

**KUBERA CROSS-BORDER FUND LIMITED**

Consolidated Financial Statements for the year ended  
31 December 2018

# Kubera Cross-Border Fund Limited

## **Consolidated financial statements and notes to the consolidated financial statements for the year ended 31 December 2018**

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## **Chairman's Statement**

On behalf of the Board of Directors ("Board"), I am pleased to present the audited financial statements of Kubera Cross-Border Fund Limited (the "Fund") for the year ended 31 December 2018.

### **NAV and Discount**

Following the capital distribution on the 2 November 2018 of USD 5.49 million (USD 0.05 per ordinary share) pro rata to all shareholders of the Fund, the net assets were USD 33.71 million as at 31 December 2018 (2017: USD 41.11 million). The Fund's net asset value ("NAV") was USD 0.31 per share at 31 December 2018 (2017: USD 0.37 per share).

The Fund's share price decreased from USD 0.28 at 31 December 2017 to USD 0.21 at 31 December 2018. The discount of the Fund's share price to NAV decreased from 24% at 31 December 2017 to 32% per cent at 31 December 2018.

### **Portfolio Valuations**

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

### **Distributions to Shareholders**

We are pleased to report that the strategic plan to exit from investments at fair prices and to return capital to shareholders is progressing favourably.

In total, during 2018, USD 5.49 million was distributed to the Fund's shareholders. Cash balances attributable to the Fund as at 31 December 2018 were USD 1.59 million.

On 14 June 2019 the Fund announced the completion of the disposal of the investment in Planetcast Media Services Limited ("PMSL") for net proceeds of INR 1,419 million. This is equivalent to approximately USD 20.00 million at current exchange rates.

Board has declared a distribution of capital of USD 19,752,178 to all shareholders of the Fund. The distribution will consist of a payment of US\$ 0.18 per ordinary share ("share") payable in cash from the Fund's share premium account.

The shares will be marked "ex" on 4 July 2019 and will be paid to shareholders who are recorded on the register on 5 July 2019. The payment date shall be 19 July 2019.

Following the sale of PMSL, the Board's focus has been on the sale of the investment in Synergies Castings Limited, valued at 31 December 2018 at USD 7.84 million and the pending NeoPath Limited tax receipt of USD 3.90 million. The timing of both remain uncertain.

### **Costs and Liquidity**

The Fund reduced administrative costs by a further 6% to USD 627,000 for the year to 31 December 2018 (2017: USD 669,000). The current working capital balances are sufficient to sustain normal operations for the foreseeable future without relying on funding from asset sales or operational cash flows.

## **Corporate governance**

As required by the AIM Rules for Companies, the Fund was required to adopt an officially recognised corporate governance code and provide the required disclosures pursuant to AIM Rule 26, by 28 September 2018. The Board decided that the Fund should formally adopt the Quoted Companies Alliance Code (the “QCA Code”). This is a practical, outcome-oriented approach to corporate governance that is tailored for small and mid-size quoted companies in the UK and which provides the Fund with the framework to help ensure that a strong level of governance is maintained.

As Chairman, I am responsible for leading an effective Board, fostering a good corporate governance culture, maintaining open communications with the Shareholders and ensuring appropriate strategic focus and direction for the Group. The Board believe strongly in the importance of good corporate governance to assist in achieving objectives and in accountability to stakeholders.

The Fund has updated its Corporate governance statement in conjunction with the preparation of its annual report and accounts. The Board notes the QCA Code requirement to provide certain disclosures set out under principles 1 – 10 of the QCA Code as well as the requirement under principle 10 which requires the Fund to identify the omitted disclosures and explain the reason for their omission. As noted, the Fund is currently in realisation mode and on the basis the necessary disclosures around how the Fund approaches corporate governance in line with each of the 10 principles of the QCA Code is contained within its corporate governance statement, it has opted not to include the specific QCA Code disclosures in its annual report and accounts.

The Fund’s QCA Code corporate governance statement can be viewed on the Fund’s investor webpage at <http://www.kuberacrossborderfund.com/>.

