a unique portfolio of offerings – teleporting, 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:** ESCL 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

- ESCL continues to maintain its growth trajectory and profitability in FY15
- For the first half of FY2015, ESCL recorded revenue of INR 1,247 million (YoY growth of 18%) and EBITDA of INR 362 million (YoY growth of 27%)
- The Company's H1FY15 revenue was lower than budgeted estimates primarily due to lower contributions from Projects & DSNG services
- Share of Teleport segment in total revenue continues to rise leading to an improvement in EBITDA margins from 27% in H1FY14 to 29% in H1FY15
- We expect the Company to continue its growth trajectory in remaining quarters of FY15 & FY16, with the strong order book, revenue growth and high profitability.
- The company intends to repay outstanding ECB loan completely by end of FY16
- The Company plans to invest in newer technologies such as the leasing of content management facilities and cloud based content management services to maintain and expand its market share



# Minor Portfolio Holdings : Investment holdings < 5%

## Investment Summary

| | |
|---|---|
| Investment Amount | $25.7mn |
| Current carrying value | $1.7mn |
| Current NAV | $0.02 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

- We have increased our direct involvement in the business in order to arrive at a speedy restructuring solution.
- Technology Development Board (Central Government Undertaking) has recalled the loan assistance disbursed to the company.
- During the current quarter, the Company generated INR 25 million in revenues and EBITDA of INR 11 million.
- The Company reported EBITDA margins of 45% for the current quarter as compared to 51% reported in the first quarter of FY15.

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

### Current Situation

- The GSS stock continues to be very illiquid with minimal float and trades at a deep discount to our entry price.
- GSS Stock was down by 12% during the current quarter leading to a fall in value of our investment.
- Fund sold 8,959 shares during the quarter ending December 2014.

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

### Current Situation

- We have made progress towards a potential buyback or other form of realization and are in discussions with the CEO on a timeline.
- During the Dec'14 quarter, the Company generated INR 78 million in revenues and EBITDA of INR 1.3 million.
- We expect the Company to continue its growth trajectory in FY14, while maintaining operating and profitability margins.

# Board of Directors

## Martin Adams

**Independent Director,**
**Chairman of the Board**

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

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

## Michael Tyler

**Independent Director**
**Chairman of the Audit Committee**

Mr. Tyler is a Managing Director of Essex Lake Group LLC, a global provider of operational and analytic services to the financial services industry (especially banks, card issuers and insurance companies), and the retail and telecom industries.

He is active in developing new modes of operation in service businesses, including telcos, cellular/wireless and cable TV; and has contributed to formative developments such as online delivery of transaction services and the launch of direct-to-home satellite TV. Mr. Tyler has played a key role in devising and closing major investment transactions, and especially in developing the use of leveraged leases as a financial tool in telecoms and IT: this has included lease transactions of over $2 billion for each of Swisscom, SNCF (French railways) and DFS (German air traffic control).

He has served on the boards and audit committees of several public companies, including Telecommunications Corporation of New Zealand (Telecom NZ), the principal telephone company in New Zealand and number three in Australia; and ALC Communications, a US long-distance telephone company formerly traded on NASDAQ and subsequently acquired by MCI.

Mr. Tyler was formerly Managing Director of Tyler & Company, an international provider of analytical services in telecoms and IT; and senior partner and member of the Executive Committee at Booz, Allen & Hamilton. He has also served as Sloan Associate Professor of Technology and Public Policy at New York University, and as an adjunct member of the faculty (Instructor) at the Massachusetts Institute of Technology (MIT). Mr. Tyler began his career at BT (British Telecom).

Mr. Tyler holds an MA in Natural Sciences (Physics) and Economics from Cambridge University.

## Ramanan Raghavendran

**Director**

Mr. Raghavendran founded Kubera in December 2006 together with Kumar Mahadeva.

Prior to founding Kubera, he was responsible for leading the successful cross-border investing efforts at TH Lee Putnam Ventures (THLPV) as a Senior Partner and continues to oversee the THLPV portfolio today. Ramanan was formerly a Senior Partner at Insight Venture Partners where he invested in business process outsourcing and enterprise software companies, including cross-border investing via Connect Capital, an Insight affiliate. Prior to joining Insight, he was a senior member of the investment team at General Atlantic where he initiated the Internet-related investment effort and also led sector efforts in technology services and enterprise software. Ramanan began his career at McKinsey & Company.

