FMG INDIA FUND LTD.
(In Liquidation)

Financial Statements
(With Auditors' Report Thereon)

March 31, 2010 and 2009

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AUDITORS' REPORT

To the Directors and Shareholders of
FMG India Fund Ltd. (In Liquidation)

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of FMG India Fund Ltd. (in liquidation) (the "Fund") as at March 31, 2010, and the related 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.

As described in Note 1 to the financial statements, the Board of Directors of the Fund approved a plan to voluntarily liquidate the Fund effective March 31, 2010. As a result, the Fund has changed its basis of accounting from a going concern basis to a liquidation basis.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FMG India Fund Ltd. (in liquidation) as at March 31, 2010, and the results of its operations, 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 6, 2010

FMG INDIA FUND LTD. (In Liquidation)

Statement of Assets and Liabilities

March 31, 2010
(Expressed in United States Dollars)

		2010		2009
Assets				
Investments in other investment companies and managed accounts (cost - $23,323,548; 2009 - $24,740,639) (see Schedule of Investments) (Notes 5 and 9)	$	27,963,156	$	13,415,567
Cash and cash equivalents (Note 5)		3,546,751		3,114,717
Receivable for investment sold		2,023		130,562
Other assets (Note 10)		39,217		4,969
Total assets		31,551,147		16,665,815
Liabilities				
Subscriptions received in advance		–		15,151
Unrealized loss on forward foreign exchange contracts (Note 9)		–		36,656
Redemptions payable (Note 6)		30,096,813		114,020
Management fees and incentive fees payable (Note 3)		144,662		66,941
Administration fees payable (Note 4)		16,960		12,390
Audit fees payable		20,000		22,000
Accounts payable and accrued expenses		10,820		10,549
Total liabilities		30,289,255		277,707
Net assets		1,261,892		16,388,108
Less: attributable to 100 common shares (Note 6)		(100)		(100)
Net assets attributable to redeemable preference shares (Note 6)	$	1,261,792	$	16,388,008
Net assets attributable to nil (2009 - 22,566) US Dollar Class A redeemable preference shares	$	–	$	1,669,563
Net asset value per US Dollar Class A redeemable preference share	$	–	$	73.98
Net assets attributable to 73,637 (2009 - 1,553,773) US Dollar Class B redeemable preference shares	$	1,261,792	$	13,501,748
Net asset value per US Dollar Class B redeemable preference share	$	17.04	$	8.68

FMG INDIA FUND LTD. (In Liquidation)

Statement of Assets and Liabilities (continued)

March 31, 2010
(Expressed in United States Dollars)

		2010		2009
Net assets of $nil (2009 - $1,216,697) attributable to nil (2009 - 100,000) Euro Class B redeemable preference shares	€	–	€	915,774
Net asset value per Euro B redeemable preference share	€	–	€	9.15

See accompanying notes to financial statements

Signed on behalf of the Board

___________________________________ Director

___________________________________ Director

FMG INDIA FUND LTD. (In Liquidation)

Schedule of Investments

March 31, 2010
(Expressed in United States Dollars)

Other Investment Companies		Cost		Value	% of Net Assets	Redemption Frequency
FMG (EU) India Opportunity B Shares EUR	$	5,330,964	$	4,148,786	328.70%	Monthly
FMG (EU) India Opportunity B Shares EUR 09		1,000,000		1,728,703	136.99%	Monthly
India Advantage Fund Ltd. IAF 171/04 Class C USD		2,596,096		5,028,679	398.50%	Daily
Global Investment Opportunities Fund Limited Class A (Kotak Indian Growth Fund)		8,143,377		9,024,845	715.18%	Daily
Unifi India Fund Class A		5,159,630		6,790,848	538.15%	Weekly
Total investments in other investment companies	$	22,230,067	$	26,721,861	2,117.52%	
Investment in Managed Accounts						
Premier Investment Fund Limited, comprised of						
Anant Raj Industries Ltd.	$	65,298	$	81,646	6.47%	
Country Club India Ltd.		35,338		29,541	2.34%	
DLF Ltd.		175,410		176,553	13.99%	
Godrej Industries Ltd.		54,353		55,285	4.38%	
Housing Development and Infrastructure Ltd.		116,964		150,978	11.96%	
Indiabulls Real Estate Ltd.		174,231		135,179	10.71%	
Mahindra Lifespace Developers Ltd.		50,814		73,254	5.81%	
Orbit Corporation Ltd.		56,084		97,705	7.74%	
Sobha Developers Ltd.		69,516		89,043	7.06%	
The Phoenix Mills Ltd.		87,998		156,453	12.40%	
Unitech Ltd.		207,475		195,658	15.51%	
Total investments in managed accounts	$	1,093,481	$	1,241,295	98.37%	
Total investments in other investment companies and managed accounts	$	23,323,548	$	27,963,156	2,215.89%	

