FAIRFAX INDIA
HOLDINGS CORPORATION

2022 Annual Report

Contents

2022 Annual Report

Fairfax India Corporate Performance

(in US$ thousands, except as otherwise indicated)[(1)]

As at and for the years ended December 31	Book value per share[(2)]	Closing share price	Income	Net earnings (loss)	Total assets	Investments	Common share-holders' equity	Shares out-standing	Earnings (loss) per share
Initial public offering	10.00	10.00[(3)]							
2015	9.50	10.10	65,251	40,939	1,025,421	978,569	1,013,329	106.7	0.42
2016	10.25	11.55	128,604	107,825	1,303,497	1,095,569	1,075,446	104.9	1.01
2017	14.46	15.00	609,670	452,509	2,672,221	2,635,726	2,132,464	147.4	2.94
2018	13.86	13.13	166,518	96,432	2,707,057	2,661,347	2,117,945	152.9	0.63
2019	16.89	12.80	712,689	516,338	3,244,937	3,171,332	2,577,851	152.6	3.30
2020	16.37	9.60	(12,972)	(41,476)	3,072,998	3,027,648	2,446,934	149.5	(0.27)
2021	19.65	12.61	693,539	494,514	3,584,346	3,546,332	2,774,792	141.2	3.22
2022	19.11	12.28	237,526	191,439	3,365,569	3,210,608	2,642,036	138.3	1.34
Compound annual growth	8.5%[(4)]	2.6%							

(1) All share references are to common shares; Closing share price and per share amounts are in U.S. dollars; Shares outstanding are in millions. Certain of the performance measures presented do not have a prescribed meaning under IFRS and may not be comparable to similar measures presented by other companies. See the Glossary of Non-GAAP and Other Financial Measures in the MD&A for details.

(2) Calculated as common shareholders' equity divided by common shares effectively outstanding.

(3) On January 30, 2015, upon completion of the company's initial public offering price of $10.00 per share, Fairfax India Holdings Corporation's subordinate voting shares began trading on the Toronto Stock Exchange under the symbol FIH.U.

(4) The company's book value per share of $19.11 at December 31, 2022 represented a compound annual growth rate from the initial public offering price of $10.00 per share at January 30, 2015 of 8.5%.

Corporate Profile

Fairfax India Holdings Corporation ("Fairfax India") is an investment holding company whose objective is to achieve long term capital appreciation, while preserving capital, by investing in public and private equity securities and debt instruments in India and Indian businesses ("Indian Investments").

Indian Investments(1)

Fairfax India's *Public Indian Investments* are comprised of various percentages of ownership in the following companies whose shares are listed on both the BSE (formerly known as Bombay Stock Exchange Limited) and the National Stock Exchange of India:

IIFL Finance Limited ("IIFL Finance") is a publicly traded retail-focused diversified financing company located in Mumbai, India that offers home loans, gold loans, loans against property, digital loans and microfinance, in addition to its non-core segments of loans for construction and real estate finance and capital market finance. IIFL Finance's revenues for the twelve months ended December 31, 2022 were $631 million. At year end, IIFL Finance had shareholders' equity of $1.1 billion and there were approximately 32,700 employees. Additional information can be accessed from IIFL Finance's website www.iifl.com.

360 ONE WAM Limited ("360 ONE") (formerly IIFL Wealth Management Limited) is a publicly traded wealth management firm with principal lines of business in wealth and asset management, located in Mumbai, India. The wealth management business serves the specialized needs of high net worth and ultra-high net worth individuals, affluent families, family offices and institutional clients through a comprehensive range of tailored wealth management solutions. The asset management business provides a diversified suite of alternative investment funds, portfolio management services and mutual funds that span public and private equities, fixed income securities and real estate. IIFL Wealth Management Limited was renamed to 360 ONE WAM Limited on January 5, 2023. 360 ONE's revenues for the twelve months ended December 31, 2022 were $208 million. At year end, 360 ONE had shareholders' equity of $373 million and there were approximately 1,030 employees. Additional information can be accessed from 360 ONE's website www.360.one.

IIFL Securities Limited ("IIFL Securities") is a publicly traded independent full-service retail and institutional brokerage, along with being a leading investment advisory firm providing diversified financial services and products such as financial planning, equity, commodities and currency broking (both cash and derivatives), depository participant services, investment banking, portfolio management as well as distribution of mutual funds, bonds and other products. IIFL Securities is located in Mumbai, India. IIFL Securities' revenues for the twelve months ended December 31, 2022 were $169 million. At year end, IIFL Securities had shareholders' equity of $164 million and there were approximately 2,320 employees. Additional information can be accessed from IIFL Securities' website www.iiflsecurities.com.

CSB Bank Limited ("CSB Bank") is a publicly traded company located in Thrissur, India, established in 1920 and is a full-service bank offering retail banking, non-resident Indian banking services, small-to-medium enterprise and wholesale banking services through 649 branches and 512 automated teller machines across India. CSB Bank's revenues for the twelve months ended December 31, 2022 were $202 million. At year end, CSB Bank had shareholders' equity of $379 million and there were approximately 6,360 employees. Additional information can be accessed from CSB Bank's website www.csb.co.in.

Fairchem Organics Limited ("Fairchem Organics") is a publicly traded specialty chemical manufacturer located in Ahmedabad, India. Fairchem Organics manufactures oleochemicals used in the paints, inks and adhesives industries, as well as intermediate neutraceutical and health products. Fairchem Organics' revenues for the twelve months ended December 31, 2022 were $86 million. At year end, Fairchem Organics had shareholders' equity of $30 million and there were approximately 215 employees. Additional information can be accessed from Fairchem Organics' website www.fairchem.in.

5paisa Capital Limited ("5paisa"), located in Mumbai, India, is a publicly traded online financial services provider with a "do-it-yourself" investment brokerage model that allows customers to execute investment transactions for low brokerage fees. 5paisa is primarily engaged in providing a technology platform through online and mobile applications for trading securities on the BSE and the NSE of India. 5paisa's revenues for the twelve months ended December 31, 2022 were $43 million. At year end, 5paisa had shareholders' equity of $54 million and there were approximately 790 employees. Additional information can be accessed from 5paisa's website www.5paisa.com.

(1) *Indian Accounting Standards (Ind AS) are based on and substantially converged with the International Financial Reporting Standards ("IFRS"). As such, all of the Indian Investments' figures are unaudited and based on Ind AS or IFRS. See the Glossary of Non-GAAP and Other Financial Measures in the MD&A for details.*

Fairfax India's *Private Indian Investments* are comprised of various percentages of ownership in the following companies whose fair values cannot be derived from an active market and accordingly, are valued internally using industry accepted valuation techniques and models:

Bangalore International Airport Limited ("BIAL") is a private company located in Bengaluru, India. BIAL, under a concession agreement with the Government of India until the year 2068, has the exclusive rights to carry out the development, design, financing, construction, commissioning, maintenance, operation and management of the Kempegowda International Airport Bengaluru ("KIAB") through a public-private partnership. KIAB is the first greenfield airport in India built through a public-private partnership. BIAL's revenues for the twelve months ended December 31, 2022 were $201 million. At year end, BIAL had shareholders' equity of $268 million and there were approximately 1,320 employees. Additional information can be accessed from BIAL's website www.bengaluruairport.com.

Sanmar Chemicals Group ("Sanmar"), a private company located in Chennai, India, is one of the largest suspension polyvinyl chloride ("PVC") manufacturers in India, operating in India and Egypt. Sanmar also manufactures caustic soda, calcium chloride, chloromethanes, refrigerant gases, industrial salt and specialty chemical intermediates. Sanmar's revenues for the twelve months ended December 31, 2022 were $1.4 billion. At year end, Sanmar had shareholders' equity of $298 million and there were approximately 1,980 employees. Additional information can be accessed from Sanmar's website www.sanmargroup.com.

Seven Islands Shipping Limited ("Seven Islands"), a private company located in Mumbai, India, is the second largest private sector tanker shipping company in India and transports liquid and gas cargo along the Indian coast as well as in international waters. At December 31, 2022 Seven Islands owned 24 vessels, including 2 gas carriers, with a total deadweight capacity of approximately 1.3 million metric tons. Its vessels are registered in India and operate as Indian owned and flagged vessels. Seven Islands' revenues for the twelve months ended December 31, 2022 were $129 million. At year end, Seven Islands had shareholders' equity of $141 million and there were approximately 110 employees. Additional information can be accessed from Seven Islands' website www.sishipping.com.

National Commodities Management Services Limited ("NCML"), a private company located in Gurugram, India, offers end-to-end solutions in grain procurement, storage and preservation, testing and certification, collateral management, and commodity and weather intelligence. NCML's wholly-owned subsidiary, NCML Finance Private Ltd, focuses on rural and agri-business finance. NCML's revenues for the twelve months ended December 31, 2022 were $32 million. At year end, NCML had shareholders' equity of $59 million and there were approximately 1,050 employees. Additional information can be accessed from NCML's website www.ncml.com.

Saurashtra Freight Private Limited ("Saurashtra"), a private company located in Mumbai, India, operates one of the largest container freight stations ("CFS") at Mundra port (Gujarat). Services provided by Saurashtra's CFS include transportation of containers to and from the port, stuffing and destuffing of containers, cargo storage, transportation of cargo to the end customer, and the storage, maintenance and repair of empty containers. Saurashtra's subsidiary, Fairfreight Lines, focuses on services for container shipping, offering integrated logistics solutions to its customers by providing containers, which are leased by Saurashtra, to importers and exporters to transport cargo. Saurashtra's revenues for the twelve months ended December 31, 2022 were $42 million. At year end, Saurashtra had shareholders' equity of $39 million and there were approximately 160 employees. Additional information can be accessed from Saurashtra's website www.saurashtrafreight.com.

Maxop Engineering Company Private Limited ("Maxop"), a private company located in New Delhi, India, is a precision aluminum die casting and machining solution provider for customers in the automotive and industrial sectors. Maxop's revenues for the twelve months ended December 31, 2022 were $71 million. At year end, Maxop had shareholders' equity of $31 million and there were approximately 3,600 employees. Additional information can be accessed from Maxop's website www.maxop.com.

Jaynix Engineering Private Limited ("Jaynix"), a private company based in Gujarat, India, is a manufacturer of non-ferrous electrical connectors and electrical assemblies, and is a critical Tier 1 supplier to major electrical original equipment manufacturers in North America and Europe. Jaynix's revenues for the twelve months ended December 31, 2022 were $35 million. At year end, Jaynix had shareholders' equity of $17 million and there were approximately 175 employees.

National Stock Exchange of India Limited ("NSE"), a private company located in Mumbai, India, operates India's largest stock exchange. In addition to providing a platform for exchange-traded financial products in India, NSE's flagship index, Nifty50, is used extensively by investors in India and around the world as a barometer of the Indian capital markets. NSE's revenues for the twelve months ended December 31, 2022 were $1.6 billion. At year end, NSE had shareholders' equity of $2.2 billion. Additional information can be accessed from NSE's website www.nseindia.com.

To Our Shareholders,

Our chairman Prem Watsa started the India section of his letter last year to the shareholders of our parent Fairfax Financial Holdings (Fairfax Financial) as follows: "Mr. Modi continues to focus on improving the quality of life and enhancing the ease of living for the people of India. After he got elected for his second term in May 2019, he said that in the next five years he would ensure clean tap water for the 192 million families – i.e. 980 million population – living in rural India. He put Mr. Bharat Lal, who as it happened was in charge of bringing tap water to every home in Gujarat when Mr. Modi was first elected Chief Minister of that state, in charge of planning and implementing this $51 billion five-year program called Jal Jeevan Mission. When Mr. Lal began this project in August 2019, fewer than 17% – 32 million – of the households had clean tap water. In spite of the COVID-19 pandemic, two and a half years later, now more than 92 million households have assured tap water supply, thus changing the lives of people – particularly women and children. Prime Minister Modi and Mr. Lal are well on their way to accomplishing the impossible." This is only one example of Mr. Modi's unrelenting efforts to improve the lives of India's citizens. We believe this kind of quality of life improvement will contribute to better education levels and therefore employment creation needed for India to take advantage of its demographic dividend. By his policies and actions, Mr. Modi has made it abundantly clear that private enterprise has a huge role to play in this upliftment. It therefore comes as no surprise that many observers are predicting that the coming decade will be one of great economic achievement for India. Morgan Stanley predicts that India's GDP will grow from the current $3.4 trillion to $8.5 trillion over the next decade, making it the third biggest economy in the world.

Our own experience in the building of the absolutely spectacular Terminal 2 of Bangalore International Airport convinces us that India is ready. Speaking at its inauguration, Prem said: "While we were on this journey to build something that would be truly outstanding, we were also supported constantly by the government, particularly a government that welcomes business. And where business is welcomed, more business makes its way."

After a good run from inception to the end of 2021 when Fairfax India's book value per share (BVPS), our key performance measure, grew at a compound annual rate of 10.3%, Fairfax India's BVPS declined by 2.7% from $19.65* at the end of 2021 to $19.11 at the end of 2022, a performance slightly better than the performance of Indian equity indices, and even better than it looks as it was adversely affected by the 10.1% decline in the Indian rupee against the U.S. dollar during 2022 (without the rupee devaluation, Fairfax India's BVPS would have been up by 9.6%). The value of the publicly listed companies in the portfolio was up 8.9%** compared to the US$ S&P BSE Sensex 30 index which was down 5.9%. Common shareholders' equity decreased by 4.8% after increasing by 13.4% the previous year.

Here is a snapshot of Fairfax India's performance since it began:

$ millions except per share amounts:	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**CAGR[(1)]**
Book value per share	$ 19.11	$ 19.65	$ 16.37	$ 16.89	$ 13.86	$ 14.46	$ 10.25	$ 9.50	8.5%
Income	237.5	693.5	(13.0)	712.7	166.5	609.7	128.6	65.3	
Net earnings (loss)	191.4	494.5	(41.5)	516.3	96.4	452.5	107.8	40.9	
Return on equity	7.1%	18.9%	(1.7)%	22.0%	4.5%	28.2%	10.3%	4.0%	11.7%[(2)]
$ billions:									
Total assets	3.4	3.6	3.1	3.2	2.7	2.7	1.3	1.0	16.2%
Investments	3.2	3.5	3.0	3.2	2.7	2.6	1.1	1.0	16.2%
Common shareholders' equity	2.6	2.8	2.4	2.6	2.1	2.1	1.1	1.0	12.9%
Shares outstanding (millions)	138.3	141.2	149.5	152.6	152.9	147.4	104.9	106.7	

(1) *Since Fairfax India's inception on January 30, 2015, when it raised $1.03 billion at $10 per share. From an initial value of $9.62 (after IPO expenses), book value per share has compounded at 9.0% annually.*

(2) *Simple average of the return on equity for each of the eight years.*

* *Amounts in this letter are in U.S. dollars unless otherwise specified. Numbers in the tables in this letter are in U.S. dollars and $ millions except as otherwise indicated. Certain of the performance measures in this letter do not have a prescribed meaning under IFRS and may not be comparable to similar measures presented by other companies. See the Glossary of Non-GAAP and Other Financial Measures in the MD&A and the Appendix to the Letter to Shareholders for details.*

** *Including the impact of purchases and sales during the year.*

With the exception of Singapore, all Asian emerging markets were down in 2022. You will see from the table below (based on the leading US$ equity index in each country named) that India's 5.9% equity index decline was outperformed only by Singapore and Thailand's equity indices:

Singapore	4.8%
Thailand	(3.2)%
India	(5.9)%
Malaysia	(9.9)%
Hong Kong	(15.5)%
China	(27.8)%
Vietnam	(35.1)%
Sri Lanka	(61.7)%

And here is a comparison of Fairfax India's change in BVPS in 2022 with the change in major Indian US$ equity indices:

Fairfax India BVPS	(2.7)%
S&P BSE Sensex 30	(5.9)%
S&P BSE 500	(6.9)%
S&P BSE midcap	(8.7)%
Nifty 50	(6.0)%

As noted in the table above, while our BVPS declined in 2022, it outperformed all the major Indian indices.

Last year we mentioned that at the levels then, the Indian markets were trading at extremely elevated valuations, but as you can see from the table below, valuations have come down and are now closer to the 10-year average:

	December 31, 2021	December 31, 2022	10-year average
Price to earnings ratio	30.2	23.1	22.9
Price to book value ratio	3.5	3.4	3.0
Dividend yield	0.9%	1.1%	1.3%
Market cap to GDP ratio	114%	98%	80%

The valuations of our listed portfolio companies, with a price to earnings ratio of 11.1, price to book value ratio of 1.9 and dividend yield of 1.6%, are much better than the 10-year average.

Over the eight years since Fairfax India's inception, Fairfax India has significantly outperformed the Indian markets, as demonstrated in the following table showing the average annual percentage change over eight years:

Fairfax India BVPS(1)	+8.5%
US$ S&P BSE Sensex 30	+5.8%

(1) Fairfax India's eight-year annualized growth in BVPS is calculated based on its January 30, 2015 IPO price of $10 per share.

Please note that Fairfax India's book value is based on publicly traded market values only for about 40% of its investments which are publicly traded (the rest are based on what we consider to be more conservative internal valuations), whereas the Sensex is of course based entirely on publicly traded market values.

Fairfax India's net earnings in 2022 were $191.4 million versus $494.5 million in 2021, largely as the result of net unrealized gains on investments of $153.7 million compared to $438.9 million in 2021 and net realized gains on investments of $95.9 million compared to $227.2 million in 2021. Earnings also reflect a $36.4 million performance fee recovery, dividend and interest income of $35.3 million and net foreign exchange losses of $47.4 million. Fully diluted earnings per share was $1.34 in 2022 versus $3.22 in 2021. The significant contributors to net unrealized and realized gains recorded in 2022 were:

IIFL Finance	$218.5
NSE	62.9
IIFL Wealth (now 360 ONE WAM)	34.4
CSB Bank	19.7
Sanmar	(42.7)
Fairchem Organics	(29.7)
IIFL Securities	(28.3)

Since we began, Fairfax India has completed investments in twelve companies and exited one (14 currently, as one has split into four listed entities), all sourced and reviewed by Fairbridge, Fairfax India's parent Fairfax Financial's wholly-owned sub-advisor in India. Fairbridge does outstanding work under the excellent leadership of CEO Sumit Maheshwari, supported by its Director Anish Thurthi, Vice President Sheetal Sancheti, and analysts Jinesh Rambhia, Ramin Irani and Chinar Mathur. Fairfax India's Mauritius subsidiary, FIH Mauritius Investments, ably led by its CEO Amy Tan, supported by its Vice President Vishal Mungur and its independent Board of Directors, is an integral part of the investment process. Also, since we began, Deepak Parekh, both as a trusted advisor and a member of the Board of Directors, has provided us with invaluable advice on almost all of our transactions.

All of Fairfax India's investments are in outstanding companies with a history of strong financial performance, led by founders and management who are not only excellent but also adhere to the highest ethical standards. The details of these investments in chronological order of the initial investment are as follows:

	Date of Initial Investment	**Ownership**	**Amount Invested**	**Fair Value at December 31, 2022**	**Compounded Annualized Return(1)**
NCML	August 2015	89.5%	$ 188.3	$ 69.4	(13.8)%
IIFL Finance*	December 2015	22.3%	–	493.3	*
IIFL Wealth (now 360 ONE WAM)*	December 2015	2.5%	34.6	46.7	*
IIFL Securities*	December 2015	27.8%	91.3	65.8	*
5paisa*	December 2015	25.0%	29.7	28.4	*
Fairchem Organics(2)	February 2016	52.8%	29.7	111.1	34.1%
Sanmar Chemicals Group	April 2016	42.9%	199.0	337.8	13.2%
National Stock Exchange of India	July 2016	1.0%	26.8	159.6	35.2%
Saurashtra Freight	February 2017	51.0%	30.0	50.7	10.1%
Bangalore International Airport(3)	March 2017	54.0%	653.0	1,233.7	12.2%
CSB Bank	October 2018	49.7%	169.5	223.3	7.5%
Seven Islands Shipping	March 2019	48.5%	83.8	96.9	4.0%
Maxop Engineering	November 2021	67.0%	51.4	51.9	0.8%
Jaynix Engineering	February 2022	70.0%	32.5	32.8	1.0%
Other Indian Investments			34.1	38.4	24.8%
Total			$1,653.7	$3,039.8	13.2%
* *Aggregate: IIFL Finance, IIFL Wealth, IIFL Securities and 5paisa*			*$ 155.6*	*$ 634.2*	*19.8%*

(1) Calculated using the internal rate of return

(2) Presented based on initial investment before the merger in March 2017 and subsequent investments

(3) Fairfax India's effective interest in Bangalore International Airport is 49.0% (on a fully diluted basis).

While the BVPS of Fairfax India is $19.11, we believe that the underlying intrinsic value is much higher. We have taken the opportunity over the last four years to buy back 15.1 million shares for $194.4 million or an average price of $12.84 per share, including the 3.0 million shares we bought in 2022 for $35.6 million or an average price of

$12.00 per share. We have continued to buy back shares in 2023 and to date, we have bought back 0.1 million shares for $1.3 million or an average price of $12.66.

In June 2019, Fairfax India created a 100% owned subsidiary in India named Anchorage Infrastructure Investments Holdings (Anchorage). It is intended that this company will be Fairfax India's flagship investment vehicle for airports and other infrastructure investments in India and that all the shares it owns in Bangalore International Airport (BIAL) will eventually be transferred to Anchorage.

In September 2021, Fairfax India, as previously agreed, transferred 43.6% out of the 54% that it owns in BIAL to Anchorage and OMERS (the pension plan for municipal employees in the Province of Ontario, Canada) invested $129.2 million to acquire from Fairfax India an 11.5% interest on a fully diluted basis in Anchorage. This resulted in OMERS indirectly owning approximately 5% of BIAL. At that time, this transaction valued 100% of BIAL at $2.6 billion.

Fairfax India intends to complete an IPO of Anchorage, although we did not move forward on this in 2022 as we are awaiting regulatory approvals.

Once Anchorage is listed, the proportion of the publicly listed investments in Fairfax India will increase from the current 39.2% to 79.8% of the overall portfolio.

Financial Position

At December 31, 2022, the financial position of Fairfax India was as follows:

Undeployed cash and investments[1]	$ 333.8
Unsecured senior notes maturing in February 2028	500.0
Common shareholders' equity	2,642.0
Total debt to equity	18.8%

(1) Includes passive investments in publicly traded Indian companies

Performance Fee

You will recall that under the investment advisory agreement with Fairfax Financial, Fairfax Financial is entitled to a performance fee calculated at the end of each three-year period, of 20% of any increase in Fairfax India's BVPS (including distributions) above a non-compounded 5% increase each year from the BVPS at inception in 2015.

At the end of 2022, the second year of the current third three-year period, a performance fee of $41.5 million has been accrued but will only be finalized and paid as at the end of the three-year period ending 2023, based on performance at that time.

Indian Investments[1]

Bangalore International Airport (BIAL)

The recently inaugurated Terminal 2 (T2), whose construction continued and was completed notwithstanding the challenges of the pandemic since 2020, is a first-of-its-kind 'Terminal in a Garden' and an extension of Bengaluru city's green aesthetics. The terminal and the area leading up to it are designed to give passengers an experience of walking in a garden. This begins from entry into the BIAL campus at the Main Access Road to entering T2 and then boarding aircraft at the piers.

The 255,661 square metre (sqm) facility pays homage to the city of Bengaluru and was designed around four pillars: the 'terminal in a garden', sustainability, technology, and art & culture.

The two-level domestic and international retail and lounge areas are structured to provide scenic views of the greenery within and outside the building.

The garden features include 10,235 sqm of green walls around the terminal, hanging gardens that cascade down from the terminal roof on bronze veils and bells suspended from the ceiling, plus green lagoons and an extensive forest belt area between the terminal and the 19 boarding gates.

(1) Indian Accounting Standards (Ind AS) are based on and substantially converged with IFRS as issued by the IASB. As such, all of the Indian Investments' figures are unaudited and based on Ind AS or IFRS, with the exception of CSB Bank, where figures are based on Indian Generally Accepted Accounting Principles (Indian GAAP). Percentage variances over financial figures are based on underlying changes in the investment's Indian rupee functional currency.

A total of 620 endemic plants, 3,600+ plant species, 150 palm species, 7,700 transplanted trees, 100 varieties of lilies, 96 lotus species and 180 rare, endangered and threatened species and ten ecological habitats make up the lush green landscape.

On sustainability, solar panels and daylight harvesting results in 24.9% overall energy savings. Rainwater harvesting and six major rainwater-fed ponds with 413 million litres of water cater to the airport's requirements. The planned integrated solid waste management plant will convert biodegradable waste to fuel and manure, leading the airport towards zero waste to landfill.

On the innovation and technology front, to ensure that the passenger experience is simplified, seamless and effortless, "Digi Yatra" has been implemented. Digi Yatra features 'your face is your boarding pass' technology, meaning travellers can pass through security checks easily. BIAL has been at the forefront of developing this smart security implementation to facilitate more accurate screening and higher passenger throughput.

The focus of the Art Program at T2 is to exhibit the cultural diversity and unique art forms of Karnataka in particular, followed by other South Indian art forms. Art installations are exhibited at strategic locations throughout the airport and serve as beacons in the traveler's journey, allowing them to pause, reflect and enjoy.

T2 is designed to provide the highest level of passenger experience while also making it an unforgettable destination for passengers with its memorable visual impressions, sustainable practices and technology.

Fairfax Financial Chairman and CEO Prem Watsa said: "The opening of Kempegowda International Airport's Terminal 2 is a historic moment for us. The last two years were the most challenging with the pandemic impacting businesses all over the world, but our work on completing T2 was constantly in progress."

BIAL is Fairfax India's largest investment and a very important one as it accounts for 41% of the market value of its investments.

Between March 2017 and May 2018, Fairfax India invested, in 3 tranches, $653.0 million to acquire 54% of BIAL, implying an equity value of approximately $1.2 billion for the whole company. It is the third largest airport in India and in 2019 it was the fastest growing airport in the world. Bangalore, considered India's Silicon Valley, is the third largest and fastest growing city in India.

After being severely impacted by the pandemic in 2020 and 2021, the second half of 2022 brought some stability to passenger numbers at BIAL. Based on the most recent traffic, domestic passenger levels are now at an annual rate of about 24.4 million passengers, and exceeded pre-pandemic levels during December 2022. International traffic levels, despite war-related disruptions and high fuel prices, are at an annual rate of about 3.1 million passengers, and recovered to about 88% of pre-pandemic levels in December 2022.

- **Aero revenue and tariff order for third control period**

Aero revenue is the revenue earned for providing services such as landing, parking and other services charged as user development fees (UDF) to airlines and passengers. The aero tariffs for these services are set for five-year periods (called "control periods") and are fixed by the Airport Economic Regulatory Authority (AERA) to provide a reasonable return on equity deployed in the Regulatory Asset Base (RAB). AERA treats 30% of non-aero revenue (described below) as aero revenue as a subsidy for the purpose of tariff calculations. The tariff order for the second control period (from April 2016 to March 2021) was finalized by AERA in August 2018, well after the control period had begun. Any under or over recovery of tariffs in any control period will be adjusted in the subsequent control period. This is achieved primarily by adjusting downwards or upwards the fee that the airport is allowed to charge for its aero services to passengers and airlines. The tariffs that the airport can charge have a very significant impact on the cash flow generated which, in turn, has a major impact on the financing for the planned expansion of the airport.

Because of the significant underachievement of passenger traffic in the last year of the second control period and the intended completion of capital projects during the third control period (from April 2021 to March 2026), UDFs were expected to increase significantly in the third control period. With the higher UDFs and the ultimate return of passenger volumes to pre-pandemic growth levels, aero revenue was expected to return to normal levels at some point during the fiscal year ending March 2024. Based on current traffic volumes, this looks likely to happen.

- **Growth plans**

In 2018, BIAL entered a phase of significant investment of about $1.9 billion to expand its designed capacity of 20 million passengers to about 50 million in 2021, by re-configuration and system improvements to the existing terminal (now completed), building a second runway, and building phase 1 of T2 and associated supporting infrastructure. The second runway was commissioned as planned in 2019 and phase 1 of T2 was completed in

2022. A financing plan for this expansion, based on a debt-to-equity ratio of 80:20, was approved by a syndicate of Indian banks at attractive interest rates.

Then plans were added for the building of phase 2 of T2 and related infrastructure for an incremental investment of about $1.2 billion, to take the capacity to about 70 million passengers by 2029. In 2019, BIAL added a plan for a third terminal and related infrastructure for an incremental investment of approximately $0.6 billion, taking the capacity of the airport beyond 90 million passengers by 2033. The total investment of about $1.8 billion required to complete the above expansions is expected to be funded through internally generated funds and debt.

- **Non-aero revenue**

Non-aero revenue is all revenue other than aero revenue, such as revenue from food and beverage sales and duty-free shops. Non-aero revenue grew at a CAGR of 17% from 2009 to 2020 (thereby excluding impact of pandemic years): it has currently returned to pre-pandemic levels and is expected to resume its growth trajectory from 2023 due to the return to normal passenger growth rates, the availability of additional space and the increasing propensity of passengers at the airport to make purchases.

To accelerate non-aero revenue growth, BIAL has undertaken many innovative projects that engage passengers and enhance their experience at the airport. During the pandemic, BIAL was a leader among airports in being flexible and working collaboratively with concessionaires (who also were extremely stressed from the shutdown of their businesses), helping them to survive and resume business as passenger traffic came back. Remarkably, through a combination of the rollout of new concepts, digital initiatives and loyalty programs, BIAL achieved per passenger non-aero sales levels that are higher than pre-pandemic levels. The process to improve lounge experience and increase lounge capacity in the existing terminal and the new terminal are well underway. BIAL is also seeing an overwhelming interest from global bidders for non-aero space in T2. These achievements lay the foundation for BIAL's plans to grow non-aero revenue by five times over the next decade.

- **Cargo business**

The cargo operation of BIAL, which was a beacon of strength through the entire pandemic because it was not affected by the pandemic-related shutdowns, continues to perform very well. In 2022 BIAL recorded its all-time high cargo volume of 412,668 metric tons, including India's highest (31% of total) export shipments of perishable goods. Many initiatives have been implemented in the cargo business, including increasing capacity to 980,000 metric tons, building India's largest express cargo facility, building a dedicated truck management facility, implementing a system for paperless cargo processing and putting in place new concession agreements with operators at significantly better terms for BIAL.

- **Real estate monetization**

Plans for real estate monetization, which is another major source of future revenue for BIAL, have been delayed by about 24 months as a result of the pandemic. BIAL has approximately 460 acres of land adjoining the airport that can be developed. Most of this land is undeveloped and Bangalore's historical population areas are getting congested, so the city is expanding in the airport's direction. BIAL anticipates significant upside, over time, from monetization of this real estate. We provide below an update on the significant progress made in the actions to monetize the land available for development.

A 100%-owned special purpose vehicle subsidiary of BIAL was incorporated to carry on the real estate activities of BIAL. This entity, Bengaluru Airport City Limited (BACL), is now capitalized and staffed and is expected to be self-funding as it moves forward.

Anchored on the principles of a smart city, BACL is creating a campus that caters to the varied needs of corporate life. During the past 12 months BACL has further refined its plans to monetize the available real estate. It has expanded the list of asset classes by adding high tech manufacturing, venues for corporate retreats and sports facilities, executive skilling organizations, data centres, luxury retail, a hospital complex and high grade warehouses to the already contemplated business parks; a retail, dining and entertainment (RDE) village; hospitality; and convention and exhibition centres. The following projects have been completed or are under development or construction:

- Singapore Airlines Transportation Services central kitchen with product development and production capabilities for 170,000 ready-to-eat meals per day.
- A first of its kind 3D technology printing facility has been operational since August 2022.
- Taj Bangalore that adds 220 rooms to the existing 154 room luxury resort.
- A concert arena with technical collaboration with Live Nation U.S.A.