Ramanan co-founded and co-managed Impact Partners, the first Indian venture philanthropy fund. Impact provided funds to nine non-profit organizations that today impact 1.5 million lives (primarily underprivileged children). Ramanan is the chairman of the advisory board of Magic Bus, an NGO that assists at-risk children across India; it was incubated in his Mumbai office. He has served on several non-profit boards in India and the U.S. over the last 20 years.

## **Board of Directors** (continued)

Ramanan is a Trustee of the University of Pennsylvania; is an Overseer of the School of Arts and Sciences at Penn; serves on the boards of Penn's two India centers; and chairs two alumni interview committees for Penn Admissions.

Ramanan holds a BS in Finance from the University of Pennsylvania's Wharton School and a BSE in Computer Science from the University of Pennsylvania's Moore School of Engineering.

# Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Kubera Cross-Border Fund Limited 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 2014 and 31 December 2013 and the related Consolidated Statement of Operations, Consolidated Statement of Change in Net Assets, and the Consolidated Statement of Cash Flows for the years then ended, and the related Notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; 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.

### Auditors' 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 auditors' 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.

### 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 2014 and 31 December 2013, the results of their operations, the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG
Mumbai, India
19 March 2015

# Consolidated statement of assets and liabilities
as at 31 December 2014

| (Stated in United States Dollars) | Notes | 2014 | 2013 |
|---|---|---|---|
| **Assets** | | | |
| Investments in securities, at fair value | 2(d),2(e) | 58,314,228 | 59,069,278 |
| Cash and cash equivalents | 2(h),5 | 3,830,802 | 5,328,391 |
| Prepaid expenses | | 119,844 | 117,384 |
| **Total assets** | | **62,264,874** | **64,515,053** |
| **Liabilities** | | | |
| Accounts payable | | 213,573 | 113,025 |
| Tax liability | 2(j),7 | – | – |
| **Total liabilities** | | **213,573** | **113,025** |
| **Net assets** | | **62,051,301** | **64,402,028** |
| **Analysis of net assets** | | | |
| **Capital and reserves** | | | |
| Share capital | 6 | 1,097,344 | 1,097,344 |
| Additional paid-in capital | 6 | 111,886,393 | 111,886,393 |
| Accumulated deficit | | (56,080,442) | (53,808,935) |
| | | **56,903,295** | **59,174,802** |
| Non-controlling interest | 8 | 5,148,006 | 5,227,226 |
| | | **5,148,006** | **5,227,226** |
| **Total shareholders' interests** | | **62,051,301** | **64,402,028** |
| *Net asset value per share* | | 0.52 | 0.54 |

Approved by the Board of Directors on 19 March 2015 and signed on its behalf:

See accompanying notes to the consolidated financial statements.

# Consolidated schedule of investments
as at 31 December 2014

| (Stated in United States Dollars)<br>Name of the Entity | Industry | Country | Instrument |
|---|---|---|---|
| NeoPath Limited (Previously known as Venture Infotek Limited) | Investment holding company | Mauritius | Equity shares and Preferred shares |
| Essel Shyam Communication Limited | Media services | India | Compulsorily convertible preference shares and Equity shares |
| Synergies Castings Limited | Automotive components | India | Compulsorily convertible cumulative preference shares, Equity shares and loans |
| Others | Life sciences, Financial services, IT infrastructure | India | Compulsorily convertible preference shares, Equity shares and loans |
| **Total investments in securities and loans to portfolio companies** | | | |

| 2014 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|
| Number of shares | Cost | Fair value | % of net assets | Number of shares | Cost | Fair value | % of net assets |
| 27,928,224 | – | 5,165,272 | 8.32% | 27,928,224 | – | 5,436,679 | 8.44% |
| 6,680,371 | 14,682,134 | 28,206,539 | 45.46% | 6,680,371 | 14,682,134 | 26,604,241 | 41.31% |
| 15,876,948 | 29,388,556 | 23,125,577 | 37.27% | 15,876,948 | 29,408,556 | 22,731,468 | 35.30% |
| 4,587,063 | 24,889,033 | 1,816,840 | 2.93% | 4,874,241 | 27,825,507 | 4,296,890 | 6.67% |
| | **68,959,723** | **58,314,228** | **94.0%** | | **71,916,197** | **59,069,278** | **91.72%** |