See accompanying notes to financial statements

FMG INDIA FUND LTD. (In Liquidation)

Schedule of Investments

March 31, 2009
(Expressed in United States Dollars)

Other investment companies	Cost	Fair Value	% of Net Assets	Redemption Frequency
Emerging India Focus Funds FMG India Fund Ltd 1	$ 2,000,000	$ 1,643,042	10.03%	Monthly
Emerging India Focus Funds FMG India Fund Ltd 2	1,000,000	511,163	3.12%	Monthly
Global Investment Opportunities Fund Limited - Class A	8,367,448	4,024,168	24.56%	Daily
India Advantage Fund Ltd Class C USD	2,882,597	2,803,844	17.11%	Daily
Unifi India Fund Class A	5,159,630	2,541,428	15.51%	Monthly
FMG (EU) India Opportunity B Shares EUR	5,330,964	1,891,922	11.54%	Monthly
Total investments in other investment companies	$ 24,740,639	$ 13,415,567	81.87%	

See accompanying notes to financial statements

FMG INDIA FUND LTD. (In Liquidation)

Statement of Operations

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

	2010	2009
Investment income		
Dividends	$ –	$ 50,190
Interest Income	21	–
Rebate Income (Note 2(f) and 10)	176,913	76,041
Total income	176,934	126,231
Expenses		
Management fees (Note 3)	474,664	548,078
Incentive fees (Note 3)	465,411	–
Administration fees (Note 4)	60,448	64,742
Custodian fees (Note 5)	14,684	19,272
Audit fees	19,274	30,586
Directors' and secretarial fees	13,709	20,447
Bank charges	2,022	2,441
Bermuda company fees	6,897	3,152
Miscellaneous	13,682	16,467
Total expenses	1,070,791	705,185
Net investment loss	(893,857)	(578,954)
Realized and unrealized gains and losses on investments		
Net realized gains and losses on sale of investments	1,813,916	(1,354,778)
Net realized gains and losses on forward foreign exchange contracts	(42,376)	227,300
Net change in unrealized gains and losses on investments	15,964,680	(26,600,742)
Net change in unrealized gains and losses on forward foreign exchange contracts	36,656	(36,656)
Net realized and unrealized gains and losses on investments	17,772,876	(27,764,876)
Net increase (decrease) in net assets from operations	$ 16,879,019	$ (28,343,830)

See accompanying notes to financial statements

FMG INDIA FUND LTD. (In Liquidation)

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	$ (893,857)	$ (578,954)
Net realized gains and losses on sale of investments	1,813,916	(1,354,778)
Net realized gains and losses on forward foreign exchange contracts	(42,376)	227,300
Net change in unrealized gains and losses on investments	15,964,680	(26,600,742)
Net change in unrealized gains and losses on forward foreign exchange contracts	36,656	(36,656)
Net increase (decrease) in net assets from operations	16,879,019	(28,343,830)
From capital share transactions		
Proceeds from sale of 258 (2009 - 6,217) US Dollar Class A redeemable preference shares	22,284	817,998
Proceeds from sale of 2,342 (2009 - nil) US Dollar Class A 09 redeemable preference shares	341,468	–
Proceeds from sale of 315 (2009 - 317,303) US Dollar Class B redeemable preference shares	4,373	5,224,595
Proceeds from sale of 314,526 (2009 - nil) US Dollar Class B 09 redeemable preference shares	3,203,751	–
Proceeds from sale of 1,717 (2009 - nil) EUR Class A 09 redeemable preference shares	262,333	–
Proceeds from sale of nil (2009 - 100,000) EUR Class B redeemable preference shares	–	1,396,900
Proceeds from sale of 19,693 (2009 - nil) EUR Class B 09 redeemable preference shares	330,671	–
Payment on redemption of 22,824 (2009 - 9,724) US Dollar Class A redeemable preference shares	(3,231,691)	(1,013,032)
Payment on redemption of 2,342 (2009 - nil) US Dollar Class A 09 redeemable preference shares	(403,368)	–
Payment on redemption of 1,480,451 (2009 - 1,343,210) US Dollar Class B redeemable preference shares	(24,558,646)	(15,808,414)
Payment on redemption of 314,526 (2009 - nil) US Dollar Class B 09 redeemable preference shares	(5,140,475)	–
Payment on redemption of 1,717 (2009 - nil) EUR Class A 09 redeemable preference shares	(261,247)	–
Payment on redemption of 100,000 (2009 - nil) EUR Class B redeemable preference shares	(2,234,388)	–
Payment on redemption of 19,693 (2009 - nil) EUR Class B 09 redeemable preference shares	(340,300)	–
Net decrease in net assets from capital share transactions	(32,005,235)	(9,381,953)
Net decrease in net assets attributable to redeemable preference shares	(15,126,216)	(37,725,783)
Net assets attributable to redeemable preference shares at the beginning of the year	16,388,008	54,113,791
Net assets attributable to redeemable preference shares at the end of the year	$ 1,261,792	$ 16,388,008