## **Closing Remarks**

The Investment Report provides information on progress regarding the implementation of the Fund’s realisation policy and performance of each of the Fund’s investments. Further detailed information on investments, quarterly net asset values and other material events relating to the Fund are available through news releases made to the London Stock Exchange available on [www.londonstockexchange.co.uk](http://www.londonstockexchange.co.uk) under ticker KUBC and through the Fund’s website at [www.kuberacrossborderfund.com](http://www.kuberacrossborderfund.com).

Martin M. Adams  
Chairman

# Investment Report

## Planetcast Media Services Limited

### Company Overview

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

### Investment Summary

- **Investment amount<sup>1</sup>:** USD 13.38 million
- **Investment Date:** November 2008
- **KUBC Holding:** 27.66%
- **NAV/Share:** USD 0.19
- **Type of security:** Preference and equity shares in India entity
- **Realisation:**

Kubera Cross-Border Fund (Mauritius) Limited (“Kubera Mauritius”) entered into a share purchase agreement with a leading global private equity firm on 17 March 2017 to sell its investment in PMSL.

The Fund’s investment in PMSL was sold on 14 June 2019 for a consideration, net of transaction costs of INR 1,419 million<sup>1</sup>. This is equivalent to USD 20.00 million at current exchange rates. The fair value of the investment at 31 December 2018 was USD 21.20 million<sup>1</sup>.

<sup>1</sup> The above figures exclude amounts attributable to the former Manager’s co-investment, which is ~9% of each investment

## Synergies Castings Limited

### Company Overview

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

### Investment Summary

- **Investment amount**<sup>1</sup>: USD 26.45 million
- **Investment Date**: December 2007
- **KUBC Holding**: 35.42%
- **NAV/Share**: USD 0.07
- **Type of security**: Equity and preference shares in India entity
- **Realisation**:

On 11 August 2017, Kubera Mauritius entered into a share purchase and loan assignment agreement with Jamy LLC, a private buyer, for the disposal of its entire equity and debt interests in SCL for an aggregate consideration band of USD 14.00 to 16.00 million, contingent on the timing of the payments from the buyer. Kubera Mauritius has used the lower amount, USD 14.00 million (USD 12.76 million excluding former Manager’s co-investment) in order to determine the fair value of the investment. The actual consideration received may be elsewhere in the range USD 14.00 to 16.00 million, but the exact amount cannot be determined at this time.

The consideration is payable to Kubera Mauritius in four tranches. The first tranche of USD 2.80 million was received on 10 August 2017 which includes USD 1.00 million as advance sale consideration and USD 1.80 million towards the first tranche sale. All the events and formalities with respect to the sale and transfer of the first tranche of shares were completed prior to 31 December 2017. As at 31 December 2018, USD 3.59 million of the second tranche of USD 3.60 million had been received. As at the date of this report, therefore, USD 6.39 million of the total proceeds has been received. The original Kubera Mauritius shareholding in SCL was 52.53% which has since been reduced to 35.42% after the first and second tranche sales.

The Board of the Fund continues to work with the buyer to complete the sale of Kubera Mauritius’ entire interest as soon as practicable.

The fair value of the investment at 31 December 2018 was USD 7.84 million<sup>1</sup>.

<sup>1</sup> The above figures exclude amounts attributable to the former Manager’s co-investment, which is ~9% of each investment.

## NeoPath Limited

### Company Overview

NeoPath Limited (“Neopath”) is a holding company which is expected, in due course, to receive a withholding tax refund following the sale of a credit and debit card transactions processing business in India in 2010. Kubera Mauritius’ 46.95% interest in NeoPath is ultimately held through a wholly owned subsidiary, New Wave Holdings Limited.

### Investment Summary

- **NAV/Share:** USD 0.03
- **Current Value:** USD 3.90 million<sup>1</sup> which is the realisation value discounted to reflect the time value of money, lack of liquidity and credit risks.
- **Realisation:**  
The pending estimated tax receipt attributable to the Fund is USD 4.85 million<sup>1</sup>. The timing of the finalisation and receipt of the tax refund remains uncertain. Kubera Mauritius exited from the business in 2010 and distributed USD 0.33 per share to investors from realised cash flows.

