FMG INDIA OPPORTUNITY FUND LTD.

Financial Statements
(With Auditors' Report Thereon)

March 31, 2010 and 2009

KPMG
Crown House
4 Par-la-Ville Road
Hamilton HM 08, Bermuda
Mailing Address:
P.O. Box HM 906
Hamilton HM DX, Bermuda

Telephone 441 295-5063
Fax 441 295-9132
www.kpmg.bm

AUDITORS' REPORT

To the Directors and Shareholders of
FMG India Opportunity Fund Ltd.

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of FMG India Opportunity Fund Ltd. (the "Fund") as at March 31, 2010, and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FMG India Opportunity Fund Ltd. as at March 31, 2010, and the results of its operations and changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in Bermuda and Canada.

KPMG

Chartered Accountants
Hamilton, Bermuda
October 13, 2010

FMG INDIA OPPORTUNITY FUND LTD.

Statement of Assets and Liabilities

March 31, 2010
(Expressed in United States Dollars)

		2010		2009
Assets				
Investments in other investment companies				
(cost - $15,748,065; 2009 - $16,243,316)				
(see Schedule of Investments) (Notes 2(a), 5, 8 and 9)	$	17,631,193	$	6,969,741
Cash and cash equivalents (Notes 5 and 10)		2,435,992		509,011
Unrealized gain on forward foreign exchange contracts (Notes 5, 8 and 9)		–		207,498
Other assets		11,845		8,050
Total assets		20,079,030		7,694,300
Liabilities				
Redemptions payable (Note 6)		10,897,523		–
Unrealized loss on forward foreign exchange contracts (Notes 5, 8 and 9)		114,421		–
Subscriptions received in advance		163,967		8,900
Management fees and incentive fees payable (Note 3)		78,155		37,692
Administration fees payable (Note 4)		16,080		10,900
Audit fees payable		20,000		20,000
Accounts payable and accrued expenses		16,650		6,963
Total liabilities		11,306,796		84,455
Net assets		8,772,234		7,609,845
Less: attributable to 100 common shares (Note 6)		(100)		(100)
Net assets attributable to redeemable preference shares (Note 6)	$	8,772,134	$	7,609,745
Net assets attributable to 36,656 (2009 - 46,366) US Dollar Class A redeemable preference shares	$	4,025,502	$	2,276,331
Net asset value per US Dollar Class A redeemable preference share	$	109.81	$	49.09
Net assets attributable to 4,569 (2009 - nil) US Dollar Class A09 redeemable preference shares	$	518,591	$	–
Net asset value per US Dollar Class A09 redeemable preference share	$	113.49	$	–

See accompanying notes to financial statements

FMG INDIA OPPORTUNITY FUND LTD.

Statement of Assets and Liabilities (continued)

March 31, 2010
(Expressed in United States Dollars)

		2010		2009
Net assets attributable to 479,240 (2009 - 566,629) US Dollar Class B redeemable preference shares	$	2,590,040	$	1,362,447
Net asset value per US Dollar Class B redeemable preference share	$	5.40	$	2.40
Net assets attributable to 36,466 (2009 - nil) US Dollar Class B09 redeemable preference shares	$	372,378	$	–
Net asset value per US Dollar Class B09 redeemable preference share	$	10.21	$	–
Net assets of $439,850 (2009 - $121,233) attributable to 6,365 (2009 - 3,869) Euro Class A redeemable preference shares	€	325,671	€	91,249
Net asset value per Euro Class A redeemable preference share	€	51.16	€	23.58
Net assets of $336,381 (2009 - nil) attributable to 2,229 (2009 - nil) Euro Class A09 redeemable preference shares	€	249,005	€	–
Net asset value per Euro Class A09 redeemable preference share	€	111.70	€	–
Net assets of $244,077 (2009 - $3,849,734) attributable to 37,439 (2009 - 1,365,601) Euro Class B redeemable preference shares	€	173,147	€	2,897,662
Net asset value per Euro Class B redeemable preference share	€	4.62	€	2.12
Net assets of $245,315 (2009 - $nil) attributable to 10,611 (2009 - nil) Euro Class B09 redeemable preference shares	€	180,970	€	–
Net asset value per Euro Class B09 redeemable preference share	€	17.05	€	–

See accompanying notes to financial statements

Signed on behalf of the Board

_______________________________________ Director

_______________________________________ Director

FMG INDIA OPPORTUNITY FUND LTD.

