

**FMG INDIA OPPORTUNITY FUND LTD.**

**Financial Statements**  
(With Auditors' Report Thereon)

March 31, 2011 and 2010

**KPMG**

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**Independent Auditors' Report**

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

We have audited the accompanying financial statements of FMG India Opportunity Fund Ltd. (the "Fund"), which comprise the statement of assets and liabilities, including the schedule of investments, as at March 31, 2011, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Bermuda and Canada, and for such internal control as management determines is necessary to enable the preparation of 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 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2011 and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

Chartered Accountants  
Hamilton Bermuda  
December 6, 2011

**FMG INDIA OPPORTUNITY FUND LTD.**

## Statement of Assets and Liabilities

March 31, 2011

*(Expressed in United States Dollars)*

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Investments in other investment companies (cost - \$8,597,244; 2010 - \$15,748,065) (see Schedule of Investments) (Notes 5, 8 and 9)	\$ 7,293,210	\$ 17,631,193
Cash and cash equivalents (Note 5)	586,117	2,435,992
Unrealized gain on forward foreign exchange contracts (Notes 5, 8 and 9)	15,108	—
Other assets (Note 3)	<u>35,254</u>	<u>11,845</u>
Total assets	<u>7,929,689</u>	<u>20,079,030</u>
<b>Liabilities</b>		
Redemptions payable (Note 6)	376,581	10,897,523
Unrealized loss on forward foreign exchange contracts (Notes 5, 8 and 9)	—	114,421
Subscriptions received in advance	30,797	163,967
Management fees and incentive fees payable (Note 3)	39,244	78,155
Administration fees payable (Note 4)	—	16,080
Audit fees payable	23,500	20,000
Accounts payable and accrued expenses (Note 3)	<u>5,138</u>	<u>16,650</u>
Total liabilities	<u>475,260</u>	<u>11,306,796</u>
<b>Net assets</b>	7,454,429	8,772,234
Less: attributable to 100 common shares (Note 6)	<u>(100)</u>	<u>(100)</u>
<b>Net assets attributable to redeemable preference shares</b> (Note 6)	\$ <u>7,454,329</u>	\$ <u>8,772,134</u>
Net assets attributable to 41,589 (2010 - 36,656) US Dollar Class A redeemable preference shares	\$ <u>4,025,354</u>	\$ <u>4,025,502</u>
<b>Net asset value per US Dollar Class A redeemable preference share</b>	\$ <u>96.79</u>	\$ <u>109.81</u>
Net assets attributable to 8,230 (2010 - 4,569) US Dollar Class A09 redeemable preference shares	\$ <u>812,228</u>	\$ <u>518,591</u>
<b>Net asset value per US Dollar Class A09 redeemable preference share</b>	\$ <u>98.68</u>	\$ <u>113.49</u>

*See accompanying notes to financial statements*

**FMG INDIA OPPORTUNITY FUND LTD.**

## Statement of Assets and Liabilities (continued)

March 31, 2011

*(Expressed in United States Dollars)*

	<u>2011</u>	<u>2010</u>
Net assets attributable to 257,845 (2010 - 479,240) US Dollar Class B redeemable preference shares	\$ <u>1,234,780</u>	\$ <u>2,590,040</u>
<b>Net asset value per US Dollar Class B redeemable preference share</b>	\$ <u>4.78</u>	\$ <u>5.40</u>
Net assets attributable to 52,558 (2010 - 36,466) US Dollar Class B09 redeemable preference shares	\$ <u>470,091</u>	\$ <u>372,378</u>
<b>Net asset value per US Dollar Class B09 redeemable preference share</b>	\$ <u>8.94</u>	\$ <u>10.21</u>
Net assets of \$224,121 (2010 - \$439,850) attributable to 3,689 (2010 - 6,365) Euro Class A redeemable preference shares	€ <u>158,121</u>	€ <u>325,671</u>
<b>Net asset value per Euro Class A redeemable preference share</b>	€ <u>42.86</u>	€ <u>51.16</u>
Net assets of \$480,822 (2010 - \$336,381) attributable to 3,623 (2010 - 2,229) Euro Class A09 redeemable preference shares	€ <u>339,228</u>	€ <u>249,005</u>
<b>Net asset value per Euro Class A09 redeemable preference share</b>	€ <u>93.61</u>	€ <u>111.70</u>
Net assets of \$206,933 (2010 - \$244,077) attributable to 37,439 (2010 - 37,439 ) Euro Class B redeemable preference shares	€ <u>145,995</u>	€ <u>173,147</u>
<b>Net asset value per Euro Class B redeemable preference share</b>	€ <u>3.89</u>	€ <u>4.62</u>
Net assets of \$nil (2009 - \$245,315) attributable to nil (2010 - 10,611) Euro Class B09 redeemable preference shares	€ <u>—</u>	€ <u>180,970</u>
<b>Net asset value per Euro Class B09 redeemable preference share</b>	€ <u>—</u>	€ <u>17.05</u>