The acquirer of the business deducted withholding tax of USD 15.96 million of which 46.95% is attributable to Kubera Mauritius, which was deposited with the tax authority in India. NeoPath is in the process of claiming a refund of the withholding tax based on its position that the capital gain realised on the sale is exempt from tax in India under the relevant provisions of the India-Mauritius double taxation treaty. Consequently, based on the opinion of tax counsel, the entire amount of USD 15.96 million is considered to be fully recoverable by Neopath. The present value of the estimated tax refund has been included in the fair value of the Kubera Mauritius’ investment in NeoPath as at 31 December 2018. As the timing of the finalisation and receipt of the tax refund remains uncertain, in 2018 NeoPath directly approached the tax authority requesting an early resolution of the case.

<sup>1</sup> The above figures exclude amounts attributable to the former Manager’s co-investment, which is ~9% of each investment.

**Minor Portfolio Holdings: Investments holdings < 5%**

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

## **Independent Auditor's Report**

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

We have audited the accompanying consolidated financial statements of Kubera Cross-Border Fund Limited ('the Company') and its subsidiaries (collectively referred to as 'the Group'), which comprise the consolidated statement of assets and liabilities, including the schedule of investments, as of 31 December 2018 and 2017, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

#### ***Management's Responsibility for the consolidated financial statements***

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

#### ***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.

## **Independent Auditor's Report (*Continued*)**

### **Kubera Cross-Border Fund Limited**

#### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of 31 December 2018 and 2017, and the results of their operations, changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

KPMG

Mumbai, India

27 June 2019

# Kubera Cross-Border Fund Limited

## Consolidated statement of assets and liabilities

as at 31 December 2018

(Stated in United States Dollars)

	<i>Note</i>	2018	2017
<b>Assets</b>			
Investments in securities, at fair value (cost: USD 58,131,057, 2017: USD 61,670,923)	4(a), 4(b)	<b>36,146,337</b>	41,230,029
Cash and cash equivalents	4(e), 6	<b>1,749,404</b>	4,729,610
Prepaid expenses		<b>34,399</b>	22,576
<b>Total assets</b>		<b>37,930,140</b>	<b>45,982,215</b>
<b>Liabilities</b>			
Accounts payable	4(b)	<b>1,099,616</b>	1,088,822
<b>Total liabilities</b>		<b>1,099,616</b>	1,088,822
<b>Net assets</b>		<b>36,830,524</b>	44,893,393
<b>Analysis of net assets</b>			
<b>Capital and reserves</b>			
Share capital	7	<b>1,097,344</b>	1,097,344
Additional paid-in capital	7	<b>106,399,677</b>	111,886,393
Accumulated deficit		<b>(73,789,188)</b>	(71,873,398)
		<b>33,707,833</b>	41,110,339
Non-controlling interest	9	<b>3,122,691</b>	3,783,054
		<b>3,122,691</b>	3,783,054
<b>Total shareholders' interests</b>		<b>36,830,524</b>	44,893,393
<i>Net asset value per share</i>		<b>0.31</b>	0.37

Approved by the Board of Directors on 27 June 2019 and signed on its behalf by:

Director

See accompanying notes to the consolidated financial statements.

# Kubera Cross-Border Fund Limited

## Consolidated schedule of investments

as at 31 December 2018

(Stated in United States Dollars)

Name of the entity	Industry	Country	Instrument	2018			2017		
				Number of shares	Fair Value	% of net assets	Number of shares	Fair Value	% of net assets
NeoPath Limited	Investment holding company	Mauritius	Equity shares and Preferred shares	27,928,224	4,283,079	11.63%	27,928,224	4,701,680	10.47%
PlanetCast Media Services Limited *	Media services	India	Compulsorily convertible preference shares and Equity shares	6,680,371	23,258,258	63.15%	6,680,371	24,630,462	55.83%
Synergies Castings Limited**	Automotive components	India	Compulsorily convertible cumulative preference shares, Equity shares and loans	10,752,435	8,605,000	23.36%	15,876,948	11,897,887	29.43%
Others	Life sciences, Financial services, IT infrastructure	India	Compulsorily convertible preference shares, Equity shares and loans	-	-	-	3,819,162	-	-
<b>Total investments in securities and loans to portfolio companies</b>					<b>36,146,337</b>	<b>98.14%</b>		<b>41,230,029</b>	<b>95.73%</b>

\* The value of PlanetCast Media Services Limited (“PMSL”) as at 31 December 2018 is USD 23.26 million (USD 21.20 million excluding the former Manager’s co-investment). As noted on note 13, the Fund’s investment in PMSL was sold on 14 June 2019 for a consideration, net of transaction costs of INR 1,419 million. This is equivalent to USD 20.00 million at current exchange rates.