Schedule of Investments

March 31, 2010
(Expressed in United States Dollars)

Other Investment Companies	Cost	Fair Value	% of Net Assets	Redemption Frequency
Unifi India Fund Ltd Class B - Series 05/09	$ 591,740	$ 586,470	6.69%	Monthly
Unifi India Fund Ltd Class B - Series 1	5,000,750	5,205,057	59.34%	Monthly
Unifi India Fund Ltd Class B - Series 02/08	300,000	233,927	2.67%	Monthly
India Emerging Opportunities Fund Limited	4,886,135	3,609,258	41.14%	Daily
Global Investment Opportunities Fund Limited	4,969,440	7,996,481	91.15%	Monthly
Total investments in other investment companies	$ 15,748,065	$ 17,631,193	200.99%	

See accompanying notes to financial statements

FMG INDIA OPPORTUNITY FUND LTD.

Schedule of Investments

March 31, 2009
(Expressed in United States Dollars)

Other Investments Companies	Cost	Fair Value	% of Net Assets	Redemption Frequency
Global Investment Opportunities Fund Limited	$ 4,874,398	$ 2,973,802	39.08%	Monthly
India Emerging Opportunities Fund Limited	5,212,556	2,144,952	28.19%	Daily
Unifi India Fund Ltd Class B - Series 1	5,856,362	1,778,168	23.37%	Monthly
Unifi India Fund Ltd Class B - Series 02/08	300,000	72,819	0.95%	Monthly
Total investments in other investments companies	$ 16,243,316	$ 6,969,741	91.59%	

See accompanying notes to financial statements

FMG INDIA OPPORTUNITY FUND LTD.

Statement of Operations

Year ended March 31, 2010
(Expressed in United States Dollars)

	2010	2009
Investment income		
Rebate income	$ 111,005	$ 128,082
Total income	111,005	128,082
Expenses		
Incentive fees (Note3)	140,216	–
Management fees (Note 3)	281,441	366,031
Administration fees (Note 4)	59,860	50,713
Audit fees	20,840	30,212
Bank charges	6,005	4,182
Custodian fees (Note 5)	5,201	1,312
Directors' and secretarial fees	12,507	12,681
Miscellaneous	20,097	18,522
Total expenses	546,167	483,653
Net investment loss	(435,162)	(355,571)
Realized and unrealized gains and losses on investments		
Net realized gains (losses) on sale of investments	4,086	(4,100,290)
Net realized losses on forward foreign exchange contracts	(117,330)	(1,904,289)
Net change in unrealized gains and losses on investments	11,156,703	(20,488,566)
Net change in unrealized gains and losses on forward foreign exchange contracts	(321,919)	98,759
Net realized and unrealized gains and losses on investments	10,721,540	(26,394,386)
Net increase (decrease) in net assets from operations	$ 10,286,378	$ (26,749,957)

See accompanying notes to financial statements

FMG INDIA OPPORTUNITY FUND LTD.

Statement of Changes in Net Assets

Year ended March 31, 2010
(Expressed in United States Dollars)