*See accompanying notes to financial statements*

Signed on behalf of the Board

 \_\_\_\_\_ Director

 \_\_\_\_\_ Director



**FMG INDIA OPPORTUNITY FUND LTD.**

## Schedule of Investments

March 31, 2011

*(Expressed in United States Dollars)*

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<b><u>Other Investment Companies</u></b>	<b><u>Cost</u></b>	<b><u>Fair Value</u></b>	<b><u>% of Net Assets</u></b>	<b><u>Redemption Frequency</u></b>
FMG Funds SICAV plc - FMG (EU) India Opportunity Fund Class B 09 USD	\$ <u>8,597,244</u>	\$ <u>7,293,210</u>	<u>97.84%</u>	Weekly
<b>Total investments in other investment companies</b>	\$ <u>8,597,244</u>	\$ <u>7,293,210</u>	<u>97.84%</u>	

*See accompanying notes to financial statements*

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**FMG INDIA OPPORTUNITY FUND LTD.**

## Schedule of Investments

March 31, 2010

*(Expressed in United States Dollars)*

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<b><u>Other Investment Companies</u></b>	<b><u>Cost</u></b>	<b><u>Fair Value</u></b>	<b><u>% of Net Assets</u></b>	<b><u>Redemption Frequency</u></b>
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	<u>4,969,440</u>	<u>7,996,481</u>	<u>91.15%</u>	Monthly
<b>Total investments in other investment companies</b>	<b>\$ <u>15,748,065</u></b>	<b>\$ <u>17,631,193</u></b>	<b><u>200.99%</u></b>	

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*See accompanying notes to financial statements*

**FMG INDIA OPPORTUNITY FUND LTD.**

## Statement of Operations

Year ended March 31, 2011

*(Expressed in United States Dollars)*

	<u>2011</u>	<u>2010</u>
<b>Investment income</b>		
Rebate income (Note 3)	\$ <u>242,303</u>	\$ <u>111,005</u>
Total income	<u>242,303</u>	<u>111,005</u>
<b>Expenses</b>		
Incentive fees (Note 3)	19,568	140,216
Management fees (Note 3)	186,963	281,441
Administration fees (Note 4)	45,170	59,860
Audit fees	33,635	20,840
Bank charges	5,456	6,005
Custodian fees (Note 5)	7,945	5,201
Directors' and secretarial fees	13,500	12,507
Miscellaneous	<u>12,543</u>	<u>20,097</u>
Total expenses	<u>324,780</u>	<u>546,167</u>
<b>Net investment loss</b>	<u>(82,477)</u>	<u>(435,162)</u>
<b>Realized and unrealized gains and losses on investments</b>		
Net realized gains on sale of investments	2,339,822	4,086
Net realized losses on forward foreign exchange contracts and foreign exchange	(297,726)	(117,330)
Net change in unrealized gains and losses on investments	(3,187,162)	11,156,703
Net change in unrealized gains and losses on forward foreign exchange contracts	<u>129,529</u>	<u>(321,919)</u>
Net realized and unrealized (losses) gains on investments	<u>(1,015,537)</u>	<u>10,721,540</u>
<b>Net (decrease) increase in net assets from operations</b>	\$ <u>(1,098,014)</u>	\$ <u>10,286,378</u>