# Consolidated statement of operations
for the year ended 31 December 2014

| (Stated in United States Dollars) | Note | 2014 | 2013 |
|---|---|---|---|
| **Investment income** | | | |
| Interest | 2(d),2(f) | 2,275 | 103,207 |
| Dividend | 2(d) | 726,588 | 162,027 |
| Other income | | 32,500 | 275,888 |
| | | **761,363** | **541,122** |
| **Expenses** | | | |
| Investment management fee | 2(m),3 | 1,902,080 | 1,961,097 |
| Carried interest | 2(m),3 | – | – |
| Professional fees | | 201,322 | 249,719 |
| Insurance | | 97,011 | 102,425 |
| Directors' fees and expenses | 4 | 90,902 | 87,485 |
| Administration fees | | 131,500 | 96,233 |
| License fees | | 13,734 | 17,432 |
| Custodian fees | | 10,044 | 17,087 |
| Cost of reports to shareholders | | 5,250 | 7,055 |
| Other expenses | | 18,327 | 83,783 |
| | | **2,470,170** | **2,622,316** |
| **Net investment loss before tax** | | **(1,708,807)** | **(2,081,194)** |
| Taxation | 2(j),7 | – | – |
| **Net investment loss after tax** | | **(1,708,807)** | **(2,081,194)** |
| **Realized and unrealized gain/(loss) on investments** | | | |
| Net realized loss on investment in securities | 2(d),2(e) | (2,754,844) | (34,690,114) |
| Net change in unrealized gain on investments in securities | 2(d),2(e) | 2,201,424 | 6,425,817 |
| **Net gain/(loss) on investments** | | **(553,420)** | **(28,264,297)** |
| **Net decrease in net assets resulting from operations** | | **(2,262,227)** | **(30,345,491)** |
| Equity holding of parent | | (2,271,507) | (27,885,504) |
| Non-controlling interest | | 9,280 | (2,459,987) |
| | | **(2,262,227)** | **(30,345,491)** |

See accompanying notes to the consolidated financial statements.

# Consolidated statement of change in net assets
for the year ended 31 December 2014

| (Stated in United States Dollars) | Share capital | Additional paid-in capital | Accumulated deficit | Non-controlling interest | Total |
|---|---|---|---|---|---|
| As at 1 January 2013 | 1,097,344 | 115,178,423 | (25,923,431) | 8,180,158 | 98,532,494 |
| Capital distribution | – | (3,292,030) | – | (492,945) | (3,784,975) |
| Net decrease in net assets resulting from operations | – | – | (27,885,504) | (2,459,987) | (30,345,491) |
| **As at 31 December 2013** | **1,097,344** | **111,886,393** | **(53,808,935)** | **5,227,226** | **64,402,028** |
| **As at 1 January 2014** | 1,097,344 | 111,886,393 | (53,808,935) | 5,227,226 | 64,402,028 |
| Capital distribution | – | – | – | (88,500) | (88,500) |
| Net (decrease)/increase in net assets resulting from operations | – | – | (2,271,507) | 9,280 | (2,262,227) |
| **As at 31 December 2014** | **1,097,344** | **111,886,393** | **(56,080,442)** | **5,148,006** | **62,051,301** |

See accompanying notes to the consolidated financial statements.

# Consolidated statement of cash flows

for the year ended 31 December 2014

| (Stated in United States Dollars) | 2014 | 2013 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Net decrease in net assets resulting from operations | (2,262,227) | (30,345,491) |
| *Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by/(used) in operating activities* | | |
| Net unrealized loss on investments in securities | (2,201,424) | (6,425,817) |
| Realized gain on investment in securities | 2,754,844 | 34,690,114 |
| Purchase of investment securities | – | (236,892) |
| Proceeds from sale and repayment of investment in securities | 201,630 | 5,613,579 |
| Change in operating assets and liabilities: | | |
| Increase in prepaid expenses | (2,460) | (99,684) |
| Decrease in interest receivable | – | – |
| (Decrease)/Increase in accounts payables | 100,548 | (344,455) |
| **Net cash provided by in operating activities** | **(1,409,089)** | **2,851,354** |
| **Cash flow from financing activities** | | |
| Capital distribution to non-controlling interest shareholders | (88,500) | (492,945) |
| Capital distribution | – | (3,292,030) |
| **Net cash used in financing activities** | **(88,500)** | **(3,784,975)** |
| Net decrease in cash and cash equivalents during the year | (1,497,589) | (933,621) |
| Cash and cash equivalents at beginning of the year | 5,328,391 | 6,262,012 |
| **Cash and cash equivalents at end of the year** | **3,830,802** | **5,328,391** |

See accompanying notes to the consolidated financial statements.