	2010	2009
Net increase (decrease) in net assets resulting from operations		
Net investment loss	$ (435,162)	$ (355,571)
Net realized gains (losses) on sale of investments	4,086	(4,100,290)
Net realized losses on forward foreign exchange contracts	(117,330)	(1,904,289)
Net change in unrealized gains and losses on investments	11,156,703	(20,488,566)
Net change in unrealized gains and losses on forward foreign exchange contracts	(321,919)	98,759
Net increase (decrease) in net assets from operations	10,286,378	(26,749,957)
From capital share transactions		
Proceeds from sale of 950 (2009 - 5,882) US Dollar Class A redeemable preference shares	87,485	774,024
Proceeds from sale of 4,916 (2009 - nil) US Dollar Class A09 redeemable preference shares	511,917	–
Proceeds from sale of 23,042 (2009 - 305,878) US Dollar Class B redeemable preference shares	118,439	2,009,017
Proceeds from sale of 36,466 (2009 - nil) US Dollar Class B09 redeemable preference shares	360,050	–
Proceeds from sale of 5,944 (2009 - 3,063) EUR Class A redeemable preference shares	373,014	368,853
Proceeds from sale of 2,325 (2009 - nil) EUR Class A09 redeemable preference shares	341,616	–
Proceeds from sale of nil (2009 - 2,538,518) EUR Class B redeemable preference shares	–	13,714,461
Proceeds from sale of 230,234 (2009 - nil) EUR Class B09 redeemable preference shares	4,364,520	–
Payment on redemption of 10,660 (2009 - 20,730) US Dollar Class A redeemable preference shares	(1,088,608)	(2,392,152)
Payment on redemption of 347 (2009 - nil) US Dollar Class A09 redeemable preference shares	(39,368)	–
Payment on redemption of 110,431 (2009 - 3,047,267) US Dollar Class B redeemable preference shares	(488,989)	(11,692,891)
Payment on redemption of 3,448 (2009 - 6,139) EUR Class A redeemable preference shares	(239,449)	(664,151)
Payment on redemption of 96 (2009 - nil) EUR Class A09 redeemable preference shares	(14,486)	–
Payment on redemption of 1,328,162 (2009 - 1,292,960) EUR Class B redeemable preference shares	(8,274,596)	(4,369,895)
Payment on redemption of 219,623 (2009 - nil) EUR Class B09 redeemable preference shares	(5,135,534)	–
Net decrease in net assets from capital share transactions	(9,123,989)	(2,252,734)
Net increase (decrease) in net assets attributable to redeemable preference shares	1,162,389	(29,002,691)
Net assets attributable to redeemable preference shares at the beginning of the year	7,609,745	36,612,436
Net assets attributable to redeemable preference shares at the end of the year	$ 8,772,134	$ 7,609,745

See accompanying notes to financial statements

FMG INDIA OPPORTUNITY FUND LTD.

Statement of Cash Flows

Year ended March 31, 2010
(Expressed in United States Dollars)

	2010	2009
Cash flows from operating activities:		
Net increase (decrease) in net assets from operations	$ 10,286,378	$ (26,749,957)
Adjustments to reconcile net increase (decrease) in net assets resulting from operation to net cash (used in) provided by operating activities:		
Change in assets and liabilities:		
Net change in investments and derivative financial instruments	(10,339,533)	28,087,651
Other assets	(3,795)	34,203
Management fees and incentive fees payable	40,463	(158,776)
Administration fees payable	5,180	(9,891)
Audit fees payable	–	1,750
Accounts payable and accrued expenses	9,687	(76,654)
Net cash (used in) provided by operating activities	(1,620)	1,128,326
Cash flows from financing activities		
Proceeds from issue of redeemable preference shares	6,312,108	16,538,373
Payments on redemptions of redeemable preference shares	(4,383,507)	(19,119,089)
Net cash provided by (used in) financing activities	1,928,601	(2,580,716)
Net increase (decrease) in cash and cash equivalents	1,926,981	(1,452,390)
Cash and cash equivalents at beginning of year	509,011	1,961,401
Cash and cash equivalents at end of year	$ 2,435,992	$ 509,011

See accompanying notes to financial statements

1. Operations

The FMG India Opportunity Fund Ltd. (the "Fund") was incorporated in Bermuda on July 19, 2005 as an open-ended investment fund, empowered by its bye-laws to issue, redeem and reissue its own shares at prices based on their net asset value.

The Fund invests in a higher risk portfolio of securities in Indian companies that may be late stage private equity, pre/post IPO, or small cap equity securities, either through managed accounts, mutual funds or traditional hedge funds with the objective of earning a return in excess of that earned on the MSCI India Index.