\*\* The value of Synergies Castings Limited as at 31 December 2018 is USD 8.60 million (USD 7.84 million excluding the former Manager’s co-investment).

See accompanying notes to the consolidated financial statements.

# Kubera Cross-Border Fund Limited

## Consolidated statement of operations

for the year ended 31 December 2018

(Stated in United States Dollars)

	<i>Note</i>	<b>2018</b>	2017
<b>Investment income</b>			
Interest		<b>23,126</b>	13,282
Foreign exchange loss		<b>(323)</b>	(3,340)
Other Income		<b>31,731</b>	-
		<u><b>54,534</b></u>	<u>9,942</u>
<b>Expenses</b>			
Professional fees		<b>310,510</b>	381,661
Audit fees		<b>40,984</b>	40,022
Insurance		<b>11,544</b>	14,361
Directors' fees and expenses	<i>10</i>	<b>69,269</b>	67,340
Administration fees		<b>110,750</b>	111,743
License fees		<b>8,225</b>	7,952
Custodian fees		<b>21,094</b>	9,020
Other expenses		<b>55,092</b>	36,492
		<u><b>627,468</b></u>	<u>668,591</u>
<b>Net investment loss before tax</b>		<b>(572,934)</b>	(658,649)
Taxation	<i>4(g), 8</i>	<b>-</b>	-
<b>Net investment loss after tax</b>		<u><b>(572,934)</b></u>	<u>(658,649)</u>
<b>Realized and unrealized gain or loss from investments</b>			
Net realized loss from investment in securities	<i>4(a), 4(b)</i>	<b>(2,995,882)</b>	(1,324,076)
Net change in unrealized gain from investments in securities	<i>4(a), 4(b)</i>	<b>1,507,190</b>	1,733,997
<b>Net (loss)/gain from investments</b>		<u><b>(1,488,692)</b></u>	<u>409,921</u>
<b>Net decrease in net assets resulting from operations</b>		<u><b>(2,061,626)</b></u>	<u>(248,728)</u>
Equity holding of parent		<b>(19,15,640)</b>	(265,290)
Non-controlling interest		<b>(145,986)</b>	16,562
		<u><b>(2,061,626)</b></u>	<u>(248,728)</u>

See accompanying notes to the consolidated financial statements.

# Kubera Cross-Border Fund Limited

## Consolidated statement of changes in net assets as at 31 December 2018

(Stated in United States Dollars)

	2018	2017
<b>Operations</b>		
Net investment loss	(572,934)	(658,649)
Net realized loss from investments in securities	(2,995,882)	(1,324,076)
Net change in unrealized loss from investments in securities	1,507,190	1,733,997
<b>Net decrease in net assets resulting from operations</b>	<u>(2,061,626)</u>	<u>(248,728)</u>
<b>Capital share transactions</b>		
Capital distribution to the Fund's shareholders	(5,486,716)	-
Capital distribution to non-controlling interest	(514,527)	(130,776)
<b>Decrease in net assets resulting from capital share transactions</b>	<u>(6,001,243)</u>	<u>(130,776)</u>
<b>Decrease in net assets</b>	<b>(8,062,869)</b>	<b>(248,728)</b>
Net assets, beginning of year	<u>44,893,393</u>	<u>45,142,121</u>
Net assets, end of year	<u><b>36,830,524</b></u>	<u>44,893,393</u>

See accompanying notes to the consolidated financial statements.