# Notes to the consolidated financial statements
for the year ended 31 December 2014

## 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 managed by Kubera Partners, LLC (the "Investment Manager"), a Delaware limited liability company. 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 and has full discretionary investment management authority.

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

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

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

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

IOMA Fund and Investment Management Limited (the "Administrator") is the administrator of the Fund.

## 2. Significant accounting policies

The accompanying consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles ("US GAAP"). The significant accounting policies adopted by the Company are as follows:

### a. 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 financial statements, the results of operations during the reporting period and the reported amounts of increases and decreases in net assets from operations during the reporting period. Significant estimates and assumptions are used for, but not limited to, accounting for the fair values of investments in portfolio companies. Management believes that the estimates made in the preparation of the financial statements are prudent and reasonable. Actual results could differ from those estimates. Changes in estimates are reflected in the financial statements in the period in which the changes are made and if material, these effects are disclosed in the notes to the financial statements.

### b. Functional currency

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

### c. Basis of consolidation

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

### d. Investment transactions and related investment income and expenses

Investment in securities are held in the custody of Kotak Mahindra Bank Limited. Investment transactions are accounted for on a trade date basis.

# Notes to the consolidated financial statements

for the year ended 31 December 2014 (continued)

## 2. Significant accounting policies (continued)

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

For listed securities dividend income is recognized on the ex-dividend date and for unlisted securities dividend income is recognised 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.

### e. 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.

Investments measured and reported at fair value as determined by the Board of 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 Fund 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 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 inception. When evidence supports a change to the carrying value from the transaction price, adjustments are made to reflect expected exit values in the investment's principal market under current market conditions.

The Group performs ongoing reviews based on an assessment of trends in the performance of each underlying investment from the inception 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.

### *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 Group designates the Investment Manager to oversee the entire valuation process of the Group's investments.

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

The following table summarizes the valuation of the Group's investments based on ASC 820 fair value hierarchy levels as of 31 December 2014.

| | Total | Level I | Level II | Level III |
|---|---|---|---|---|
| **Investments in securities** | **58,314,228** | **316,840** | **–** | **57,997,388** |
| **Total** | **58,314,228** | **316,840** | **–** | **57,997,388** |

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

| | |
|---|---|
| Balance at 1 January 2014 | 58,468,954 |
| Investment in securities | – |
| Proceeds from sale | (20,000) |
| Transfers in (out) of Level III | – |
| Realized loss for the year | – |
| Net change in net unrealized loss | (451,566) |
| Balance at 31 December 2014 | 57,997,388 |

The following table summarizes the valuation of the Group's investments based on ASC 820 fair value hierarchy levels as of 31 December 2013.

| | Total | Level I | Level II | Level III |
|---|---|---|---|---|
| **Investments in securities** | **59,069,278** | **600,324** | **–** | **58,468,954** |
| **Total** | **59,069,278** | **600,324** | **–** | **58,468,954** |

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

| | |
|---|---|
| Balance at 1 January 2013 | 86,842,269 |
| Investment in securities (additional working capital for an existing investment) | 236,892 |
| Proceeds from sale (Refer note 15) | (5,613,579) |
| Transfers in (out of) Level III | 5,171,566 |
| Realized loss for the year | (34,690,114) |
| Change in net unrealized gain | 6,521,920 |
| Balance at 31 December 2013 | 58,468,954 |

# Notes to the consolidated financial statements

for the year ended 31 December 2014 (continued)

## 2. Significant accounting policies (continued)

Total realized and unrealized gains and losses, if any, recorded for the Level III investment is reported in net realized gain (loss) on investments in securities and net change in unrealized gain (loss) on investments in securities respectively, in the statement of operations. Investment in securities includes loans given to subsidiaries of portfolio companies as financial support for working capital requirement of $2,767,207 (Previous year: $5,171,566).

### f. Foreign currency translation

Assets and liabilities denominated in a currency other than the U.S. dollar are translated into U.S. dollars at the exchange rate as at the reporting date. Purchases and sales of investments and income and expenses denominated in currencies other than U.S. 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.

### g. Buy back

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

### h. Cash and cash equivalents

Cash and cash equivalents includes 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.

### i. Related parties

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

### j. Income taxes

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

### k. Fair value of financial instruments other than investment in securities

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

### l. Comprehensive income

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

### m. Investment management fees

On 17 January 2013 and subsequently on 7 June 2013, the Board of Directors of the Company fixed the management fees for the years 2013 to 2015. Provided that if at any time prior to 31 December 2015, the Net Asset Value does not drop below 15 per cent of the Net Asset Value as at 1 January 2013, the Company shall pay a management fee to the Manager which shall be:

- US$1,997,079 per annum for the period from 1 January 2013 to 31 December 2014 less the administration fee payable to IOMA Fund and Investment Management Limited ("IOMA") for such period;
- US$1,697,515 for the period from 1 January 2015 to 31 December 2015 less the administration fee payable to IOMA.