We are very excited that T2 has become a showpiece for what can be developed and built in India and, combined with the potential early arrival of Metro rail connectivity to the airport, we are extremely optimistic about the opportunity for the development of BIAL's real estate. We are actively evaluating options to accelerate the development plans.

- **Summary**

Despite the extraordinary pandemic-related difficulties of the last few years, under the exceptional leadership of Managing Director and CEO Hari Marar and his executive team, BIAL had very commendable financial performance in 2022.

Passenger traffic grew 71% over the previous year to 27.5 million and during December, domestic passenger traffic had fully recovered, and international passenger traffic had recovered to 88% of pre-pandemic levels. BIAL's revenue increased by 102% over the previous year to $200.5 million. EBITDA increased by 212% over the previous year to $119.9 million and was 101% of pre-pandemic levels. Loss after tax significantly reduced to $6.0 million as compared to a loss after tax of $61.5 million in the previous year and a profit of $53.8 million in 2019.

Despite the unprecedented events that impacted operations and financial performance in 2020, 2021 and 2022, BIAL generated a total ROE of 14% for the second control period and an ROE of 17% for the combined first and second control periods.

The valuation of Fairfax India's interest in BIAL decreased to $1.2 billion in 2022 from $1.4 billion in 2021 due to unrealized foreign currency translation losses, implying an equity value of approximately $2.3 billion for the whole company. This valuation, which we consider to be conservative, is supported by future cash flow estimates driven by the growth and real estate monetization plans described above, but does not reflect apparent market interest.

2022 featured the following significant achievements by BIAL:

- Successful completion of T2 and related infrastructure.
- Commencement of passenger operations by Qantas with 4 flights a week to Sydney, thereby offering direct connectivity between south India and Australia.
- Commencement of passenger operations by Saudi Arabian Airline with 3 flights a week to Riyadh.
- Maintenance of its credit ratings of AA+ with India Rating and AA with CRISIL Rating.
- Continuing to be at the forefront in designing and implementing its sustainability goals and touching the lives of its community. Some recent successes in achieving BIAL's sustainability goals are the following:
  - BIAL is a net contributor to the ground water by generating more water from its rainwater harvesting and waste-water treatment than it uses.
  - Renewable energy sources were utilized for 100% of the airport's energy needs.
  - BIAL actively promotes the use of recyclable material and will achieve zero landfills by March 2023.

IIFL Finance (IIFL FIN)

Based on total revenue, IIFL FIN, which is non-deposit taking, is one of the larger non-bank finance companies (NBFC) in India.

In 2021 IIFL FIN emerged from the malaise that afflicted most NBFCs in India from 2018 when their access to long term debt funding was severely constrained as confidence in NBFCs eroded as a result of the continuation of the credit market turmoil caused by the high-profile default that year by a quasi-government lender, IL & FS (Infrastructure Leasing and Financial Services). Since then, most NBFCs faced restricted access to longer term funding which they needed as they had significantly reduced their dependence on short term commercial paper financing.

Since then, under the able leadership of CEO Nirmal Jain, who is also the founder and a significant shareholder of all the IIFL Holdings group companies, IIFL FIN invested aggressively to prepare for the lending growth it intends to drive in the future. It added over 800 new branches to its existing 3,119 and over 6,700 new employees to its existing 25,900 and continues to move forward aggressively to consolidate its position as one of the major NBFCs in India, serving about 8 million customers. IIFL FIN is also investing heavily in brand building and in technology to support its growth in physical infrastructure. It has implemented industry-leading fintech innovations, like "WhatsApp" loans, which are seeing high customer acceptance.

In 2022 IIFL FIN progressed further in its strategy to grow its business by growing its assets under management (AUM) by co-lending with or assigning assets to other lenders and thereby utilizing less of its own capital. These assets now account for 37% of its AUM and 34% of its income.

With the resolution of many of the challenges it faced due to the pandemic, including obtaining better clarity on the non-performing status of loans that were affected by the government, the cessation of Reserve Bank of India (RBI) and court-mandated moratoriums and the resumption of in-person collection activity, IIFL FIN had excellent results in 2022. Its AUM, which have grown at a CAGR of 16% over the last 5 years, grew by 24% over the previous year to $7.0 billion in 2022. The growth was driven by home loans (+24%) and gold loans (+25%). In 2022, IIFL FIN's revenue increased by 29% to $630.7 million and profit after tax increased by 32% to $187.3 million, generating an ROE of 15%. The below average ROE resulted partly from higher than normal capital levels at IIFL Home Finance (HFC) from a capital infusion into it of $275 million by ADIA, the Middle Eastern sovereign fund that valued HFC at $1.4 billion.

Asset quality continues to be amongst the best in their peer group, with gross non-performing assets (NPA) and net NPAs at 2.1% and 1.1% respectively, compared to 2.8% and 1.5% respectively in the previous year. The provision coverage ratio was 164% versus 133% the previous year.

Loan to value is very conservative, at 72% for home loans, 67% for gold loans and 49% for business loans (loans against property). With a well-diversified asset portfolio of which 95% is retail in nature, a capital adequacy ratio (CAR) of 21.5% for IIFL Finance and 49.3% for HFC, net interest margins at 8.3%, and even though the cost to income ratio increased from 39% to 42% (due to the growth in the number of branches and employees), IIFL FIN is well positioned to take advantage of the post-pandemic economic recovery expected from 2023.

We believe there is potential for further significant upside in the value of this investment.

Sanmar Chemicals Group (Sanmar)

It is with much regret that we inform you that Sanmar's founder, leader and chairman, Mr. N. Shankar, passed away in 2022. He was a great visionary leader in Indian business, our partner and our friend.

Sanmar's performance in 2022 was very good, though it did not match the outstanding results it produced in 2021. For the year ended December 31, 2022 Sanmar's revenue grew by 11% over the previous year to $1.4 billion, EBITDA declined by 14% to $223.5 million and profit before tax (PBT) grew by 5% to $91.0 million (EBITDA and PBT described here and below exclude accounting debt restructuring gains in 2021 and 2022 and a non-cash inventory write-down in 2022).

These good results were, among other factors, driven by:

- High-capacity utilization and excellent operating performance across most divisions.
- Strong PVC demand and record prices for PVC in the first three months of 2022 offset by steep price declines over the remainder of the year, and
- Overall global tightness in caustic soda supplies due to the lack of new capacity coming on stream.

In 2016, Fairfax India lent Sanmar the rupee equivalent of $300.0 million by way of non-convertible debentures (NCD) for a period of seven years. The NCDs provided for 3% payment-in-kind interest and a redemption premium such that the annual yield of the NCDs would be 13%. In addition, for $1.0 million Fairfax India received a 30% equity interest in Sanmar's entire chemicals business.

In 2019 Sanmar settled our $300.0 million of 13% bonds for $433.9 million, of which we invested $198.0 million in additional common shares of Sanmar based on an effective equity valuation of approximately $1.0 billion for the whole company, thereby increasing our equity ownership interest from 30% to 43%. This transaction returned approximately 76% of the capital Fairfax India originally invested while increasing our ownership of Sanmar.

The late N. Shankar, as the chairman of the Sanmar group, and his son Vijay, the deputy chairman, have grown the group into a large private conglomerate with sales well over $1 billion and an asset base of around $2 billion. Founded in the early sixties, its business interests spanned chemicals, engineering technology and shipping, with operations in India, the Middle East and the Americas. Fairfax India's investment is in the chemicals business, which constitutes more than 70% of the group's operations and is housed within three operating companies, two in India – Chemplast Sanmar (CSL) and Chemplast Cuddalore Vinyls (CCVL) – and one in Egypt – TCI Sanmar (TCI).

- CSL is the largest manufacturer of paste polyvinyl chloride (PVC) in India. It also manufactures caustic soda, chloromethanes, hydrogen peroxide, EDC (ethylene dichloride) and VCM (vinyl chloride monomer) at Mettur and Karaikal. Sanmar Speciality Chemicals, which manufactures custom made chemicals for customers in the agro-chemical, pharmaceutical and fine chemical industries, is also a part of this division.
- CCVL is the second largest suspension PVC player in India.

- TCI in Egypt, after its expansion was completed in 2018, became a balanced integrated manufacturing facility and is the MENA region's largest manufacturer of suspension PVC, calcium chloride and caustic soda.

The group is renowned for its high integrity and the highest levels of corporate governance and environmental and social responsibility (ESG). Long before ESG investing became a factor for investors, it was ingrained in Sanmar's DNA.

In 2020, the biggest impact of the pandemic on all the Sanmar companies was the squeeze on their liquidity position. To rectify this and to reduce the overall debt of the company, Sanmar committed to actively pursue opportunities to raise additional equity capital to repay and restructure debt. It also decided to postpone investments in projects that exploit excellent growth and cost saving opportunities until after its balance sheet was deleveraged. We are pleased that, in addition to its good operating performance, Sanmar has also made significant progress in deleveraging its balance sheet.

- **CSL**

In 2021, CCVL was made a 100% subsidiary of CSL, thereby consolidating all of Sanmar's Indian chemical businesses under CSL. Sanmar then listed CSL on the Indian stock exchanges through an IPO raising $519 million, comprised of a primary issuance of equity shares of $175 million and a secondary sale of equity shares by the holding company, in which Fairfax India has its 43% ownership, of $344 million. Following the IPO, which valued 100% of CSL at $1.15 billion, the holding company's ownership of CSL is 55.0%, so Fairfax India's indirect ownership is 23.6%. The net proceeds were used largely to repay debt of about $165 million in CSL and about $300 million in the holding company. As a result, debt at CSL and the holding company has been fully repaid.

The former CSL business which comprised the higher margin paste PVC and specialty chemicals businesses had a good year in 2022. Revenue grew by 36% over the previous year to $307.7 million, although EBITDA decreased by 23% to $59.4 million and PBT increased from $44.5 million to $47.5 million. This performance was the result of strong demand for paste PVC and record prices and margins in the first three months of 2022, although those declined significantly in the last nine months of 2022.

- **CCVL**

CCVL (now a 100% subsidiary of CSL), which manufactures the more commoditized, high volume and lower margin suspension PVC, had a difficult year in 2022. Revenue decreased by 6% to $438.1 million over the previous year, EBITDA decreased by 59% to $32.3 million and PBT declined by 76% to $12.2 million. The lacklustre results were driven by a more than 50% drop in suspension PVC prices, precipitated by oversupply from China, where production in the north was not affected by COVID-related shutdowns, while consumption dropped sharply in the south causing producers to flood global markets with PVC. Poor demand in the U.S. due to poor housing construction activity further exacerbated the situation. Sanmar expects the situation to normalize in 2023 and enable it to take advantage of the resurgent housing market in India where PVC consumption is projected to grow at a CAGR of 8% over the next several years.

- **TCI**

Sanmar acquired TCI in 2007, with the intention of setting up a large greenfield PVC plant in Egypt to cater to the high growth markets of North Africa, the Middle East and parts of Europe. TCI until recently had a 200 ktpa capacity PVC plant. In 2018, with help from the financing provided by Fairfax India, TCI completed a major expansion plan and added a new 200 ktpa PVC plant, taking total PVC capacity to 400 ktpa, and added a 130 ktpa calcium chloride plant and a 75 ktpa caustic soda by-product line. In 2021 it was able to fully operationalize these assets and reached about 90% capacity utilization. With the 90% capacity utilization and certain expected process refinements completed in 2022, Sanmar will be able to take advantage of its significant investment in Egypt.

TCI had excellent operating results in 2022. Revenue grew by 22% over the previous year to $646.6 million, EBITDA grew from $110.4 million to $146.5 million and PBT increased from $19.3 million to $44.6 million. This performance was driven by the favourable global demand supply dynamics for caustic soda, partially offset by dropping PVC prices as described earlier. While impressive progress has been made on many fronts, including the restructuring of $785.4 million of TCI's debt in 2021, TCI continues to look for further improvements to its balance sheet.

CSB Bank (CSB)

The leadership transition from Mr. C.V.R. Rajendran, who had been the CEO for the last five years before retiring in 2022, to new CEO Pralay Mondal has gone smoothly and Pralay is well in control of CSB which continues to make excellent progress on its transformative journey that began with the recapitalization of the bank that was enabled by our investment. 2022 was the best year ever for CSB.

Fairfax India's investment into CSB during 2019 increased the bank's CAR to 23% at the end of 2019. The improved CAR enabled CSB to make adequate provisions for loan losses, invest in more branch openings, invest in people and technology and grow its loan book with well underwritten loans.

CSB is one of the oldest private sector banks in India and has a strong base in Kerala along with a significant presence in the states of Tamil Nadu, Karnataka and Maharashtra. The bank currently operates 649 branches (up from 559 last year) and 512 ATMs (up from 410 last year) across India. With its branches primarily located in south India, it focuses on retail, gold and small and medium enterprise (SME) loans, which together comprise about 70% of total advances. CSB also owns 38 residential and commercial properties and land banks, some purchased several years ago and others acquired by enforcement of security.

Despite the pandemic-driven volatility in business sentiment and activity and high levels of system liquidity which constrained opportunities for lending that affected part of the year, CSB made excellent progress in its key performance measures in 2022, with loan advances growth of 26% and deposits growth of 19% (including lower cost current and savings accounts (CASA) growth of 9%). Net interest income grew by 15% and the credit to deposit ratio improved from 77% to 81%. Although net interest margin (NIM) decreased from 5.3%, it remained at an industry leading 5.0%. Cost of deposits decreased to 4.2% from 4.4%, though CASA declined to 31.7% from 34.6% of total deposits.

Credit quality also improved considerably – gross NPAs decreased to 1.5% from 2.6%, net NPAs decreased to 0.4% from 1.4% and the provision coverage ratio increased from 83.0% in December 2021 to 91.9% in December 2022. CSB's revenue for 2022 increased by 12% to $196.4 million from $185.6 million in 2021, net income increased by 41% to $66.4 million from $50.2 million in 2021 and its CAR increased from 20.7% to 25.8%.

These exceptional results derive from the continued relentless pursuit of the objective of transforming CSB by focusing on profitability, productivity, efficiency and asset quality. CSB is accomplishing this by implementing changes that include:

- Performance and productivity-oriented human resource policies.
- Reorganizing the operations of the bank into three verticals:
  - retail banking (comprised of branch banking, gold loans, two-wheeler loans, micro, small and medium enterprise (MSME) loans, microfinance under financial inclusion loans and agricultural loans);
  - SME banking; and
  - wholesale banking.

Loan assets with turnover of up to 100 million rupees are monitored and serviced separately by the retail banking vertical. Loan assets with turnover of up to 2.5 billion rupees are monitored and serviced by the SME vertical. Loan assets with turnover above 2.5 billion rupees, and all NBFC and infrastructure funding, is managed by the wholesale banking vertical.

The success that CSB has achieved is demonstrated in the table below. On virtually every metric, CSB is right at the top when compared to banks of comparable size (peer group) and all banks.

Position at year ended September 30, 2022 *(all numbers are %s)*[(1)]

	CSB	Peer Group	All Banks
Growth in Net Interest Income	15.8	14.1	16.1
Growth in Advances	24.2	15.7	20.3
Growth in Deposits	10.1	8.2	10.7
Credit Deposit Ratio	83.2	78.8	76.2
Return on Equity	17.8	10.1	11.3
Return on Total Assets	2.0	0.9	1.0
Net Interest Margin	4.8	3.2	2.9
Efficiency (Cost to Income) Ratio	58.7	58.8	56.7
Gross Non-Performing Advances	1.7	4.2	5.2

(1) Source: Capital IQ

We are very excited about the long term prospects of CSB.

National Stock Exchange of India (NSE)

In July 2016, Fairfax India acquired a 1% stake in NSE for $26.8 million. NSE is the largest stock exchange in India with a market share of over 93% in cash equity trading and 100% in equity derivatives trading. With approximately 200,000 terminals in over 2,000 centres, NSE provides trading facilities with national reach. The exchange uses the latest communications technology for automated screen-based trading. In 2022, NSE's revenue grew by 49% to $1.6 billion, net income grew by 72% to $874.5 million and shareholders' equity grew by 33% to $2.2 billion, generating an ROE of 37%. The planned initial public offering of NSE has been delayed again and it is not clear when it might happen. Fairfax India's investment in NSE is currently valued at $159.6 million, significantly higher than the value of $111.2 million last year. The valuation implies a price to 2022 earnings multiple of about 19 times and is based on private share transactions by foreign investors disclosed quarterly by NSE.

Fairchem Organics (Fairchem)

Fairchem, led by its founder Nahoosh Jariwala, is an oleochemicals company. Oleochemicals are, broadly, chemicals that are derived from plant or animal fat and can be used for making both edible and non-edible products. In recent years the production of oleochemicals has been moving from the U.S. and Europe to Asian countries because of the local availability of key raw materials.

Fairchem occupies a unique niche in this large global playing field. It has developed an in-house technology that uses machinery designed by leading European companies to convert waste generated during the production of soya, sunflower and corn oils into valuable chemicals. These chemicals include acids that go into non-edible products like soaps, detergents, personal care products and paints, and other products that are used in the manufacture of health foods and vitamin E. The company's customers include major multinational companies including BASF, Archer Daniels Midland, Cargill, Arkema and Asian Paints. Fairchem operates out of a single plant in Ahmedabad, the largest city in Gujarat, the home state of Prime Minister Modi: the plant has one of the largest processing capacities for natural soft oil based fatty acids in India. Over the last ten years Fairchem's sales have grown on average 20% per year, net earnings have grown on average 25% per year, and the average annual ROE was around 23%.

For the year ended December 31, 2022, its revenue grew by 8% to $85.8 million, net earnings decreased by 42% to $5.4 million and shareholders' equity grew by 12% to $29.8 million, generating an ROE of 17%. The decline in profits was due to higher raw material costs and weak end-product demand and prices: the high cost of raw materials was precipitated by the war in Ukraine – Ukraine is one of the world's largest producers of sunflower oil and its supply was disrupted resulting in higher prices for other alternative oils which are key raw materials for Fairchem – and there was poor product demand in Europe due to recessionary conditions.

Fairchem has made a concerted effort over the last four years to expand its production capacity in a very cost-effective manner, funded entirely by cash generated from the business and at the end of the year was virtually debt free. It has taken its raw material throughput capacity from 72,000 metric tons per annum to 120,000 in June 2022. Fairchem has also built a plant to manufacture two new products that will be launched later in 2023.

After Fairchem's demerger from Privi Speciality Chemicals, Fairfax India owned a 67% stake in Fairchem for an investment since inception of $37.5 million. In November 2021, Fairfax India sold 14% of Fairchem for $45.6 million, recouping more than its entire investment while still owning 53% of Fairchem, valued at $111.1 million on December 31, 2022, down significantly from the $155.0 a year earlier. However, we believe this is temporary because the stock fell sharply after one quarter of disappointing results.

Seven Islands Shipping (SISL)

Founded in 2002 by Captain Thomas Wilfred Pinto, a passionate entrepreneur and operator, SISL owns and operates tanker shipping vessels that sail primarily along the Indian coast as well as in international waters. SISL is the second largest private tanker shipping company in India.

In March 2019 Fairfax India acquired a 41.4% equity interest in SISL for $71.8 million through a direct subscription of $28.9 million and a secondary acquisition from existing shareholders of $42.9 million. In September and October 2019, Fairfax India acquired an additional 7.1% from existing shareholders for $12.1 million, bringing its total ownership interest to 48.5%. In December 2022, this investment was valued at $96.9 million.

At the time of Fairfax India's initial transaction, SISL owned 14 vessels with a total deadweight capacity of 0.9 million metric tons. Today SISL owns 24 vessels with a capacity of about 1.3 million metric tons. All SISL's vessels are registered in India and operate as Indian-owned and flagged vessels.

Historically, SISL bought vessels that were 20-21 years old and operated them till they reached about 29-30 years of age. For operations along the Indian coast, the freight rates are based purely on bids and there is no distinction between old and new vessels. SISL benefits from lower upfront capital investment and enjoys the same charter rates as those of the younger ships. The operating and maintenance costs for its fleet are not significantly different from those of the younger ships. In keeping with its stated objective of reducing the average age of its fleet from about 19 to 15 years over the next few years, SISL sold two older ships and acquired three younger ships during 2022. Over the next five years, SISL is aiming to grow its fleet from the current 24 to about 33 ships.

Until recently, SISL had only owned and operated tankers that transported liquid cargo. In 2021 it made a significant change in its strategy and entered the gas carrier container ship segment of the market. Based on current ship prices and charter rates, it is seeing potential for better returns from gas carrier containers. SISL purchased one Very Large Gas Carrier and one Medium Gas Carrier in 2021.

Under the current Indian regulatory framework, Indian-owned and flagged vessels are given preference over foreign vessels for transporting any cargo that originates from India. This is implemented by giving the Indian owned vessels a "right of first refusal" (also known as "cabotage") before a contract can be awarded to a foreign vessel owner. It is our understanding that, because of cabotage protection, foreign vessel owners typically refrain from bidding for contracts for movement of goods along the Indian coast. Hence, the charter rates in domestic shipping are apparently about 30-40% higher than the rates quoted in international shipping markets. SISL bids competitively (because of its lower cost base) and does not rely on cabotage protection to win contracts. Strategically, SISL operates a majority of its vessels in the domestic cargo oil market and has benefitted from the general rate arbitrage in domestic versus international deployment.

SISL has a small and efficient operations team consisting of about 110 core employees at the head office who manage the entire business. It has significantly strengthened its organization with the addition of several senior executives from the industry. It has also completely revamped its information technology system in order to enable it to implement robust operational, safety, security and financial procedures.

You may recall that in 2020 SISL had its best results ever, with revenues and net income growing over the prior year by 57% and 87% respectively and SISL generating an ROE of 17%. This extraordinary performance was made possible by very high freight rates and favourable foreign currency movements. In 2021, freight rates returned to normal levels, and with it SISL's performance. In 2022, SISL's revenue increased by 47% to $129.1 million, net income increased by 214% to $23.6 million and shareholders' equity grew by 19% to $140.7 million, generating an ROE of 16%. Despite this volatility, SISL has mostly demonstrated stable and consistent revenue and EBITDA CAGR of about 25% in the last 10 years. Since the time we acquired our interest in SISL, it has generated free cash flow of $120 million, an average annual free cash flow on investment of about 19%.

IIFL Securities (IIFL SEC)

IIFL SEC, one of the major capital market players in Indian financial services, offers advisory and broking services (both retail and institutional), financial products distribution, institutional research and investment banking services.

It had a good year in 2022: its revenue increased by 10% to $169.0 million and although profit before tax decreased by 16% to $41.7 million, it still generated an ROE of 18%. These results were driven by the strong performance of the retail broking and investment banking divisions that benefitted from the buoyant equity and IPO markets in India in 2022.

The growth in the financial markets has attracted a great deal of competition too. Several established full-service brokers have recently launched their own discount brokerages and the growth in fintech innovations has resulted in a plethora of new products, like algo trading, which are based on investment strategies using new technologies like artificial intelligence.

IIFL SEC has done a commendable job in protecting and growing its long established traditional "legacy" businesses comprised of retail broking and financial products distribution while also growing in the newer areas. It has achieved this by focusing on low-cost new customer acquisition strategies, investing heavily in technology and making entries into new areas like discount broking and algo trading.

IIFL SEC operates in over 2,500 locations across India, comprised of a wide branch and sub-broker network providing unparalleled research coverage. It serves about 3 million customers and has a strong online presence, and mobile trading has significantly aided in increasing the number of customers.

IIFL SEC operates in three broad areas within the capital markets and financial services sector in India:

- Retail broking and financial products distribution (72% of revenue) – in retail broking it has established itself as a leading institution through a combination of leading-edge technology, diverse product offerings, management expertise and a wide network of branches across India. IIFL SEC's mobile trading app, IIFL Markets, which targets retail clients, continues to be one of the highest rated amongst its peers. In financial products distribution, it offers retail clients a wide range of products including mutual funds, insurance, IPOs and debt instruments.

- Institutional broking (12% of revenue) – it is a leading independent (not associated with any international bank) broker, with a highly acclaimed, pedigreed 80-member strong sales and research team that covers over 250 Indian companies accounting for over 75% of India's market capitalization. It is a market leader in block sales placements, placing over $10 billion in blocks over the past five years. It has more than 800 domestic and foreign clients and has developed trusted long term relationships with them through sustained high-quality performance.
- Investment banking (12% of revenue) – it is a highly regarded category 1 merchant banker in India and despite volatile markets, it completed 29 transactions in 2022, including 13 equity IPOs. It continues to have a substantial pipeline of transactions which are at various stages of execution.

IIFL SEC, at a valuation of only 9.0 times price to estimated March 2023 earnings and price to estimated March 2023 BVPS of 1.4 times, is still trading at a discount to its peers.

Based on its strong business franchise, growth potential and attractive ROE, we expect that IIFL SEC will be an excellent investment for Fairfax India.

National Commodities Management Services (NCML)

NCML has operated for over 18 years in the agriculture value chain by offering end-to-end solutions in grain procurement, testing, storage and collateral management. NCML has about 1.9 million metric tons of storage capacity in over 690 warehouses in 16 states in India. It has a network of 23 regional offices, more than 330 touch points at agricultural produce markets and thousands of farmers and traders to facilitate procurement of commodities. Beyond its major business segments, NCML offers a commodity and weather intelligence service, financing and an online commerce portal (NCML MktYard).

In 2016 and 2017, NCML won 16 concessions from Food Corporation of India (FCI) to build, own and operate (and in some instances transfer) modern grain storage silo projects across multiple agrarian states of India. Of these, two locations have been completed and commissioned and five others are expected to be completed in 2023. FCI has publicly applauded NCML for its successful completion of silos. Silo projects have been delayed due to pandemic-related construction delays, farmer protests, land acquisition challenges and difficulty in obtaining long term project financing. NCML surrendered projects at 6 locations that were unviable and is evaluating termination at 3 other locations.

Three years ago, NCML decided to reorient its business and redirect capital into businesses with a better risk reward profile. In 2022, Sanjay Gupta was appointed as the CEO to turn the business around by:

- Restructuring and right-sizing NCML's balance sheet.
- Focusing on completion of silo construction.
- Redirecting capital to businesses with better return potential.
- Downsizing businesses with poor risk/reward characteristics, and
- Reducing overheads to better align with the size of the business.

In 2022, NCML continued to intentionally shrink its two formerly large business segments – supply chain management and collateral management – to align risks and rewards. In addition, during 2022 higher commodity prices and a SEBI ban on futures trading in agri commodities adversely impacted NCML's storage and preservation segment (the most important segment of its business).

As a result, 2022 was another difficult year: revenue declined by 22% to $32.3 million and net loss increased to $12.3 million (including a one-time provision of $2.6 million) from a loss of $10.6 million in 2021. NCML proactively made provisions for losses from contracts signed in previous years to strengthen its balance sheet.

Under Sanjay's leadership, NCML continues to work on business strategies to achieve excellent profitability.

Maxop Engineering Company (Maxop)

Maxop is a precision aluminum diecasting and machining solution provider for aluminum die cast components used by the automotive and industrial sectors, with customers in India, Asia, North America and Europe. Based in New Delhi, it operates four plants in Manesar and two plants in Jaipur.

In Fairfax India's first significant acquisition since the start of the pandemic, it agreed to acquire a 67% equity interest in Maxop from Shailesh Arora, its founder and owner, for a potential maximum consideration of $66 million.

It completed the first step of this transaction in November 2021 by acquiring a 51% stake for a payment of approximately $30 million. The second step, the purchase of an additional 16%, was completed in September 2022 for a further payment of $22 million.

Shailesh, who is a passionate first-generation entrepreneur and hands-on operator, chose to enter into this transaction because he recognized Fairfax India as a long term partner with an excellent reputation who would let him run the business independently, allowing him to take advantage of the long runway for growth that lies ahead for this business, especially with customers in North America and Europe.

Shailesh has a strong customer orientation and has crafted Maxop as a single source supplier to most of its customers for the products it sells to them. He has focused on growing customer wallet share by adding one new part to a customer bouquet each year. He has built a strong organization catering to a wide array of customers around the world and is poised, with Fairfax India's support, to build Maxop into a world class leader in the precision engineered components manufacturing industry.

Maxop's revenue increased in 2022 to $70.5 million from $65.7 million in the previous year and EBITDA remained at similar levels as 2021 at about $15 million, but net income decreased from $8.8 million to $6.0 million resulting in a price to earnings ratio of 13.5 and a price to book value ratio of 2.5.

Maxop demonstrated resilient revenue growth in a market impacted by reduced exports (due to the energy crisis in Europe as the Ukraine war impacted export volumes to Europe) through higher volumes to domestic customers, but the change in export-domestic mix negatively impacted margins for the year. To partly mitigate cost pressures, Maxop has set up a new alloy plant (backward integration) in Manesar, Haryana. Growth outlook for the coming year remains strong through volumes from a significant potential new customer and new part nominations from other existing customers. Maxop is evaluating expanding capacities to meet the increased demand.

Saurashtra Freight (Saurashtra)

Saurashtra's principal business is owning and operating container freight stations (CFS), which are an important link between transport operators and shipping lines, effectively working as an extension of a port. CFS provide a facility outside of congested ports for temporary storage of goods pending customs clearance and further distribution.

Launched in 2005, Saurashtra is located five kilometers from Mundra port. With 24/7 operations, Saurashtra has the capacity to handle about 197,200 TEU (twenty-foot equivalent unit shipping containers) per annum and handled about 125,700 TEU in 2022, implying capacity utilization of about 64%. It has achieved a market share of about 14% at Mundra port, the highest among all CFS there.

Under the able leadership of Raghav Agarwalla, Saurashtra produced good financial results in 2022. Volume of containers handled increased by 5% to about 125,700 TEU, revenue increased by 24% to $42.2 million and EBITDA increased by 15% to $10.5 million but net income was lower by 11% at $5.5 million due to foreign exchange losses and higher depreciation on the additional tanks purchased during the year. Saurashtra generated an ROE of 13% versus 17% the previous year, generated $8.8 million of free cash in 2022 and at year-end had a cash balance of $24.5 million and debt of $8.3 million.

Fairfreight Lines, the NVOCC (non-vessel operating common carrier) business that Saurashtra launched in 2017, made excellent progress in 2022. It added a seven-person office in Singapore and a three-person team in Dubai to help drive this business. While its dry box inventory has remained relatively flat around 1,200, its tank inventory has increased 29% from about 1,320 to over 1,700 tanks. As a result, in 2022 this business accounted for 47% of Saurashtra's revenue and 39% of its net profit.

In 2017 Fairfax India invested $30.0 million to acquire a 51% interest in Saurashtra. At the end of 2022, this investment was valued at $50.7 million.

IIFL Wealth Management (now 360 ONE WAM) (IIFL Wealth)

Founded in 2008 by Karan Bhagat and Yatin Shah, with the leadership of IIFL Holdings founder Nirmal Jain and his partner R. Venkataraman, IIFL Wealth has been an independently managed company in the stable of IIFL Holdings businesses. In September 2019 with the demerger of IIFL Holdings, the original company that Fairfax India had invested in, into four separate companies, IIFL Wealth became a separate company listed on the Indian stock exchanges and became the only listed pure play wealth management company in India.

In November 2022 Fairfax India sold a 9.8% (of 13.6% held) shareholding in IIFL Wealth to Bain Capital for gross proceeds of $171.8 million, realizing a net gain of $54.0 million. Fairfax India sold an additional 1.3% shareholding in IIFL Wealth during December 2022 for additional proceeds of approximately $25.6 million, resulting in a realized gain of $9.8 million. At year-end Fairfax India's share ownership in IIFL Wealth was 2.5%.