*See accompanying notes to financial statements*

**FMG INDIA OPPORTUNITY FUND LTD.**

## Statement of Changes in Net Assets

Year ended March 31, 2011

*(Expressed in United States Dollars)*

	<u>2011</u>	<u>2010</u>
<b>Net (decrease) increase in net assets resulting from operations</b>		
Net investment loss	\$ (82,477)	\$ (435,162)
Net realized gains on sale of investments	2,339,822	4,086
Net realized losses on forward foreign exchange contracts and foreign exchange	(297,726)	(117,330)
Net change in unrealized gains and losses on investments	(3,187,162)	11,156,703
Net change in unrealized gains and losses on forward foreign exchange contracts	<u>129,529</u>	<u>(321,919)</u>
Net (decrease) increase in net assets from operations	<u>(1,098,014)</u>	<u>10,286,378</u>
<b>From capital share transactions</b>		
Proceeds from sale of 15,348 (2010 - 950)		
US Dollar Class A redeemable preference shares	1,730,830	87,485
Proceeds from sale of 5,644 (2010 - 4,916)		
US Dollar Class A09 redeemable preference shares	648,208	511,917
Proceeds from sale of 46,338 (2010 - 23,042)		
US Dollar Class B redeemable preference shares	250,223	118,439
Proceeds from sale of 18,587 (2010 - 36,466)		
US Dollar Class B09 redeemable preference shares	193,965	360,050
Proceeds from sale of 1,061 (2010 - 5,944)		
EUR Class A redeemable preference shares	73,322	373,014
Proceeds from sale of 2,742 (2010 - 2,325)		
EUR Class A09 redeemable preference shares	402,755	341,616
Proceeds from sale of 22,800 (2010 - nil)		
EUR Class B redeemable preference shares	142,301	—
Proceeds from sale of nil (2010 - 230,234)		
EUR Class B09 redeemable preference shares	—	4,364,520
Payment on redemption of 10,415 (2010 - 10,660)		
US Dollar Class A redeemable preference shares	(1,205,505)	(1,088,608)
Payment on redemption of 1,983 (2010 - 347)		
US Dollar Class A09 redeemable preference shares	(218,816)	(39,368)
Payment on redemption of 267,733 (2010 - 110,431)		
US Dollar Class B redeemable preference shares	(1,439,207)	(488,989)
Payment on redemption of 2,495 (2010 - nil)		
US Dollar Class B09 redeemable preference shares	(24,524)	—
Payment on redemption of 3,737 (2010 - 3,448)		
EUR Class A redeemable preference shares	(255,461)	(239,449)
Payment on redemption of 1,348 (2010 - 96)		
EUR Class A09 redeemable preference shares	(184,056)	(14,486)
Payment on redemption of 22,800 (2010 - 1,328,162)		
EUR Class B redeemable preference shares	(125,714)	(8,274,596)
Payment on redemption of 10,611 (2010 - 219,623)		
EUR Class B09 redeemable preference shares	<u>(208,112)</u>	<u>(5,135,534)</u>
Net decrease in net assets from capital share transactions	<u>(219,791)</u>	<u>(9,123,989)</u>

*See accompanying notes to financial statements*

**FMG INDIA OPPORTUNITY FUND LTD.**

Statement of Changes in Net Assets (continued)

Year ended March 31, 2011

*(Expressed in United States Dollars)*

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	<u>2011</u>	<u>2010</u>
<b>Net (decrease) increase in net assets attributable to redeemable preference shares</b>	(1,317,805)	1,162,389
<b>Net assets attributable to redeemable preference shares at the beginning of the year</b>	<u>8,772,134</u>	<u>7,609,745</u>
<b>Net assets attributable to redeemable preference shares at the end of the year</b>	<u>\$ 7,454,329</u>	<u>\$ 8,772,134</u>

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*See accompanying notes to financial statements*