2. Significant accounting policies

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in Bermuda and Canada. The following are the significant accounting policies adopted by the Fund:

(a) Investment transactions and valuation

Investments are categorized as held for trading in accordance with CICA Section 3855, *Financial Instruments – Recognition and Measurement* ("Section 3855") and therefore are recorded at fair value. The adoption of Section 3855 does not impact the manner in which the investments in other investment companies are valued since bid prices are not available. Investments in other investment companies are recorded on the effective date of the subscription and are valued at their net asset value as reported by the administrators of the other investment companies. Where net asset values are not reported on a timely basis, the Manager (Note 3) may estimate the net asset value based on information provided by the other investment companies. The other investment companies in which the Fund invests generally value securities traded on a national securities exchange or reported on a national market and securities traded in the over-the-counter market at the last reported bid price if held long and the last reported ask price if sold short on the valuation day. Realized gains or losses on sale of investments are determined on an average cost basis. Realized gains and losses and the net change in unrealized gains and losses are included in the statement of operations.

The Fund may allocate its assets to an advisor by retaining the advisor to manage a managed account for the Fund rather than investing in the advisor's investment vehicle. Unlike an investment in a fund, the Fund will not receive shares or any other form of title, but will simply rank as a creditor of the advisor. There will be no investment capable of being held by the Fund's custodian on behalf of the Fund and the Fund's custodian will not be involved in providing custody for the assets held in the managed account. The advisor for the managed account will make separate custody arrangements for the investments held therein. Any loss arising as a result of an investment in a managed account will be borne by the shareholders.

(b) India business environment

The Fund invests in companies that are mainly located in India. India is an emerging market which is experiencing significant economic growth and change. Consequently, operations in India involve risks, which do not typically exist in other markets. Such risks include, but are not limited to, the Fund's investments in companies in India which may prove difficult to sell in times of forced liquidity, risks involved in estimating the value of the underlying businesses, potential adverse changes to the legal, regulatory and taxation environments that could adversely affect the underlying businesses, currency fluctuations, changes in interest rates, institutional, settlement and custodial risks, and other risks generally associated with investing in immature emerging markets. The accompanying financial statements reflect management's assessment of the impact of the region's business environment on the operations and the financial position of the Fund. The actual business environment may differ from management's assessment.

2. **Significant accounting policies** (continued)

(c) Forward foreign exchange contracts

The Fund purchases forward foreign exchange contracts in amounts approximating the net assets attributable to the Euro classes of redeemable preference shares to manage its exposure against changes in the US Dollar/Euro exchange rates. Forward foreign exchange contracts are recorded at fair value at the reporting date. The unrealized gain or loss on open forward foreign exchange contracts on each valuation date is the difference between the contract date exchange rate and the forward exchange rate at the valuation date, as reported by published sources, applied to the face amount of the contract. The unrealized gain or loss at the reporting date is included in the statement of assets and liabilities. Realized and unrealized changes in the fair value of the forward foreign exchange contracts are included in the statement of operations in the period in which the change occurs and are attributed entirely to the classes of redeemable preference shares to which the individual contract relates (see Notes 2(d) and 9(e)).

(d) Allocation of profits and losses

The profit or loss of the Fund for each month, excluding realized and unrealized gains and losses on forward foreign exchange contracts used for hedging (Notes 2(c) and 9(e)) and before management and incentive fees, is allocated at the end of each month between the US Dollar and Euro classes of redeemable preference shares (Note 6). The amount is allocated in proportion to the relative net assets of each class of redeemable preference shares on the first day of the month after adding subscriptions and deducting redemptions effective that day. All of the realized and unrealized gains and losses on forward foreign exchange contracts used for hedging are allocated to the appropriate class of redeemable preference shares. Management and incentive fees are calculated separately for each class of redeemable preference shares (Note 3).

(e) Foreign currency transactions

Foreign currency investments and balances that are monetary items, predominantly cash, are translated into US Dollars at the rate of exchange prevailing on the valuation date. Foreign currency transactions have been translated at the rate in effect at the date of the transaction. Any realized or unrealized exchange adjustments are included in the related caption in the statement of operations.

(f) Interest income and expense

Interest income and expense are recognized on the accrual basis of accounting.