See accompanying notes to financial statements

FMG INDIA FUND LTD. (In Liquidation)

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	$ 16,879,019	$ (28,343,830)
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by operating activities:		
Change in assets and liabilities:		
Net change in investments and derivative financial instruments	(14,584,245)	40,898,857
Receivables from investments sold	128,539	(130,562)
Other assets	(34,248)	41,442
Management and incentive fees payable	77,721	(208,745)
Administration fees payable	4,570	(15,631)
Audit fees payable	(2,000)	2,000
Accounts payable and accrued expenses	271	(25,119)
Net cash provided by operating activities	2,469,627	12,218,412
Cash flows from financing activities		
Proceeds from issue of redeemable preference shares	4,149,729	6,721,812
Payments on redemption of redeemable preference shares	(6,187,322)	(16,707,426)
Net cash used in financing activities	(2,037,593)	(9,985,614)
Net increase in cash and cash equivalents	432,034	2,232,798
Cash and cash equivalents at beginning of year	3,114,717	881,919
Cash and cash equivalents at end of year	$ 3,546,751	$ 3,114,717
Supplementary cash flow information		
Interest paid	$ 525	$ 635

See accompanying notes to financial statements

1. **Operations**

The FMG India Fund Ltd. (the "Fund") was incorporated in Bermuda on February 17, 2004 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 other open or closed-ended investment companies, limited partnerships and managed accounts managed by fund managers with the objective of earning a return in excess of that earned on the MSCI India Index.

In a letter addressed to the investors of the Fund dated February 16, 2010 FMG Fund Managers Limited disclosed that it will close down the Fund effective March 31, 2010. As a result, the Fund changed its basis of accounting from a going concern basis to a liquidation basis.

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. Investments in other investment companies and limited partnerships are recorded on the effective date of the subscription or contribution, respectively, and are valued at their net asset value as reported by the administrators of the other investment companies and limited partnerships. 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 and limited partnerships. The other investment companies and limited partnerships 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. Dividend income is recorded on the ex-dividend date and is disclosed net of withholding taxes.

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.

The equity securities within the managed account are accounted for on a trade date basis. The securities that are traded on a national securities exchange are valued at the last reported bid price on the valuation day. Cash and cash equivalents included in the managed account is recorded as cash and cash equivalents in the statement of assets and liabilities.

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

(b) *Forward foreign exchange contracts*

The Fund purchases forward foreign exchange contracts in amounts approximating the net assets attributable to the Euro, GBP and NOK classes of redeemable preference shares to manage the Fund's exposure to changes in the US Dollar/Euro, US Dollar/GBP and US Dollar/NOK exchange rates. The Fund also purchases such forward exchange contracts in amounts approximating the value of any assets denominated in a currency other than the base currency of the Fund to manage the Fund's exposure to changes in the exchange rates between the currency of such assets and the base currency of the Fund. Such contracts are recorded at their 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 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 (Notes 2(c) and 9(e)).

(c) *Allocation of profits and losses*

The profit or loss of the Fund for each month, excluding realized and unrealized gains or losses on forward foreign exchange contracts (Notes 2(b) and 9(e)) and before management and incentive fees, is allocated at the end of each month between the various 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. Management and incentive fees are calculated separately for each class of redeemable preference shares (Note 3). Realized and unrealized gains or losses on forward foreign exchange contracts entered into for the purpose of hedging currency exposure on non US Dollar denominated Share classes are allocated to the appropriate class of redeemable preference shares.

(d) *Foreign currency transactions*

Foreign currency balances that are monetary items have been translated into US dollars at the rate of exchange prevailing on the valuation date. Foreign currency transactions are 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 Manager or as per the investment agreements entered into by the Manager. If the amount and timing of such receipts can be estimated, they are accrued, otherwise rebate income is recorded on a cash basis.