**FMG INDIA OPPORTUNITY FUND LTD.**

## Statement of Cash Flows

Year ended March 31, 2011

*(Expressed in United States Dollars)*

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	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities:</b>		
Net (decrease) increase in net assets from operations	\$ (1,098,014)	\$ 10,286,378
Adjustments to reconcile net (decrease) increase in net assets resulting from operation to net cash provided by (used in) operating activities:		
Change in assets and liabilities:		
Net change in investments and derivative financial instruments	613,566	(10,339,533)
Other assets	(23,409)	(3,795)
Management fees and incentive fees payable	(38,911)	40,463
Administration fees payable	(16,080)	5,180
Audit fees payable	3,500	—
Accounts payable and accrued expenses	<u>(11,512)</u>	<u>9,687</u>
Net cash provided by (used in) operating activities	<u>(570,860)</u>	<u>(1,620)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of redeemable preference shares	3,308,434	6,312,108
Payments on redemptions of redeemable preference shares	<u>(4,587,449)</u>	<u>(4,383,507)</u>
Net cash (used in) provided by financing activities	<u>(1,279,015)</u>	<u>1,928,601</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	(1,849,875)	1,926,981
<b>Cash and cash equivalents at beginning of year</b>	<u>2,435,992</u>	<u>509,011</u>
<b>Cash and cash equivalents at end of year</b>	\$ <u>586,117</u>	\$ <u>2,435,992</u>

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**Non-cash operating and financing activities**

During the year ended March 31, 2011, investments with a fair market value of \$9,594,888 were transferred in-kind to settle redemption payments (Note 6).

*See accompanying notes to financial statements*

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## FMG INDIA OPPORTUNITY FUND LTD.

### Notes to Financial Statements

March 31, 2011

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#### 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. Effective April 1, 2010 the Fund achieves this investment strategy by investing in FMG (EU) India Opportunity Fund, a sub-fund of FMG Funds SICAV plc which is a regulated Malta entity managed by FMG Malta Ltd., an entity related to FMG Fund Managers Limited (the “Manager”).

#### 2. Significant accounting policies

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in Bermuda and Canada (“Canadian GAAP”). 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. 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.

##### (b) 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(c) and 9(e)).

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## FMG INDIA OPPORTUNITY FUND LTD.

### Notes to Financial Statements

March 31, 2011

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

##### (c) *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(b) 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 related class of redeemable preference shares. Management and incentive fees are calculated separately for each class of redeemable preference shares (Note 3).

##### (d) *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.

##### (e) *Interest income and expense*

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

##### (f) *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 entities related to the Manager, 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.

##### (g) *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.

##### (h) *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.

##### (i) *Future accounting standards*

The Canadian Accounting Standards Board ("ASB") previously confirmed that effective January 1, 2011, International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises, which includes investment funds. In June 2010, the ASB issued an exposure draft "*Adoption of IFRSs by Investment Companies*", proposing that investment companies currently applying Accounting Guideline 18 ("AcG 18") "*Investment Companies*" issued by the Canadian Institute of Chartered Accountants ("CICA"), defer the adoption of IFRS by one year to fiscal years beginning on or after January 1, 2012. In September 2010, the ASB approved the optional one year deferral from IFRS adoption for investment companies applying AcG 18. Management opted to defer the adoption of IFRS and is evaluating the impact of the adoption of IFRS.

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## FMG INDIA OPPORTUNITY FUND LTD.

### Notes to Financial Statements

March 31, 2011

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

##### *(a) Management fees*

The Fund pays 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, 2011, the management fee was \$186,963 (2010 - \$281,441), of which \$39,244 (2010 - \$78,155) was payable at March 31, 2011.

##### *(b) 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 increases 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.

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, 2011, incentive fees were \$19,568 (2010 - \$140,216), of which \$nil (2010 - \$nil) was payable at March 31, 2011.

The Fund is charged management and incentive fees by the Manager as described above on its net assets and performance. However, some of the other investment companies in which the Fund invests are also managed by the Manager or entities related to the Manager. To ensure that the Fund is not double charged for such management and incentive fees, the Manager or entities related to the Manager rebate to the Fund its proportionate share of such fees. Management and incentive fees rebated to the Fund during the year amounted to \$242,303 (2010 - \$111,005) of which \$28,056 (2010 - \$6,667) is receivable at March 31, 2011 and is recorded within other assets in the statement of assets and liabilities.

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## FMG INDIA OPPORTUNITY FUND LTD.

### Notes to Financial Statements

March 31, 2011

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

##### *(c) 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, 2011, \$4,511 (2010 - \$11,841) 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 administrative services provided, the Fund pays fees at the higher of \$3,000 per month for net assets up to \$10 million and \$4,000 per month for net assets exceeding \$10 million, or 15 basis points of the Fund's average net assets per annum.