Our decision to sell a large portion of our holding and eventually our entire holding was because we generated an 12% return on the investment and the majority shareholder, General Atlantic, with whom we were comfortable partnering, was also exiting.

By way of background, in December 2015 and February 2017, we acquired 84.6 million common shares of IIFL Holdings Limited, representing a 26.9% equity interest therein, for aggregate cash consideration of $276.7 million. In October 2017 and May 2019, IIFL Holdings (now IIFL Finance) spun off 5paisa, IIFL Wealth and IIFL Securities. At spin-off, our then 14.2% shareholding in IIFL Wealth (later diluted to 13.6%) was recorded at its estimated fair value of $191.4 million. At the end of 2022, including proceeds on sales and the fair value of our remaining shareholding in IIFL Wealth, the aggregate value of Fairfax India's position was $244.2 million (representing a $52.8 million increase from IIFL Wealth's estimated fair value at the time of spin-off).

At December 31, 2022, the other three IIFL companies (excluding IIFL Wealth) were valued at $587.5 million and the proceeds from IIFL Wealth alone will recover substantially all of the original cost of IIFL Holdings.

We wish Karan and Yatin the very best in the future.

Jaynix Engineering (Jaynix)

In February 2022 Fairfax India acquired 70% of Jaynix Engineering for $32.5 million. Jaynix is a manufacturer of non-ferrous (primarily aluminum) electrical neutral bars, lugs, connectors and assemblies and is a Tier 1 supplier to major electrical original equipment manufacturers such as Schneider, Eaton and Siemens in North America and Europe.

Jaynix was founded in 2008 by two brothers and engineering graduates, Nikhil and Ninad Diwakar, in Nashik, Maharashtra. Jaynix is now headquartered in Vadodara, Gujarat and operates with three manufacturing plants (one in Vadodara and two in Nashik).

Nikhil and Ninad are passionate hands-on operators, with Nikhil focused on commercial business development efforts and Ninad on engineering and production. They will continue to drive the business and stay invested with a significant minority stake.

In 2022 Jaynix's revenue increased from $26.3 million to $35.1 million, EBITDA increased from $7.7 million to $11.7 million and net income increased from $5.3 million to $7.7 million, generating an ROE of 42% and resulting in a price to earnings ratio of 6.4 and a price to book value ratio of 2.7.

Jaynix continues to see strong demand growth for its electrical neutral bars, lugs and connectors from its existing customers, and it has expanded its product suite to provide higher value assemblies (in which its components are used) to a new large customer it won in 2022.

5paisa Capital (5paisa)

5paisa, which literally means "5 cents", is one of India's fast-growing technology-led financial services companies and offers an array of financial products and services through a digital platform and mobile application. Its services are targeted at retail investors and high-volume traders who actively invest and trade in securities markets and seek DIY (do-it-yourself) services at a low cost. With its diverse services and products encompassing online discounted stock broking, depository services, gold investments, commodity trading, research and distribution of mutual funds and other financial products, 5paisa successfully fulfils its customers' diverse needs. 5paisa remains focused on innovation based on understanding customer behaviour, and constantly strives to achieve technological superiority, as it has done through the development of its robust trading platform, its advanced mobile app, an artificial intelligence-powered robo-advisory platform and its paperless account opening process.

5paisa has sustained a strong pace of client acquisition since inception, taking its total client base to 3.4 million in 2022. The 5paisa mobile app has been hugely popular, recording over 14 million downloads and sustaining a rating of 4.3 on Playstore.

While it had its best year ever in 2022 – total revenue grew by 30% to $42.8 million and it made a small profit after tax of $4.3 million – because of the intense competition from established and new discount brokers, its market share in retail cash broking fell from 3.1% to 2.8%, even while adding customers at an average rate of about 81,000 per month. To combat this intense competitive pressure, 5paisa is deemphasizing profit in the short term and investing heavily in advertising to drive customer acquisition, state of the art technology and acquisition and retention of technical and business talent.

While it is still a small startup, 5paisa has the potential to be a major player in digital discount broking and financial products distribution.

Developments in India

India's tectonic economic rise is one of the most compelling narratives of the last few years. The strength of the Indian economy has come to the global forefront. In the last eight years since Prime Minister Narendra Modi came to power, per capita income has doubled. In a world beset by tepid growth caused by the pandemic, inflationary pressures and geopolitical tension, India is a large bright spot. Its underlying strengths will be a conspicuous feature of the global economy in the coming years.

India will represent almost one-fifth of global economic growth in the coming years. In 2022, India became the world's fifth largest economy, surpassing the United Kingdom, and it will become the world's most populous country in 2023 with a population exceeding 1.4 billion, supplanting China. India is a 'young' country with half of its population under the age of 30. This demographic dividend will mean that over the next quarter century, one-sixth of the world's working age population (15-64) will be from India. India is undergoing an energy transition and while its dependence on fossil fuels will continue, most of the incremental energy supply will come from renewable sources.

One of the most remarkable transformations taking place in India is the accessibility to basic banking services, especially at the bottom of the pyramid. In the last eight years, over 478 million new bank accounts have been opened under the government's financial inclusion initiative, principally in rural and semi-urban locations, and with women accounting for over half of the account holders.

By many important measures the Indian economy has shown multipronged strengths. These include well-controlled inflation, increased foreign direct investment to become the eighth largest global recipient, healthy foreign exchange reserves that are the fifth largest in the world, an emerging global presence in its exports of goods and services, a vibrant start-up system to become the world's third largest source for unicorns, record levels of foodgrain production, and a massive adoption of technological platforms that have led to the robust rise in digital payments, an increase of 63%, year-over-year.

The coming of age of capitalism in India was demonstrated by the way it handled the recent high-profile controversy caused by a short-seller investor research firm that issued a critical report on one of India's major industrial groups. In the aftermath, the market value of the group's companies experienced substantial declines and caused them to withdraw a public stock offering. The international publicity of the matter led to questions about the wider implications on the Indian economy and investor sentiments. Senior government officials including the Finance Minister, the Reserve Bank of India and the regulator SEBI have all reiterated their confidence in the solid reputation of their regulatory institutions and were confident that it is the markets that will deal with such fluctuations, not the government. Significantly, the initial volatility in Indian markets subsided and there was no systemic impact. The Indian growth story is underpinned by strong fundamental factors and its underlying strengths will allow it to effectively deal with perturbations, such as the one emanating around this affair.

The national government's commitment to physical infrastructure is evident in transformative budgetary allocations and in the implementation of large-scale projects across the country. A renewed focus to increase the share of the manufacturing sector, which currently is one-sixth of the economy, is the government's Production Linked Incentive (PLI) program. This program has been set up to attract foreign capital towards domestic manufacturing. In a global environment that seeks to diversify supply chains, India has emerged as a crucial alternative. The agricultural sector continued to show stability, with growth of over 3% in 2022. The strength of the Indian economy is also evident in the collection of GST at the national and state level, representing record levels of revenue. Its December 2022 level was over 15% higher than in December 2021.

In the national budget tabled in February, the government continued its commitment to infrastructure development with an increase of 33% in its capital expenditure. Similarly, the railways sector received the largest ever capital allocation. The budget also adhered to its previous stated goal of keeping the fiscal deficit at 6.4% of GDP. Significantly, personal tax rates have been reduced, benefiting the middle class. Additionally, the improvement in public services is evident in the average processing period for income taxes being reduced from 93 days to 16 days in the last eight-year span.

The changes taking place in Indian society are striking. Per-capita GDP has crossed US$2,000, an important threshold that will unleash the Indian household's discretionary spending. The relevance of this threshold is evident from the previous experience in growth patterns of other emerging markets, especially in their major urban centers. As they approach the benchmark of per-capita GDP of US$10,000, the impact becomes transformational. In the case of India, its major cities are leading the way, with significant economic growth already underway. Mumbai, Bengaluru, Chennai and Delhi have either crossed this threshold of US$10,000 or are very close to reaching it. This pace of rapid urbanization combined with a real estate boom, will markedly increase private consumption. India's consumption-led economy is a key feature of its ongoing growth, mitigating international pressures.

Optimism on India is reflected in the positive views held by private sector leaders in India and abroad. Multinational companies are more interested in investing in India. Over the last eight years FDI has exceeded $500 billion and is set to grow significantly. The race to attract foreign capital is taking place at the sub-national level as well, with states implementing pro-business policy reforms. Increasingly, the economic and geopolitical prominence of India is coming into sharper focus. India assumed the Presidency of the G-20 in 2023 and its influence continues to grow globally. The country's upward economic trajectory, combined with a stable majority government under Prime Minister Modi, presage the 2020's to be "India's decade".

As we end our first eight years of operations, we would like to acknowledge the strong leadership provided by Amy Sherk, Chief Financial Officer, Jennifer Pankratz, General Counsel and Corporate Secretary, Gopalakrishnan Soundarajan, Chief Operating Officer, John Varnell, Vice President of Corporate Affairs, and Jennifer Allen, Vice President. Fairfax India is supported by a very small head office in Toronto, and we are grateful for the contributions of Jennifer Li, Judy Chow, Victor Ma, Brad Van Hoffen, Kasi Rao and Nadir Patel. We would also like to thank our independent directors – Chris Hodgson, Deepak Parekh, Satish Rai, Sharmila Karve and Lauren Templeton – for their wise advice, support and encouragement. We acknowledge with much gratitude the role that Tony Griffiths, who retired this year, played as our lead director from inception.

We regret to announce the passing of Alan Horn, who served as an independent Board Member on Fairfax India's Board of the Directors and the Chair of the Audit Committee. We benefitted greatly from Alan's business acumen, strategic guidance and commitment to excellence.

We are pleased to welcome Bill McFarland (Fairfax Financial's lead director) as an independent director.

We are looking forward to connecting with you at our in-person and virtual annual meeting at 2:00 p.m. (Eastern time) on April 20, 2023.

March 10, 2023

Chandran Ratnaswami	V. Prem Watsa
Chief Executive Officer	*Chairman*

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Management's Responsibility for the Consolidated Financial Statements

The preparation and presentation of the accompanying consolidated financial statements, Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and all financial information are the responsibility of management and have been approved by the Board of Directors (the "Board").

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Financial statements, by nature, are not precise since they include certain amounts based upon estimates and judgments. When alternative methods exist, management has chosen those it deems to be the most appropriate in the circumstances.

Management maintains appropriate systems of internal controls. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of the consolidated financial statements.

We, as Fairfax India's Chief Executive Officer and Chief Financial Officer, have certified Fairfax India's annual disclosure documents filed with the Canadian Securities Administrators in accordance with Canadian securities legislation.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements and MD&A. The Board carries out this responsibility principally through its Audit Committee which is independent from management.

The Audit Committee is appointed by the Board and reviews the consolidated financial statements and MD&A; considers the report of the independent auditor; assesses the adequacy of the internal controls of the company; examines the fees and expenses for audit services; and recommends to the Board the independent auditor for appointment by the shareholders. The independent auditor has full access to the Audit Committee and meet with it to discuss their audit work, Fairfax India's internal control over financial reporting and financial reporting matters. The Audit Committee reports its findings to the Board for consideration when approving the consolidated financial statements and MD&A for issuance to the shareholders.

March 10, 2023

Chandran Ratnaswami
Chief Executive Officer

Amy Sherk
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Fairfax India Holdings Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Fairfax India Holdings Corporation and its subsidiaries (together, the Company) as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2022 and 2021;
- the consolidated statements of earnings for the years then ended;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Valuation of certain Private Indian common stocks valued using discounted cash flow analyses

Refer to note 3 – Summary of Significant Accounting Policies, note 4 – Critical Accounting Estimates and Judgments, note 5 – Indian Investments and note 6 – Cash and Investments to the consolidated financial statements.

The Company held financial instruments categorized as Private Indian investments measured at fair value of $2,055.6 million as at December 31, 2022, of which a significant portion related to common stocks valued by management using a discounted cash flow analysis that uses significant unobservable inputs.

Management applies significant judgment to determine the assumptions relating to significant unobservable inputs such as multi-year free cash flow forecasts prepared by investees' management, after-tax discount rates and long term growth rates.

We considered this a key audit matter due to (i) the significance of these Private Indian common stocks valued by management using discounted cash flow analyses and (ii) the significant judgment required by management when determining the fair value estimate of these Private Indian common stocks, including the assumptions relating to significant unobservable inputs. This has resulted in a high degree of subjectivity and audit effort in performing procedures relating to the valuation of these investments. Professionals with specialized skills and knowledge in the field of valuation assisted us in performing our procedures.

How our audit addressed the key audit matter

Our approach to addressing the matter included the following procedures, among others:

- Evaluated how management determined the fair values of certain Private Indian common stocks valued using discounted cash flow analyses, which included the following:
  - Evaluated the appropriateness of the methodology used by management in the discounted cash flow analyses, and tested the mathematical accuracy thereof.
  - Tested the reasonableness of the multi-year free cash flow forecasts prepared by investees' management by considering consistency with, as applicable:
    - current and past performance of the particular investment; and
    - relevant external market and industry data.
  - Professionals with specialized skills and knowledge in the field of valuation assisted us in:
    - assessing the reasonableness of the methodology used in management's discounted cash flow analyses;
    - assessing the reasonableness of the after-tax discount rates and long term growth rates used in management's discounted cash flow analyses;
    - testing the underlying data used in management's discounted cash flow analyses; and
    - developing an independent point estimate of the valuation of a portion of one investment, which included the following:
      - using a market comparable approach, developing independent assumptions related to market comparables by considering relevant market and industry data; and
      - comparing the independent point estimate to management's estimate to evaluate the reasonableness of management's estimate.
- Evaluated the disclosures made in the consolidated financial statements, particularly on the sensitivity of significant unobservable inputs used.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis of Financial Condition and Results of Operations and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report. The other information does not include information contained in the websites of the Company's Indian Investments as disclosed in the Management's Discussion and Analysis of Financial Condition and Results of Operations and the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Catriona Read.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 10, 2023

Consolidated Financial Statements

Consolidated Balance Sheets
as at December 31, 2022 and December 31, 2021
(US$ thousands)

	Notes	December 31, 2022	December 31, 2021
Assets			
Cash and cash equivalents	6, 15	147,448	30,376
Short term investments	6	49,692	6,151
Bonds	5, 6	140,693	214,468
Common stocks	5, 6	3,020,223	3,325,713
Total cash and investments		3,358,056	3,576,708
Interest and dividends receivable		5,599	5,339
Income taxes refundable	10	1,012	1,056
Other assets		902	1,243
Total assets		3,365,569	3,584,346
Liabilities			
Accounts payable and accrued liabilities		1,143	866
Accrued interest expense	7, 12	8,611	8,611
Income taxes payable	10	331	–
Payable to related parties	12	50,851	95,002
Deferred income taxes	10	50,554	80,648
Borrowings	7, 12	497,306	496,785
Total liabilities		608,796	681,912
Equity	8		
Common shareholders' equity		2,642,036	2,774,792
Non-controlling interests		114,737	127,642
Total equity		2,756,773	2,902,434
		3,365,569	3,584,346

See accompanying notes.

Signed on behalf of the Board

V. P. Watsa
Director

Director

Consolidated Statements of Earnings
for the years ended December 31, 2022 and 2021
(US$ thousands except per share amounts)

	Notes	2022	2021
Income			
Interest	6	11,353	5,500
Dividends	6	23,985	27,468
Net realized gains on investments	6	95,882	227,193
Net change in unrealized gains on investments	6	153,656	438,935
Net foreign exchange losses	6	(47,350)	(5,557)
		237,526	693,539
Expenses			
Investment and advisory fees	12	38,988	40,775
Performance fee (recovery)	12	(36,428)	85,193
General and administration expenses	14	13,470	5,526
Interest expense	7	25,521	28,515
		41,551	160,009
Earnings before income taxes		195,975	533,530
Provision for income taxes	10	4,487	39,030
Net earnings		191,488	494,500
Attributable to:			
Shareholders of Fairfax India		191,439	494,514
Non-controlling interests		49	(14)
		191,488	494,500
Net earnings per share	9	$ 1.38	$ 3.38
Net earnings per diluted share	9	$ 1.34	$ 3.22
Shares outstanding (weighted average)	9	139,066,682	146,379,346

See accompanying notes.

Consolidated Statements of Comprehensive Income (Loss)
for the years ended December 31, 2022 and 2021
(US$ thousands)

	2022	2021
Net earnings	191,488	494,500
Other comprehensive loss, net of income taxes		
Item that may be subsequently reclassified to net earnings		
Unrealized foreign currency translation losses, net of income taxes of nil (2021 – nil)	(301,507)	(46,262)
Other comprehensive loss, net of income taxes	(301,507)	(46,262)
Comprehensive income (loss)	(110,019)	448,238
Attributable to:		
Shareholders of Fairfax India	(97,114)	449,672
Non-controlling interests	(12,905)	(1,434)
	(110,019)	448,238

See accompanying notes.

Consolidated Statements of Changes in Equity
for the years ended December 31, 2022 and 2021
(US$ thousands)

	Subordinate voting shares	Multiple voting shares	Share-based payments, net	Retained earnings	Accumulated other comprehensive loss	Common shareholders' equity	Non-controlling interests	Total equity
Balance as of January 1, 2022	1,174,558	300,000	(319)	1,623,676	(323,123)	2,774,792	127,642	2,902,434
Net earnings for the year	–	–	–	191,439	–	191,439	49	191,488
Other comprehensive loss:								
Unrealized foreign currency translation losses	–	–	–	–	(288,553)	(288,553)	(12,954)	(301,507)
Purchases for cancellation (note 8)	(31,190)	–	–	(4,392)	–	(35,582)	–	(35,582)
Purchases and amortization	–	–	(60)	–	–	(60)	–	(60)
Balance as of December 31, 2022	1,143,368	300,000	(379)	1,810,723	(611,676)	2,642,036	114,737	2,756,773
Balance as of January 1, 2021	1,261,734	300,000	(12)	1,163,493	(278,281)	2,446,934	–	2,446,934
Net earnings (loss) for the year	–	–	–	494,514	–	494,514	(14)	494,500
Other comprehensive loss:								
Unrealized foreign currency translation losses	–	–	–	–	(44,842)	(44,842)	(1,420)	(46,262)
Issuance of shares (note 8)	5,217	–	–	–	–	5,217	–	5,217
Sale of subsidiary shares to non-controlling interests (note 8)	–	–	–	145	–	145	129,076	129,221
Purchases for cancellation (note 8)	(92,393)	–	–	(34,476)	–	(126,869)	–	(126,869)
Purchases and amortization	–	–	(307)	–	–	(307)	–	(307)
Balance as of December 31, 2021	1,174,558	300,000	(319)	1,623,676	(323,123)	2,774,792	127,642	2,902,434

See accompanying notes.

Consolidated Statements of Cash Flows
for the years ended December 31, 2022 and 2021
(US$ thousands)

	Notes	2022	2021
Operating activities			
Net earnings		191,488	494,500
Items not affecting cash and cash equivalents:			
Net bond premium amortization		1,011	2,003
Performance fee (recovery)	12	(36,428)	85,193
Deferred income taxes	10	(23,076)	18,356
Amortization of share-based payment awards		49	12
Net realized gains on investments	6	(95,882)	(227,193)
Net change in unrealized gains on investments	6	(153,656)	(438,935)
Net foreign exchange losses	6	47,350	5,557
Decrease in restricted cash in support of borrowings		–	16,051
Decrease in restricted cash in support of investments		–	264
Net purchases of short term investments		(43,385)	(6,283)
Purchases of investments	15	(184,293)	(316,753)
Sales of investments	15	448,811	414,477
Changes in operating assets and liabilities:			
Interest and dividends receivable		(844)	(3,480)
Income taxes refundable		(66)	1,709
Accrued interest expense		–	8,659
Income taxes payable		349	–
Payable to related parties		(27)	1,299
Other		943	5,653
Cash provided by operating activities		152,344	61,089
Financing activities			
Borrowings:			
Proceeds	7	–	500,000
Issuance costs	7	–	(3,650)
Repayments	7	–	(550,000)
Subordinate voting shares:			
Purchases for cancellation	8	(35,582)	(126,869)
Subsidiary shares:			
Sales to non-controlling interests	8	–	129,221
Cash used in financing activities		(35,582)	(51,298)
Increase in cash and cash equivalents		116,762	9,791
Cash and cash equivalents – beginning of year		30,376	22,057
Foreign currency translation		310	(1,472)
Cash and cash equivalents – end of year	15	147,448	30,376

See accompanying notes.

Index to Notes to Consolidated Financial Statements

1. Business Operations

Fairfax India Holdings Corporation ("the company" or "Fairfax India") is an investment holding company whose objective is to achieve long term capital appreciation, while preserving capital, by investing in public and private equity securities and debt instruments in India and Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India ("Indian Investments"). The company makes all or substantially all of its investments either directly or through one of its wholly-owned subsidiaries based in Mauritius, FIH Mauritius Investments Ltd ("FIH Mauritius") and FIH Private Investments Ltd ("FIH Private"). In 2019 the company formed Anchorage Infrastructure Investments Holdings Limited ("Anchorage"), a subsidiary of FIH Mauritius based in India.

Fairfax Financial Holdings Limited ("Fairfax") is Fairfax India's ultimate parent and acts as its administrator. Fairfax is a holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and the associated investment management. Hamblin Watsa Investment Counsel Ltd. (the "Portfolio Advisor"), a wholly-owned subsidiary of Fairfax and registered portfolio manager in the province of Ontario, is the portfolio advisor of the company and its consolidated subsidiaries, responsible to source and advise with respect to all investments. Refer to note 12 for details on Fairfax's voting rights and equity interest in the company.

The company is federally incorporated and is domiciled in Ontario, Canada. The principal office of the company, Fairfax and the Portfolio Advisor is located at 95 Wellington Street West, Suite 800, Toronto, Ontario M5J 2N7.

2. Basis of Presentation

The company's consolidated financial statements for the year ended December 31, 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The company has determined that it continues to meet the definition of an investment entity under IFRS (see note 3).

The consolidated balance sheets of the company are presented on a non-classified basis. Except for bonds, common stocks, deferred income taxes, borrowings, and the performance fee accrual within payable to related parties (see note 12 for further details on the performance fee accrual), all other assets expected to be realized and liabilities due to be settled within one year are considered current.

The preparation of the company's consolidated financial statements requires management to make a number of estimates and judgments that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, the reported amounts of income and expenses during the reporting periods covered by the consolidated financial statements and the related note disclosures. Critical accounting estimates and judgments are described in note 4.

These consolidated financial statements were approved for issue by the company's Board of Directors on March 10, 2023.

3. Summary of Significant Accounting Policies

The principal accounting policies applied to the preparation of these consolidated financial statements and the methods of computation have been consistently applied to all periods presented unless otherwise stated, and are as set out below.

Determination of investment entity status

An entity that meets the IFRS 10 *Consolidated Financial Statements* ("IFRS 10") definition of an investment entity is required to measure its investments in subsidiaries at fair value through profit or loss ("FVTPL") rather than consolidate them (other than those subsidiaries that provide investment-related services to the company and are not investment entities themselves).

An investment entity is an entity that obtains funds from one or more investors for the purpose of providing them with investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis. The company continues to meet the definition of an investment entity, as its strategic objective of investing in Indian Investments and providing investment management services to investors for the purpose of generating returns in the form of long term capital appreciation, remains unchanged. The company has also determined that FIH Mauritius, FIH Private and Anchorage continue to provide investment-related services to the company and should continue to be consolidated.

The company may from time to time seek to realize on any of its Indian Investments. The circumstances under which the company may sell some or all of its investments include: (i) where the company believes that the Indian Investments are fully valued or that the original investment thesis has played out; or (ii) where the company has identified other investment opportunities which it believes present more attractive risk-adjusted return opportunities and additional capital is needed to make such alternative investments.

The company would exit its private Indian Investments ("Private Indian Investments", as disclosed later in note 5) either through initial public offerings ("IPO") or private sales. For publicly traded Indian Investments ("Public Indian Investments", as disclosed later in note 5), exit strategies may include selling the investments through private placements or in public markets.

Consolidation

Subsidiaries – A subsidiary is an entity that the company controls. The company controls an entity when it has power over the entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. As an investment entity the company is required to account for its investments in subsidiaries (Fairchem Organics Limited ("Fairchem Organics"), National Commodities Management Services Limited ("NCML"), Saurashtra Freight Private Limited ("Saurashtra"), Maxop Engineering Company Private Limited ("Maxop") and Jaynix Engineering Private Limited ("Jaynix")) at FVTPL in accordance with IFRS 9 *Financial Instruments* ("IFRS 9") rather than by consolidation.

As FIH Mauritius, FIH Private and Anchorage continue to be consolidated, all intercompany balances, profits and transactions with these subsidiaries are eliminated in full.

Non-controlling interests – Subsequent to initial recognition, the carrying value of non-controlling interests is adjusted for the non-controlling interest's share of changes in the subsidiary's net earnings (loss) and capital. Effects of transactions with non-controlling interests are recorded in common shareholders' equity if there is no change in control.

Investments in associates

An associate is an entity over which the company has the ability to exercise significant influence, but not control. As an investment entity, the company accounts for its investments in associates (IIFL Finance Limited ("IIFL Finance"), IIFL Securities Limited ("IIFL Securities"), CSB Bank Limited ("CSB Bank"), 5paisa Capital Limited ("5paisa"), Bangalore International Airport Limited ("BIAL"), Sanmar Chemicals Group ("Sanmar") and Seven Islands Shipping Limited ("Seven Islands")) at FVTPL in accordance with IFRS 9 rather than under the equity method of accounting.

Foreign currency translation

Functional and presentation currency – The consolidated financial statements are presented in U.S. dollars while the Indian rupee is the functional currency of the company and its consolidated subsidiaries.

Although the company's Indian Investments are denominated in Indian rupees, its primary financial reporting objective is to measure long term capital appreciation in U.S. dollars. Accordingly, the company presents its consolidated financial statements in U.S. dollars to provide comparability with other North American investment entities.

Foreign currency transactions – Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in net foreign exchange gains (losses) in the consolidated statements of earnings. Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction. Non-monetary items carried at fair value are translated using the exchange rate at the date the fair value is determined.

Translation to the presentation currency – The consolidated balance sheets and consolidated statements of earnings of Fairfax India and its consolidated subsidiaries are translated to the presentation currency as follows:

- assets and liabilities are translated using exchange rates at the balance sheet dates;
- income and expenses are translated at average exchange rates for the periods presented; and

- net unrealized gains or losses resulting from this translation are recognized in accumulated other comprehensive income (loss).

Upon loss of control of FIH Mauritius, FIH Private or Anchorage, a proportionate share of the cumulative amount of exchange differences recognized in accumulated other comprehensive income (loss) and accumulated in a separate component in equity would be recycled to the consolidated statements of earnings as part of the determination of the gain or loss on deconsolidation of these consolidated subsidiaries.

Comprehensive income (loss)

Comprehensive income (loss) consists of net earnings (loss) and other comprehensive income (loss), and includes all changes in total equity during a reporting period, except for those resulting from investments by owners and distributions to owners. Unrealized foreign currency translation gains (losses), net of income taxes, arising from the translation of the company's Indian rupee functional currency consolidated financial statements to the U.S. dollar presentation currency are recognized in other comprehensive income (loss) and included in accumulated other comprehensive income (loss) until recycled to the consolidated statements of earnings in the future. Accumulated other comprehensive income (loss) is included in the consolidated balance sheets as a component of common shareholders' equity.

Consolidated statements of cash flows

The company's consolidated statements of cash flows are prepared in accordance with the indirect method, classifying cash flows by operating, investing and financing activities.

Cash and cash equivalents – Cash and cash equivalents consist of cash on hand, demand deposits with banks and other short term highly liquid investments with maturities of three months or less when purchased, and exclude cash that is restricted. The carrying value of cash and cash equivalents approximates fair value.

Total Cash and Investments

Total cash and investments include cash and cash equivalents, short term investments, derivatives, bonds and common stocks. Management determines the appropriate classifications of investments at their acquisition date.

Classification – Short term investments, derivatives, bonds and common stocks are classified as FVTPL. The company manages these investments on a fair value basis, using fair value information to assess investment performance and to make investment decisions.

Recognition and measurement – The company recognizes purchases and sales of investments on the trade date, the date on which the company commits to purchase or sell the investment. Transactions pending settlement are reflected on the consolidated balance sheets as payable for partly paid securities. Transaction costs related to investments classified as FVTPL are expensed as incurred in the consolidated statements of earnings. The company recognizes cash and investments at fair value upon initial recognition.

Subsequent to initial recognition, investments classified as FVTPL are measured at fair value with changes in fair value reported in the consolidated statements of earnings as income comprised of interest, dividends, net realized gains (losses) on investments and net change in unrealized gains (losses) on investments. Interest represents interest income on short term investments and bonds calculated using the effective interest method, net of investment expenses and includes bank interest. Calculation of a debt instrument's effective interest rate does not consider expected credit losses and requires estimates of future cash flows considering all contractual terms of the financial instrument including the stated interest rate, discount or premium, and any origination or structuring fees. Interest receivable is shown separately on the consolidated balance sheets based on the debt instruments' stated rates of interest. Dividends represent dividends received on holdings of common stocks and are recognized when the company's right to receive payment is established. All other changes in fair value are reported in net realized gains (losses) on investments and net change in unrealized gains (losses) on investments in the consolidated statements of earnings. For short term investments and bonds, the sum of interest income, net realized gains (losses) on investments and net change in unrealized gains (losses) on investments is equal to their total change in fair value for the reporting period.

Interest, dividends, net realized gains (losses) on investments and net change in unrealized gains (losses) on investments are reported as operating activities in the consolidated statements of cash flows.

Derecognition – An investment is derecognized when the rights to receive cash flows from the investment have expired or have been transferred and when the company has transferred substantially all the risks and rewards of ownership.

Short term investments – Highly liquid debt instruments with maturity dates between three and twelve months when purchased are classified as short term investments.

Bonds – Debt instruments with maturity dates greater than twelve months when purchased, or illiquid debt instruments with maturity dates of less than twelve months when purchased, are classified as bonds. The carrying value of bonds excludes the debt instrument's accrued interest receivable at the stated rate of interest.

Derivatives – Derivatives represent forward contracts and warrants, which derive their value primarily from changes in underlying equity instruments. The fair value of derivatives in a gain position are presented on the consolidated balance sheets within total cash and investments, as derivatives. The fair value of derivatives with no upfront cost and in a loss position are presented on the consolidated balance sheets in derivative obligations. The initial premium paid for a derivative contract, if any, would be recorded as a derivative asset and subsequently adjusted for changes in the fair value of the contract at each reporting date. Changes in the fair value of derivatives are recorded within net change in unrealized gains (losses) on investments in the consolidated statements of earnings.

Determination of fair value – Fair values for substantially all of the company's financial instruments are measured using market or income approaches. Considerable judgment may be required in interpreting market data used to develop estimates of fair value. Accordingly, actual values realized in future market transactions may differ from the estimates presented in these consolidated financial statements. The use of different market assumptions and/or valuation methodologies may have a material effect on the estimated fair values. The fair values of financial instruments are based on bid prices for financial assets and ask prices for financial liabilities. The company categorizes its fair value measurements using a three-level fair value hierarchy in accordance with IFRS as described below:

Level 1 – Inputs represent unadjusted quoted prices for identical instruments exchanged in active markets. The fair values of the company's Public Indian Investments that are not subject to selling restrictions are based on published quotes in active markets.

Level 2 – Inputs include directly or indirectly observable inputs (other than Level 1 inputs) such as quoted prices for similar financial instruments exchanged in active markets, quoted prices for identical or similar financial instruments exchanged in inactive markets and other market observable inputs. The fair values of the company's investments in Government of India and Indian corporate bonds are based on information provided by independent pricing service providers.