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

(g) Cash and cash equivalents

Cash and cash equivalents include cash and money market funds held on a short term basis.

(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) 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 the rate of 2.0% per annum of the net assets attributable to the Class A redeemable preference shares of the Fund and 1.5% per annum of the net assets attributable to the US Dollar Class B and Euro Class B redeemable preference shares of the Fund, calculated on a monthly basis and payable quarterly. For the year ended March 31, 2010, the management fee was $437,664 (2009 - $548,078), of which $117,029 (2009 - $66,941) was payable at March 31, 2010.

The Fund also pays management fees to the manager of the managed account, Premier Investment Fund Limited. For the year ended March 31, 2010, the managed account management fees was $37,000 (2009 - $nil) of which $nil (2009 - $nil) was payable at March 31, 2010.

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

Incentive fees

The Class A and Class A 09 redeemable preference 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 and Class A 09 redeemable preference 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 Class A or Class A 09 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 it, there will be no incentive fee payable with respect to such redeemable preference share until the amount of the net loss previously allocated has been recouped. Incentive fees are only paid when the net asset value of the redeemable preference shares increase above a previously established "high water mark" net asset value for that class of redeemable preference shares. In the event of either a redemption being made at a date other than the end of a Performance Period or if 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 the 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 and Class B 09 redeemable preference shares also pay to the Manager an incentive fee of 10% of the net profits attributable to the Class B and Class B 09 redeemable preference shares, calculated monthly and payable quarterly. Net profits are defined as the cumulative profits attributable to the Class B and Class B 09 redeemable preference 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 the net profit for a month is negative, it will be carried forward ("carry forward losses"). No incentive fee will be payable until the net profits in subsequent month(s) exceed carry forward losses, and the hurdle as discussed above, together with any cumulative actual losses incurred in previous fiscal years, adjusted for redemptions. However, the net profit amount, upon which performance fees are calculated, is not offset by actual losses incurred in previous fiscal years at the time the performance fee is calculated. Once earned, the incentive fee will be retained by the Manager regardless of the Fund's future results.

For the year ended March 31, 2010, incentive fees were $345,042 (2009 - $nil), of which $11,375 (2009 - $nil) was payable at March 31, 2010.

The Fund is charged management and incentive fees by the Manager as described above on its net assets. However some of the other investments companies in which the Fund invests are also managed by the Manager. To ensure that the Fund is not double charged for such management and incentive fees, the Manager rebates to the Fund its proportionate share of such fees.

The Fund also pays incentive fees to the manager of the managed account, Premier Investment Fund Limited. For the year ended March 31, 2010, the managed account management fees was $120,369 (2009 - $nil) of which $16,258 (2009 - $nil) was payable at March 31, 2010.

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

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 shares in the Fund. As at March 31, 2010, $4,720 (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 services provided, the Fund pays 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 fifteen basis points of the Fund's net assets per annum. 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 $60,448 (2009 - $64,742), of which $16,960 (2009 - $12,390) 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") 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, a set up fee of US$ 1,500 will be payable together with all reasonable 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 provided 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 custodied investments (calculated monthly). In addition, custody transaction fees were chargeable on individual transactions on a sliding scale, depending on the market and type of security.

Effective August 25, 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.

6. **Share capital**

The authorized share capital of the Fund is $11,000, which is divided into 100 common shares of par value $1 each and 10,900,000 redeemable preference shares (the "Shares"), issued in US Dollar and Euro with a par value $0.001 each.

Effective February 2, 2009 Class A 09 and Class B 09 Shares were offered for sale. Effective March 2, 2009, the existing Class A and Class B shares were closed for new subscriptions. Class A 09 and Class B 09 Shares have identical rights to the Class A and Class B Shares, respectively.

6. **Share capital** (continued)

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 and B Shares may be redeemed provided the Administrator receives written notice, by at least the 20th day of the month prior to the Dealing Day.

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 $23,033,205 and $2,395,981 payable to FMG Rising 3 Fund Ltd. and FMG (EU) India Fund, respectively. FMG Rising 3 Fund Ltd. and FMG (EU) India Fund are managed by the same Manager as the Fund. At March 31, 2009, FMG Rising 3 Fund Ltd. held 88.10% of the outstanding US Dollar Class B redeemable preference shares of the Fund and FMG (EU) India Fund held 100% of the outstanding Euro Class B redeemable preference shares of the Fund.

7. **Fair value of financial instruments**

The methods used to determine the fair value of investments in other investment companies, managed accounts 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.