Effective April 1, 2010, the minimum fee was reduced to \$2,500 per month for net assets up to \$10 million and \$3,500 per month for net assets exceeding \$10 million or 15 basis points of the net assets per annum. For the year ended March 31, 2011, administration fees were \$45,170 (2010 - \$59,860), of which \$nil (2010 - \$16,080) was payable at March 31, 2011.

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") was appointed as custodian to the Fund. Fees for custody services are charged at 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, the Custodian is entitled to receive reimbursement for all reasonable disbursement and out-of-pocket expenses incurred by the Custodian.

Effective August 26, 2009 the Fund granted the Custodian 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 arising from any current or future agreements or contracts as well as claims on other legal grounds resulting from business operations with the Fund.

Effective January 3, 2011, fees for custody services are charged at 0.075% per annum of the value of the net assets of the Fund under custody up to \$500 million and 0.065% per annum of the value of the net assets of the Fund under custody in excess of \$500 million.

#### 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.

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## FMG INDIA OPPORTUNITY FUND LTD.

### Notes to Financial Statements

March 31, 2011

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#### 6. **Share capital** (continued)

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. The redeemable preference shares carry no preferential or pre-emptive rights upon the issue of new shares and have 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. These redemptions were partially settled by an in-kind transfer of certain of the Fund's investments in other investment companies which were valued at fair value at the time of transfer.

#### 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.

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(b). 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.

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**FMG INDIA OPPORTUNITY FUND LTD.**

## Notes to Financial Statements

March 31, 2011

**8. Fair value of financial instruments (continued)**

The following is a summary of the inputs used as of March 31, 2011 and 2010 in valuing the Fund's investments and derivatives carried at fair value:

<u>2011</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments in other investment companies	\$ —	\$ 7,293,210	\$ —	\$ 7,293,210
Derivative assets		\$ 15,108		\$ 15,108
<u>2010</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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.

The Fund invests directly and indirectly 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.

*(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 as at March 31, 2011. The information has been obtained by the Manager from the offering memoranda or similar information provided by the managers of the underlying investment companies.

## FMG INDIA OPPORTUNITY FUND LTD.

### Notes to Financial Statements

March 31, 2011

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

##### (a) Liquidity risk (continued)

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 financial instruments held in the custody of a major bank with a long term credit rating of Aa2 issued by Moody's. 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 arising from the investment companies 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 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, 2011, if the price of the investments increased by 5%, this would have increased the net assets attributable to holders of redeemable preference shares by \$364,661 (2010 - \$881,560); 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.

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**FMG INDIA OPPORTUNITY FUND LTD.**

## Notes to Financial Statements

March 31, 2011

**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 <u>Assets</u>	Monetary <u>Liabilities</u>	Net assets attributable to non-USD denominated <u>Share Classes</u>	Forward FX <u>Contracts</u>	Net <u>Exposure</u>
March 31, 2011					
EUR	\$ <u>—</u>	\$ <u>—</u>	\$ <u>(911,876)</u>	\$ <u>1,010,768</u>	\$ <u>98,892</u>
March 31, 2010					
EUR	\$ <u>—</u>	\$ <u>(3,316)</u>	\$ <u>(1,265,722)</u>	\$ <u>11,564,130</u>	\$ <u>10,295,092</u>

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, 2011, 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.

	<u>2011</u>	<u>2010</u>
EURO	\$ (4,945)	\$ (514,755)

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.

## FMG INDIA OPPORTUNITY FUND LTD.

### Notes to Financial Statements

March 31, 2011

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

##### (e) Currency risk (continued)

At March 31, 2011, the Fund had the following open forward foreign exchange contract:

<u>Currency to be bought</u>	<u>Currency to be sold</u>	<u>Contract due date</u>	<u>Fair value</u>
EUR 724,617	USD 1,010,768	April 4, 2011	\$ 15,108
Unrealized gain on open forward foreign exchange contract			\$ 15,108

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

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

##### (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. Related party transactions

On April 1, 2010 certain investments of the Fund were transferred to FMG (EU) India Opportunity Fund at their fair value of \$39,824. In exchange for these assets the Fund received shares in FMG (EU) India Opportunity Fund for the same value.

#### 11. Subsequent events

For the period from April 1, 2011 to October 31, 2011 there have been redemptions of \$1,539,131 and subscriptions of \$47,562.

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