Level 3 – Inputs include unobservable inputs that require management to use its own assumptions regarding unobservable inputs as there is little, if any, market activity in these instruments or related observable inputs that can be corroborated at the measurement date. The fair values of the company's Public Indian Investments subject to selling restrictions are based on published quotes in active markets, net of a discount for lack of marketability, which is not a market observable input. The majority of the company's Private Indian Investments are based on discounted cash flow analyses and recent third party transactions which utilize inputs that are not market observable such as after-tax discount rates, long term growth rates, and third party transaction prices.

Transfers between fair value hierarchy levels are considered effective from the beginning of the annual reporting period in which the transfer is identified.

Valuation techniques used by the company's independent pricing service providers and third party broker-dealers include use of prices from similar instruments where observable market prices exist, discounted cash flow analysis, option pricing models, and other valuation techniques commonly used by market participants. The company assesses the reasonableness of pricing received from these third party sources by comparing the fair values received to recent transaction prices for similar assets where available, to industry accepted discounted cash flow models (that incorporate estimates of the amount and timing of future cash flows and market observable inputs such as credit spreads and discount rates) and to option pricing models (that incorporate market observable inputs including the quoted price, volatility and dividend yield of the underlying security and the risk-free rate).

Net realized gains (losses) on investments, and Net change in unrealized gains (losses) on investments

Where a financial instrument continues to be held by the company at the end of a reporting period, changes in the fair value of that instrument during the reporting period, excluding those changes reported as interest and dividends, are presented in net change in unrealized gains (losses) on investments. On disposition of that financial instrument, its inception-to-date net gain (loss), excluding those changes previously reported as interest and dividends, is presented as net realized gains (losses) on investments in the consolidated statements of earnings. The cumulative unrealized net gain (loss) recognized in prior periods on that financial instrument is then reversed in net change in unrealized gains (losses) on investments in the consolidated statements of earnings. The sum of the net realized gain (loss) and the cumulative reversal of prior period unrealized gains (losses) equals that financial instrument's net gain (loss) on investment for the current reporting period.

Performance fees

Performance fees are estimated and accrued at the end of each reporting period within the calculation period. An estimate is also made for the number of shares to be issued, if any, on settlement for the purposes of the calculation of diluted earnings per share based on the volume-weighted average trading price of the company's subordinate voting shares for the 10 trading days prior to and including the last day of the reporting period ("VWAP"). The amount of the performance fee payable and the subordinate voting shares to be issued which are determined at the end of each calculation period, if any, may differ when performance fee is settled in accordance with the terms as disclosed in note 12.

Income taxes

The provision for income taxes for the period comprises current and deferred income tax. Income taxes are recognized in the consolidated statements of earnings, except when related to items recognized in other comprehensive income (loss) or directly in equity. In those cases, income taxes are also recognized in other comprehensive income (loss) or directly in equity, respectively.

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income.

Deferred income tax is calculated under the liability method whereby deferred income tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases at the current substantively enacted tax rates. Changes in deferred income tax associated with components of other comprehensive income (loss) are recognized in other comprehensive income (loss) while all other changes in deferred income tax are included in the provision for income taxes in the consolidated statements of earnings.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Carry forwards of unused losses or unused tax credits are tax effected and recognized as deferred tax assets when it is probable that future taxable profits will be available against which these losses or tax credits can be utilized.

Deferred income tax is not recognized on unremitted earnings from the company's subsidiaries' holdings of Indian Investments where the company has determined it is not probable that those earnings will be repatriated in the foreseeable future.

Current and deferred income tax assets and liabilities are offset when income taxes are levied by the same taxation authority and there is a legally enforceable right of offset.

Borrowings

Borrowings are initially recognized at fair value, net of incremental and directly attributable transaction costs, and subsequently measured at amortized cost. Interest expense on borrowings is recognized in the consolidated statements of earnings using the effective interest method. Foreign exchange gains (losses) on U.S. dollar denominated borrowings are recognized in the consolidated statements of earnings. Borrowings are derecognized when extinguished, with any gain or loss on extinguishment recognized in the consolidated statements of earnings.

Equity

Common stock issued by the company is classified as equity when there is no contractual obligation to transfer cash or other financial assets to the holder of the shares. Incremental costs directly attributable to the issue or purchase for cancellation of equity instruments are recognized in equity, net of tax.

Dividends and other distributions to holders of the company's equity instruments are recognized directly in equity.

Share-based payments

The company has restricted share plans or equivalent for its directors and employees with vesting periods of up to ten years from the date of grant. The fair value of restricted share awards on the grant date is amortized to salaries and employee benefit expenses, included in general and administration expenses in the consolidated statements of earnings, over the vesting period, with a corresponding increase in share-based payments, net, in the consolidated statements of changes in equity. At each balance sheet date, the company reviews its estimates of the number of restricted share awards expected to vest.

Net earnings (loss) per share

Basic net earnings (loss) per share is calculated by dividing the net earnings (loss) by the weighted average number of subordinate and multiple voting shares issued and outstanding during the period.

Net earnings (loss) per diluted share

Diluted net earnings (loss) per share is calculated in the same manner as basic net earnings (loss) per share except that the weighted average number of subordinate and multiple voting shares outstanding during the period is adjusted for the dilutive effect, if any, of the contingently issuable subordinate voting shares or settlement in subordinate voting shares relating to the performance fee payable to Fairfax (see note 12) that would have been outstanding during the period had all potential subordinate voting shares been issued at the beginning of the period.

New accounting pronouncement adopted in 2022

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* clarify the types of costs an entity includes in determining the cost of fulfilling a contract when assessing whether a contract is onerous. Adoption of the amendments on January 1, 2022 in accordance with the applicable transition provisions did not have a significant impact on the company's consolidated financial statements.

Annual Improvements to IFRS Standards 2018 – 2020

Amendments to certain IFRS Standards as a result of the IASB's annual improvements project included an amendment to IFRS 9 *Financial Instruments* to clarify which fees are considered when assessing whether to derecognize a financial liability. Prospective adoption of this amendment on January 1, 2022 did not have a significant impact on the company's consolidated financial statements.

New accounting pronouncements issued but not yet effective

The following new standards and amendments have been issued by the IASB and were not yet effective for the fiscal year beginning January 1, 2022. The company does not expect to adopt any of them in advance of their respective effective dates.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

On May 7, 2021 the IASB issued amendments to IAS 12 *Income Taxes* to clarify how companies account for deferred tax on transactions that give rise to equal taxable and deductible temporary differences. The amendments preclude the use of the initial recognition exemption on such transactions and are effective for annual periods beginning on or after January 1, 2023 with early application permitted. The amendments are not expected to have a significant impact on the company's consolidated financial statements.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* to help entities decide which accounting policies to disclose in their financial statements. The amendments are applied prospectively on or after January 1, 2023 and are not expected to have a significant impact on the company's consolidated financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

On February 12, 2021 the IASB issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to help entities distinguish between accounting policies and accounting estimates. The amendments are applied prospectively to changes in accounting estimates and changes in accounting policies occurring on or after January 1, 2023 and are not expected to have a significant impact on the company's consolidated financial statements.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On January 23, 2020 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* to clarify the criteria for classifying a liability as non-current. The amendments were to be applied retrospectively to annual periods beginning on or after January 1, 2023, however on October 31, 2022 the IASB deferred the effective date by one year to January 1, 2024. The company is currently evaluating the expected impact of the amendments on its consolidated financial statements.

Non-current Liabilities with Covenants (Amendments to IAS 1)

On October 31, 2022 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* to clarify that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. The amendments also require an entity to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendments are applied retrospectively on or after January 1, 2024 with early application permitted. The company is currently evaluating the expected impact of the amendments on its consolidated financial statements.

4. Critical Accounting Estimates and Judgments

In the preparation of the company's consolidated financial statements, management has made a number of critical accounting estimates and judgments which are discussed below. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Where estimates were made, the reported amounts of assets, liabilities, income and expenses may differ from the amounts that would otherwise be reflected if the ultimate outcome of all uncertainties and future earnings were known at the time the consolidated financial statements were prepared.

Valuation of Private Indian Investments

The valuation of the company's Private Indian Investments are assessed at the end of each reporting period.

Fair values for substantially all of the company's Indian Investments are measured using market or income approaches. Considerable judgment may be required in developing estimates of fair value, particularly for valuations of Private Indian Investments. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The company utilizes Fairfax's valuation personnel to assist with the valuation of its investment portfolio. Detailed valuations are performed for those financial instruments that are priced internally. The company does not use independent valuation experts to determine the fair value of its Private Indian Investments. The company's Chief Financial Officer oversees the valuation function and regularly reviews valuation processes and results, including at each quarterly reporting period. Significant valuation matters, particularly those requiring extensive judgment, are communicated to the company's Audit Committee.

Notwithstanding the rigour of the company's valuation processes, the valuations of Private Indian Investments, including the company's valuations of BIAL, Sanmar, Seven Islands, NCML, Saurashtra, Maxop and Jaynix, inherently have estimation uncertainty and different assumptions could lead to materially different fair values. Significant judgments and assumptions are required to determine the discounted cash flow, including multi-year free cash flow forecasts prepared by investees' management, after-tax discount rates and long term growth rates. Further discussion on these assumptions specific to each Indian Investment are included in note 5 under the respective heading of each Indian Investment. Discounted cash flows are subject to a sensitivity analysis (see note 6) given the uncertainty in preparing forecasts. Refer to notes 5 and 6 for additional disclosure related to the valuation of the company's Private Indian Investments.

Global economic disruptions

The company has considered the uncertainty related to the global economic disruptions initially caused by the COVID-19 pandemic, as well as Russia's continued invasion of Ukraine, which commenced in February 2022 ("the conflict in Ukraine") in the development of unobservable inputs, including the amount and timing of future cash flows prepared by investees' management, discount rates, growth rates and other inputs. While the economic impact of the COVID-19 pandemic has eased in many regions, supply chain disruptions and volatility in commodity prices persist, contributing to increased inflationary pressures, worsened by supply shocks arising from the conflict in Ukraine. In response, central banks around the world have aggressively raised interest rates during 2022 in an effort to ease rising inflation.

Additional volatility in the fair values of Private Indian Investments may arise in future periods if actual results differ materially from the company's estimates. Refer to notes 5 and 6 for details on the valuation of company's Private Indian Investments at December 31, 2022. The broad effects of the COVID-19 pandemic and the conflict in Ukraine on the company are described in note 11.

Income taxes

The company is subject to income taxes in Canada, Mauritius and India, and the company's determination of its tax liability or receivable is subject to review by those applicable tax authorities. The company exercised judgment in assessing that unremitted earnings related to its subsidiaries' holdings of Indian Investments, as disclosed in note 10, are not expected to result in taxable amounts as the company has determined it is not probable that those unremitted earnings will be repatriated in the foreseeable future; as a consequence no tax has been recorded in the consolidated financial statements on these unremitted earnings. While the company believes its tax positions to be reasonable, where the company's interpretations differ from those of tax authorities or the timing of realization is not as expected, the provision for income taxes may increase or decrease in future periods to reflect actual experience. The company receives specialized tax advice for assessing the income tax consequences of planned transactions and events, and undertaking the appropriate tax planning from Fairfax tax personnel.

Realization of deferred income tax assets is dependent upon the generation of taxable income in those jurisdictions where the relevant tax losses and temporary differences exist. Tax legislation of each jurisdiction in which the company operates is interpreted to determine the provision for (recovery of) income taxes and expected timing of the reversal of deferred income tax assets and liabilities. The company exercised judgment that certain carryforwards of unused losses or unused tax credits and timing differences disclosed in note 10 should not be recognized as a deferred income tax asset as it was considered not probable that those losses could be utilized by the company.

Consolidation of Anchorage

The company holds 43.6% out of its 54.0% equity interest in BIAL through Anchorage. In September 2021, the company sold an 11.5% equity interest (on a fully-diluted basis) in Anchorage to Ontario Municipal Employees Retirement System ("OMERS"), resulting in the recognition of non-controlling interests. The company exercised significant judgment in determining that Anchorage will continue to provide investment related services to the company on current and potential investments in the infrastructure sector in India and not meet the definition of an investment entity based on the facts and circumstances known or knowable at this time. As a result, the company will continue to consolidate Anchorage. The company's assessment of this position requires an ongoing analysis of Anchorage's strategic objectives and business activities. Accordingly, Anchorage's status in relation to the company as a consolidated subsidiary may change in future reporting periods based on the facts and circumstances at that time.

5. Indian Investments

Throughout the company's consolidated financial statements for the year ended December 31, 2022, the term "Indian Investments" refers to deployed capital invested in Public and Private Indian Investments as disclosed within this note.

Summary of Changes in the Fair Value of the Company's Indian Investments

A summary of changes in the fair value of the company's Public and Private Indian Investments during 2022 is as follows:

	2022							
	Balance as of January 1	Purchases	Sales	Amortization	Net realized gains on investments	Net change in unrealized gains (losses) on investments[1]	Net unrealized foreign currency translation losses	Balance as of December 31
Public Indian Investments:								
Common stocks:								
IIFL Finance	318,136	–	–	–	–	218,516	(43,311)	493,341
360 ONE (formerly IIFL Wealth)[2]	230,111	–	(197,491)	–	63,799	(29,355)	(20,334)	46,730
IIFL Securities	103,217	–	–	–	–	(28,338)	(9,042)	65,837
CSB Bank	227,649	–	–	–	–	19,713	(24,094)	223,268
Fairchem Organics	155,020	–	(25)	–	20	(29,704)	(14,228)	111,083
5paisa	41,232	–	–	–	–	(9,086)	(3,725)	28,421
Privi Speciality	79	–	(83)	–	79	(74)	(1)	–
Other	69,612	3,386	(68,284)	–	33,399	(19,041)	(3,495)	15,577
Total Public Indian Investments	1,145,056	3,386	(265,883)	–	97,297	122,631	(118,230)	984,257
Private Indian Investments:								
Common stocks:								
BIAL	1,372,170	–	–	–	–	849	(139,272)	1,233,747
Sanmar	421,153	–	–	–	–	(42,731)	(40,576)	337,846
Seven Islands	105,926	–	–	–	–	1,823	(10,839)	96,910
NCML	69,578	–	–	–	–	(5,947)	(6,760)	56,871
Saurashtra	47,157	–	–	–	–	8,779	(5,229)	50,707
Maxop	29,844	21,928	–	–	–	4,125	(4,011)	51,886
Jaynix	–	32,504	–	–	–	3,349	(3,057)	32,796
NSE	111,216	–	–	–	–	62,869	(14,458)	159,627
IH Fund	23,613	–	(5,909)	–	–	71	(2,199)	15,576
Other Indian Fixed Income	22,083	–	–	391	–	(662)	(2,227)	19,585
Total Private Indian Investments	2,202,740	54,432	(5,909)	391	–	32,525	(228,628)	2,055,551
Total Indian Investments	3,347,796	57,818	(271,792)	391	97,297	155,156	(346,858)	3,039,808

(1) *All Private Indian Investments and certain common shares of CSB Bank (subject to selling restrictions) were classified as Level 3 in the fair value hierarchy. Net change in unrealized gains (losses) on investments classified as Level 3 in the fair value hierarchy related to unrealized gains (losses) on investments held at the end of the reporting period. Net change in unrealized gains related to common shares of CSB Bank classified as Level 3 was $18,982.*

(2) *On March 30, 2022 the company entered into an agreement to sell 8,722,886 equity shares of 360 ONE WAM Limited ("360 ONE", formerly IIFL Wealth Management Limited) at a specified contract price, based on an initial share price adjusted for dividends received from 360 ONE up to the closing date. The transaction closed on November 22, 2022 for gross proceeds of $171,846 (approximately 14.0 billion Indian rupees). During December 2022 the company sold an additional 1,186,000 equity shares of 360 ONE for gross proceeds of $25,645 (approximately 2.1 billion Indian rupees). The transactions resulted in an aggregate realized gain since inception of $63,799. Net change in unrealized losses on investments includes a reversal of prior period unrealized gains on 360 ONE of $39,261.*

A summary of changes in the fair value of the company's Public and Private Indian Investments during 2021 is as follows:

	2021							
	Balance as of January 1	Purchases	Sales	Amortization	Net realized gains (losses) on investments	Net change in unrealized gains (losses) on investments[(1)]	Net unrealized foreign currency translation gains (losses)	Balance as of December 31
Public Indian Investments:								
Common stocks:								
IIFL Finance	131,478	–	–	–	–	189,963	(3,305)	318,136
360 ONE (formerly IIFL Wealth)	166,702	–	–	–	–	66,625	(3,216)	230,111
IIFL Securities	55,603	–	–	–	–	48,836	(1,222)	103,217
CSB Bank	214,341	–	–	–	–	17,060	(3,752)	227,649
Privi Speciality[(2)]	138,413	–	(164,812)	–	132,303	(105,026)	(799)	79
Fairchem Organics[(3)(4)]	54,566	22,919	(45,560)	–	33,558	91,035	(1,498)	155,020
5paisa[(5)]	27,788	6,141	–	–	(2,587)	10,477	(587)	41,232
Other	147,604	–	(122,013)	–	58,944	(12,785)	(2,138)	69,612
Derivatives – Fairchem Organics forward purchase derivative[(3)]	–	–	(4,800)	–	4,847	–	(47)	–
Total Public Indian Investments	936,495	29,060	(337,185)	–	227,065	306,185	(16,564)	1,145,056
Private Indian Investments:								
Common stocks:								
BIAL	1,396,117	–	–	–	–	(130)	(23,817)	1,372,170
Sanmar	338,621	–	–	–	–	88,806	(6,274)	421,153
Seven Islands	103,543	–	–	–	–	4,173	(1,790)	105,926
NCML	86,216	–	–	–	–	(15,253)	(1,385)	69,578
Saurashtra	32,812	–	–	–	–	14,988	(643)	47,157
Maxop	–	29,520	–	–	–	–	324	29,844
NSE	72,617	–	–	–	–	40,062	(1,463)	111,216
IH Fund	25,354	–	(2,535)	–	–	1,218	(424)	23,613
Other Indian Fixed Income	14,884	7,395	–	54	–	–	(250)	22,083
Total Private Indian Investments	2,070,164	36,915	(2,535)	54	–	133,864	(35,722)	2,202,740
Total Indian Investments	3,006,659	65,975	(339,720)	54	227,065	440,049	(52,286)	3,347,796

(1) All Private Indian Investments and certain common shares of CSB Bank and 5paisa (subject to selling restrictions) were classified as Level 3 in the fair value hierarchy. Net change in unrealized gains (losses) on investments classified as Level 3 in the fair value hierarchy related to unrealized gains (losses) on investments held at the end of the reporting period. Net changes in unrealized gains related to common shares of CSB Bank and 5paisa classified as Level 3 were $13,285 and $914, respectively.

(2) On April 29, 2021 the company completed the sale of its 48.8% equity interest in Privi Speciality for proceeds of $164,812 resulting in a realized gain since inception of $132,303. Net change in unrealized gains (losses) on investments includes a reversal of prior period unrealized gains on Privi Speciality.

(3) On April 29, 2021 the company acquired additional Fairchem Organics common shares for cash consideration of $18,117. As a result the company derecognized the Fairchem Organics forward purchase derivative asset with a carrying value of $4,800, recorded a realized gain of $4,847 and recorded its investment in Fairchem Organics common shares at a fair value at that date of $22,917.

(4) In November 2021 the company sold 1,800,000 common shares of Fairchem Organics for proceeds of $45,560 resulting in a realized gain since inception of $33,558. Net change in unrealized gains on investments includes a reversal of prior period unrealized gains on Fairchem Organics of $5,346.

(5) On May 19, 2021 the company acquired additional 5paisa common shares for cash consideration of $6,141 pursuant to a preferential share rights offering. The newly issued 5paisa common shares had a fair value of $3,554 at that date based on bid price less a discount for lack of marketability due to certain selling restrictions, and as a result the company recorded a realized loss of $2,587.

Public Indian Investments

The fair values of Fairfax India's Public Indian Investments with shares listed on both the BSE (formerly known as Bombay Stock Exchange Limited) and the National Stock Exchange of India ("NSE of India"), are determined using the bid prices of those investments (without adjustments or discounts) at the balance sheet date, with the exception of certain common shares of CSB Bank subject to selling restrictions.

The table below provides a summary of the company's Public Indian Investments:

		December 31, 2022		December 31, 2021	
Public Indian Investments:	**Industry**	**Shares held**	**Ownership**	**Shares held**	**Ownership**
Common stocks:					
IIFL Finance Limited ("IIFL Finance")	Financial services	84,641,445	22.3%	84,641,445	22.3%
360 ONE WAM Limited ("360 ONE") (formerly IIFL Wealth Management Limited)[(1)]	Financial services	2,182,749	2.5%	12,091,635	13.6%
IIFL Securities Limited ("IIFL Securities")	Financial services	84,641,445	27.8%	84,641,445	27.9%
CSB Bank Limited ("CSB Bank")[(2)]	Financial services	86,262,976	49.7%	86,262,976	49.7%
Fairchem Organics Limited ("Fairchem Organics")	Commercial and industrial	6,878,656	52.8%	6,879,739	52.8%
5paisa Capital Limited ("5paisa")	Financial services	7,670,130	25.0%	7,670,130	26.1%
Privi Speciality Chemicals Limited ("Privi Speciality")	Commercial and industrial	–	–	3,250	< 1.0%
Other[(3)]	Utilities; Financial services	Various[(3)]	< 1.0%	Various[(3)]	< 1.0%

(1) IIFL Wealth Management Limited was renamed 360 ONE WAM Limited on January 5, 2023.

(2) The company is restricted from selling a certain percentage of its common shares of CSB Bank for a specified period due to restrictions imposed by the Reserve Bank of India ("RBI") and the Securities and Exchange Board of India ("SEBI"). At December 31, 2022 and 2021 the company held 69,394,331 common shares of CSB Bank that continue to be restricted until August 7, 2024.

(3) Other Public Indian Investments are comprised of investments of less than 1.0% equity interest in common shares of public companies listed on the BSE and NSE of India.

The changes in fair value of the company's Public Indian Investments in 2022 and 2021 are presented in the tables disclosed earlier in note 5.

Subsequent to December 31, 2022

During the first quarter of 2023 the company sold additional shares of 360 ONE for gross proceeds of $8,254 (approximately 671 million Indian rupees). Subsequent to the additional sales, the company's equity interest in 360 ONE decreased to 2.0%.

During January 2023 the company sold additional shares of Other Public Indian Investments for gross proceeds of $13,447 (approximately 1.1 billion Indian rupees).

Private Indian Investments

The fair values of Fairfax India's Private Indian Investments cannot be derived from an active market and accordingly, are determined using industry accepted valuation techniques and models. Market observable inputs are used where possible, with unobservable inputs used where necessary. Use of unobservable inputs can involve significant judgment and may materially affect the reported fair value of these investments.

The changes in fair value of the company's Private Indian Investments in 2022 and 2021 are presented in the tables disclosed earlier in note 5.

Investment in Bangalore International Airport Limited

Bangalore International Airport Limited ("BIAL") is a private company located in Bengaluru, India. BIAL, under a concession agreement with the Government of India until the year 2068, has the exclusive rights to carry out the development, design, financing, construction, commissioning, maintenance, operation and management of the Kempegowda International Airport Bengaluru ("KIAB") through a public-private partnership. KIAB is the first greenfield airport in India built through a public-private partnership.

On September 16, 2021 the company transferred 43.6% out of its 54.0% equity interest in BIAL such that it is held through Anchorage and subsequently sold 11.5% (on a fully-diluted basis) of its interest in Anchorage to OMERS for gross proceeds of $129,221 (9.5 billion Indian rupees). Upon closing the transaction, the company's effective ownership interest in BIAL decreased to approximately 49.0% on a fully-diluted basis, while its actual ownership remained unchanged. Refer to note 8 (Total Equity, under the heading Non-controlling interests) for further discussion on Anchorage.

The COVID-19 pandemic significantly impacted BIAL's airport business which faced reduced passenger traffic starting in February 2020. During March 2020 all international and domestic flights, with the exception of cargo flights and flights catering to emergencies and essential requirements, ceased as a result of India's lockdown. Domestic flights resumed on May 25, 2020 and international flights resumed on March 27, 2022. Construction activities for BIAL's capital projects and real estate development slowed during the COVID-19 pandemic but have since fully resumed. On November 11, 2022, Prime Minister Narendra Modi inaugurated Phase 1 of BIAL's Terminal 2, which increases annual passenger capacity at the airport. During Q4 2022, BIAL refined its real estate development plans to include expanded asset classes, including a timeline for development and a financing strategy.

At December 31, 2022 the company estimated the fair value of its investment in BIAL using a discounted cash flow analysis for its three business units based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 12.4% to 16.1% and a long term growth rate of 3.5% (December 31, 2021 – 12.1% to 16.0%, and 3.5%, respectively). At December 31, 2022 free cash flow forecasts were based on EBITDA estimates derived from financial information for two of BIAL's business units prepared in the second quarter of 2022 and for one business unit, the fourth quarter of 2022 (December 31, 2021 – third quarter of 2021 for all business units) by BIAL's management.

Free Cash Flow Forecast Inputs

The primary drivers of free cash flow estimates are future domestic and international passenger traffic, airport tariff assumptions for future control periods, completion of capital expansion projects and development of leasehold land. In the event that forecasted passenger traffic or expected airport tariff levels are not met in future periods, or significant delays in construction and development activities occur, this may result in a negative impact on the fair value of the company's investment in BIAL.

Current Model Assumptions

Free cash flow forecasts were revised by BIAL's management in 2022 to primarily reflect (i) slower recovery in domestic and international passenger traffic in fiscal year 2023, with recovery to pre-pandemic levels achieved by BIAL's fiscal year 2024; (ii) lower user development fees ("UDF") in the fourth control period commencing in BIAL's fiscal year 2027; (iii) delays in BIAL's capital projects and real estate development plans; (iv) reduced capital expenditures over the near term as Phase 1 of BIAL's Terminal 2 expansion is complete; and (v) changes to real estate development plans to include leased land and joint development projects resulting in lower EBITDA, combined with higher capital expenditures and borrowings over the medium term. BIAL's free cash flow forecasts continue to reflect lower than expected UDF rates for the third control period which commenced BIAL's fiscal year 2022.

The revisions to BIAL's cash flows as detailed above have not had a significant impact on BIAL's fair value at December 31, 2022 as BIAL is an infrastructure investment that is currently in a period of capital expansion and as a result a significant amount of its fair value is driven by expected growth in passenger traffic in the later years of the forecasting period once various capital projects are complete. BIAL's aeronautical revenues are primarily driven by UDFs charged to airlines and passengers, which are set by the Airports Economic Regulatory Authority of India ("AERA") in five-year control periods and are fixed in a manner to generate a 16.0% per annum return on invested equity for the airport operator. As the tariff setting mechanism adjusts for periods of underperformance, it is expected that underachievement in aeronautical revenues will be substantially recovered through, among other factors, higher UDFs in future control periods. It should be noted that UDFs set by AERA for the third control period are not sufficient to recover losses sustained in the second control period due to the COVID-19 pandemic.

A recovery in total passenger traffic to pre-pandemic levels by BIAL's fiscal year 2024 is supported by significant efforts by BIAL's management and the Indian government to support a return to normal patterns of travel and the recovery of airport operations, reflected by the resumption of domestic and international flights. Future growth is supported by the recent completion of Phase 1 of the Terminal 2 expansion.

Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which BIAL operates. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which BIAL operates.

At December 31, 2022 the company held a 54.0% equity interest in BIAL (December 31, 2021 – 54.0%) and its internal valuation model indicated that the fair value of the company's investment in BIAL was $1,233,747 (December 31, 2021 – $1,372,170).

Investment in Sanmar Chemicals Group

Sanmar Chemicals Group ("Sanmar"), a private company located in Chennai, India, is one of the largest suspension polyvinyl chloride ("PVC") manufacturers in India, operating in India and Egypt. Sanmar also manufactures caustic soda, calcium chloride, chloromethanes, refrigerant gases, industrial salt and specialty chemical intermediates.

During the second quarter of 2021, Sanmar Egypt received approval from its lenders to restructure $785.4 million of its term loans, which eased liquidity pressures that worsened during the COVID-19 pandemic. During the third quarter of 2022, Sanmar Egypt received final regulatory approval to complete its debt restructuring.

During the third quarter of 2021, Chemplast Sanmar Limited ("Chemplast"), a subsidiary of the Sanmar group completed an IPO and secondary offering for aggregate proceeds of approximately $519 million (38.5 billion Indian rupees), diluting Sanmar's ownership interest in Chemplast from 100.0% to 55.0%. The proceeds were used to repay Chemplast's debt and Sanmar's holding company debt.

Chemplast is engaged in specialty PVC manufacturing, suspension PVC manufacturing and the production of specialty chemicals for pharmaceutical, agro-chemical and fine chemical sectors, in India. Chemplast is listed on both the BSE and NSE of India.

At December 31, 2022 the company estimated the fair value of its investment in Sanmar common shares using: (i) a discounted cash flow analysis for Sanmar Egypt, based on multi-year free cash flow forecasts with an assumed after-tax discount rate of 13.2% and a long term growth rate of 3.0% (December 31, 2021 – 14.6% and 3.0% respectively); and (ii) the unadjusted bid price of Chemplast's common shares. At December 31, 2022 free cash flow forecasts were based on EBITDA estimates derived from financial information for Sanmar Egypt prepared in the fourth quarter of 2022 (December 31, 2021 – fourth quarter of 2021) by Sanmar's management.

Free Cash Flow Forecast Inputs

The primary driver of free cash flow estimates is the future commodity price of petrochemical products. In the event that the commodity price of petrochemical products does not develop favourably in future periods, this may result in a negative impact on the fair value of the company's investment in Sanmar.

Current Model Assumptions

Free cash flow forecasts for Sanmar Egypt were revised by Sanmar's management in 2022 primarily to reflect lower volumes of PVC, caustic soda, and calcium chloride in fiscal year 2023 and lower PVC revenues over the medium to long term. Lower volumes in fiscal year 2023 are primarily due to required plant shut downs to support maintenance activities. Lower PVC revenues relate to a sharp decline in PVC prices as a result of a temporary surplus of PVC in China, due to continuous lockdowns in the Eastern and Southern regions of China, which are major consumers of PVC.

Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Sanmar operates. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Sanmar operates.

At December 31, 2022 the company held a 42.9% equity interest in Sanmar (December 31, 2021 – 42.9%) and its internal valuation model indicated that the fair value of the company's investment in Sanmar was $337,846 (December 31, 2021 – $421,153).

Investment in Seven Islands Shipping Limited

Seven Islands Shipping Limited ("Seven Islands"), a private company located in Mumbai, India, is the second largest private sector tanker shipping company in India and transports liquid and gas cargo along the Indian coast as well as in international waters. Its vessels are registered in India and operate as Indian owned and flagged vessels.

At December 31, 2022 the company estimated the fair value of its investment in Seven Islands using a discounted cash flow analysis based on multi-year free cash flow forecasts with an assumed after-tax discount rate of 12.2% and a long term growth rate of 3.0% (December 31, 2021 – 11.0% and 3.0%, respectively). At December 31, 2022 free cash flow forecasts were based on EBITDA estimates derived from financial information for Seven Islands prepared in the third quarter of 2022 (December 31, 2021 – fourth quarter of 2021) by Seven Islands' management.

Free Cash Flow Forecast Inputs

The primary driver of free cash flow estimates is the vessel profile composition, including planned vessel acquisitions and charter rates.

Current Model Assumptions

Free cash flows were revised by Seven Islands' management in 2022 to reflect higher time charter revenues, notably in fiscal years 2023 and 2024 and higher voyage charter revenues in fiscal year 2023, primarily due to the depreciation of the Indian rupee relative to the U.S. dollar (contracts denominated in U.S. dollars), elevated voyage charter rates in the near term and increased fleet size. The revised forecasts reflect a delay in acquiring certain vessels due to a shortage of tankers in the near term and more aggressive later stage acquisitions. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Seven Islands operates. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Seven Islands operates.