# Kubera Cross-Border Fund Limited

## Consolidated statement of cash flows

for the year ended 31 December 2018

(Stated in United States Dollars)

	2018	2017
<b>Cash flow from operating activities</b>		
Net decrease in net assets resulting from operations	(2,061,626)	(248,728)
<i>Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by) operating activities:</i>		
Net unrealized (gain)/loss from investments in securities	(1,507,190)	(1,733,997)
Realized loss from investment in securities	2,995,882	1,324,076
Proceeds from sale of investment in securities	3,595,000	1,840,256
Change in operating assets and liabilities:		
Increase in prepaid expenses	(623)	(6,660)
Increase in accounts payables	10,794	955,555
<b>Net cash provided by operating activities</b>	<b>3,021,037</b>	<b>2,130,502</b>
<b>Cash flow from financing activities</b>		
Capital distributions to the Fund's shareholders	(5,486,716)	-
Capital distributions to non-controlling interest shareholders	(514,527)	(130,776)
<b>Net cash used in financing activities</b>	<b>(6,001,243)</b>	<b>(130,776)</b>
Net (decrease)/increase in cash and cash equivalents	<b>(2,980,206)</b>	<b>1,999,726</b>
Cash and cash equivalents, beginning of year	<b>4,729,610</b>	<b>2,729,884</b>
<b>Cash and cash equivalents, end of year</b>	<b>1,749,404</b>	<b>4,729,610</b>

See accompanying notes to the consolidated financial statements.

# Kubera Cross-Border Fund Limited

## Notes to the consolidated financial statements

for the year ended 31 December 2018

(Stated in United States Dollars)

### 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 does not have a fixed life. As per shareholder resolutions passed in early 2013, the Fund is in realisation mode, such that the Fund makes no new investments and becomes a realisation vehicle whose objective is to carry out an orderly realisation of the portfolio and distribution of the net proceeds to shareholders.

The Fund is a Limited Partner in Kubera Cross-Border Fund LP (“the Partnership”), an exempted limited partnership formed on 28 November 2006, in accordance with the laws of Cayman Islands.

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

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

Kubera Partners LLC (the “former Investment Manager”), a Delaware limited liability company, managed the investments of the Fund and had full discretionary investment management authority until the expiry of the Investment Management Agreement on 22 December 2016. Following the expiry of the Investment Management Agreement, the Fund has been self-managed by the Board of Directors (the “Board”).

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

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

### 2. Basis of Preparation

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

#### *Functional currency*

The measurement and presentation currency of the consolidated financial statements is United States Dollar reflecting the fact that subscriptions to and redemptions from the Fund are made in United States Dollars and the Fund’s operations are primarily conducted in United States Dollars.

#### *Basis of consolidation*

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

# Kubera Cross-Border Fund Limited

## Notes to the consolidated financial statements

for the year ended 31 December 2018

(Stated in United States Dollars)

### 2. Basis of Preparation (*Continued*)

#### *Going concern*

In assessing the going concern basis of preparation of the consolidated financial statements for the year ended 31 December 2018, the Directors, with the assistance of the Administrator, have prepared cash-flow forecasts, and stress-tested the assumptions in those forecasts. The conclusion reached is that while there will always remain inherent uncertainty within the cash flow forecasts, the Directors have a reasonable expectation that the Fund has adequate resources backed up by the intent to continue in operational existence for the foreseeable future, and for a period of at least 18 months from the date of signing of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2018.

### 3. Use of estimates

US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, the consolidated results of operations during the reporting period and the reported amounts of increases and decreases in net assets from operations during the reporting period. Significant estimates and assumptions are used for, but not limited to, accounting for the fair values of investments in portfolio companies. The Directors believe that the estimates made in the preparation of the consolidated financial statements are prudent and reasonable. Actual results could differ from those estimates. Changes in estimates are reflected in the consolidated financial statements in the period in which the changes are made and if material, these effects are disclosed in the notes to the consolidated financial statements.

### 4. Significant accounting policies

#### *a. Investment transactions and related investment income and expenses*

Investment transactions are accounted for on a trade date basis.

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

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

#### *b. Fair value*

##### *Definition and hierarchy*

Investments are recorded at estimated fair value as at year-end 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.