(g) Rebate income

The Fund receives rebates of part of the management and incentive fees charged on those investments in other investment companies that are also managed by the Fund's Manager (Note 3), or as per the investment agreements entered into by the Fund's Manager. If the amount and timing of such receipts can be estimated, they are accrued; otherwise rebate income is recorded on a cash basis.

(h) Cash and cash equivalents

Cash and cash equivalents include cash and money market funds held with an original maturity date of ninety days or less.

2. **Significant accounting policies** (continued)

(i) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

(j) Changes in accounting policies

On April 1, 2008, the Fund adopted CICA Section 3862, *Financial Instruments – Disclosures* ("Section 3862") and CICA Section 3863, *Financial Instruments – Presentation* ("Section 3863"), replacing Section 3861. Section 3862 requires enhanced disclosure of the nature and extent of the risks arising from financial instruments and how the Fund manages those risks. Section 3863 carries forward unchanged the presentation requirements of Section 3861 with respect of financial instruments.

3. **Management, incentive and load fees**

Management fees

The Fund pays FMG Fund Managers Limited (the "Manager") a management fee at a rate of 2.0% per annum of the net assets attributable to the Class A Shares of the Fund and 1.5% per annum of the net assets attributable to the Class B Shares of the Fund, calculated on a monthly basis and payable quarterly. For the year ended March 31, 2010, the management fee was $281,441 (2009 - $366,031), of which $78,155 (2009 - $37,692) was payable at March 31, 2010.

Incentive fees

The Class A Shares also incur a quarterly incentive fee equal to 20% of the Net Profits of the Fund, if any, during each calendar quarter (each a "Performance Period"), accrued with respect to each Class A Share of the Fund. The Net Profits are computed in a manner consistent with the principles applicable to the computation of the net assets of the Fund. If a redeemable preference share has a loss chargeable to it during any Performance Period, and during a subsequent Performance Period there is a profit allocable to the Class A Shares there will be no incentive fee payable until the amount of the net loss previously allocated has been recouped. Incentive fees are only paid when the net asset value of the Class A Shares increase above a previously established "high water mark" net asset value for those Class A Shares.

In the event of either a redemption being made at a date other than the end of a Performance Period or the Management Agreement is terminated at any time prior to the last day of a Performance Period, the incentive fee will be computed as though the termination date or Redemption Date, as applicable, was the last day of such Performance Period. Once earned, the incentive fee will be retained by the Manager regardless of the Fund's future results.

3. **Management, incentive and load fees** (continued)

Incentive fees (continued)

The Class B Shares also pay to the Manager an incentive fee of 10% of the net profits attributable to the Class B Shares, calculated monthly and payable quarterly. Net profits are defined as the amount by which cumulative profits attributable to the Class B Shares before the incentive fee but after deduction of all transaction costs, management fees and expenses exceeds a hurdle rate equal to the amount that would have been earned in that fiscal period had the assets of the Fund been invested at the USD 12 month LIBOR rate at the beginning of the fiscal period. Net profits include both realized and unrealized gains less losses on investments. If net profit for a month is negative, it will be carried forward ("carry forward losses"). No incentive fee will be payable until net profits in subsequent month(s) exceed carry forward losses adjusted for redemptions. Investors should note that, the net profit amount, upon which incentive fees are calculated, is not reduced for prior period carry forward losses. Once earned, the incentive fee is retained by the Manager regardless of the Fund's future results.

For the year ended March 31, 2010, incentive fees were $140,216 (2009 - $nil), of which $nil (2009 - $nil) was payable at March 31, 2010.

Load fees

The Manager may charge load fees of up to 5% of the amount subscribed. When charged, these load fees will reduce the amount available to shareholders for the purchase of redeemable preference shares in the Fund. As at March 31, 2010, $11,841 (2009 - $nil) of load fees payable were included within accounts payable and accrued expenses.

One of the directors of the Fund is also a director of the Manager.