At December 31, 2022 the company held a 48.5% equity interest in Seven Islands (December 31, 2021 – 48.5%) and its internal valuation model indicated that the fair value of the company's investment in Seven Islands was $96,910 (December 31, 2021 – $105,926).

Investment in National Commodities Management Services Limited

National Commodities Management Services Limited ("NCML"), a private company located in Gurugram, India, offers end-to-end solutions in grain procurement, storage and preservation, testing and certification, collateral management, and commodity and weather intelligence. NCML's wholly-owned subsidiary, NCML Finance Private Ltd, is a non-banking financial company ("NBFC"), with a focus on rural and agri-business finance.

NCML Common Shares

At December 31, 2022 the company estimated the fair value of its investment in NCML common shares using: (i) a discounted cash flow analysis based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 12.1% to 12.2% and long term growth rates ranging from 2.4% to 6.0% for two business units (December 31, 2021 – 11.0% to 11.7%, 2.4% to 6.0%, respectively); and (ii) an adjusted net book value approach for its NBFC business unit. At December 31, 2022 free cash flow forecasts were based on EBITDA estimates derived from financial information for two business units prepared in the third quarter of 2022 (December 31, 2021 – third quarter of 2021) by NCML's management.

Free Cash Flow Forecast Inputs

The primary drivers of free cash flow estimates are warehouse capacity and future EBITDA growth of NCML's commodity management solutions business.

Current Model Assumptions

Free cash flow forecasts were revised by NCML's management in 2022 to reflect the strategic scaling down of business segments with less favourable risk-reward characteristics in the near term, and increased EBITDA over the forecasting period as a result of changes in fixed costs driven by changes in the composition of owned, leased and franchisee warehouse capacity. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which NCML operates. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which NCML operates.

At December 31, 2022 the company held an 89.5% equity interest in NCML (December 31, 2021 – 89.5%) and its internal valuation model indicated that the fair value of the company's equity investment in NCML was $56,871 (December 31, 2021 – $69,578).

NCML Compulsorily Convertible Debentures

The company has invested $13,970 (approximately 1.0 billion Indian rupees) in 12.5% unsecured compulsorily convertible debentures ("NCML CCD"), due September 30, 2029. The company has the option to convert the NCML CCD into common shares of NCML at any time prior to the maturity date, at which time the conversion is compulsory, at a conversion price of 68.00 Indian rupees per common share.

At December 31, 2022 the company's interest and dividends receivable included $3,944 (December 31, 2021 – $2,830) related to interest accrued on the NCML CCD since April 1, 2020. Due to tightened liquidity, partially due to COVID-19, the company allowed NCML to defer interest payments on the NCML CCD due April 30, 2021 and 2022 to April 30, 2023.

At December 31, 2022 the fair value of the company's investment in NCML CCD was $12,517 (December 31, 2021 – $14,630) and is presented within Other Indian Fixed Income in the tables disclosed earlier in note 5.

Investment in Saurashtra Freight Private Limited

Saurashtra Freight Private Limited ("Saurashtra"), a private company located in Mumbai, India, operates one of the largest container freight stations ("CFS") at Mundra port (Gujarat). Services provided by Saurashtra's CFS include transportation of containers to and from the port, stuffing and destuffing of containers, cargo storage, transportation of cargo to the end customer, and the storage, maintenance and repair of empty containers. Saurashtra's subsidiary, Fairfreight Lines, focuses on services for container shipping, offering integrated logistics solutions to its customers by providing containers, which are leased by Saurashtra, to importers and exporters to transport cargo.

At December 31, 2022 the company estimated the fair value of its investment in Saurashtra using a discounted cash flow analysis based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 17.8% to 19.5% and long term growth rates ranging from 4.0% to 5.0% (December 31, 2021 – 17.2% to 19.8%, and 4.0% to 5.0%, respectively). At December 31, 2022 free cash flow forecasts were based on EBITDA estimates derived from financial information for Saurashtra's two business units prepared in the third quarter of 2022 (December 31, 2021 – fourth quarter of 2021) by Saurashtra's management.

Free Cash Flow Forecast Inputs

The primary drivers of free cash flow estimates are the import and export handling capacity and utilization.

Current Model Assumptions

Free cash flows were revised by Saurashtra's management in 2022 primarily to reflect increased EBITDA growth and increased capital expenditures in connection with capacity expansion plans. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Saurashtra operates. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Saurashtra operates.

At December 31, 2022 the company held a 51.0% equity interest in Saurashtra (December 31, 2021 – 51.0%) and its internal valuation model indicated that the fair value of the company's investment in Saurashtra was $50,707 (December 31, 2021 – $47,157).

Investment in Maxop Engineering Company Private Limited

Maxop Engineering Company Private Limited ("Maxop"), a private company located in New Delhi, India, is a precision aluminum die casting and machining solution provider for customers in the automotive and industrial sectors.

On September 16, 2021 Fairfax India entered into an agreement to acquire, in aggregate, a 67.0% equity interest in Maxop in two transactions. On November 30, 2021 the company invested cash consideration of $29,520 (approximately 2.2 billion Indian rupees) for a 51.0% equity interest in Maxop under the initial transaction. On September 5, 2022 the company invested additional cash consideration of $21,928 (approximately 1.8 billion Indian rupees) as part of the second transaction and acquired an additional 16.0% equity interest.

In aggregate, the company acquired a 67.0% equity interest in Maxop for $51,448 (approximately 4.0 billion Indian rupees), which was determined based on Maxop's achievement of certain financial-based performance targets.

At December 31, 2022 the company estimated the fair value of its investment in Maxop using a discounted cash flow analysis based on multi-year free cash flow forecasts with an assumed after-tax discount rate of 14.9% and a long term growth rate of 4.0%. At December 31, 2022 free cash flow forecasts were based on EBITDA estimates derived from financial information for Maxop prepared in the fourth quarter of 2022 by Maxop's management. At December 31, 2021 the company determined that the initial transaction price of the company's investment in Maxop approximated fair value.

Free Cash Flow Forecast Inputs

The primary drivers of free cash flow estimates are manufacturing capacity and utilization, with revenue growth driven by growing domestic and international demand, supported by Maxop's planned capacity expansion.

Current Model Assumptions

Free cash flows prepared by Maxop's management in 2022 primarily reflected (i) average annual growth in product volumes of 12% over the forecasting period; and (ii) a shift away from export to domestic sales in the near term, in response to external market conditions including semiconductor chip shortages and other supply chain disruptions which have negatively impacted export sales. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Maxop operates. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Maxop operates.

At December 31, 2022 the company's internal valuation model indicated that the fair value of the company's investment in Maxop was $51,886 (December 31, 2021 – $29,844).

Investment in Jaynix Engineering Private Limited

Jaynix Engineering Private Limited ("Jaynix"), a private company based in Gujarat, India, is a manufacturer of non-ferrous electrical connectors and electrical assemblies, and is a critical Tier 1 supplier to major electrical original equipment manufacturers in North America and Europe.

On February 11, 2022 the company invested cash consideration of $32,504 (approximately 2.5 billion Indian rupees) for a 70.0% equity interest in Jaynix.

At December 31, 2022 the company estimated the fair value of its investment in Jaynix using a discounted cash flow analysis based on multi-year free cash flow forecasts with an assumed after-tax discount rate of 21.6% and a long term growth rate of 1.5%. At December 31, 2022 free cash flow forecasts were based on EBITDA estimates derived from financial information for Jaynix prepared in the fourth quarter of 2022 by Jaynix's management.

Free Cash Flow Forecast Inputs

The primary driver of free cash flow estimates is increased product volumes driven by excess demand and growing long term relationships with customers, supported by planned capacity expansion.

Current Model Assumptions

Free cash flows prepared by Jaynix's management in 2022 primarily reflected revenue growth supported by planned capacity expansions. Free cash flows reflect excess demand and steady EBITDA margins over the forecast period. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Jaynix operates. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Jaynix operates.

At December 31, 2022 the company's internal valuation model indicated that the fair value of the company's investment in Jaynix was $32,796.

Investment in National Stock Exchange of India Limited

National Stock Exchange of India Limited ("NSE"), a private company located in Mumbai, India, operates India's largest stock exchange. In addition to providing a platform for exchange-traded financial products in India, NSE's flagship index, Nifty50, is used extensively by investors in India and around the world as a barometer of the Indian capital markets.

At December 31, 2022 the company estimated the fair value of its investment in NSE of $159,627 (December 31, 2021 – $111,216) based on recent third party transactions completed in the fourth quarter of 2022 (December 31, 2021 – fourth quarter of 2021).

Investment in India Housing Fund

India Housing Fund ("IH Fund") is a closed-ended fund of IIFL Private Equity Fund (the "Trust") registered as a Category II Alternative Investment Fund ("AIF") under SEBI AIF Regulations. IH Fund is a fund incorporated to focus on investing in India's real estate sector by investing in equity, debt and equity-linked instruments of real estate and construction companies involved in projects or ventures with expected growth potential.

During 2022 the company received distributions of $5,909 (2021 – $2,535) from IH Fund.

At December 31, 2022 the company estimated the fair value of its investment in IH Fund of $15,576 (December 31, 2021 – $23,613) based on the net asset value provided by the third party fund manager. The fair values of the underlying assets are determined using quoted prices for short term investments, and industry accepted valuation models for debt and equity instruments.

6. Cash and Investments

Fair Value Disclosures

The company's use of quoted market prices (Level 1), valuation models using observable market information as inputs (Level 2) and valuation models without observable market information as inputs (Level 3) in the valuation of securities by type of issuer was as follows:

	December 31, 2022					December 31, 2021				
	Quoted prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value of assets	Total fair value of assets in Indian rupees (in millions)	Quoted prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value of assets	Total fair value of assets in Indian rupees (in millions)
Cash and cash equivalents	147,448	–	–	147,448	12,198	30,376	–	–	30,376	2,258
Short term investments:										
U.S. treasury[1]	49,692	–	–	49,692	4,111	–	–	–	–	–
Government of India[1]	–	–	–	–	–	–	6,151	–	6,151	457
	49,692	–	–	49,692	4,111	–	6,151	–	6,151	457
Bonds:										
Government of India[1]	–	121,108	–	121,108	10,019	–	192,385	–	192,385	14,301
Other Indian Fixed Income	–	–	19,585	19,585	1,621	–	–	22,083	22,083	1,642
	–	121,108	19,585	140,693	11,640	–	192,385	22,083	214,468	15,943
Common stocks:										
IIFL Finance	493,341	–	–	493,341	40,814	318,136	–	–	318,136	23,649
IIFL Securities	65,837	–	–	65,837	5,447	103,217	–	–	103,217	7,673
360 ONE (formerly IIFL Wealth)	46,730	–	–	46,730	3,866	230,111	–	–	230,111	17,105
CSB Bank[2]	48,569	–	174,699	223,268	18,471	53,282	–	174,367	227,649	16,922
Fairchem Organics	111,083	–	–	111,083	9,190	155,020	–	–	155,020	11,524
5paisa	28,421	–	–	28,421	2,351	36,824	–	4,408	41,232	3,065
Privi Speciality	–	–	–	–	–	79	–	–	79	6
Other	15,577	–	–	15,577	1,288	69,612	–	–	69,612	5,175
BIAL	–	–	1,233,747	1,233,747	102,068	–	–	1,372,170	1,372,170	102,001
Sanmar[3]	–	–	337,846	337,846	27,950	–	–	421,153	421,153	31,307
Seven Islands	–	–	96,910	96,910	8,017	–	–	105,926	105,926	7,874
NCML	–	–	56,871	56,871	4,705	–	–	69,578	69,578	5,172
Maxop	–	–	51,886	51,886	4,293	–	–	29,844	29,844	2,218
Saurashtra	–	–	50,707	50,707	4,195	–	–	47,157	47,157	3,506
Jaynix	–	–	32,796	32,796	2,713	–	–	–	–	–
NSE	–	–	159,627	159,627	13,206	–	–	111,216	111,216	8,267
IH Fund	–	–	15,576	15,576	1,289	–	–	23,613	23,613	1,755
	809,558	–	2,210,665	3,020,223	249,863	966,281	–	2,359,432	3,325,713	247,219
Total cash and investments	1,006,698	121,108	2,230,250	3,358,056	277,812	996,657	198,536	2,381,515	3,576,708	265,877
	30.0%	3.6%	66.4%	100.0%	100.0%	27.9%	5.6%	66.5%	100.0%	100.0%

(1) *Priced based on information provided by independent pricing service providers at December 31, 2022 and 2021. Short term investments relate to treasury bills maturing between three and twelve months from the date of purchase.*

(2) *The company is restricted from selling certain of its common shares of CSB Bank for a specified period up to August 7, 2024 due to restrictions imposed by the RBI and SEBI, and has applied a discount for lack of marketability (a significant unobservable valuation input) to the quoted price for the remaining restricted common shares of CSB Bank held by the company at December 31, 2022 and 2021.*

(3) *The fair value of Chemplast, a publicly traded subsidiary of Sanmar, represents 61% of the company's investment in Sanmar at December 31, 2022 (December 31, 2021 – 66%).*

Transfers between fair value hierarchy levels are considered effective from the beginning of the annual reporting period in which the transfer is identified. During 2022 and 2021 there were no transfers of financial instruments between Level 1 and Level 2.

During 2022 the company's investment in 898,816 common shares of 5paisa was transferred from Level 3 to Level 1 in the fair value hierarchy as a result of the release of selling restrictions. During 2021 as a result of an increase in total common shares outstanding of CSB Bank, additional common shares of CSB Bank held by the company were subject to selling restrictions and were transferred from Level 1 to Level 3 in the fair value hierarchy.

A summary of changes in the fair value of the company's Indian Investments classified as Level 3 in the fair value hierarchy, denominated in the company's functional currency of the Indian rupee for the years ended December 31 was as follows:

	Year ended															
	2022							2021								
Indian rupees *(in millions)*	**Balance as of January 1**	**Purchases**	**Sales**	**Transfers**	**Amortization**	**Net change in unrealized gains (losses) on investments**	**Balance as of December 31**	**Balance as of January 1**	**Purchases**	**Sales**	**Transfers**	**Amortization**	**Net realized losses on investments**	**Net change in unrealized gains (losses) on investments**	**Balance as of December 31**
Common stocks:															
BIAL	102,001	–	–	–	–	67	102,068	102,011	–	–	–	–	–	(10)	102,001
Sanmar	31,307	–	–	–	–	(3,357)	27,950	24,742	–	–	–	–	–	6,565	31,307
CSB Bank	12,962	–	–	–	–	1,491	14,453	11,978	–	–	2	–	–	982	12,962
Seven Islands	7,874	–	–	–	–	143	8,017	7,566	–	–	–	–	–	308	7,874
NCML	5,172	–	–	–	–	(467)	4,705	6,300	–	–	–	–	–	(1,128)	5,172
Saurashtra	3,506	–	–	–	–	689	4,195	2,398	–	–	–	–	–	1,108	3,506
Maxop	2,218	1,750	–	–	–	325	4,293	–	2,218	–	–	–	–	–	2,218
Jaynix	–	2,450	–	–	–	263	2,713	–	–	–	–	–	–	–	–
NSE	8,267	–	–	–	–	4,939	13,206	5,306	–	–	–	–	–	2,961	8,267
IH Fund	1,755	–	(472)	–	–	6	1,289	1,853	–	(187)	–	–	–	89	1,755
5paisa	328	–	–	(328)	–	–	–	–	449	–	–	–	(189)	68	328
Other Indian Fixed Income	1,642	–	–	–	31	(52)	1,621	1,088	550	–	–	4	–	–	1,642
Total	177,032	4,200	(472)	(328)	31	4,047	184,510	163,242	3,217	(187)	2	4	(189)	10,943	177,032

The changes in fair value of the company's Indian Investments classified as Level 3 in the fair value hierarchy in the company's presentation currency of U.S. dollars are disclosed in note 5. For all Indian Investments classified as Level 3 in the fair value hierarchy, net change in unrealized gains (losses) on investments related to unrealized gains (losses) on investments held at the end of the reporting periods.

The table that follows illustrates the potential impact on net earnings of various combinations of changes in unobservable inputs in the company's internal valuation models for its Indian Investments classified as Level 3 in the fair value hierarchy at December 31, 2022. The analysis assumes quarterly variations within a reasonably possible range determined by the company based on an analysis of the return on various equity indices, management's knowledge of the Indian equity markets and the potential impact of changes in interest rates. The change reflects the additional uncertainty in determining the discounted cash flows for assessing the fair values of Private Indian Investments. This sensitivity analysis excludes the company's investments in NSE, IH Fund and Other Indian Fixed Income, as the company determined that there were no significant unobservable inputs suited for a sensitivity analysis.

Investments	Fair value of Level 3 investment	Valuation technique	Significant unobservable inputs	Significant unobservable inputs used in the internal valuation models	Hypothetical $ change effect on fair value measurement[(1)]	Hypothetical $ change effect on net earnings[(1)(2)]
Common stocks:						
BIAL	$1,233,747	Discounted cash flow	After-tax discount rate	12.4% to 16.1%	(293,836) / 377,434	(254,903) / 327,424
			Long term growth rate	3.5%	21,600 / (20,424)	18,738 / (17,718)
Sanmar[(3)]	$ 337,846	Discounted cash flow	After-tax discount rate	13.2%	(44,499) / 53,989	(38,603) / 46,835
			Long term growth rate	3.0%	8,380 / (7,979)	7,269 / (6,921)
CSB Bank[(4)]	$ 174,699	Bid price, net of discount	Discount for lack of marketability	12.6%	(2,279) / 2,279	(1,977) / 1,977
Seven Islands	$ 96,910	Discounted cash flow	After-tax discount rate	12.2%	(19,282) / 24,185	(16,727) / 20,981
			Long term growth rate	3.0%	4,079 / (3,863)	3,539 / (3,351)
NCML[(5)]	$ 56,871	Discounted cash flow	After-tax discount rate	12.1% to 12.2%	(16,845) / 22,647	(14,613) / 19,646
			Long term growth rate	2.4% to 6.0%	3,289 / (3,042)	2,853 / (2,639)
Maxop	$ 51,886	Discounted cash flow	After-tax discount rate	14.9%	(5,855) / 7,039	(5,079) / 6,106
			Long term growth rate	4.0%	1,130 / (1,080)	980 / (937)
Saurashtra	$ 50,707	Discounted cash flow	After-tax discount rate	17.8% to 19.5%	(2,885) / 3,335	(2,502) / 2,893
			Long term growth rate	4.0% to 5.0%	442 / (426)	384 / (370)
Jaynix	$ 32,796	Discounted cash flow	After-tax discount rate	21.6%	(1,826) / 2,033	(1,584) / 1,764
			Long term growth rate	1.5%	274 / (267)	238 / (232)

(1) *The impact on the internal valuation models from changes in significant unobservable inputs deemed to be subject to the most judgment and estimates disclosed in the table above shows the hypothetical increase (decrease) in net earnings. Changes in the after-tax discount rates (100 basis points), long term growth rates (25 basis points) and discount for lack of marketability (changes of 250 basis points to underlying historical share price volatility), each in isolation, would hypothetically change the fair value of the company's investments as noted in the table above. Generally, an increase (decrease) in long term growth rates, or a decrease (increase) in after-tax discount rates and discount for lack of marketability would result in a higher (lower) fair value of the company's Indian Investments classified as Level 3 in the fair value hierarchy. After-tax discount rates are subject to a mitigating factor: increases (decreases) in after-tax discount rates tend to be accompanied by increases (decreases) in free cash flows, and the resulting changes in the fair value of an investment may offset each other.*

(2) *For the purpose of this sensitivity analysis, the hypothetical $ change effect on net earnings includes an income tax impact that is calculated using the company's marginal tax rate. Actual income tax expense (recovery) may differ significantly when earnings (losses) are realized.*

(3) *Significant unobservable inputs relate only to the Sanmar Egypt business unit as Chemplast became publicly traded on the BSE and NSE of India during 2021. The hypothetical $ change effect from a 10% increase or decrease in Chemplast's traded share price would be an increase or decrease in fair value of Sanmar of $20,691, and an increase or decrease in net earnings of $17,950.*

(4) *A discount for lack of marketability is applied to the quoted price of common shares that the company is restricted from selling for a specified period, and is determined using an industry accepted option pricing model that incorporates unobservable long-dated historical share price volatility. A higher (lower) historical share price volatility generally results in a higher (lower) option value and a lower (higher) fair value of the common shares.*

(5) *The company determined that there were no significant unobservable inputs suited for a sensitivity analysis for NCML's NBFC business unit where an adjusted net book value approach was applied.*

Fixed Income Maturity Profile

Bonds are summarized by their earliest contractual maturity date in the table that follows. Actual maturities may differ from maturities shown below due to the existence of call and put features. At December 31, 2022 and 2021 there were no bonds containing call or put features. The decrease in bonds due in 1 year or less and due after 1 year through 5 years primarily reflected the net sale of Government of India bonds to fund the company's investments in Jaynix and Maxop, share repurchases and interest payments on Unsecured Senior Notes, partially offset by the reinvestment of net proceeds from sales of Other Public Indian Investments into Government of India bonds with longer duration.

	December 31, 2022		December 31, 2021	
	Amortized cost	Fair value	Amortized cost	Fair value
Due in 1 year or less	6,681	6,622	53,147	52,944
Due after 1 year through 5 years	123,869	121,554	147,742	146,894
Due after 5 years through 10 years	12,121	12,517	13,489	14,630
	142,671	140,693	214,378	214,468
Effective interest rate		6.9%		5.0%

Investment Income

An analysis of investment income for the years ended December 31 is summarized in the table that follows:

Interest and dividends

	2022	2021
Interest:		
Cash and cash equivalents	721	168
Short term investments	256	76
Bonds	10,376	5,256
	11,353	5,500
Dividends: Common stocks	23,985	27,468

Net gains (losses) on investments and net foreign exchange gains (losses)

	2022			2021		
	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:						
Short term investments	(4)	5	1	–	(5)	(5)
Bonds	(1,411)	(2,167)	(3,578)	128	(1,109)	(981)
Common stocks	97,297[1]	155,818[1]	253,115	222,218[1]	440,049[1]	662,267
Derivatives	–	–	–	4,847[1]	–	4,847
	95,882	153,656	249,538	227,193	438,935	666,128
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	3,478	–	3,478	2,113	–	2,113
Short term investments	–	558	558	–	–	–
Borrowings	–	(53,208)[2]	(53,208)	(36,032)[2]	26,847[2]	(9,185)
Other	1,822	–	1,822	1,515	–	1,515
	5,300	(52,650)	(47,350)	(32,404)	26,847	(5,557)

(1) Refer to note 5 for a summary of changes in the fair value of the company's Public and Private Indian Investments during 2022 and 2021.

(2) In 2022 unrealized foreign exchange loss on borrowings related to the Unsecured Senior Notes. In 2021 net realized foreign exchange loss of $36,032 related to the repayment of the Secured Term Loan. The net change in unrealized gain of $26,847 was primarily comprised of the reversal of unrealized foreign exchange losses in prior years of $32,546 upon repayment of the Secured Term Loan, partially offset by unrealized foreign exchange loss of $5,699 primarily related to the Unsecured Senior Notes issued in February 2021.

7. Borrowings

	December 31, 2022			December 31, 2021		
	Principal	Carrying value[1]	Fair value[2]	Principal	Carrying value[1]	Fair value[2]
Unsecured Senior Notes:						
5.0% Unsecured Senior Notes due February 26, 2028	500,000	497,306	453,650	500,000	496,785	498,450

(1) Principal net of unamortized issue costs.

(2) Fair value of the Unsecured Senior Notes was based principally on information provided by independent pricing service providers (Level 2 in the fair value hierarchy).

Unsecured Senior Notes

On February 26, 2021 the company completed an offering of $500,000 principal amount of 5.0% unsecured senior notes due February 26, 2028 ("Unsecured Senior Notes") at par. Net proceeds after commissions and expenses of

$3,650 were $496,350. Fairfax, through its subsidiaries, purchased $58,400 of the $500,000 principal amount under the same terms as the other participants. Refer to note 12 for further details of amounts due to related parties.

At December 31, 2022 the Unsecured Senior Notes were recognized net of unamortized issuance costs of $2,694 (issuance costs of $3,650 less amortization of $956) and recorded in borrowings within the consolidated balance sheets. The issuance costs are amortized over the remaining life of the Unsecured Senior Notes and recorded in interest expense in the consolidated statements of earnings.

Secured Term Loan

During 2021 the company fully repaid its $550,000 principal amount secured term loan with an interest rate of LIBOR plus 400 basis points ("Secured Term Loan"), prior to its maturity date of June 28, 2021. The repayments resulted in the extinguishment of the Secured Term Loan and release of unamortized issuance costs of $1,749 in 2021, recorded in interest expense in the consolidated statements of earnings.

Revolving Credit Facility

On December 17, 2021 the company entered into a $175,000 unsecured revolving credit facility ("Revolving Credit Facility") with a syndicate led by a Canadian bank. The Revolving Credit Facility has a three-year term with an option to extend for an additional year. At December 31, 2022 and 2021 the Revolving Credit Facility was undrawn and remained available.

Interest Expense

In 2022 interest expense of $25,521 (2021 – $28,515) was comprised of interest expense related to stated interest of $25,000 (2021 – $25,308), the amortization of issuance costs of $521 (2021 – $1,458) and in 2021, the release of unamortized issuance costs of $1,749. At December 31, 2022 the company recognized accrued interest expense of $8,611 (December 31, 2021 – $8,611) within the consolidated balance sheets.

8. Total Equity

Common shareholders' equity

Authorized Capital

The company's authorized share capital consists of: (i) an unlimited number of multiple voting shares that may only be issued to Fairfax or its affiliates; (ii) an unlimited number of subordinate voting shares; and (iii) an unlimited number of preference shares, issuable in series. Except as provided in any special rights or restrictions attaching to any series of preference shares issued from time to time, the preference shares will not be entitled to vote at any meeting of the shareholders of the company.

Issued Capital

Issued capital at December 31, 2022 included 30,000,000 (December 31, 2021 – 30,000,000) multiple voting shares and 108,270,900 (December 31, 2021 – 111,235,352) subordinate voting shares without par value. Each subordinate voting share carries one vote per share at all meetings of shareholders except for separate meetings of holders of another class of shares. Fairfax India's subordinate voting shares trade on the Toronto Stock Exchange ("TSX") under the symbol FIH.U. Each multiple voting share carries fifty votes per share at all meetings of shareholders except for separate meetings of holders of another class of shares. Fairfax, through its subsidiaries, owns all the issued and outstanding multiple voting shares, which are not publicly traded. At December 31, 2022 there were no preference shares outstanding.

Common Stock

The number of shares outstanding was as follows:

	2022	2021
Subordinate voting shares – January 1	111,235,352	119,470,571
Issuances of shares	–	546,263
Purchases for cancellation	(2,964,452)	(8,781,482)
Subordinate voting shares – December 31	108,270,900	111,235,352
Multiple voting shares – beginning and end of year	30,000,000	30,000,000
Common shares effectively outstanding – December 31	138,270,900	141,235,352

Issuance of Shares

On March 5, 2021 the company issued 546,263 subordinate voting shares to Fairfax to settle the performance fee payable of $5,217 for the second calculation period (three-year period ending on December 31, 2020). Refer to note 12 for additional details on the settlement of the December 31, 2020 performance fee payable.

Purchase of Shares

The company has the ability to purchase for cancellation subordinate voting shares at prevailing market prices under the terms of its normal course issuer bid and in accordance with the rules and policies of the TSX. During 2022, under the terms of its normal course issuer bid, the company purchased for cancellation 2,964,452 subordinate voting shares (2021 – 1,734,503) for a net cost of $35,582 (2021 – $21,869), of which $4,392 was charged to retained earnings (2021 – $3,619).

On August 11, 2021 the company completed a substantial issuer bid pursuant to which it purchased for cancellation 7,046,979 subordinate voting shares at a price of $14.90 per share, for aggregate consideration of $105,000 of which $30,857 was charged to retained earnings in 2021. Fairfax did not tender any shares to the substantial issuer bid.

In connection with the normal course issuer bid, the company also entered into an automatic share purchase plan with its designated broker to allow for the purchase of subordinate voting shares during times when the company normally would not be active in the market. Such purchases are determined by the broker in its sole discretion based on the parameters established by the company prior to commencement of the applicable trading black-out period.

Subsequent to December 31, 2022

Subsequent to December 31, 2022, under the terms of the normal course issuer bid, the company purchased 99,968 subordinate voting shares for cancellation for a net cost of $1,266.

Dividends

The company did not pay any dividends on its outstanding multiple and subordinate voting shares during 2022 and 2021.

Non-controlling interests

In 2019 the company formed Anchorage as a wholly-owned subsidiary of FIH Mauritius, intended to provide investment related services to support the company in investing in companies, businesses and opportunities in the airport and infrastructure sectors in India. On September 16, 2021 the company transferred 43.6% out of its 54.0% equity interest in BIAL such that it is held through Anchorage and subsequently sold 11.5% (on a fully-diluted basis) of its interest in Anchorage to OMERS for gross proceeds of $129,221 (9.5 billion Indian rupees). Upon closing of the transaction, the company's effective ownership interest in BIAL decreased to approximately 49.0% on a fully-diluted basis, while its actual ownership remained unchanged.

The company shall use commercially reasonable efforts to list Anchorage by way of an IPO in India, subject to regulatory approvals and market conditions on or before September 2025. If the valuation of Anchorage upon closing of the IPO is below approximately $1.1 billion (at period end exchange rates) (91.6 billion Indian rupees), then OMERS' ownership in Anchorage will increase to a maximum of 15.0% and the company's ownership in Anchorage will decrease to a minimum of 85.0% (effective ownership interest in BIAL will decrease to a minimum of 47.5%). If Anchorage does not list by way of an IPO in India by September 2025, then OMERS' ownership in Anchorage will remain at 11.5%.

9. Net Earnings per Share

Net earnings per common share is calculated as follows using the weighted average common shares outstanding:

	2022	2021
Net earnings attributable to shareholders of Fairfax India – basic and diluted	191,439	494,514
Weighted average common shares outstanding – basic	139,066,682	146,379,346
Contingently issuable subordinate voting shares	3,360,057	7,105,693
Weighted average common shares outstanding – diluted	142,426,739	153,485,039
Net earnings per common share – basic	$ 1.38	$ 3.38
Net earnings per common share – diluted	$ 1.34	$ 3.22

At December 31, 2022 there were an estimated 3,360,057 subordinate voting shares contingently issuable to Fairfax for the performance fee accrual for the third calculation period (December 31, 2021 – 7,105,693). The performance fee for the third calculation period is assessed quarterly and relates to the three-year period from January 1, 2021 to December 31, 2023. Under the terms of the Investment Advisory Agreement (defined in note 12), if a performance fee is payable for the period ending on December 31, 2023, the performance fee will be payable in cash, or at Fairfax's option, in subordinate voting shares. The number of subordinate voting shares issued will be calculated based on the VWAP. Refer to note 12 for further details on performance fee.

10. Income Taxes

The company's provision for income taxes for the years ended December 31 are summarized in the following table:

	2022	2021
Current income tax:		
Current year expense	27,628	20,762
Adjustment to prior years' income taxes	(65)	(88)
	27,563	20,674
Deferred income tax:		
Origination and reversal of temporary differences	(23,076)	18,356
Provision for income taxes	4,487	39,030

A significant portion of the company's earnings before income taxes is earned or incurred outside of Canada. The statutory income tax rates for jurisdictions outside of Canada generally differ from the Canadian statutory income tax rate (and may be significantly higher or lower).