For periods subsequent to 31 December 2015 the management fee will be negotiated by both parties at that time.

*Carried interest*

Under the terms of the Partnership Agreement, Kubera Cross-Border Incentives SPC – Carried Interest SP, the Special Limited Partner of the Partnership and 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 realization of an investment.

Aggregate return, for the purposes of calculating the carried interest, is defined as the net realized gains reduced by the net unrealized losses of the Partnership to the date of such distribution. Realized and unrealized gains or losses on each investment are determined on the most recent announced NAV immediately prior to the date of such distribution.

The payment of carried interest is conditional upon the fact that the last announced adjusted NAV of the Fund prior to the date of distribution should be equal to or greater than the Par Value. The adjusted NAV is arrived at by adding back the value of any income or capital distributions made by the Fund to its shareholders.

In addition, the carried interest payment is adjusted such that, 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.

Eligible carried interest proceeds may not be less than zero.

### n. 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.

## 3. Investment management fees and carried interest

### Investment management fees

For the year ended 31 December 2014, the Fund paid/provided for US$ 1,902,080 towards the investment management fee.

During the year ended 31 December 2013, the Group paid/provided for US$ 1,997,076 towards the investment management fee.

### Carried interest

During the year ended 31 December 2014, no carried interest was paid/provided for by the Fund. During the year ended 31 December 2013, no carried interest was paid/provided for by the Fund.

## 4. Directors' fees and expenses

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

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

## 5. Cash and cash equivalents

| | 2014 | 2012 |
|---|---|---|
| Cash at bank | 830,802 | 5,328,391 |
| Time Deposits | 3,000,000 | – |
| | **3,830,802** | **5,328,391** |

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

| | 2014 | 2013 |
|---|---|---|
| Authorized share capital: | | |
| 1,000,000,000 ordinary shares of $0.01 each | 10,000,000 | 10,000,000 |

# Notes to the consolidated financial statements

for the year ended 31 December 2014 (continued)

## 6. Share capital and additional paid-in capital (continued)

| | Number of Shares | Share Capital | Additional paid-in capital | Total |
|---|---|---|---|---|
| As at 1 January 2013 | 109,734,323 | 1,097,344 | 115,178,423 | 116,275,767 |
| Capital distribution | – | – | (3,292,030) | (3,292,030) |
| **As at 31 December 2013** | **109,734,323** | **1,097,344** | **111,886,393** | **112,983,737** |
| As at 1 January 2014 | 109,734,323 | 1,097,344 | 111,886,393 | 112,983,737 |
| Capital distribution | – | – | – | – |
| **As at 31 December 2014** | **109,734,323** | **1,097,344** | **111,886,393** | **112,983,737** |

## 7. Income taxes

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

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

| | 2014 | 2013 |
|---|---|---|
| *Tax reconciliation* | | |
| **Net decrease in net assets resulting from operations** | **(2,262,227)** | **(30,345,491)** |
| Add: Non allowable expense | – | – |
| Less: Movement in unrealized gain on investment in securities/warrants | – | – |
| Add: Movement in net unrealized loss on investment in securities/warrants | – | – |
| Less: Movement in realized gain on investment in securities | – | (5,376,687) |
| Add: Movement in realized loss on investment in securities | 2,754,844 | 40,066,801 |
| Less: Exempt income | – | (270,784) |
| Less: Movement in net unrealized gain on investment in securities | (2,201,424) | (6,425,817) |
| Less: Adjustment of brought forward loss | – | – |
| Net taxable income/(loss) | (1,708,807) | (2,351,978) |
| Tax @ 15% | – | – |
| Foreign tax paid | 148,767 | 33,174 |
| Foreign tax credit | – | – |
| Tax charge | – | – |

As at 31 December 2014, New Wave Holdings Limited had accumulated tax losses of US$ 281 and therefore no provision for income tax liability arises for the year. The accumulated tax losses can be used and set off against future taxable profits as follows:

Up to the year ending 31 December 2016 – USD 281

The components of deferred tax balances are as follows:

| | 2014 | 2013 |
|---|---|---|
| **Deferred tax assets** | | |
| Business losses – New Wave Holdings Limited | 9 | 1,548 |
| Less: Valuation allowance | (9) | (1,548) |
| **Total deferred tax assets** | **Nil** | **Nil** |

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 2014.