4. **Administration fees**

Apex Fund Services Limited (the "Administrator") acts as the administrator, registrar and transfer agent for the Fund. For administration services provided, the Fund paid fees at the higher of $2,000 per month for net assets up to $10 million and $3,000 per month for net assets exceeding $10 million, or ten basis points of the Fund's average net assets. Effective December 1, 2008, the minimum fee was increased to $3,000 per month for net assets up to $10 million and $4,000 per month for net assets exceeding $10 million. For the year ended March 31, 2010, administration fees were $59,860 (2009 - $50,713), of which $16,080 (2009 - $10,900) was payable at March 31, 2010.

One of the directors of the Fund is also the Managing Director of the Administrator.

5. **Custodian fees**

Effective August 14, 2009, Credit Suisse AG (the "Custodian") acts as custodian to the Fund. Fees for custody services are charged a fee of 7 basis points per annum of the value of the net assets of the Fund under custody subject to an annual minimum of CHF 5,500. In addition, a set up fee of US$1,500 will be payable together with all responsible disbursement and out-of-pocket expenses. Prior to August 14, 2009, HSBC Institutional Trust Services (Bermuda) Limited was the custodian for the Fund. Fees for custody services prior to August 14, 2009, were charged at the higher of $3,000 per annum or five basis points of the gross asset value of investments held in custody (calculated monthly). In addition, custody transaction fees were chargeable on individual transactions on a sliding scale, depending on the market and type of security.

5. **Custodian fees** (continued)

Effective August 26, 2009, the Custodian has a right of lien against all currency accounts and investments in other investment companies held by the Custodian on the Fund's behalf. The purpose of the right of lien is to secure any and all claims of the Custodian against the Fund from any agreement or contracts as well as claims on other legal grounds resulting from business operations with the Fund.

6. **Share capital**

The authorized share capital of the Fund is $11,000, which is divided into 100 common shares of par value of $1 each and 10,900,000 redeemable preference shares (the "Shares"), issued in US Dollars and Euro with a par value of $0.001 each. Redeemable preference shares are issued as Class A and Class A09 shares (collectively, the "Class A Shares") and Class B and Class B09 shares (collectively, the "Class B shares"). Effective February 2, 2009, Class A09 and Class B09 shares are offered for sale. Effective March 2, 2009, the existing Class A and Class B shares were closed for new subscriptions except in situations where approved by the Board of Directors and the Manager.

The holder of the common shares is not entitled to receive dividends, may not redeem their holding and is only entitled to be repaid the par value of the common shares upon a winding-up or distribution of capital. The common shares are entitled to one vote per share at a general meeting. All the common shares are held by the Manager (Note 3). Each of the redeemable preference shares carries no preferential or pre-emptive rights upon the issue of new shares and has no voting rights at general meetings of the Fund.

Shares may be purchased and redeemed on a Dealing Day, which is generally the first business day of each calendar month. Shares may be purchased at the net asset value per share calculated at the immediately preceding Valuation Day, generally the last business day of the preceding month. Class A Shares and Class B Shares may be redeemed with 90 days written notice, respectively, at their net asset value per share, subject to certain restrictions as described in the Prospectus.

If on any Valuation Day, any shareholder wishes to redeem Shares totaling more than 5% of the issued capital of the Fund or several shareholders wish to redeem Shares totaling more than 15% of the issued capital of the Fund, the Directors may defer redemption of such Shares, and the calculation of the redemption price, to a subsequent Dealing Day being not later than the fifth Dealing Day following receipt of the application for redemption. In such cases, suspended redemption requests shall be carried out on the basis of the next Net Asset Value.

At March 31, 2010, redemptions payable include $10,711,214 payable to FMG (EU) India Opportunity Fund Ltd., a fund with the same manager as the Fund.

At March 31, 2009, 10.54% of the US Dollar Class A redeemable preference shares in issue were held by the Manager of the Fund and 96.23% of the EUR Class B redeemable preference shares in issue were held by other investment companies managed by the Manager of the Fund.

7. **Taxation**

Under current Bermuda laws, the Fund is not required to pay any taxes in Bermuda on either income or capital gains. The Fund has received an undertaking from the Minister of Finance in Bermuda exempting it from any such taxes at least until the year 2016.