At December 31, 2022 the company evaluated the potential impact of the application of capital gains tax in India on any future dispositions of investments in equity shares held by FIH Mauritius, FIH Private and Anchorage. The company recorded a reversal of prior period deferred income taxes of $23,076 in 2022 primarily attributable to net unrealized losses (including the reversal of prior period net unrealized gains upon sales) on the company's investments in equity shares acquired or spun out subsequent to April 1, 2017, primarily 360 ONE (formerly IIFL Wealth), Fairchem Organics, IIFL Securities, Other Public Indian Investments and 5paisa, partially offset by unrealized gains on the company's investments in CSB Bank, Saurashtra, Maxop, Jaynix and Seven Islands. On the same basis, the company recorded deferred income taxes of $18,356 in 2021 primarily attributable to unrealized gains on Fairchem Organics, 360 ONE (formerly IIFL Wealth), IIFL Securities, CSB Bank, Saurashtra, and 5paisa, partially offset by a reversal of prior period deferred income taxes recognized on the company's investment in BIAL and Other Public Indian Investments. The company will continue to evaluate the potential impact of the Indian capital gains tax as it relates to any future dispositions of investments in equity shares of its Indian Investments.

The company's earnings (loss) before income taxes by jurisdiction and the associated provision for income taxes for 2022 and 2021 are summarized in the following table:

	2022			2021		
	Canada	Mauritius	Total	Canada	Mauritius	Total
Earnings (loss) before income taxes	(80,290)	276,265	195,975	(38,599)	572,129	533,530
Provision for income taxes	–	4,487(1)	4,487	–	39,030(2)	39,030
Net earnings (loss)	(80,290)	271,778	191,488	(38,599)	533,099	494,500

(1) *Includes Indian withholding taxes of $27,280 (including capital gains taxes paid on the partial sales of 360 ONE (formerly IIFL Wealth) and Other Public Indian Investments), partially offset by a decrease in potential capital gains tax in India of $23,076.*

(2) *Includes Indian withholding taxes of $20,604 (including capital gains taxes paid on the sale of an investment in Other Public Indian Investments, on the transfer of BIAL shares to Anchorage, and on the partial sale of Fairchem Organics), and an increase in potential capital gains tax in India of $18,356.*

The increase in loss before income taxes in Canada during 2022 compared to 2021 principally related to increased net foreign exchange losses on borrowings, partially offset by decreased interest expense. The decrease in earnings before income taxes in Mauritius during 2022 compared to 2021 primarily reflected decreased net gains on investments and increased general and administration expenses, partially offset by a performance fee recovery and increased interest income.

A reconciliation of the provision for income taxes calculated at the Canadian statutory income tax rate to the provision for income taxes at the effective tax rate in the consolidated financial statements for the years ended December 31 are summarized in the following table:

	2022	**2021**
Canadian statutory income tax rate	26.5%	26.5%
Provision for income taxes at the Canadian statutory income tax rate	51,933	141,385
Tax rate differential on income earned outside of Canada	(56,336)	(125,465)
Recovery relating to prior years	(65)	(88)
Increase in unrecorded tax benefit of losses and temporary differences	3,218	22,416
Foreign exchange effect	5,736	783
Other including permanent differences	1	(1)
Provision for income taxes	4,487	39,030

The tax rate differential on income earned outside of Canada of $56,336 in 2022 (2021 – $125,465) principally reflected the impact of net investment income taxed in India and Mauritius at lower rates.

The increase in unrecorded tax benefit of losses and temporary differences of $3,218 in 2022 principally reflected increases in unrecorded deferred tax assets related to net operating losses in Canada of $8,317, temporary timing differences on debt and equity issuance costs of $3,807, the impact of foreign exchange of $3,450 and the potential impact of the application of capital loss benefit in India on future dispositions of investments in equity shares of $2,137, partially offset by temporary timing differences on performance and professional fees of $10,265 and the utilization of foreign accrual property losses of $4,228 with respect to the company's wholly-owned subsidiaries that were not recorded by the company as the related pre-tax losses did not meet the recognition criteria under IFRS. The increase in unrecorded tax benefit of losses and temporary differences of $22,416 in 2021 principally reflected increases in unrecorded deferred tax assets related to temporary timing differences on performance and professional fees of $22,393 and on debt and equity issuance costs of $2,669, net operating losses in Canada of $1,924 and the impact of foreign exchange of $1,779, partially offset by the potential impact of the application of capital loss benefit in India on future dispositions of investments in equity shares of $5,779 and the utilization of foreign accrual property losses of $570 with respect to the company's wholly-owned subsidiaries that were not recorded by the company as the related pre-tax losses did not meet the recognition criteria under IFRS. At December 31, 2022 deferred tax assets of $88,899 in Canada and $4,293 in India (December 31, 2021 – $97,945 in Canada and $2,519 in India) were not recorded as it was considered not probable that those losses could be utilized by the company.

Foreign exchange effect of $5,736 in 2022 (2021 – $783) principally reflected the impact of fluctuations in the value of the Canadian dollar relative to the U.S. dollar and the Indian rupee as the company computes its corporate tax liability in Canadian dollars pursuant to the requirements of Canadian tax authorities, whereas the functional currency of the company and its Mauritius subsidiaries is the Indian rupee.

Changes in net income taxes refundable (payable) for the years ended December 31 were as follows:

	2022	**2021**
Balance – January 1	1,056	2,803
Amounts recorded in the consolidated statements of earnings	(27,563)	(20,674)
Payments made during the year	27,280	18,964
Foreign currency translation	(92)	(37)
Balance – December 31	681	1,056

Management reviews the recoverability of potential deferred tax assets on an ongoing basis and adjusts, as necessary, to reflect their anticipated realization. The deferred income tax liability of $50,554 at December 31, 2022 (December 31, 2021 – $80,648) principally related to the potential impact of the application of capital gains tax in India on any future dispositions of investments in equity shares as noted above. At December 31, 2022 deferred tax assets not recorded by the company of $93,192 (December 31, 2021 – $100,464) were primarily comprised of net operating loss carryforwards of $40,274 (December 31, 2021 – $34,756), foreign accrual property losses of $32,460 (December 31, 2021 – $39,247), temporary timing differences on performance and professional fees of $10,961 (December 31, 2021 – $22,267) and on debt and equity issuance costs of $5,204 (December 31, 2021 – $1,675), and the potential impact of the application of capital loss benefit in India on future dispositions of investments in equity shares of $4,293 (December 31, 2021 – $2,519). The net operating loss carryforwards and foreign accrual property losses expire between 2037 and 2042.

Deferred income tax has not been recognized for the withholding tax and other taxes that could be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings amounted to approximately $1,459,237 at December 31, 2022 (December 31, 2021 – $1,505,760).

11. Financial Risk Management

Overview

The primary goals of the company's financial risk management are to ensure that the outcomes of activities involving elements of risk are consistent with the company's objectives and risk tolerance, while maintaining an appropriate balance between risk and reward and protecting the company's consolidated balance sheet from events that have the potential to materially impair its financial strength. The company's activities expose it to certain financial risks during or at the end of the reporting period. There were no significant changes in the types of the company's risk exposures or the processes used by the company for managing those risk exposures at December 31, 2022 compared to those identified at December 31, 2021, except as described below.

Conflict in Ukraine

The company evaluated the effects, or possible effects, on the company and its Indian Investments arising from the conflict in Ukraine and concluded that while they do not have direct exposure to either Russia or Ukraine, the company and its Indian investments are exposed to greater uncertainty and volatility in global financial markets as a result of supply shocks and increased inflationary pressures caused by economic sanctions imposed by certain countries against Russia.

COVID-19

In March 2022 the Indian government announced the end of containment measures related to COVID-19. However, global economic recovery has been hindered by the onset of new COVID-19 variants and the continued conflict in Ukraine as discussed above.

As a result of the COVID-19 pandemic and the conflict in Ukraine, central banks across advanced and emerging markets have tightened monetary policy and aggressively raised interest rates in an effort to ease inflationary pressures. This has led to an increase in borrowing rates and the depreciation of the Indian rupee relative to the U.S. dollar in 2022.

Further developments related to COVID-19, the conflict in Ukraine and global recessionary concerns, including the risk of rising inflation, could have a material adverse effect on the company's business, financial condition, results of operations and cash flows.

Market Risk

Market risk, comprised of foreign currency risk, interest rate risk and other price risk, is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The company is exposed to market risk principally in its investing activities and to the extent that those activities expose the company to foreign currency risk. The valuation of the company's investment portfolio is largely dependent on the underlying performance of the companies within the portfolio, but may also be affected, along with other financial statement items, by fluctuations in interest rates, foreign currency exchange rates and market prices.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument or another asset or liability will fluctuate due to changes in foreign exchange rates and produce an adverse effect on net earnings and equity when measured in Indian rupees, the company's functional currency. The company's net earnings and equity may also be significantly affected by foreign currency translation movements as the majority of its net assets and net earnings are denominated in a currency other than the company's U.S. dollar presentation currency. The company has not hedged its foreign currency risk. There were no significant changes to the company's framework used to monitor, evaluate and manage foreign currency risk at December 31, 2022 compared to December 31, 2021.

The company's net foreign currency exposure on balances denominated in currencies other than the Indian rupee (expressed in U.S. dollars) are primarily comprised as follows:

	December 31, 2022						December 31, 2021				
	Cash and cash equivalents	Short term investments	Borrowings	Payable to related parties	Accrued interest expense	Net exposure	Cash and cash equivalents	Borrowings	Payable to related parties	Accrued interest expense	Net exposure
U.S. dollars	145,028	49,692	(497,306)	(50,851)	(8,611)	(362,048)	23,272	(496,785)	(94,977)	(8,611)	(577,101)
All other currencies	531	–	–	–	–	531	2,639	–	(25)	–	2,614
Total	145,559	49,692	(497,306)	(50,851)	(8,611)	(361,517)	25,911	(496,785)	(95,002)	(8,611)	(574,487)

The table above shows the company's net exposure to the U.S. dollar and all other currencies, other than the Indian rupee. The company's net liability exposure to the U.S. dollar decreased at December 31, 2022 compared to December 31, 2021 primarily reflecting the reinvestment of proceeds from sales of Indian Investments into U.S. treasury bills included in cash and cash equivalents and short term investments, and a decrease in payable to related parties as a result of decreased performance fee accrual, which may ultimately be paid in the company's shares.

The following table illustrates the potential impact on pre-tax earnings and net earnings of a hypothetical appreciation or depreciation of the Indian rupee against the U.S. dollar and all other currencies.

	December 31, 2022			December 31, 2021		
	Net foreign currency exposure	Hypothetical $ change effect on pre-tax earnings	Hypothetical $ change effect on net earnings[(1)]	Net foreign currency exposure	Hypothetical $ change effect on pre-tax earnings	Hypothetical $ change effect on net earnings[(1)]
Change in Indian rupee exchange rate						
10.0% appreciation	(325,365)	36,152	26,572	(517,038)	57,449	42,225
5.0% appreciation	(343,441)	18,076	13,286	(545,763)	28,724	21,112
No change	(361,517)	–	–	(574,487)	–	–
5.0% depreciation	(379,593)	(18,076)	(13,286)	(603,211)	(28,724)	(21,112)
10.0% depreciation	(397,669)	(36,152)	(26,572)	(631,936)	(57,449)	(42,225)

(1) For the purpose of this sensitivity analysis, the hypothetical $ change effect on net earnings includes an income tax impact that is calculated using the company's marginal tax rate. Actual income tax expense (recovery) may differ significantly when earnings (losses) are realized.

Certain shortcomings are inherent in the method of analysis presented, including the assumption that the hypothetical appreciation or depreciation of the Indian rupee against the U.S. dollar and all other currencies occurred with all other variables held constant.

Interest Rate Risk

Interest rate risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Typically, as interest rates rise, the fair value of fixed income investments decline and, conversely, as interest rates decline, the fair value of fixed income investments rise. In each case, the longer the maturity of the financial instrument, the greater the consequence of a change in interest rates. The company's interest rate risk management strategy is to position its fixed income portfolio based on its view of future interest rates and the yield curve, balanced with liquidity requirements. General economic conditions, political conditions and many other factors can also adversely affect the bond markets and, consequently, the value of fixed income securities held. Interest rate movements in India may affect the company's equity and net earnings. A sustained increase in market interest rates may result in higher cost of capital for portfolio companies, which all else being equal would negatively impact the company's private company equity valuations. The Portfolio Advisor and Fairfax actively monitor interest rates in India and the potential impact changes in interest rates may have on the company's investment portfolio. There were no significant changes to the company's framework used to monitor, evaluate and manage interest rate risk at December 31, 2022 compared to December 31, 2021.

The company's exposure to interest rate risk increased in 2022 primarily reflecting the company's reinvestment of net proceeds from sales of Other Public Indian Investments into Government of India bonds with longer duration, partially offset by the net sale of Government of India bonds to fund the company's investments in Jaynix and Maxop, share repurchases and interest payments on Unsecured Senior Notes. The table that follows displays the potential impact of changes in interest rates on the company's fixed income portfolio based on parallel 200 basis point shifts up and down, in 100 basis point increments which the company believes to be reasonably possible in the current economic environment given the continued uncertainty caused by increased inflationary pressures and interest rates. This analysis was performed on each individual security, with the hypothetical effect on net earnings.

	December 31, 2022			December 31, 2021		
	Fair value of fixed income portfolio	**Hypothetical $ change effect on net earnings(1)**	**Hypothetical % change in fair value**	**Fair value of fixed income portfolio**	**Hypothetical $ change effect on net earnings(1)**	**Hypothetical % change in fair value**
Change in interest rates						
200 basis point increase	135,232	(4,014)	(3.9)%	209,670	(3,526)	(2.2)%
100 basis point increase	137,924	(2,035)	(2.0)%	212,051	(1,776)	(1.1)%
No change	140,693	–	–	214,468	–	–
100 basis point decrease	143,545	2,096	2.0%	216,946	1,822	1.2%
200 basis point decrease	146,480	4,253	4.1%	219,462	3,671	2.3%

(1) For the purpose of this sensitivity analysis, the hypothetical $ change effect on net earnings includes an income tax impact that is calculated using the company's marginal tax rate. Actual income tax expense (recovery) may differ significantly when earnings (losses) are realized.

Certain shortcomings are inherent in the method of analysis presented above. Computations of the prospective effects of hypothetical interest rate changes are based on numerous assumptions, including the maintenance of the level and composition of fixed income securities at the indicated date, and should not be relied on as indicative of future results. Actual values may differ from the projections presented should market conditions vary from assumptions used in the calculation of the fair value of individual securities; such variations include non-parallel shifts in the term structure of interest rates and a change in individual issuer credit spreads.

Market Price Fluctuations

Market price fluctuation is the risk that the fair value or future cash flows of an equity investment will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual investment or its issuer, or other factors affecting all similar investments in the market. The company's exposure to equity price risk through its equity investments at December 31, 2022 compared to December 31, 2021 are described below.

The company holds significant equity investments. The market value and the liquidity of these investments are volatile and may vary dramatically either up or down in short periods, and their ultimate value will therefore only be known over a period of time or on disposition. As discussed earlier, increased inflationary pressures and interest rates have increased market uncertainty and may adversely impact the fair value and future cash flows of the company's equity investments.

The company's exposure to market price risk decreased to $3,020,223 at December 31, 2022 from $3,325,713 at December 31, 2021. Refer to note 6 for the potential impact on net earnings of various combinations of changes in significant unobservable inputs in the company's internal valuation models for the company's investments classified as Level 3 in the fair value hierarchy.

The company estimates the potential impact on net earnings from a 20% increase or decrease in the fair value of its Public Indian Investments at December 31, 2022 to be an increase or decrease in net earnings of $169,117 (December 31, 2021 – increase or decrease in net earnings of $196,820). For the purpose of this sensitivity analysis, the hypothetical $ change effect on net earnings includes an income tax impact that is calculated using the company's marginal tax rate. Actual income tax expense (recovery) may differ significantly when earnings (losses) are realized.

Credit Risk

Credit risk is the risk of loss resulting from the failure of a counterparty to honour its financial obligations to the company, and arises predominantly from cash and cash equivalents, short term investments and investments in debt instruments. There were no significant changes to the company's exposure to credit risk (except as set out in the discussion which follows) or the framework used to monitor, evaluate and manage credit risk at December 31, 2022 compared to December 31, 2021.

Cash and Cash Equivalents and Short Term Investments

At December 31, 2022 the company's cash and cash equivalents of $147,448 (December 31, 2021 – $30,376) were primarily held in major financial institutions. The company monitors risks associated with cash and cash equivalents by regularly reviewing the financial strength and creditworthiness of these financial institutions. From these reviews, the company may transfer balances from financial institutions where it perceives heightened credit risk to others considered to be more stable.

At December 31, 2022 the company's short term investments in U.S. treasury bills of $49,692 were rated Aaa by Moody's and AA+ by S&P (December 31, 2021 – Government of India bonds of $6,151 rated Baa3 by Moody's and BBB- by S&P).

Investments in Debt Instruments

The company's risk management strategy for debt instruments is to invest primarily in high credit quality issuers. Management considers high quality debt instruments to be those with a S&P or Moody's issuer credit rating of BBB/Baa or higher. While the company reviews third party credit ratings, it also carries out its own analysis and does not delegate the credit decision to rating agencies. The company endeavours to limit credit exposure by monitoring fixed income portfolio limits on individual corporate issuers and limits based on credit quality.

At December 31, 2022 the company's debt instruments were all considered to be subject to credit risk with a fair value of $140,693 (December 31, 2021 – $214,468), representing 4.2% (December 31, 2021 – 6.0%) of the total cash and investments portfolio.

The composition of the company's fixed income portfolio is presented in the table below:

	December 31, 2022		December 31, 2021	
	Fair value	**Rating**	**Fair value**	**Rating**
Government of India bonds(1)	121,108	Baa3/BBB-	192,385	Baa3/BBB-
Other Indian Fixed Income	19,585	Not rated	22,083	Not rated
Total bonds	140,693		214,468	

(1) Rated Baa3 by Moody's and BBB- by S&P at December 31, 2022 and 2021.

The company's exposure to credit risk from its investments in fixed income securities decreased at December 31, 2022 compared to December 31, 2021 primarily reflecting the net sale of Government of India bonds to fund the company's investments in Jaynix and Maxop, share repurchases and interest payments on Unsecured Senior Notes, partially offset by the reinvestment of net proceeds from sales of Other Public Indian Investments into Government of India bonds. Except as described above, there were no other significant changes to the composition of the company's fixed income portfolio classified according to each security's respective issuer credit rating at December 31, 2022 compared to December 31, 2021.

Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The company manages liquidity risk by maintaining sufficient liquid assets to enable settlement of financial commitments on their respective due dates. All accounts payable and accrued liabilities are due within three months, and income taxes payable, if any, must be remitted to the respective tax jurisdictions as they are due. There were no significant changes to the company's exposure to liquidity risk (except as set out in the discussion below) or the framework used to monitor, evaluate and manage liquidity risk at December 31, 2022 compared to December 31, 2021.

The undeployed cash and investments at December 31, 2022 provide adequate liquidity to meet the company's known significant commitments over the next twelve months, which are principally comprised of purchases of subordinate voting shares for cancellation under its automatic share purchase plan, investment and advisory fees, interest expense, and general and administration expenses.

At December 31, 2022 the company's payment obligations which are due beyond one year primarily relate to the recurring nature of expenses described above and a principal repayment on the Unsecured Senior Notes due in February 2028, which bear interest at a fixed rate of 5.0% per annum, payable in semi-annual installments. In addition, under the Investment Advisory Agreement (defined in note 12), if a performance fee is payable for the period ending on December 31, 2023, the performance fee will be payable in cash, or at Fairfax's option, in subordinate voting shares.

The company has the ability to sell a portion of its Indian Investments to supplement its liquidity requirements, by way of private placements or in public markets for its Public Indian Investments, or through private sales or IPOs for its Private Indian Investments. At December 31, 2022, in addition to cash and cash equivalents of $147,448, the company held common shares of Public Indian Investments which carry no selling restrictions with a fair value of $809,558, Government of India bonds with a fair value of $121,108 and short term investments of $49,692. The company expects to continue to receive investment income on its holdings of fixed income securities and dividends from its equity investments to supplement its cash and cash equivalents. To further augment its liquidity, the company can draw upon its Revolving Credit Facility. Accordingly, the company has adequate working capital to support its ongoing operations.

Concentration Risk

The company's cash and investments are primarily concentrated in India and in Indian businesses or businesses with customers, suppliers or business primarily conducted in, or dependent on, India. The market value of the company's investments, the income generated by the company and the company's performance will be particularly sensitive to changes in the economic condition, interest rates, and regulatory environment in India. Adverse changes to the economic condition, interest rates or regulatory environment in India may have a material adverse effect on the company's business, cash flows, financial condition and net earnings. At December 31, 2022 and 2021 the company's total cash and investments composition by the issuer's country of domicile was primarily India, and at December 31, 2022 represented 94.2% (December 31, 2021 – 99.3%) of the total cash and investments portfolio.

The company's holdings of Public and Private Indian Investments (see note 5) at December 31, 2022 and 2021 are summarized by the issuer's primary industry sector in the table below:

	December 31, 2022	December 31, 2021
Infrastructure	1,233,747	1,372,170
Financial services	1,042,153	1,062,627
Commercial and industrial	602,999	690,304
Ports and shipping	147,617	153,083
Utilities	13,292	69,612
	3,039,808	3,347,796

During 2022 the company's concentration risk in the infrastructure sector decreased primarily due to unrealized foreign currency translation losses on the company's investment in BIAL. The company's concentration risk in the financial services sector decreased primarily due to sales of investments in 360 ONE (formerly IIFL Wealth), unrealized foreign currency translation losses, and unrealized losses on the company's investment in IIFL Securities, partially offset by unrealized gains on the company's investments in IIFL Finance, NSE and CSB Bank, and the purchase of an investment in the financial services sector within Other Public Indian Investments. The company's concentration risk in the commercial and industrial sector decreased primarily due to unrealized losses and unrealized currency translation losses on the company's investments in Sanmar and Fairchem Organics, partially offset by the company's new investments in Maxop and Jaynix. The company's concentration risk in the ports and shipping sector decreased primarily due to unrealized currency translation losses, partially offset by unrealized gains on the company's investments in Saurashtra and Seven Islands. The company's concentration risk in the utilities sector decreased primarily due to the sales of common stocks of utility companies within Other Public Indian Investments.

The company will not make an Indian Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20.0% of the company's total assets at the time of the investment; provided, however, that the company is permitted to complete up to two Indian Investments where, after giving effect to each such investment, the total invested amount of each such investment would be less than or equal to 25.0% of the company's total assets (the "Investment Concentration Restriction"). The company's investment limit for an Indian Investment in accordance with the Investment Concentration Restriction decreased at December 31, 2022 from December 31, 2021 based on the change in its asset base. Indian Investments may be financed through equity or debt offerings as part of the company's objective to reduce its cost of capital and provide returns to common shareholders. At December 31, 2022 the company determined that it was in compliance with the Investment Concentration Restriction.

Capital Management

The company's objectives when managing capital are to protect its lenders, to safeguard its ability to continue as a going concern, and to maintain an optimal capital structure to reduce the cost of capital in order to optimize returns for common shareholders. The company will seek attractive risk-adjusted returns, but will at all times seek downside protection and attempt to minimize the loss of capital. Total capital (comprised of borrowings, common shareholders' equity and non-controlling interests) decreased from $3,399,219 at December 31, 2021 to $3,254,079 at December 31, 2022 principally reflecting decreases in common shareholders' equity and non-controlling interests, as described below.

Common shareholders' equity decreased from $2,774,792 at December 31, 2021 to $2,642,036 at December 31, 2022 primarily reflecting unrealized foreign currency translation losses attributable to shareholders of $288,553 and purchases of subordinate voting shares for cancellation of $35,582, partially offset by net earnings attributable to shareholders of $191,439 in 2022.

Non-controlling interests decreased from $127,642 at December 31, 2021 to $114,737 at December 31, 2022, primarily reflecting unrealized foreign currency translation losses attributable to non-controlling interests of $12,954 in 2022.

On December 17, 2021 the company entered into a $175,000 unsecured revolving credit facility with a syndicate led by a Canadian bank. The Revolving Credit Facility has a three-year term with an option to extend for an additional year. At December 31, 2022 the Revolving Credit Facility was undrawn and remained available.

12. Related Party Transactions

Payable to Related Parties

The company's payable to related parties (excluding amounts related to Unsecured Senior Notes discussed below) was comprised as follows:

	December 31, 2022	December 31, 2021
Performance fee	41,531	84,716
Investment and advisory fees	9,211	9,942
Other	109	344
	50,851	95,002

Investment Advisory Agreement

The company and its subsidiaries have entered into an agreement with Fairfax and the Portfolio Advisor to provide administration and investment advisory services to the company and its subsidiaries (the "Investment Advisory Agreement"). As compensation for the provision of these services, the company and its subsidiaries pay an investment and advisory fee, and if applicable, a performance fee. Such fees are determined with reference to the company's common shareholders' equity.

Performance Fee

The performance fee is accrued quarterly and is calculated, on a cumulative basis, as 20% of any increase (including distributions) in book value per share (before factoring in the impact of the performance fee for the current calculation period) above a 5% per annum increase less any performance fees settled in prior calculation periods. On any date, book value per share is calculated as common shareholders' equity at the end of the reporting period, divided by the total number of common shares of the company effectively outstanding on that date. The amount of book value per share at any time which must be achieved before any performance fee would be payable is sometimes referred to as the "hurdle per share".

Second Calculation Period

On March 5, 2021 the company issued 546,263 subordinate voting shares to Fairfax to settle the performance fee payable of $5,217 for the second calculation period (three-year period ending on December 31, 2020). Under the terms of the Investment Advisory Agreement, settlement of the performance fee was through the issuance of subordinate voting shares of the company as the market price per share was less than two times the then book value per share. The number of subordinate voting shares issued was calculated as the performance fee payable at December 31, 2020 of $5,217 divided by the VWAP of $9.55.

Third Calculation Period

The period from January 1, 2021 to December 31, 2023 (the "third calculation period") is the next consecutive three-year period after December 31, 2020 for which a performance fee, if applicable, will be accrued. Under the Investment Advisory Agreement, if a performance fee is payable for the period ending on December 31, 2023, the performance fee will be payable in cash, or at Fairfax's option, in subordinate voting shares. The performance fee, if applicable, will be paid within 30 days after the company issues its annual audited consolidated financial statements for the year ended December 31, 2023. If Fairfax elects to have the performance fee paid in subordinate voting shares, such election must be made no later than December 15, 2023. The number of subordinate voting shares to be issued will be calculated based on the VWAP.

At December 31, 2022 the company recorded a performance fee accrual of $41,531 related to the third calculation period (December 31, 2021 – $84,716). In 2022 a performance fee recovery of $36,428 was recorded in the consolidated statements of earnings (2021 – performance fee recorded of $85,193), representing the partial reversal of the performance fee accrual at December 31, 2021.

Investment and Advisory Fees

The investment and advisory fees are calculated and payable quarterly as 0.5% of the value of undeployed capital and 1.5% of the company's common shareholders' equity less the value of undeployed capital. In 2022 the investment and advisory fees recorded in the consolidated statements of earnings was $38,988 (2021 – $40,775).

Unsecured Senior Notes

Fairfax, through its subsidiaries, purchased $58,400 of the Unsecured Senior Notes under the same terms as the other participants. Amounts due to related parties related to the Unsecured Senior Notes were comprised as follows:

	December 31, 2022	**December 31, 2021**
Principal portion, presented within borrowings on the consolidated balance sheet	58,400	58,400
Interest portion, presented within accrued interest expense on the consolidated balance sheet	1,006	1,006
	59,406	59,406

Interest expense recorded in the consolidated statements of earnings in 2022 included $2,920 related to amounts due to related parties (2021 – $2,466). Refer to note 7 for further details on the Unsecured Senior Notes.

Fairfax's Voting Rights and Equity Interest

On February 15, 2022 Fairfax acquired an aggregate of 5,416,000 subordinate voting shares from existing shareholders. At December 31, 2022 Fairfax, through its subsidiaries, owned 30,000,000 multiple voting shares (December 31, 2021 – 30,000,000) and owned and/or exercised control or direction over 28,504,470 subordinate voting shares (December 31, 2021 – 23,030,285) of Fairfax India. At December 31, 2022 Fairfax's aggregate ownership, control and/or direction of the subordinate voting shares and multiple voting shares represented a 95.0% voting interest and a 42.3% equity interest (December 31, 2021 – 94.5% and 37.5%) in Fairfax India.

Management Compensation

Pursuant to the Investment Advisory Agreement, Fairfax is required to provide a Chief Executive Officer, a Chief Financial Officer and a Corporate Secretary to the company. For so long as the Investment Advisory Agreement remains in effect, all compensation payable to the Chief Executive Officer, the Chief Financial Officer, and the Corporate Secretary of the company will be borne by Fairfax. In addition, all compensation payable to the Chief Operating Officer, the Vice President and Vice President, Corporate Affairs is borne by Fairfax.

Director Compensation

Compensation for the company's Board of Directors for the years ended December 31, determined in accordance with the company's IFRS accounting policies, was recognized in general and administration expenses in the consolidated statements of earnings and was as follows:

	2022	**2021**
Retainers and fees	158	150
Share-based payments	30	26
Other	50	50
	238	226

13. Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns, that are different from those of segments operating in other economic environments.

The company has concluded that Fairfax India is engaged in a single geographic and business segment, that of investing in India and Indian Investments.

14. General and Administration Expenses

General and administration expenses for the years ended December 31 were comprised as follows:

	2022	2021
Audit, legal, tax and professional fees(1)	10,077	2,283
Salaries and employee benefit expenses	1,163	921
Administrative expenses	1,650	1,124
Other(2)	580	1,198
	13,470	5,526

(1) *Audit, legal, tax and professional fees increased primarily due to increased consulting fees, and transaction advisory fees related to the sale of 360 ONE (formerly IIFL Wealth).*

(2) *Other expenses primarily included brokerage fees on sales of investments, and in 2021, also included stamp duties related to the transfer of 43.6% out of the company's 54.0% equity interest in BIAL such that it is held through Anchorage, and subsequent sale of 11.5% equity interest in Anchorage.*

15. Supplementary Cash Flow Information

Cash and cash equivalents of $147,448 (December 31, 2021 – $30,376) were included in the consolidated balance sheets and statements of cash flows as follows:

	December 31, 2022	December 31, 2021
Cash and term deposits with banks	28,812	30,376
U.S. treasury bills	118,636	–
	147,448	30,376

Details of certain cash flows provided by (used in) operating activities included in the consolidated statements of cash flows for the years ended December 31 were as follows:

	2022	2021
Purchases of investments		
Bonds	(126,475)	(262,973)
Common stocks	(57,818)	(53,780)
	(184,293)	(316,753)
Sales of investments		
Bonds	177,019	79,557
Common stocks	271,792	334,920
	448,811	414,477
Net interest and dividends received (paid)		
Net interest income received	10,861	4,226
Dividends received	24,730	27,137
Interest paid on borrowings	(25,000)	(14,670)
	10,591	16,693
Income taxes paid	(27,280)	(18,964)

Index to Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations
(as of March 10, 2023)

(Figures and amounts are in US$ and $ thousands except share and per share amounts and as otherwise indicated. Figures may not add due to rounding.)

Notes to Management's Discussion and Analysis of Financial Condition and Results of Operations

(1) Readers of the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should review the entire Annual Report for additional commentary and information. Additional information relating to the company, including its annual information form, can be found on SEDAR at www.sedar.com. Additional information can also be accessed from the company's website www.fairfaxindia.ca.

(2) Unless otherwise noted, consolidated financial information of the company within this MD&A is derived from the consolidated financial statements of the company prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and is presented in U.S. dollars with the Indian rupee as the functional currency of the company and its consolidated subsidiaries.