**Kubera Cross-Border Fund Limited**  
**Notes to the consolidated financial statements**  
*for the year ended 31 December 2018*  
(Stated in United States Dollars)

**4. Significant accounting policies (Continued)**

**b. Fair value (Continued)**

***Definition and hierarchy (Continued)***

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

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

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

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

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

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

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

***Valuation***

***Private company***

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

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

# Kubera Cross-Border Fund Limited

## Notes to the consolidated financial statements

for the year ended 31 December 2018

(Stated in United States Dollars)

### 4. Significant accounting policies (Continued)

#### b. Fair value (Continued)

##### Definition and hierarchy (Continued)

##### Valuation process

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

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

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

In completing the valuations of investments in equity shares, preferred shares, compulsorily convertible preference shares, compulsorily convertible cumulative preference shares and loans having a fair value of USD 36,146,337 (previous year: USD 41,230,029), the Board considers the following:

- The value of the Fund's interest in Planetcast Media Services Limited ("PMSL") and Synergies Castings Limited ("SCL") as reported in these financial statements is based on the selling price determined in the SPA at exchange rates prevailing at the year-end date.
- The value of the NeoPath Limited tax refund receivable is based on the expected realisation value discounted to reflect the time value of money, lack of liquidity and credit risks. The timing of the finalization and receipt of the tax refund remains uncertain though recent legal opinion has confirmed that the formal hearing of the matter should take place in the near future, with a final decision on the case by late 2021

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

The following table summarizes the valuation of the Group's investments based on ASC 820 fair value hierarchy levels as of 31 December 2018.

	Total	Level I	Level II	Level III
Investments in securities and loans to portfolio companies	36,146,337	-	-	36,146,337
<b>Total</b>	<b>36,146,337</b>	<b>-</b>	<b>-</b>	<b>36,146,337</b>

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

<b>Balance at 1 January 2018</b>	<b>41,230,029</b>
Proceeds from sale	(3,595,000)
Realised loss for the year	(2,995,882)
Change in net unrealized gain/(loss)	1,507,190
<b>Balance at 31 December 2018</b>	<b>36,146,337</b>

Proceeds of sale of USD 3,595,000 included consideration of USD 2,920,938 for SCL shares which were originally acquired at a cost of USD 5,916,820 resulting in realized loss of USD 2,995,882.

In addition, a USD 1,000,000 advance was received in 2017 as part of the sale consideration for first tranche of shares of SCL which will be set off against the final tranche consideration and is included in the USD 1,099,616 accounts payable balance.

# Kubera Cross-Border Fund Limited

## Notes to the consolidated financial statements

for the year ended 31 December 2018

(Stated in United States Dollars)

### 4. Significant accounting policies (*Continued*)

#### *b. Fair value (Continued)*

During the year ended 31 December 2018 and 31 December 2017, the Group did not have any transfers between any of the levels of the fair value hierarchy.

#### *c. Foreign currency translation*

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

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

#### *d. Buy back*

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

#### *e. Cash and cash equivalents*

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

#### *f. Related parties*

Related parties include parties that are defined as such under FASB Accounting Standards Codification Topic 850-10-20 whereby amongst other criteria, parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

#### *g. Income taxes*

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Group. Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between carrying amount of existing assets and liabilities in the consolidated financial statements and their respective tax bases and operating losses carried forward. Deferred tax assets and liabilities are measured using prevailing tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statement of operations in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits of which future realization is not more likely than not.

The Group is required to determine whether its tax positions are “more likely than not” to be sustained upon examination by applicable taxing authority, based on technical merits of the position. Tax positions not deemed to meet a “more likely than not” threshold would be recorded as a tax expense in the current year. Based on its analysis, the Fund has determined that it has not incurred any liability for unrecognized tax benefits in income tax expense. There were no interest and penalties for the year ended 31 December 2018.

# Kubera Cross-Border Fund Limited

## Notes to the consolidated financial statements

for the year ended 31 December 2018

(Stated in United States Dollars)

### 4. Significant accounting policies (*Continued*)

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

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

#### *i. Comprehensive income*

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

#### *j. Carried interest*

Under the terms of the Partnership Agreement, Kubera Cross-Border Incentives SPC – Carried Interest SP, the Special Limited Partner of the Partnership is entitled to receive a carried interest from the Partnership equivalent to 20 per cent, of the aggregate return over investment received by the Partnership following the full or partial cash realization of an investment. The payment of the carried interest is conditional upon the last announced net asset value (as adjusted to add back the value of any income or capital shareholder distributions to date) at the date of payment of such carried interest, being equal to or greater than the value of the gross proceeds of the original placing of the Fund's shares. In addition, the carried interest payment will be adjusted, up or down, by such amount as is required to achieve the position that, following such distribution, the aggregate cumulative amount of carried interest paid at the date of such distribution will equal 20 per cent, of the eligible carried interest proceeds (being the net realized gains of the Partnership to the date of such distribution reduced by the net unrealized losses). Eligible carried interest proceeds may not be less than zero.