It is management's belief that the Fund is not engaged in a United States trade or business and will not be subject to United States income or withholding taxes in respect of the profits and losses of the Fund, other than the 30% withholding tax on U.S. source dividends.

7. **Taxation** (continued)

As a result, management has made no provision for income taxes in these financial statements.

8. **Fair value of financial instruments**

The methods used to determine the fair value of investments in other investment companies and unrealized gains and losses on forward foreign exchange contracts are described in Note 2(a) and Note 2(c). The fair value of the Fund's other financial assets and financial liabilities approximate their carrying amount due to their short term nature.

CICA 3862 establishes a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund's investments. The hierarchy of inputs is summarized below:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

The following is a summary of the inputs used as of March 31, 2010 in valuing the Fund's investments and derivatives carried at fair value:

	Level 1	Level 2	Level 3	Total
Investments in other investment companies	$ 3,609,258	$ 14,021,935	$ –	$ 17,631,193
Derivative liabilities	$ –	$ (114,421)	$ –	$ (114,421)

For investments in other investment companies the Fund has used the net asset value per share reported by the administrators of the investment companies to arrive at fair value.

9. **Financial instruments and risk management**

The Fund's investment activities expose it to a variety of financial risks. The schedule of investments presents the investments held by the Fund as at the end of the year.

(a) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's investments in other investment companies are not traded in an organized public market. As a result, the Fund may not be able to quickly liquidate its investments in other investment companies at their stated fair value in order to meet its liquidity requirements, including redemption requests from its shareholders. The Fund's exposure to liquidity risk is managed by the Manager.

The schedule of investments summarizes the redemption frequencies of the Fund's investments in other investment companies at March 31, 2010. The information has been obtained by the Manager from the offering memoranda or similar information provided by the managers of the underlying investment companies.

9. **Financial instruments and risk management** (continued)

(a) Liquidity risk (continued)

At March 31, 2010, there was no redemption restrictions on any of the investment companies held by the Fund.

The liabilities of the Fund are comprised of accrued expenses and redemptions payable and these fall due within 3 months of the date of the statement of assets and liabilities.

(b) Interest rate risk

Interest rate risk arises when an entity invests in interest-bearing financial instruments. The Fund does not hold investments which are sensitive to interest rates but is indirectly exposed to the interest rate risk of the investments held by the investment companies in which the Fund invests.

(c) Credit risk

Credit risk arises from the potential inability of counterparties to perform under the terms of the contract. The Fund has cash and cash equivalents and derivative transactions with a major bank of high quality credit standing. As the Fund invests in other investment companies, the Fund is exposed to the credit risk of each of those underlying investment companies. The maximum amount of credit exposure is represented by the carrying amounts of the investments listed on the schedule of investments.

Bankruptcy or insolvency of the Custodian may cause the Fund's rights to be delayed with respect to the cash and cash equivalents and investments held in the custodial relationship. The Manager monitors the credit quality and financial position of the Custodian and should it decline significantly, the Manager will move cash holdings and custodial relationships to another institution.

(d) Market risk

Market risk is the risk that the changes in interest rates, foreign exchange rates or securities prices will affect the fair value of the financial instruments held by the Fund.

The Fund is indirectly exposed to the market risk of the investments held by the other investment companies in which the Fund invests. Some of those other investment companies may deal or trade derivative financial instruments as their principal investment activity or use these instruments as part of their investment strategy. This may result in market risk to those other investments companies in excess of the amount invested in these securities. However, the Fund's risk is limited to the net asset value of its investments in those other investment companies.

At March 31, 2010, if the price of the investments increased by 5%, this would have increased the net assets attributable to holders of redeemable preference shares by $881,560 (2009 - $348,487); an equal change in the opposite direction would have decreased the net assets attributable to holders of redeemable preference shares by an equal but opposite amount. Actual results will differ from this sensitivity analysis and the difference could be material.

(e) Currency risk

The Fund may invest in other investment companies and enter into transactions denominated in currencies other than the US Dollar. Consequently, the Fund is exposed to risks that the exchange rate of the US Dollar relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than the US Dollar.