(3) Management analyzes and assesses the financial position of the consolidated company in various ways. Certain of the measures included in this Annual Report, which have been used consistently and disclosed regularly in the company's Annual Reports and interim financial reporting, do not have a prescribed meaning under IFRS as issued by the IASB and may not be comparable to similar measures presented by other companies. Please refer to the Glossary of Non-GAAP and Other Financial Measures located at the end of this MD&A for details.

Business Developments

Overview

Fairfax Financial Holdings Limited ("Fairfax") is Fairfax India's ultimate parent and acts as its administrator. Fairfax is a holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and the associated investment management. Hamblin Watsa Investment Counsel Ltd. (the "Portfolio Advisor"), a wholly-owned subsidiary of Fairfax and registered portfolio manager in the province of Ontario, is the portfolio advisor of the company and its consolidated subsidiaries, responsible to source and advise with respect to all investments. Fairfax India's subordinate voting shares trade on the Toronto Stock Exchange ("TSX") under the symbol FIH.U. The multiple voting shares of the company are not publicly traded.

Net earnings attributable to shareholders of Fairfax India of $191,439 primarily related to net change in unrealized and realized gains on investments, a performance fee recovery and dividend income, partially offset by foreign exchange losses on the company's Unsecured Senior Notes (denominated in U.S. dollars), investment and advisory fees and interest expense. Despite strong investment performance in 2022, book value per share decreased by 2.7% and at December 31, 2022 was $19.11 compared to $19.65 at December 31, 2021, as net earnings attributable to shareholders of Fairfax India were more than offset by unrealized foreign currency translation losses attributable to shareholders of Fairfax India of $288,553. Unrealized foreign currency translation losses were recorded on the translation of the company's net assets (primarily denominated in Indian rupees) to U.S. dollars and reflected the 10.1% depreciation of the Indian rupee in 2022.

The following narrative sets out the company's key business developments in 2022 and 2021.

Capital Transactions

During 2022, the company continued to purchase shares under its normal course issuer bid, and purchased for cancellation 2,964,452 subordinate voting shares (2021 – 1,734,503) for a net cost of $35,582 (2021 – $21,869).

On February 26, 2021 the company completed an offering of $500,000 principal amount of 5.0% unsecured senior notes due February 26, 2028 ("Unsecured Senior Notes") at par. Net proceeds after commissions and expenses of $3,650 were $496,350. During 2021 the company used the net proceeds of the Unsecured Senior Notes, a portion of proceeds from the sales of investments and cash to repay its $550,000 secured term loan ("Secured Term Loan").

On December 17, 2021 the company entered into a $175,000 unsecured revolving credit facility ("Revolving Credit Facility") with a syndicate led by a Canadian bank. The Revolving Credit Facility has a three-year term with an option to extend for an additional year. At December 31, 2022 the Revolving Credit Facility was undrawn and remained available.

On March 5, 2021 the company issued 546,263 subordinate voting shares to Fairfax to settle the performance fee payable of $5,217 for the second calculation period (three-year period ending on December 31, 2020). Refer to note 12 (Related Party Transactions) to the consolidated financial statements for the year ended December 31, 2022 for additional discussion relating to the settlement of the performance fee payable.

On August 11, 2021 the company completed a substantial issuer bid pursuant to which it purchased for cancellation 7,046,979 subordinate voting shares at a price of $14.90 per share, for aggregate consideration of $105,000.

On September 16, 2021 the company transferred 43.6% out of its 54.0% equity interest in BIAL such that it is held through Anchorage Infrastructure Investments Holdings Limited ("Anchorage") and subsequently sold 11.5% (on a fully-diluted basis) of its interest in Anchorage to Ontario Municipal Employees Retirement System ("OMERS") for gross proceeds of $129,221 (9.5 billion Indian rupees).

For further details refer to notes 7 (Borrowings) and 8 (Total Equity) to the consolidated financial statements for the year ended December 31, 2022.

Indian Investments

Throughout this MD&A, the term "Indian Investments" refers to deployed capital invested in Public and Private Indian Investments as disclosed in note 5 (Indian Investments) to the consolidated financial statements for the year ended December 31, 2022. Full descriptions of the Indian Investments committed to, acquired and sold in 2022 and 2021 are provided in the Indian Investments section of this MD&A.

Operating Environment

Overview

India continues to be one of the world's largest and fastest growing major economies, and became the world's fifth largest economy in 2022. India's economic fundamentals accelerated in recent years with the combined impact of strong government reforms, higher government spending on infrastructure development and the Reserve Bank of India's ("RBI") focus on encouraging financial inclusion.

COVID-19 Pandemic

In March 2022 the Indian government announced the end of containment measures related to COVID-19. However, global economic recovery has been slow, hindered by the onset of new COVID-19 variants and consequently, the reintroduction of lockdown measures by certain countries and prolonged disruptions to global supply chains (further impacted by developments relating to the conflict in Ukraine, discussed below).

Conflict in Ukraine

On February 24, 2022 Russia invaded Ukraine, causing a major humanitarian crisis ("the conflict in Ukraine"). In response, countries around the world, largely led by western nations, have imposed economic sanctions against Russia, including bans on the import of Russian oil and natural gas by certain countries including Canada and the United States. The decline in supply of Russia and Ukraine's key exports of oil, gas, metals, wheat and corn resulted in increased food and fuel prices, adding to the supply chain disruptions and inflationary pressures already created by the COVID-19 pandemic.

According to the World Economic Outlook (January 2023) published by the International Monetary Fund ("IMF"), global GDP growth was estimated to slow down to 3.4% in 2022 (2021 – 6.2%), and is estimated at 2.9% and 3.1% in 2023 and 2024, respectively. The slowdown in growth primarily reflects the economic challenges arising from the rise in central bank rates to combat inflation, ongoing supply chain disruptions, as well as geopolitical concerns from the conflict in Ukraine.

Indian Economy

In its January 2023 report, the IMF estimated India's GDP growth will decline from 6.8% in fiscal year 2023 to 6.1% in fiscal year 2024, before recovering to 6.8% in fiscal year 2025, citing an expectation of resilient domestic demand despite external headwinds. As a result of the global economic disruptions discussed above, headwinds are expected from overall tightened monetary policies, supply chain disruptions and increased inflationary pressures, particularly relating to oil prices given India is one of the world's largest net importers of oil.

Private consumption and investments are expected to be the main drivers of growth, supported by strong credit growth, resilient financial markets, in addition to supportive policies to accelerate capital spending and investments in infrastructure. However, external demand is expected to be impacted by contracted global activity, which may have adverse effects on exports.

The RBI increased the benchmark interest rate by an aggregate 225 basis points during 2022 to 6.25%. The RBI also announced it would remain focused on the withdrawal of its accommodative policy to ensure that inflation remains within the target going forward, while supporting growth.

Union Budget for Fiscal Year 2023-24

On February 1, 2023 Finance Minister Nirmala Sitharaman presented the 2023-24 Union Budget of India, which focused on facilitating opportunities for citizens with a focus on the youth, boosting growth and job creation, and strengthening macroeconomic stability. The budget proposed increased government spending on both physical and digital infrastructure with the intention to improve ease of doing business and to encourage private investment. The budget also emphasized initiatives to simplify and ease compliance processes within the financial services sector, improvements to data governance, programs to support environmentally sustainable actions, and the creation of tourist destinations. Corporate and capital gains tax rates remained unchanged, while a new personal income tax regime was introduced in an effort to mitigate the financial hardships of the working middle class.

Indian Market Indices and Foreign Exchange Rate

The U.S. dollar S&P BSE Sensex 30 declined 5.9% during 2022 (growth of 4.4% in Indian rupees), largely reflecting investors' response to aggressive interest rate hikes across advanced and emerging markets, elevated inflation, and geopolitical concerns. Indian equity markets continue to be impacted by heightened volatility driven by global trends, movement in the Indian rupee, and foreign institutional investors. The Indian rupee declined to a record low relative to the U.S. dollar during 2022 (reflecting depreciation of 10.1% in 2022), as the U.S. central bank continued to raise interest rates to combat rising inflation.

India is expected to represent close to 20% of global economic growth in the coming years and will become the world's most populous country in 2023 with a population exceeding 1.4 billion, and 50% of that population is under the age of 30. Per capita GDP is now over two thousand dollars, which will increase discretionary spending and combined with real estate growth, will increase private consumption. Despite declines in Indian equity markets and the Indian rupee in 2022, India continues to be well positioned for future economic growth, with increased prominence globally.

Consistent with Indian equity markets, the fair values of the company's Public Indian Investments experienced heightened volatility. The company recorded unrealized foreign currency translation losses consistent with the decline in the Indian rupee as the company's net assets and net earnings are primarily denominated in Indian rupees.

The company's Indian Investments faced varying degrees of impact from the economic consequences of the COVID-19 pandemic and the conflict in Ukraine. Further discussion on the degree and severity of impact specific to each Indian Investment are discussed further in the Indian Investments section under the respective heading of each Indian Investment of this MD&A.

Business Objectives

Investment Objective

Fairfax India is an investment holding company whose objective is to achieve long term capital appreciation, while preserving capital, by investing in public and private equity securities and debt instruments in India and Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India ("Indian Investments"). The company makes all or substantially all of its investments either directly or through one of its wholly-owned subsidiaries based in Mauritius, FIH Mauritius Investments Ltd ("FIH Mauritius") and FIH Private Investments Ltd ("FIH Private"). In 2019 the company formed Anchorage, a subsidiary of FIH Mauritius based in India.

Investment Strategy

The company invests in businesses that are expected to benefit from India's pro-business political environment, its growing middle class and its demographic trends that are likely to drive strong growth for several years. Sectors of the Indian economy that the company believes will benefit most from such trends include infrastructure, financial institutions, consumer services, retail, manufacturing, and exports. The company is not limited to investing solely in these sectors and intends to invest in other sectors as and when opportunities arise.

The company utilizes, and expects to benefit significantly from, the experience and expertise of Fairfax, the Portfolio Advisor, Fairbridge Capital Private Limited ("Fairbridge"), and their respective networks in India, to source and evaluate investment opportunities for the company.

The company employs a conservative, fundamental value-based approach to identifying and investing in high quality public and private Indian businesses. This approach is designed to compound book value per share over the long term. The company will seek attractive risk-adjusted returns, but will at all times seek downside protection and attempt to minimize the loss of capital.

The company intends to make Indian Investments with a view to be a strategic partner to grow the business and as a result optimize investment returns for the shareholders of Fairfax India. The level and nature of this strategic relationship will vary by investment. It may include one or more of the following, as deemed appropriate by the company: (i) board appointment or nomination rights; (ii) board observer rights; (iii) input on management selection; (iv) the provision of managerial assistance; and (v) ongoing monitoring and cooperation with the board and management of the portfolio business to ensure that its strategy is being implemented in a manner that is consistent with the investment objectives of the company and with the company's and Fairfax's fundamental values (as set forth in Fairfax's guiding principles which are included in Fairfax's publicly available annual reports).

Fairfax India's involvement with the Indian Investments may include providing specialized guidance or expertise in limited circumstances or on a temporary basis and does not extend to any involvement in the day-to-day operations of those Indian Investments. Activities are expected to be ancillary and undertaken to maximize returns from investments. Board representation is sought only to maintain protective rights and to maximize the value of the company's investment for its shareholders.

The company may from time to time seek to realize on any of its Indian Investments. The circumstances under which the company may sell some or all of its investments include: (i) where the company believes that the Indian Investments are fully valued or that the original investment thesis has played out; or (ii) where the company has identified other investment opportunities which it believes present more attractive risk-adjusted return opportunities and additional capital is needed to make such alternative investments.

The company would exit its private Indian Investments ("Private Indian Investments" as disclosed in the Indian Investments section of this MD&A) either through initial public offerings ("IPO") or private sales. For publicly traded Indian Investments ("Public Indian Investments" as disclosed in the Indian Investments section of this MD&A), exit strategies may include selling the investments through private placements or in public markets.

Investment Selection

To identify potential investments, the company principally relies on the experience and expertise of Fairfax, the Portfolio Advisor, Fairbridge, and their respective networks in India.

The following is an illustrative list of criteria that the company, Fairfax and the Portfolio Advisor believe to be paramount when identifying and investing in Indian Investments:

Attractive valuation – The company's conservative fundamental value approach leads it to focus on businesses that have positive, stable cash flows that can be purchased at discounted multiples. The company does not invest in start-up businesses or businesses that have speculative business plans.

Experienced and aligned management – The company focuses on businesses with experienced, entrepreneurial management teams with strong, long term track records. The company generally requires the portfolio businesses to have in place, either prior to or immediately following investment by the company, proper incentives to drive the businesses' profitability and maintain effective governance structures.

Strong competitive position in industry – The company seeks to invest in businesses that hold leading and defendable market positions, possess strong brand power and are well-positioned to capitalize on the growth opportunities in the Indian economy. The company also seeks to invest in businesses that demonstrate significant competitive advantages as compared to their peers, such that they are in a position to protect their market position and profitability.

Alignment of the management team with the values of the company – The company, Fairfax and the Portfolio Advisor all seek to adhere to the highest standards of business practices and ethics. The company requires that the management teams at each of its portfolio businesses adhere to a similar standard of business practices and ethics and adhere to the company's fundamental values, as described above.

The Portfolio Advisor, the company and their affiliates conduct thorough due diligence investigations when evaluating any Indian Investment prior to making a recommendation to the company and its subsidiaries to invest. This generally includes consultations with Fairfax's network of current and former management teams, consultants, competitors, investment bankers and senior executives to assess, among other things, the industry dynamics, the character of the management team and the viability of the business plan.

More specifically, due diligence in respect of a particular investment opportunity typically includes, among other items as deemed necessary from time to time: (i) review of historical and projected financial information; (ii) on-site visits; (iii) interviews with management, employees, customers and vendors; (iv) review of material agreements; (v) background checks; and (vi) research relating to the businesses' management, industry, markets, products and services, and competitors.

Investment Restrictions

The company will not make an Indian Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20.0% of the company's total assets at the time of the investment; provided, however, that the company is permitted to complete up to two Indian Investments where, after giving effect to each such investment, the total invested amount of each such investment would be less than or equal to 25.0% of the company's total assets (the "Investment Concentration Restriction"). The company's investment limit for an Indian Investment in accordance with the Investment Concentration Restriction decreased at December 31, 2022 from December 31, 2021 based on the change in its asset base.

The company intends to make multiple different investments as part of its prudent investment strategy. Indian Investments may be financed through equity or debt offerings as part of the company's objective to reduce its cost of capital and provide returns to common shareholders. At December 31, 2022 the company determined that it was in compliance with the Investment Concentration Restriction.

Indian Investments

Cautionary Statement Regarding Financial Information of Significant Indian Investments

Fairfax India has agreed to voluntarily provide within the MD&A, summarized financial information prepared in accordance with recognition, measurement and presentation principles consistent with IFRS for all of its Indian Investments for which it had previously filed a business acquisition report in accordance with section 8.2 of *National Instrument 51-102 Continuous Disclosure Obligations.* National Commodities Management Services Limited, IIFL Finance Limited, Sanmar Chemicals Group, Bangalore International Airport Limited and CSB Bank (collectively, "Significant Indian Investments"), for which the company had previously filed business acquisition reports, prepared their financial statements in accordance with Indian Accounting Standards ("Ind AS"), with the exception of the financial statements of CSB Bank prepared in accordance with Indian Generally Accepted Accounting Principles ("Indian GAAP") as a result of the RBI's decision to defer implementation of Ind AS for scheduled commercial banks until further notice. Ind AS are based on and substantially converged with IFRS as issued by the IASB. Fairfax India is limited with respect to the amount of independent verification it is able to perform on the Significant Indian Investments' financial statements. The summarized financial information contained in this MD&A was prepared exclusively for Fairfax India. Such financial information is the responsibility of the respective management teams and has been prepared by them using recognition, measurement and presentation principles consistent with IFRS as issued by the IASB, and provided to the company in Indian rupees.

The company's Significant Indian Investments' fiscal years each end on March 31. Summarized financial information of the company's Significant Indian Investments has generally been provided for the periods subsequent to the company's investment and to the extent that the most recent interim financial information is available to the company's management. Significant Indian Investments' summarized financial information should be read in conjunction with Fairfax India's historical consolidated financial statements including the notes thereto and the related MD&A as well as Fairfax India's other public filings.

Fairfax India has no knowledge that would indicate that the Significant Indian Investments' summarized financial information contained herein requires material modifications. However, readers are cautioned that the Significant Indian Investments' summarized financial information contained in this MD&A may not be appropriate for their purposes.

Summary of Indian Investments

The table below provides a summary of the company's Indian Investments:

		December 31, 2022				December 31, 2021			
	Dates Acquired	Ownership %	Cost	Fair value	Net change	Ownership %	Cost	Fair value	Net change
Public Indian Investments:									
Common stocks:									
IIFL Finance	December 2015 and February 2017	22.3%	–	493,341	493,341	22.3%	–	318,136	318,136
360 ONE (formerly IIFL Wealth)	May 2019	2.5%	34,559	46,730	12,171	13.6%	191,443	230,111	38,668
IIFL Securities	May 2019	27.8%	91,310	65,837	(25,473)	27.9%	91,310	103,217	11,907
CSB Bank	October 2018, March and June 2019	49.7%	169,447	223,268	53,821	49.7%	169,447	227,649	58,202
Fairchem Organics	August 2020, March and April 2021	52.8%	42,014	111,083	69,069	52.8%	42,021	155,020	112,999
5paisa	October 2017, August 2019 and May 2021	25.0%	29,676	28,421	(1,255)	26.1%	29,676	41,232	11,556
Privi Speciality	February and August 2016	–	–	–	–	< 1.0%	7	79	72
Other	March to June 2020, May 2022	< 1.0%	11,004	15,577	4,573	< 1.0%	43,458	69,612	26,154
			378,010	984,257	606,247		567,362	1,145,056	577,694
Private Indian Investments:									
Common stocks:									
BIAL[(1)]	March and July 2017, May 2018	54.0%	652,982	1,233,747	580,765	54.0%	652,982	1,372,170	719,188
Sanmar	April 2016 and December 2019	42.9%	199,039	337,846	138,807	42.9%	199,039	421,153	222,114
Seven Islands	March, September and October 2019	48.5%	83,846	96,910	13,064	48.5%	83,846	105,926	22,080
NCML	August 2015 and August 2017	89.5%	174,318	56,871	(117,447)	89.5%	174,318	69,578	(104,740)
Maxop	November 2021 and September 2022	67.0%	51,448	51,886	438	51.0%	29,520	29,844	324
Saurashtra	February 2017	51.0%	30,018	50,707	20,689	51.0%	30,018	47,157	17,139
Jaynix	February 2022	70.0%	32,504	32,796	292	–	–	–	–
NSE	July 2016	1.0%	26,783	159,627	132,844	1.0%	26,783	111,216	84,433
IH Fund	January and November 2019, December 2020	–	15,654	15,576	(78)	–	21,563	23,613	2,050
Other Indian Fixed Income	October 2019 and November 2021	–	21,365	19,585	(1,780)	–	21,365	22,083	718
			1,287,957	2,055,551	767,594		1,239,434	2,202,740	963,306
Total Indian Investments			1,665,967	3,039,808	1,373,841		1,806,796	3,347,796	1,541,000

(1) *The company holds 43.6% out of its 54.0% equity interest in BIAL through Anchorage. In September 2021 the company sold an 11.5% equity interest (on a fully-diluted basis) in Anchorage to OMERS, resulting in the recognition of non-controlling interest in the consolidated balance sheets. As a result of the transaction, the company's effective equity interest in BIAL was 49.0% on a fully-diluted basis at December 31, 2022 and 2021.*

Summary of Changes in the Fair Value of the Company's Indian Investments

A summary of changes in the fair value of the company's Public and Private Indian Investments during 2022 is as follows:

	2022							
	Balance as of January 1	Purchases	Sales	Amortization	Net realized gains on investments	Net change in unrealized gains (losses) on investments	Net unrealized foreign currency translation losses	Balance as of December 31
Public Indian Investments:								
Common stocks:								
IIFL Finance	318,136	–	–	–	–	218,516	(43,311)	493,341
360 ONE (formerly IIFL Wealth)(1)	230,111	–	(197,491)	–	63,799	(29,355)	(20,334)	46,730
IIFL Securities	103,217	–	–	–	–	(28,338)	(9,042)	65,837
CSB Bank	227,649	–	–	–	–	19,713	(24,094)	223,268
Fairchem Organics	155,020	–	(25)	–	20	(29,704)	(14,228)	111,083
5paisa	41,232	–	–	–	–	(9,086)	(3,725)	28,421
Privi Speciality	79	–	(83)	–	79	(74)	(1)	–
Other	69,612	3,386	(68,284)	–	33,399	(19,041)	(3,495)	15,577
Total Public Indian Investments	1,145,056	3,386	(265,883)	–	97,297	122,631	(118,230)	984,257
Private Indian Investments:								
Common stocks:								
BIAL	1,372,170	–	–	–	–	849	(139,272)	1,233,747
Sanmar	421,153	–	–	–	–	(42,731)	(40,576)	337,846
Seven Islands	105,926	–	–	–	–	1,823	(10,839)	96,910
NCML	69,578	–	–	–	–	(5,947)	(6,760)	56,871
Saurashtra	47,157	–	–	–	–	8,779	(5,229)	50,707
Maxop	29,844	21,928	–	–	–	4,125	(4,011)	51,886
Jaynix	–	32,504	–	–	–	3,349	(3,057)	32,796
NSE	111,216	–	–	–	–	62,869	(14,458)	159,627
IH Fund	23,613	–	(5,909)	–	–	71	(2,199)	15,576
Other Indian Fixed Income	22,083	–	–	391	–	(662)	(2,227)	19,585
Total Private Indian Investments	2,202,740	54,432	(5,909)	391	–	32,525	(228,628)	2,055,551
Total Indian Investments	3,347,796	57,818	(271,792)	391	97,297	155,156	(346,858)	3,039,808

(1) *On March 30, 2022 the company entered into an agreement to sell 8,722,886 equity shares of 360 ONE WAM Limited ("360 ONE", formerly IIFL Wealth Management Limited) at a specified contract price, based on an initial share price adjusted for dividends received from 360 ONE up to the closing date. The transaction closed on November 22, 2022 for gross proceeds of $171,846 (approximately 14.0 billion Indian rupees). During December 2022 the company sold an additional 1,186,000 equity shares of 360 ONE for gross proceeds of $25,645 (approximately 2.1 billion Indian rupees). The transactions resulted in an aggregate realized gain since inception of $63,799. Net change in unrealized losses on investments includes a reversal of prior period unrealized gains on 360 ONE of $39,261.*

A summary of changes in the fair value of the company's Public and Private Indian Investments during 2021 is as follows:

	2021							
	Balance as of January 1	Purchases	Sales	Amortization	Net realized gains (losses) on investments	Net change in unrealized gains (losses) on investments	Net unrealized foreign currency translation gains (losses)	Balance as of December 31
Public Indian Investments:								
Common stocks:								
IIFL Finance	131,478	–	–	–	–	189,963	(3,305)	318,136
360 ONE (formerly IIFL Wealth)	166,702	–	–	–	–	66,625	(3,216)	230,111
IIFL Securities	55,603	–	–	–	–	48,836	(1,222)	103,217
CSB Bank	214,341	–	–	–	–	17,060	(3,752)	227,649
Privi Speciality(1)	138,413	–	(164,812)	–	132,303	(105,026)	(799)	79
Fairchem Organics(2)(3)	54,566	22,919	(45,560)	–	33,558	91,035	(1,498)	155,020
5paisa(4)	27,788	6,141	–	–	(2,587)	10,477	(587)	41,232
Other	147,604	–	(122,013)	–	58,944	(12,785)	(2,138)	69,612
Derivatives – Fairchem Organics forward purchase derivative(2)	–	–	(4,800)	–	4,847	–	(47)	–
Total Public Indian Investments	936,495	29,060	(337,185)	–	227,065	306,185	(16,564)	1,145,056
Private Indian Investments:								
Common stocks:								
BIAL	1,396,117	–	–	–	–	(130)	(23,817)	1,372,170
Sanmar	338,621	–	–	–	–	88,806	(6,274)	421,153
Seven Islands	103,543	–	–	–	–	4,173	(1,790)	105,926
NCML	86,216	–	–	–	–	(15,253)	(1,385)	69,578
Saurashtra	32,812	–	–	–	–	14,988	(643)	47,157
Maxop	–	29,520	–	–	–	–	324	29,844
NSE	72,617	–	–	–	–	40,062	(1,463)	111,216
IH Fund	25,354	–	(2,535)	–	–	1,218	(424)	23,613
Other Indian Fixed Income	14,884	7,395	–	54	–	–	(250)	22,083
Total Private Indian Investments	2,070,164	36,915	(2,535)	54	–	133,864	(35,722)	2,202,740
Total Indian Investments	3,006,659	65,975	(339,720)	54	227,065	440,049	(52,286)	3,347,796

(1) *On April 29, 2021 the company completed the sale of its 48.8% equity interest in Privi Speciality Chemicals Limited ("Privi Speciality") for proceeds of $164,812 resulting in a realized gain since inception of $132,303. Net change in unrealized gains (losses) on investments includes a reversal of prior period unrealized gains on Privi Speciality.*

(2) *On April 29, 2021 the company acquired additional Fairchem Organics common shares for cash consideration of $18,117. As a result the company derecognized the Fairchem Organics forward purchase derivative asset with a carrying value of $4,800, recorded a realized gain of $4,847 and recorded its investment in Fairchem Organics common shares at a fair value at that date of $22,917.*

(3) *In November 2021 the company sold 1,800,000 common shares of Fairchem Organics for proceeds of $45,560 resulting in a realized gain since inception of $33,558. Net change in unrealized gains on investments includes a reversal of prior period unrealized gains on Fairchem Organics of $5,346.*

(4) *On May 19, 2021 the company acquired additional 5paisa common shares for cash consideration of $6,141 pursuant to a preferential share rights offering. The newly issued 5paisa common shares had a fair value of $3,554 at that date based on bid price less a discount for lack of marketability due to certain selling restrictions, and as a result the company recorded a realized loss of $2,587.*

Public Indian Investments

The fair values of Fairfax India's Public Indian Investments with shares listed on both the BSE (formerly known as Bombay Stock Exchange Limited) and the National Stock Exchange of India ("NSE of India"), are determined using the bid prices of those investments (without adjustments or discounts) at the balance sheet date, with the exception of certain common shares of CSB Bank subject to selling restrictions.

The changes in fair value of the company's Public Indian Investments in 2022 and 2021 are presented in the tables at the outset of the Indian Investments section of this MD&A.

Investment in IIFL Finance Limited

Business Overview

IIFL Finance Limited ("IIFL Finance") is a publicly traded retail-focused diversified financing company located in Mumbai, India that offers home loans, gold loans, loans against property, digital loans and microfinance, in addition to its non-core segments of loans for construction and real estate finance and capital market finance.

Additional information can be accessed from IIFL Finance's website www.iifl.com.

At December 31, 2022 the company had appointed one of the eight IIFL Finance board members.

Key Business Drivers, Events and Risks

IIFL Finance's key business drivers include its access to well-diversified sources of funds, a diversified asset portfolio with a strategic focus on households, and its extensive network of physical branches and various digital channels, which enable it to deliver credit to underserved segments and under penetrated geographical areas in India. At December 31, 2022 IIFL Finance had 3,965 branches across India, making it one of the largest retail focused NBFCs.

IIFL Finance is a pioneer in the adoption of end-to-end digitization across processes with demonstrated ability to leverage technology to streamline processes, reduce turnaround times and use data-driven analytical models to help manage delinquencies.

IIFL Finance continues to achieve growth in volume and profit, driven primarily by core growth segments of affordable home loans, gold loans, small business loans and microfinance loans. IIFL Finance focuses on originating assets that meet bank credit underwriting standards and are Priority Sector Lending-compliant, enabling growth of its assigned and securitized loan book while managing liquidity and credit risk. In addition, IIFL Finance has entered into various bank partnerships for the co-lending, sourcing and servicing of loans. These partnerships provide the banks with access to IIFL Finance's vast branch network and segment experience to originate and service loans, while allowing IIFL Finance to scale its customer base and leverage capital more efficiently.

In August 2022 IIFL Home Finance Limited ("IIFL Home Finance"), a subsidiary of IIFL Finance, completed a primary issuance of shares representing a 20% equity interest, to a subsidiary of the Abu Dhabi Investment Authority for gross proceeds of approximately $275 million (22 billion Indian rupees). As a result of the transaction, IIFL Finance's equity interest in IIFL Home Finance was diluted to 80%. IIFL Home Finance proposes to use the additional capital to continue its granular expansion strategy into new markets to address the significant and growing demand for housing loans.

At December 31, 2022 IIFL Finance had assets under management ("AUM") of approximately $7.0 billion (approximately 579 billion Indian rupees) (December 31, 2021 – $6.3 billion (approximately 468 billion Indian rupees)) comprised of home loans (35%), gold loans (32%), microfinance (13%), loans against property (11%), construction and real estate finance (5%), digital loans (3%), and capital market finance (1%).

Valuation and Consolidated Financial Statement Impact

At December 31, 2022 the company held 84,641,445 common shares of IIFL Finance representing a 22.3% equity interest (December 31, 2021 – 22.3%).

At December 31, 2022 the fair value of the company's investment in IIFL Finance was $493,341 (December 31, 2021 – $318,136). IIFL Finance's share price increased by 72.6% from 279.40 Indian rupees per share at December 31, 2021 to 482.20 Indian rupees per share at December 31, 2022.

In 2022 the consolidated statements of earnings included dividend income earned from the company's investment in IIFL Finance of $3,936 (2021 – $3,484).

Subsequent to December 31, 2022

On February 16, 2023 the company received dividend income from the company's investment in IIFL Finance of approximately $4.1 million (339 million Indian rupees).

IIFL Finance's Summarized Financial Information

IIFL Finance's fiscal year ends on March 31. Summarized below are IIFL Finance's balance sheets at September 30, 2022 and March 31, 2022.

Balance Sheets
(unaudited – US$ thousands)

	September 30, 2022(1)	**March 31, 2022(1)**
Financial assets	5,780,065	5,838,211
Non-financial assets	203,807	220,538
Financial liabilities	4,778,817	5,176,270
Non-financial liabilities	39,683	28,672
Total equity	1,165,372	853,807

(1) The net assets of IIFL Finance were translated at September 30, 2022 at $1 U.S. dollar = 81.35 Indian rupees and at March 31, 2022 at $1 U.S. dollar = 75.77 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Financial assets in U.S. dollars decreased principally reflecting the weakening of the Indian rupee relative to the U.S. dollar during the six months ended September 30, 2022, partially offset by increased loan advances and investments funded by net proceeds raised from financing activities. Non-financial assets decreased primarily due to a decrease in deferred tax assets, partially offset by additions to property, plant and equipment. Financial liabilities decreased primarily reflecting net repayments of borrowings and decreased derivative financial liabilities. Non-financial liabilities increased primarily attributable to increased advances from customers. The increase in total equity principally reflected proceeds from the issuance of shares of IIFL Home Finance to non-controlling interests, and net earnings during the period.

Summarized below are IIFL Finance's statements of earnings for the six months ended September 30, 2022 and 2021.

Statements of Earnings
(unaudited – US$ thousands)

	Six months ended September 30, 2022(1)	**Six months ended September 30, 2021(1)**
Revenue	512,984	439,020
Earnings before income taxes	122,728	97,685
Net earnings	92,591	75,409

(1) Amounts for the six months ended September 30, 2022 and 2021 were translated into US$ using the average exchange rates of $1 U.S. dollar = 78.49 Indian rupees and $1 U.S. dollar = 73.92 Indian rupees prevailing during those respective periods.