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 values:

	Level 1	Level 2	Level 3	Total
Investments in other investment companies	$ 14,053,524	$ 12,668,337	$ –	$ 26,721,861
Common equities	1,241,295	–	–	1,241,295
Total investments	$ 15,294,819	$ 12,668,337	$ –	$ 27,963,156

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

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

8. **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.

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 in other investment companies, limited partnerships and managed accounts that are invested in companies located in India. This emerging market 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 estimating the valuation 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 emerging markets.

(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 and limited partnerships are not traded in an organized public market. As a result, the Fund may not be able to quickly liquidate its investments 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.

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

The schedule of investments summarizes the redemption frequencies of the Fund's investments in other investment companies and limited partnership at March 31, 2010.

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

(a) *Liquidity risk* (continued)

At March 31, 2010, investments funds held by the Fund had not implemented any redemption restrictions.

The liabilities of the Fund are comprised of accrued expenses and these fall due within 3 months of the balance sheet date.

(b) *Interest rate risk*

Interest rate risk arises when a fund 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 and limited partnerships 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 positions and investments 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 is represented by the carrying amounts of the investments listed on the schedule of investments.

Bankruptcy or insolvency of the Custodian may cause the Funds' 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 the financial position of the Custodian and should it decline significantly, the manager will move cash holdings and custodial relationships to another institution.

At year end the Fund held managed account investments with the Kotak Premier Investments Fund. Kotak Premier Investments Fund acts as the advisor for the managed account. Unlike an investment in a fund, the Fund will not receive shares or any other form of title for these investments, but will simply rank as creditor of the advisor. The advisor for the managed accounts make separate custody arrangements for the investments held therein.

(d) *Market risk*

Market risk is the risk that the changes in interest rates, foreign exchange rates or commodity 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 and limited partnerships 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 $1,398,158 (2009 - $670,778); 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.

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

(e) Currency risk

The Fund may invest in other investment companies and limited partnerships 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.

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	$ 5,877,489	$ (2,799,350)	$ –	$ –	$ 3,078,139
	$ 5,877,489	$ (2,799,350)	$ –	$ –	$ 3,078,139

	Monetary Assets	Monetary Liabilities	Net assets attributable to Non-USD denominated Share Classes	Forward FX Contracts	Net Exposure
March 31, 2009					
EUR	$ 1,891,922	$ –	$ –	$ (1,736,106)	$ 155,816
EUR	–	–	(1,216,697)	1,118,177	(98,520)
	$ 1,891,922	$ –	$ (1,216,697)	$ (617,929)	$ 57,296

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.

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

(e) *Currency risk* (continued)

At March 31, 2010, had the US Dollar strengthened by 5% in relation to the Euro, there would be an approximate net impact of $153,907 (2009: $(7,790)) on the statement of operations and net assets of the Fund arising from the change in the carrying value of monetary assets, net of the effect of hedging instruments. There would also be an approximate net impact of $nil (2009: $4,926) on the statement of operations and on the net assets attributable to the hedged non-USD denominated share classes. A 5% weakening of the US Dollar against the Euro would have resulted in an approximate equal but opposite effect. Actual results may differ from this sensitivity analysis and the difference could be material to the financial statements.

At March 31, 2010, the Fund had no open forward foreign exchange contracts. At March 31, 2009, the Fund had the following open forward foreign exchange contracts:

Currency to be sold		Currency to be bought		Contract due date	Fair Value
USD	1,118,177	EUR	891,546	April 2, 2009	$ 66,331
EUR	1,384,234	USD	1,736,106	April 2, 2009	(102,987)
Net unrealized loss on open forward foreign currency contracts					$ (36,656)

(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 the 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**

At March 31, 2010, the Fund held investments with a fair value of $5,877,489 (2009 - $1,891,922) in FMG (EU) India Opportunity Fund Ltd., another investment company that is managed by the Manager. The Fund has received management and incentive fee rebates from the Manager during the year of $176,913 (2009 - $76,041) of which $39,217 (2009 - $2,306) is outstanding at March 31, 2010.

11. **Subsequent events**

On August 30, 2010 the Board of Directors passed a resolution that the Fund cease operations and wind up effective March 31, 2010. Subsequent to year end the Fund paid $18,812,813 redemptions in kind by transferring a significant portion of its investment portfolio to FMG Rising 3 Fund Ltd., a fund managed by the same Manager as the Fund. In July 2010, the remaining Shares in Class B USD were redeemed and the Fund was liquidated.