9. **Financial instruments and risk management** (continued)

(e) *Currency risk* (continued)

The following table sets out the Fund's total exposure to foreign currency risk split between monetary assets and liabilities, net assets attributable to non-USD denominated share classes, forward foreign exchange contracts and the resulting net exposure to foreign currencies:

	Monetary Assets	Monetary Liabilities	Net assets attributable to non-USD denominated Share Classes	Forward FX Contracts	Net Exposure
March 31, 2010					
EUR	$ –	$ (3,316)	$ (1,265,722)	$ 11,564,130	$ 10,295,092
March 31, 2009					
EUR	$ –	$ –	$ (3,970,967)	$ 3,497,898	$ (473,069)

The amounts in the above table are based on the carrying value of monetary assets and liabilities, net assets attributable to non-USD denominated share classes and the underlying notional amounts of forward foreign exchange contracts.

Forward foreign exchange contracts are entered into by the Fund to hedge exposure to monetary assets and liabilities denominated in currencies other than USD and to hedge the exposure of certain share classes denominated in currencies other than USD.

The gains and losses on forward foreign exchange contracts entered into for the purpose of hedging the exposure to monetary assets and liabilities are recorded in gains and losses on forward foreign exchange contracts in the statement of operations. The gains and losses on contracts entered into for the purpose of hedging the exposure of share classes denominated in currencies other than USD are also recorded in gains and losses on forward foreign exchange contracts in the statement of operations, but are allocated specifically to the non-USD denominated share classes to which the hedging activities, and resultant gains and losses, relate.

At March 31, 2010, had the US Dollar strengthened by 5% in relation to the Euro, with all other variables held constant, net assets would have decreased by the amounts shown below.

	2010	2009
EURO	$ (514,755)	$ (23,653)

A 5% weakening of the US Dollar against the Euro would have resulted in an equal but opposite effect on net assets, on the basis that all other variables remain constant. Actual results may differ from this sensitivity analysis and the difference could be material to the financial statements.

The Fund's investments through the other investment companies may be denominated in currencies other than the Fund's reporting currency and indirectly expose the Fund to currency risk.

9. **Financial instruments and risk management** (continued)

(e) Currency risk (continued)

At March 31, 2010, the Fund had the following open forward foreign exchange contract:

Currency to be bought		Currency to be sold		Contract due date	Fair value
EUR	8,475,615	USD	11,564,130	April 7, 2010	$ (114,421)
Unrealized loss on open forward foreign exchange contract					$ (114,421)

At March 31, 2009, the Fund had the following open forward foreign exchange contract:

Currency to be bought		Currency to be sold		Contract due date	Fair value
EUR	2,788,948	USD	3,497,898	April 2, 2009	$ 207,498
Unrealized gain on open forward foreign exchange contract					$ 207,498

(f) Capital management

The Fund's objectives in managing the redeemable preference shares are to ensure a stable base to maximize returns to all investors, and to manage liquidity risk arising from redemptions. The Fund's management of liquidity risk arising from redeemable preference shares is discussed in Note 9(a).

The Fund is not subject to any externally imposed capital requirements.

10. **Uncommitted foreign exchange transactions facility**

The Fund had an uncommitted foreign exchange transactions facility with The Bank of Bermuda of up to a maximum at any time of $12,500,000 or 100% of the net asset value at such time. The utilization of the facility was subject to collateral in an amount of 6% of the gross foreign exchange settlement amount and was to be held in the form of an investment in the HSBC Corporate Money Fund. The facility was closed with the change of the Fund's custodian effective August 14, 2009.

11. **Subsequent events**

Subsequent to year end, certain investments of the Fund were transferred to FMG (EU) India Opportunity Fund Ltd., a sub-fund of FMG Funds SICAV Ltd which is a regulated Malta entity managed by FMG Malta Ltd. In exchange for these investments, the Fund received shares in FMG (EU) India Opportunity Fund Ltd. Class B09 USD for the same value.

Effective April 1, 2010, the redemption notice period changed from being 90 days written notice to providing notice by at least the 20th day of the month prior to the Dealing Day.