#### *k. Recent accounting pronouncements*

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

#### *l. Net asset value per share*

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

# Kubera Cross-Border Fund Limited

## Notes to the consolidated financial statements

for the year ended 31 December 2018

(Stated in United States Dollars)

### 5. Directors' fees and expenses

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

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

### 6. Cash and cash equivalents

	2018	2017
Cash at bank	649,404	3,629,610
Time Deposits	1,100,000	1,100,000
	1,749,404	4,729,610

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

	2018	2017
Authorized share capital: 1,000,000,000 ordinary shares of USD 0.01 each	10,000,000	10,000,000

	Number of Shares	Share Capital	Additional paid-in capital	Total
As at 1 January 2017	109,734,323	1,097,344	111,886,393	112,983,737
Capital distribution	-	-	-	-
As at 31 December 2017	109,734,323	1,097,344	111,886,393	112,983,737
<b>As at 1 January 2018</b>	<b>109,734,323</b>	<b>1,097,344</b>	<b>111,886,393</b>	<b>112,983,737</b>
<b>Capital distribution</b>	<b>-</b>	<b>-</b>	<b>(5,486,716)</b>	<b>(5,486,716)</b>
<b>As at 31 December 2018</b>	<b>109,734,323</b>	<b>1,097,344</b>	<b>106,399,677</b>	<b>107,497,021</b>

Share capital consists of a single class of ordinary shares.

### 8. Income taxes

Under the laws of the Cayman Islands, the Fund, the General Partner and the Partnership are not required to pay any tax on profits, income and gains or appreciations. In addition, no tax is to be levied on profits, income, gains, or appreciations or which is in the nature of estate duty or inheritance tax on the shares, debentures or other obligations of the Fund and its Cayman based entities, or by way of withholding in whole or part of a payment of dividend or other distribution of income or capital by the Fund and its Cayman based entities, to its members or a payment of principal or interest or other sums due under a debenture or other obligation of the Fund and its Cayman based entities.

Under laws and regulations in Mauritius, the Fund's majority owned subsidiaries, Kubera Mauritius and New Wave Holdings Limited, are liable to pay income tax on their net income at a rate of 15%. They are however entitled to a tax credit equivalent to the higher of actual foreign tax suffered or 80% of Mauritius tax payable in respect of their foreign source income tax thus reducing their maximum effective tax rate to 3%. With effect from 1 January 2019, the Income Tax (Foreign Tax Credit) has been amended to remove the deemed foreign tax credit and allow companies holding Category 1 Global Business License ("GBC 1") incorporated on or before 16 October 2017 to claim the deemed foreign tax credit on foreign source income up to 30 June 2021. Companies may continue to claim actual foreign tax suffered as a credit risk against tax payable in Mauritius. Both subsidiaries have received a tax residence certificate from the Mauritian authorities certifying that they are residents of Mauritius, which is renewable on an

# Kubera Cross-Border Fund Limited

## Notes to the consolidated financial statements

for the year ended 31 December 2018

(Stated in United States Dollars)

### 8. Income taxes (Continued)

annual basis subject to meeting certain conditions and which make them eligible to obtain benefits under the Double Tax Avoidance Treaty between Mauritius and India.

No Mauritian capital gains tax is payable on profits arising from sale of securities, and any dividends and redemption proceeds paid by Kubera Mauritius and New Wave Holdings Limited to its shareholders are not subject withholding tax in Mauritius.

With the assistance of the Administrator and advisers, the Board monitors proposed and issued tax law, regulations and cases to determine the potential impact to uncertain income tax positions. As at 31 December 2018, there are no potential subsequent events that would have a material impact on unrecognized income tax benefits within the next 12 months.