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 2014.

The Fund monitors proposed and issued tax law, regulations and cases to determine the potential impact to uncertain income tax positions. As at 31 December 2014, there are no potential subsequent events that would have a material impact on unrecognized income tax benefits within the next six months.

## 8. Non-controlling interest

| | 2014 | 2013 |
|---|---|---|
| Share capital | 7,648,511 | 7,648,511 |
| Accumulated share of loss | (2,500,505) | (2,421,285) |
| **Total** | **5,148,006** | **5,227,226** |

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

## 9. Transactions with related parties

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

| Name | Nature of relationship |
|---|---|
| Ramanan Raghavendran | Director |
| Martin Michael Adams | Independent Director |
| Robert Michael Tyler | Independent Director |
| Kubera Partners LLC | Investment Manager |
| Kubera Cross-Border Incentives SPC – Carried Interest SP | Special Limited Partner of the Partnership |

# Notes to the consolidated financial statements

for the year ended 31 December 2014 (continued)

## 9. Transactions with related parties (continued)

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

*i. Transactions during the year*

| | 2014 | 2013 |
|---|---|---|
| Investment management fees paid to Investment Manager | 1,902,080 | 1,961,097 |
| Carried interest to Kubera Cross-Border Incentives SPC – Carried Interest SP | – | – |
| Expenses incurred by Kubera Partners LLC on behalf of the Fund | – | 73,074 |
| Director fee and reimbursement of expenses paid to Michel Casselman | – | 16,398 |
| Director fee, consultancy fees, audit committee member fee and reimbursement of expenses paid to Martin Michael Adams | 44,208 | 81,109 |
| Director fee, consultancy fees, audit committee member fee and reimbursement of expenses paid to Robert Michael Tyler | 41,943 | 43,384 |
| Director fee paid to Pravin Ratilal Gandhi | – | 6,000 |

*ii. Amounts outstanding as at 31 December*

| | 2014 | 2013 |
|---|---|---|
| Consultancy fees payable to Martin Michael Adams | – | – |
| Consultancy fees payable to Robert Michael Tyler | – | – |
| Consultancy fees payable to Pravin Ratilal Gandhi | – | – |
| Consultancy fees payable to Michel Casselman | – | – |

## 10. 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. The following summary is not intended to be a comprehensive summary of all risks inherent in investing in the Group and reference should be made to the Group's admission document for a more detailed discussion of risks.

### a) Market risk

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

### b) Industry risk

The Group's investments may have concentration in a particular industry or sector and performance of that particular industry or sector may have a significant impact on the Group. The Group's investments may also be subject to the risk associated with investing in private equity securities. Investments in private equity securities may be illiquid and subject to various restrictions on resale and there can be no assurance that the Group will be able to realize the value of such investments in a timely manner.

### c) Credit risk

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

### d) Currency risk

The Group has assets denominated in currencies other than the US Dollar, the functional currency. The Group is therefore exposed to currency risk as the value of assets denominated in other currencies will fluctuate due to changes in exchange rates. The Group's cash and cash equivalents are held in US Dollars.

### e) Liquidity risk

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

f) Political, economic and social risk

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

## 11. Financial highlights

The financial highlights presented below consist of the Fund's operating expenses and net operating loss ratios for the year ended 31 December 2014 and 31 December 2013, and the internal rate of return ("IRR") since the Fund's admission to trading on AIM, net of all expenses, including carried interest to the Investment Manager :

| | 2014 | 2013 |
|---|---|---|
| Net operating loss | 3.51% | 31.46% |
| Operating expenses before carried interest | 3.84% | 2.72% |
| Carried interest | – | – |
| Operating expenses after carried interest | 3.84% | 2.72% |
| Cumulative IRR since inception (including realized & unrealized gains and losses) | (4.92%) | (5.12%) |

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

## 12. Subsequent events

The Group further evaluated subsequent events from the balance sheet date through to 19 March 2015; the date at which the consolidated financial statements were available to be issued, and determined that there are no other items to disclose.

# Corporate Information

**Board of Directors**
Martin Michael Adams, Chairman
Robert Michael Tyler
Ramanan Raghavendran

**Audit Committee**
Robert Michael Tyler, Chairman
Martin Michael Adams

**Investment Manager**
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# Notes

## Notes

# Notes

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