<i>Tax reconciliation</i>	<b>2018</b>	<b>2017</b>
<b>Net decrease in net assets resulting from operations</b>	<b>(2,061,626)</b>	(248,728)
Add: Non allowable expense	-	226,978
Add: Unrealized loss on investment in securities	-	133,285
Add: Realized loss on investment in securities	<b>2,995,882</b>	1,324,076
Add: Unrealized gains on investments	<b>(1,507,190)</b>	(1,733,997)
Net taxable loss	<b>(572,934)</b>	(298,386)
Tax @ 15%		
Foreign tax credit tax credit	-	-
Tax charge	-	-

The deferred tax balances as at 31 December 2018 is nil (2017: nil).

### 9. Non-controlling interest

	<b>2018</b>	<b>2017</b>
Share capital	<b>7,648,511</b>	7,648,511
Accumulated share of loss	<b>(4,525,820)</b>	(3,865,457)
<b>Total</b>	<b>3,122,691</b>	3,783,054

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

### 10. Transactions with related parties

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

<b>Name</b>	<b>Nature of relationship</b>
Ramanan Raghavendran	Director
Martin Michael Adams	Independent Director
Robert Michael Tyler	Independent Director

# Kubera Cross-Border Fund Limited

## Notes to the consolidated financial statements

for the year ended 31 December 2018

(Stated in United States Dollars)

Kubera Cross-Border Incentives SPC – Carried Interest SP	Special Limited Partner of the Partnership
Kubera Cross-Border Fund GP Limited	Subsidiary
Kubera Cross-Border Fund LP	Subsidiary
Kubera Cross-Border Fund (Mauritius) Limited	Subsidiary
New Wave Holdings Limited	Subsidiary

Transactions during the year with related parties and amounts outstanding as at 31 December 2018 are as disclosed below:

i. Transactions during the year ended 31 December 2018

	2018	2017
Director fee paid to Martin Michael Adams	35,977	35,061
Director fee paid to Robert Michael Tyler	33,293	32,279

ii. Closing balance as at 31 December 2018

	2018	2017
Capital distribution payable to Kubera Cross-Border Incentives SPC – Co-Investment SP	514,527	-

## 11. Financial instruments and associated risks

The Group's investment activities expose it to various types of risks, which are associated with the financial instruments and markets in which it invests. The financial instruments expose the Group in varying degrees to elements of liquidity, market and credit risk. Risk management is carried out by the Board, with assistance from the Administrator to the extent possible and as appropriate.

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

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

a) **Market risk**

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

b) **Industry risk**

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

# Kubera Cross-Border Fund Limited

## Notes to the consolidated financial statements

for the year ended 31 December 2018

(Stated in United States Dollars)

**c) Credit risk**

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

**d) Currency risk**

The Group has assets denominated in currencies other than the US Dollar, the functional currency. The Group is therefore exposed to currency risk as the value of assets denominated in other currencies will fluctuate due to changes in exchange rates. The Group's cash and cash equivalents are held in US Dollars. The Group does not hedge against foreign exchange movement.

**e) Liquidity risk**

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

**f) Political, economic and social risk**

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

## 12. Financial highlights

The financial highlights presented below consist of the Group's operating expenses and net operating loss ratios for the years ended 31 December 2018 and 31 December 2017, and the internal rate of return ("IRR") since the Fund's admission to trading on AIM, net of all expenses, including carried interest to the former Investment Manager:

	<b>2018</b>	<b>2017</b>
Net operating loss	<b>(4.62%)</b>	(0.55%)
Operating expenses before carried interest	<b>1.46%</b>	1.49%
Carried interest	-	-
Operating expenses after carried interest	<b>1.46%</b>	1.49%
Cumulative IRR since inception (including realized & unrealized gains and losses)	<b>(6.56%)</b>	(6.01%)

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

## 13. Subsequent events

Kubera Cross-Border Fund (Mauritius) Limited ("Kubera Mauritius") entered into a share purchase agreement with a leading global private equity firm on 17 March 2017 to sell its investment in PMSL.

The Fund's investment in PMSL was sold on 14 June 2019 for a consideration, net of transaction costs of INR 1,419 million. This is equivalent to USD 20.00 million at current exchange rates. The fair value of the investment at 31 December 2018 was USD 21.20 million.

There were no other significant subsequent events.

# Corporate Information

## Board of Directors

Martin Michael Adams, Chairman  
Ramanan Raghavendran  
Robert Michael Tyler

## Broker

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