IIFL Finance's revenue increased primarily reflecting an increase in interest income consistent with the higher balance of assets under management, and higher portfolio yields across all segments. Earnings before income taxes and net earnings increased primarily due to the increased interest income as noted above, combined with a reduced cost of borrowing. The increase in earnings was partially offset by increased employee benefit and other administrative expenses attributed to the continued expansion of IIFL Finance's digital and physical footprint.

Investment in 360 ONE WAM Limited (formerly IIFL Wealth Management Limited)

Business Overview

360 ONE WAM Limited ("360 ONE") (formerly IIFL Wealth Management Limited) is a publicly traded wealth management firm with principal lines of business in wealth and asset management, located in Mumbai, India. The wealth management business serves the specialized needs of high net worth and ultra-high net worth individuals, affluent families, family offices and institutional clients through a comprehensive range of tailored wealth management solutions. The asset management business provides a diversified suite of alternative investment funds, portfolio management services and mutual funds that span public and private equities, fixed income securities and real estate. On January 5, 2023 IIFL Wealth Management Limited was renamed to 360 ONE WAM Limited.

Additional information can be accessed from 360 ONE's website www.360.one.

At December 31, 2022 the company did not have any representation on the board of 360 ONE.

Key Business Drivers, Events and Risks

360 ONE is committed to providing a client-centric and a rigorous risk-conscious approach to investment management services, enabling the ability to weather multiple market cycles and foster enduring relationships with clients. Its investment strategy aims to preserve capital while generating steady inflation-adjusted returns from a diversified portfolio with low volatility, along with additional services such as trust and estate planning and credit solutions. 360 ONE has a presence in 28 locations across 6 countries and continues to be one of India's leading fund managers of alternative investment funds.

India has one of the fastest growing wealth markets in the world, which is supported by the country's long term inclusive growth policies, sustained monetization events, inter-generational wealth transfer, and the demographic advantage of a very large and young affluent segment.

360 ONE's wealth management business includes 360 ONE Plus (formerly IIFL One), a service offering that institutionalizes the complete range of investment options for clients under a competitive and transparent fee structure. The model redefines client engagement in India's wealth management industry in terms of its approach to transparent conduct and open disclosures, and ensures the focus is firmly on process and return optimization for the client.

At December 31, 2022 the wealth management business had AUM of approximately $26.1 billion (2,161 billion Indian rupees) (December 31, 2021 – approximately $27.9 billion (2,070 billion Indian rupees)) and the asset management business had AUM of approximately $7.1 billion (591 billion Indian rupees) (December 31, 2021 – approximately $7.5 billion (557 billion Indian rupees)). At December 31, 2022, annual recurring revenue assets made up over 60% of total AUM. This is in line with 360 ONE's initiative to shift from its original upfront income model to an annuity basis model, resulting in more stable annual recurring revenue.

Valuation and Consolidated Financial Statement Impact

On March 30, 2022 the company entered into an agreement to sell 8,722,886 equity shares of 360 ONE at a specified contract price, based on an initial share price adjusted for dividends received from 360 ONE up to the closing date. The transaction was completed on November 22, 2022 for gross proceeds of $171,846 (approximately 14.0 billion Indian rupees). During December 2022 the company sold an additional 1,186,000 equity shares of 360 ONE for gross proceeds of $25,645 (approximately 2.1 billion Indian rupees). The transactions resulted in an aggregate realized gain since inception of $63,799.

At December 31, 2022 the company held 2,182,749 common shares of 360 ONE representing a 2.5% equity interest (December 31, 2021 – 12,091,635 common shares representing a 13.6% equity interest).

At December 31, 2022 the fair value of the company's investment in 360 ONE was $46,730 (December 31, 2021 – $230,111). 360 ONE's share price increased by 25.2% from 1,414.65 Indian rupees per share at December 31, 2021 to 1,771.15 Indian rupees per share at December 31, 2022.

In 2022 the consolidated statements of earnings included dividend income earned from the company's investment in 360 ONE of $8,004 (2021 – $13,904).

Subsequent to December 31, 2022

During the first quarter of 2023 the company sold additional shares of 360 ONE for gross proceeds of $8,254 (approximately 671 million Indian rupees). Subsequent to the additional sales, the company's equity interest in 360 ONE decreased to 2.0%.

On January 19, 2023 the board of 360 ONE approved a 2 for 1 share split, and a share dividend (1 share for each equity share held), adjusted for the effects of the aforementioned share split.

On February 9, 2023 the company received dividend income from the company's investment in 360 ONE of $0.4 million (31 million Indian rupees).

Investment in IIFL Securities Limited

Business Overview

IIFL Securities Limited ("IIFL Securities") is a publicly traded independent full-service retail and institutional brokerage, along with being a leading investment advisory firm providing diversified financial services and products such as financial planning, equity, commodities and currency broking (both cash and derivatives), depository participant services, investment banking, portfolio management as well as distribution of mutual funds, bonds and other products. IIFL Securities is located in Mumbai, India.

Additional information can be accessed from IIFL Securities' website www.iiflsecurities.com.

At December 31, 2022 the company did not have any representation on the board of IIFL Securities.

Key Business Drivers, Events and Risks

IIFL Securities is a key player in both retail and institutional segments of the capital market, with over 2,500 points of presence across over 500 cities in India, along with a strong digital presence backed by proprietary technology. IIFL Securities' strategy for growth is built on improving and fortifying its research content, and investing in technology for trading platforms as well as a strong talent pool, with an objective of providing customers with credible research and a superior transaction experience. IIFL Securities has also entered into partnerships with various banks and investment platforms to deliver innovative investment products and increase access, providing a one-stop shop for financial products to its customers.

IIFL Securities' institutional broking franchise business services over 800 domestic and foreign clients, and provides comprehensive research coverage in over 255 stocks in more than 20 sectors, which account for over 75% of India's market capitalization. The investment banking business was ranked first in terms of number of IPOs launched in 2022 and maintains a robust pipeline across equity capital markets and private market advisory businesses.

On December 6, 2022 IIFL Securities and 5paisa jointly announced respective board approvals for the transfer of IIFL Securities' online retail trading business to 5paisa. As consideration for the transaction, for every 50 equity shares of IIFL Securities, shareholders will receive 1 equity share of 5paisa on the record date. The transaction is subject to statutory, regulatory and customary approvals. The proposed transaction is expected to improve efficiencies and sharpen focus areas for the respective companies.

At December 31, 2022 IIFL Securities had AUM of approximately $15.0 billion (1,241 billion Indian rupees) (December 31, 2021 – approximately $17.8 billion (1,323 billion Indian rupees)).

Valuation and Consolidated Financial Statement Impact

At December 31, 2022 the company held 84,641,445 common shares of IIFL Securities representing a 27.8% equity interest (December 31, 2021 – 27.9%).

At December 31, 2022 the fair value of the company's investment in IIFL Securities was $65,837 (December 31, 2021 – $103,217). IIFL Securities' share price decreased by 29.0% from 90.65 Indian rupees per share at December 31, 2021 to 64.35 Indian rupees per share at December 31, 2022.

In 2022 the consolidated statements of earnings included dividend income earned from the company's investment in IIFL Securities of $3,374 (2021 – $1,161).

Subsequent to December 31, 2022

On February 16, 2023 Fairfax India received dividend income from the company's investment in IIFL Securities of approximately $3.1 million (253.9 million Indian rupees).

Investment in CSB Bank Limited

Business Overview

CSB Bank Limited ("CSB Bank") is a publicly traded company located in Thrissur, India, established in 1920 and is a full-service bank offering retail banking, non-resident Indian banking services, small-to-medium enterprise and wholesale banking services through 649 branches and 512 automated teller machines across India.

Additional information can be accessed from CSB Bank's website www.csb.co.in.

At December 31, 2022 the company had appointed two of the eight CSB Bank board members.

Key Business Drivers, Events and Risks

According to the RBI, India's banking sector remains robust and resilient with strong capital buffers. However, policymakers remain mindful of the macroeconomic conditions as the sector faces headwinds from global inflation and geopolitical concerns. Moving forward, the Indian banking industry will remain focused on the use of technology innovations in digital payments systems, mobile and online banking.

CSB Bank's key business drivers relate to its ability to provide financial services in India, particularly in the area of retail, SMEs, gold and corporate lending, and mobilize low cost deposits in the form of current accounts, savings accounts and non-resident Indian deposits. CSB Bank has recently taken various strategic initiatives, including attracting talent to its sales and marketing team, as well as creating specialized banking verticals in gold, two-wheeler vehicles, small-to-medium enterprise and wholesale banking. Non-Performing Assets ("NPA") are being addressed by CSB Bank through the creation of asset recovery branches to accelerate delinquent loan recovery, with the goal of effectively minimizing losses by improving credit monitoring and risk management practices. In addition, CSB Bank continues to strive for increased employee productivity and will invest in technology across its banking platforms, to provide more efficient and cost effective services for its customers.

Banks in India are highly regulated by the RBI including specific regulations on shareholder voting rights, shareholdings and board representation. The voting rights of any one shareholder of banks in India are limited to 26.0% of available voting rights subject to change as notified by the RBI from time to time. In addition, the RBI stipulates ownership limits for shareholders of banks in India in the long run. Fairfax India is required to follow a dilution schedule for its ownership in CSB Bank whereby: (i) the company was required to purchase a minimum of 40.0% of the voting equity shares in CSB Bank within 5 years which was completed; (ii) the company's shareholding in CSB Bank must be brought down to 30.0% of the voting equity shares within 10 years; and (iii) the company's shareholding in CSB Bank must be brought down to 15.0% of the voting equity shares within 15 years. In addition, the RBI mandated that CSB Bank list its shares on the BSE and NSE of India through an IPO. On December 4, 2019 CSB Bank closed its IPO at a price of 195.00 Indian rupees per share.

Deposits and advances have been the driver of growth for CSB Bank in fiscal year 2023, in addition to continued growth in gold loans. While CSB Bank expects to maintain its efforts in gold loans, it plans to focus on the growth of its the retail segment, with the help of credit card partnerships. Based on data published by the RBI, credit growth in India remains robust, which will strengthen investment activity as consumer confidence improves.

Valuation and Consolidated Financial Statement Impact

At December 31, 2022 the company held 86,262,976 common shares of CSB Bank representing a 49.7% equity interest (December 31, 2021 – 49.7%).

At December 31, 2022 the fair value of the company's investment in CSB Bank was $223,268 (December 31, 2021 – $227,649). CSB Bank's share price increased by 1.4% from 234.80 Indian rupees per share at December 31, 2021 to 238.20 Indian rupees per share at December 31, 2022.

CSB Bank's Summarized Financial Information

CSB Bank's fiscal year ends on March 31. Summarized below are CSB Bank's balance sheets at September 30, 2022 and March 31, 2022.

Balance Sheets
(unaudited – US$ thousands)

	September 30, 2022(1)	**March 31, 2022(1)**
Financial assets	3,068,225	3,238,078
Non-financial assets	128,339	146,402
Financial liabilities	2,755,461	2,939,866
Non-financial liabilities	76,413	83,523
Shareholders' equity	364,690	361,091

(1) *The net assets of CSB Bank were translated at September 30, 2022 at $1 U.S. dollar = 81.35 Indian rupees and at March 31, 2022 at $1 U.S. dollar = 75.77 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.*

Financial assets in U.S. dollars decreased primarily due to the weakening of the Indian rupee relative to the U.S. dollar during the six months ended September 30, 2022 and decreased investments securities, partially offset by increased loans and advances to customers. Non-financial assets decreased primarily as a result of decreased current tax assets and security and other deposits. Financial liabilities in U.S. dollars decreased principally as a result of the weakening of the Indian rupee as discussed above, in addition to decreased borrowings, partially offset by increased term deposits from banks and customers. Non-financial liabilities decreased primarily as a result of decreased acceptances and endorsements and deferred tax liabilities.

Summarized below are CSB Bank's statements of earnings for the six months ended September 30, 2022 and 2021.

Statements of Earnings
(unaudited – US$ thousands)

	Six months ended September 30, 2022[(1)]	Six months ended September 30, 2021[(1)]
Revenue	98,056	97,514
Earnings before income taxes	46,788	39,202
Net earnings	35,032	29,357

(1) Amounts for the six months ended September 30, 2022 and 2021 were translated into US$ using the average exchange rates of $1 U.S. dollar = 78.49 Indian rupees and $1 U.S. dollar = 73.92 Indian rupees prevailing during those respective periods.

Revenue increased primarily as a result of an increase in net interest income due to higher yielding advances and reduced cost of deposits. Earnings before income taxes and net earnings increased primarily reflecting decreased loss provisions on loans and increased revenue as discussed above, partially offset by increased personnel and other expenses consistent with a higher headcount and number of branches compared to the prior period.

Investment in Fairchem Organics Limited

Business Overview

Fairchem Organics is a publicly traded specialty chemical manufacturer located in Ahmedabad, India. Fairchem Organics manufactures oleochemicals used in the paints, inks and adhesives industries, as well as intermediate neutraceutical and health products. It has developed an in-house technology that uses machinery designed and manufactured by leading European companies to physically separate and convert waste generated during the production of soya, sunflower and corn oils into valuable neutraceutical and fatty acids.

Additional information can be accessed from Fairchem Organics' website www.fairchem.in.

At December 31, 2022 the company had appointed one of the six Fairchem Organics board members.

Key Business Drivers, Events and Risks

Fairchem Organics' key business drivers relate to the success of its oleochemicals business and vertical integration into value added products, such as fatty acids and natural vitamin E. As environmental concerns have increased, the demand for sustainable and biodegradable oleochemicals used in lubricants, paper printing, paints and coatings, and animals feed industries experienced strong growth in recent years.

India is one of the largest consumers of soft oils which provides Fairchem Organics with a competitive advantage by having easy access to the raw materials that it uses in its manufacturing processes. The close proximity to raw materials available in Asia (India, Malaysia and Indonesia) has resulted in a shift of oleochemical production away from the U.S. and Europe. Lower cost of raw materials and efficient manufacturing processes have provided Fairchem Organics with certain competitive advantages in comparison to its international peers. Fairchem Organics has a strong market presence for some of its products, with little or no direct competition, and is considered to produce a superior quality product in comparison to its competitors.

Reduced demand in the paint industry in the recent period has resulted in a decline in sales volumes. Raw material input costs, which experienced heightened volatility as a result of inflationary pressures arising from the conflict in Ukraine during 2022, have shown signs of stabilizing. As a result, Fairchem Organics has expanded its raw materials processing capacity and maintained its competitive advantage compared to global peers.

Valuation and Consolidated Financial Statement Impact

On February 17, 2022 the company sold 1,083 common shares of Fairchem Organics for proceeds of $25 (1.8 million Indian rupees) and recorded a realized gain of $20. At December 31, 2022 the company held 6,878,656 common shares of Fairchem Organics representing a 52.8% equity interest (December 31, 2021 – 6,879,739 common shares representing a 52.8% equity interest).

At December 31, 2022 the fair value of the company's investment in Fairchem Organics was $111,083 (December 31, 2021 – $155,020). Fairchem Organics' share price decreased by 20.2% from 1,675.00 Indian rupees per share at December 31, 2021 to 1,336.00 Indian rupees per share at December 31, 2022.

In 2022 the consolidated statements of earnings included dividend income earned from the company's investment in Fairchem Organics of $1,155 (2021 – $413).

Investment in 5paisa Capital Limited

Business Overview

5paisa Capital Limited ("5paisa") is a publicly traded online financial services provider with a "do-it-yourself" investment brokerage model that allows customers to execute investment transactions for low brokerage fees. 5paisa is primarily engaged in providing a technology platform through online and mobile applications for trading securities on the BSE and the NSE of India. 5paisa is located in Mumbai, India.

Additional information can be accessed from 5paisa's website www.5paisa.com.

At December 31, 2022 the company did not have any representation on the board of 5paisa.

Key Business Drivers, Events and Risks

5paisa's key business driver relates to its ability to provide digital investment and lending solutions, a relatively newer segment with the potential to achieve critical mass and grow in the near future with the spread of the Internet, mobile penetration, telecommunication and data services throughout India. 5paisa's services are targeted towards retail investors and high volume traders who actively invest and trade in securities markets, and seek "do-it-yourself" services at a low cost. 5paisa remains focused on innovation based on understanding customer behaviour, and constantly strives to achieve technological superiority through the developments of its robust trading platform, advanced mobile app, its Artificial-Intelligence powered Robo-Advisory platform, and the paperless account opening process. Proceeds from 5paisa's 2021 equity raise were used to enhance customer-centric technology and acquire customers to support 5paisa's pace of growth.

5paisa, through its wholly-owned subsidiary, 5paisa P2P Limited, also offers a digital peer-to-peer lending platform registered with the RBI which connects verified creditworthy lenders and individual borrowers in India.

On December 6, 2022 IIFL Securities and 5paisa jointly announced respective board approvals for the transfer of IIFL Securities' online retail trading business to 5paisa. Refer to IIFL Securities' *Key Business Drivers, Events and Risks* for further details.

At December 31, 2022 the 5paisa mobile application has reached over 14.5 million downloads and its total customer base exceeded 3.3 million. During 2022, over 80% of customer acquisitions were attributed to customers onboarded to the digital platform without intervention or assistance. 5paisa has been able to maintain its market share and focused on improving the quality of customer acquisitions to strengthen revenue and optimize costs.

Valuation and Consolidated Financial Statement Impact

At December 31, 2022 the company held 7,670,130 common shares of 5paisa representing a 25.0% equity interest (December 31, 2021 – 26.1%).

At December 31, 2022 the fair value of the company's investment in 5paisa was $28,421 (December 31, 2021 – $41,232). 5paisa's share price decreased by 24.2% from 404.25 Indian rupees per share at December 31, 2021 to 306.55 Indian rupees per share at December 31, 2022.

Investment in Other Public Indian Investments

At December 31, 2022, Other Public Indian Investments were comprised of investments of less than 1.0% equity interest in common shares of public companies in the utilities and financial services sectors (December 31, 2021 – public companies in the utilities sector), listed on the BSE and NSE of India.

During 2022 the company sold investments in Other Public Indian Investments for total gross proceeds of $68,284 (approximately 5.3 billion Indian rupees), resulting in realized gains since inception of $33,399. During 2022 the company acquired common shares of public company in India's financial service sector, listed on both the BSE and NSE of India, for aggregate consideration of $3,386 (approximately 262 million Indian rupees).

At December 31, 2022 the fair value of the company's investment in Other Public Indian Investments was $15,577 (December 31, 2021 – $69,612) and represents less than 1.0% equity interest in each of the public Indian companies.

In 2022 the consolidated statements of earnings included dividend income earned from the company's investment in Other Public Indian Investments of $2,544 (2021 – $4,237).

Subsequent to December 31, 2022

During January 2023 the company sold additional shares of Other Public Indian Investments for gross proceeds of $13,447 (approximately 1.1 billion Indian rupees).

Private Indian Investments

Cautionary Statement Regarding the Valuation of Private Indian Investments

In the absence of an active market for the company's Private Indian Investments, fair values for these investments are determined by management using industry acceptable valuation methodologies after considering the history and nature of the business, operating results and financial conditions, outlook and prospects, general economic, industry and market conditions, contractual rights relating to the investment, public market comparables (if available) and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which the company's Private Indian Investments could be disposed of may differ from the fair values assigned and those differences may be material.

While the company's valuation techniques for Private Indian Investments remained primarily unchanged during 2022 the company has considered the uncertainty related to the global economic disruptions initially caused by the COVID-19 pandemic, as well as the conflict in Ukraine in the development of unobservable inputs, including the amount and timing of future cash flows prepared by investees' management, discount rates, growth rates and other inputs. Additional volatility in the fair values of Private Indian Investments may arise in future periods if actual results differ materially from the company's estimates.

The changes in fair value of the company's Private Indian Investments in 2022 and 2021 are presented in the tables at the outset of the Indian Investments section of this MD&A. For further details on valuation methodologies and current model assumptions, refer to note 5 (Indian Investments) to the consolidated financial statements for the year ended December 31, 2022.

Investment in Bangalore International Airport Limited

Business Overview

Bangalore International Airport Limited ("BIAL") is a private company located in Bengaluru, India. BIAL, under a concession agreement with the Government of India until the year 2068, has the exclusive rights to carry out the development, design, financing, construction, commissioning, maintenance, operation and management of the Kempegowda International Airport Bengaluru ("KIAB") through a public-private partnership (the "concession agreement"). KIAB is the first greenfield airport in India built to the highest level of international standards through a public-private partnership.

BIAL's principal lines of business are as follows:

Aeronautical revenue from the airport

Aeronautical revenue is revenue earned from airlines for providing services such as landing, parking and housing fees ("aeronautical services"). BIAL's aeronautical revenues are also primarily driven by user development fees ("UDF") charged to airlines and passengers and determined by the Airports Economic Regulatory Authority of India (the "regulator") in five-year control periods and are fixed in a manner to generate a 16.0% per annum regulated return on invested equity (the "Regulatory Asset Base") for the airport operator. Under the current regulatory approach applicable to BIAL, aviation concessions (which include cargo, ground handling, fuel throughput, and into-plane services) are treated as aeronautical services. In addition, the regulator also attributes 30.0% of non-aeronautical revenue (described below) as a part of aeronautical revenue when computing the regulated return.

Non-aeronautical revenue from the airport

All revenue sources from the airport other than aeronautical revenue (which includes aviation concessions, as described earlier) are treated as non-aeronautical revenue. This includes revenue from activities such as catering services, vehicle parking, advertising, retail and duty-free shops, and food and beverages. BIAL earns its non-aeronautical revenue from concession arrangements that reflect a percentage of revenue sharing, with a minimum guaranteed revenue each year. Non-aeronautical revenue is expected to grow substantially due to the increase in the number of passengers using the airport, the availability of additional space for development and the increasing propensity of passengers to spend money.

Real estate monetization

The airport is located on 4,000 acres of land and the concession agreement provides for development of 1,000 acres of this land for commercial purposes such as hotels, retail establishments, offices and industrial or entertainment parks. This will permit BIAL to monetize approximately 460 acres after providing for the land required to build roads, utilities, landscaping and other services. Over time, there is potential for significant upside from monetization of this real estate.

Other non-airport related revenue

Taj Bangalore is a five-star hotel operated under a management contract with Indian Hotels Company Limited. The hotel is conveniently located next to the airport, includes 154 guest rooms and 13 conference rooms, and is currently undergoing expansion of 220 additional guest rooms.

Additional information can be accessed from BIAL's website www.bengaluruairport.com.

At December 31, 2022 the company had appointed five of the fourteen BIAL board members.

Key Business Drivers, Events and Risks

KIAB is the busiest airport in South India, the third largest in the country, and was awarded the 'Best Regional Airport in India and South Asia' during 2022 by Skytrax, a UK-based consultancy who conducts a global airport customer satisfaction survey.

The airport handled approximately 27.5 million passengers in 2022 reflecting an increase in overall traffic of 71.1% compared to 2021. The airport also processed 412,668 metric tons of cargo in 2022, representing the highest tonnage handled since the airport's inception.

Plans to expand the capacity of the airport are underway and include the following projects:

- ***Terminal 2***: Terminal 2 is being constructed in two phases: (i) the first phase added capacity of 25 million passengers per annum, and commenced domestic operations on January 15, 2023 and will commence international operations in the first half of calendar year 2023; and (ii) the second phase will add capacity for another 20 million passengers per annum and is expected to be completed in BIAL's fiscal year 2029. The combined capacity of the existing terminal and Terminal 2 will be approximately 73 million passengers per annum. The first phase of Terminal 2 was inaugurated by Prime Minister Narendra Modi on November 11, 2022.
- ***Terminal 3:*** In 2019 BIAL adopted a strategy to further expand capacity to meet expected growth in passenger traffic over the next 20 years, including the construction of a third terminal building ("Terminal 3") and related infrastructure. BIAL has secured adequate space for this expansion, which is expected to be completed in BIAL's fiscal year 2034. Total capacity for Terminal 3 is expected to be greater than 20 million passengers per annum. The combined capacity of the existing terminal, Terminal 2 and Terminal 3 is expected to be between 90 million to 100 million passengers per annum.
- ***Real Estate:*** BIAL has plans for the development of approximately 460 acres of monetizable leasehold land on BIAL's premises, which will be carried out by its subsidiary, Bengaluru Airport City Limited ("BACL"). In 2022 BIAL's management updated its real estate development plan to redefine the targeted asset mix, financing and phasing strategy. The plan includes the development of over 100 acres of land by 2025, including its key assets: (i) an initial business park; (ii) a 775-room business hotel comprised of three and four-star hotel rooms; (iii) a retail, dining and entertainment village; (iv) multi-purpose concert arena; (v) a large central kitchen; and (vi) other assets, such as a corporate event venue and warehouse. The remaining land development is expected to be comprised of diversified asset classes, with the majority to be completed over a 15 to 20 year timeframe.

The COVID-19 pandemic significantly impacted BIAL's airport business which faced reduced passenger traffic starting in February 2020. During March 2020 all international and domestic flights, with the exception of cargo flights and flights catering to emergencies and essential requirements, ceased as a result of India's lockdown. Domestic flights resumed on May 25, 2020 and international flights resumed on March 27, 2022. Construction activities for BIAL's capital projects and real estate development slowed during the COVID-19 pandemic but have since fully resumed.

Valuation and Consolidated Financial Statement Impact

On September 16, 2021 the company transferred 43.6% out of its 54.0% equity interest in BIAL such that it is held through Anchorage and subsequently sold 11.5% (on a fully-diluted basis) of its interest in Anchorage to OMERS for gross proceeds of $129,221 (9.5 billion Indian rupees), implying an equity valuation for 100% of BIAL of approximately $2.6 billion at exchange rates on that date (approximately 189.7 billion Indian rupees). Upon closing the transaction, the company's effective ownership interest in BIAL decreased to approximately 49.0% on a fully-diluted basis, while its actual ownership remained unchanged. Refer to note 8 (Total Equity, under the heading Non-controlling interests) to the consolidated financial statements for the year ended December 31, 2022 for further discussion on Anchorage.

At December 31, 2022 the company held a 54.0% equity interest in BIAL (December 31, 2021 – 54.0%), and its internal valuation model indicated that the fair value of the company's investment in BIAL was $1,233,747 (December 31, 2021 – $1,372,170).

BIAL's Summarized Financial Information

BIAL's fiscal year ends on March 31. Summarized below are BIAL's balance sheets at September 30, 2022 and March 31, 2022.

Balance Sheets
(unaudited – US$ thousands)

	September 30, 2022(1)	March 31, 2022(1)
Current assets	199,431	155,843
Non-current assets	1,432,652	1,450,544
Current liabilities	126,636	195,421
Non-current liabilities	1,223,571	1,124,341
Shareholders' equity	281,876	286,625

(1) The net assets of BIAL were translated at September 30, 2022 at $1 U.S. dollar = 81.35 Indian rupees and at March 31, 2022 at $1 U.S. dollar = 75.77 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Current assets increased primarily reflecting an increase in cash and cash equivalents arising from improved earnings (discussed below) and increased borrowings. Non-current assets in U.S. dollars decreased principally due to the weakening of the Indian rupee relative to the U.S. dollar during the six months ended September 30, 2022, partially offset by the ongoing capital expenditures for BIAL's expansion projects. Current liabilities decreased primarily reflecting the repayment of short term borrowings. Non-current liabilities increased primarily as a result of additional borrowings for BIAL's expansion projects.

Summarized below are BIAL's statements of earnings (loss) for the six months ended September 30, 2022 and 2021.

Statements of Earnings (Loss)
(unaudited – US$ thousands)

	Six months ended September 30, 2022(1)	Six months ended September 30, 2021(1)
Revenue	108,059	43,509
Earnings (loss) before income taxes	18,728	(36,758)
Net earnings (loss)	15,313	(39,356)

(1) Amounts for the six months ended September 30, 2022 and 2021 were translated into US$ using the average exchange rates of $1 U.S. dollar = 78.49 Indian rupees and $1 U.S. dollar = 73.92 Indian rupees prevailing during those respective periods.

The increase in revenue primarily reflected the increase in passenger traffic, spend per passenger and cargo volumes, as the prior period was significantly impacted by the COVID-19 pandemic. Earnings before income taxes and net earnings for the six months ended September 30, 2022 compared to loss before income taxes and net loss for the six months ended September 30, 2021 primarily reflected the increase in revenue as noted above, partially offset by an increase in interest and depreciation expense consistent with increased borrowings and capitalization of expansion projects, in addition to increased other operating expenses consistent with the recovery in business volumes.

Investment in Sanmar Chemicals Group

Business Overview

Sanmar Chemicals Group ("Sanmar"), a private company located in Chennai, India, is one of the largest suspension polyvinyl chloride ("PVC") manufacturers in India with an operational presence in India and Egypt. Sanmar has an aggregate installed capacity of over 797,000 metric tons per annum, comprised of approximately 397,000 metric tons per annum in India and 400,000 metric tons per annum in Egypt. As part of its expansion project in Egypt, Sanmar commissioned a calcium chloride facility with capacity of approximately 130,000 metric tons per annum.

Sanmar's principal lines of business are as follows:

Chemplast Sanmar Limited ("Chemplast")

Chemplast is currently the largest specialty PVC manufacturer in India, with the top two players capturing all of India's domestic manufacturing capacity. A significant portion of Chemplast's revenues are derived from integrated operations. Chemplast's product range falls into six distinct groups: specialty PVC resins, caustic soda, chloromethanes, refrigerant gases, hydrogen peroxide, and Chemplast's Speciality Chemicals business ("Speciality Chemicals"). PVC is primarily used in shoes, flooring and cable industries. Caustic soda is primarily used in the manufacturing of paper and pulp, textiles, alumina, petroleum products, soaps and detergents, and is also the basic feedstock for various chemicals. Chloromethanes are primarily used in pharmaceutical and agro-chemical sectors. The majority of Chemplast's revenues are generated through direct sales to end customers. Chemplast is listed on both the BSE and NSE of India.

Speciality Chemicals is a leading custom manufacturer of starting materials and intermediates for pharmaceutical, agro-chemical and fine chemicals sectors.

Chemplast Cuddalore Vinyls Limited ("CCVL") is currently the second largest suspension PVC manufacturer in India. Suspension PVC is primarily used in pipes and fittings, window and door profiles. The majority of CCVL's revenues are generated through direct sales to end customers.

TCI Sanmar Chemicals S.A.E. ("Sanmar Egypt")

Sanmar Egypt is the largest Indian investor in Egypt's chemical business and the largest caustic soda, calcium chloride and PVC manufacturer in Egypt. Calcium chloride granules are used worldwide for dust control, de-icing, drilling operations and as a food additive. Sanmar Egypt sells directly to end customers and also through distributors. PVC is mainly sold in key target markets like Egypt, Turkey and parts of southern Europe.

Additional information can be accessed from Sanmar's website www.sanmargroup.com.

At December 31, 2022 the company had appointed one of the four Sanmar board members.

Key Business Drivers, Events and Risks

India continues to be a PVC deficit market with more than 50% of the demand being met through imports. Egypt and Turkey, which are manufacturing hubs for exports to Europe, currently have a demand gap for PVC of approximately 750,000 metric tons per annum which is currently met by imports from the United States and Asia. Global PVC demand is projected to grow at a compound annual growth rate between 2.5% to 3.0% outpacing the growth of supply over the next 10 years and India is expected to become a bigger market than North America in the next few years. In addition due to environmental regulations, China has reduced production capacity of PVC thereby tightening supply and improving prices globally. In recent years, large global specialty PVC producers have shut down their production facilities in South Korea, China, the United States, United Kingdom and Germany, further tightening global supply.

Sanmar continues to draw strength from the strong brand equity of the Sanmar Group, experienced management, dominant market position in the chemicals industry and demand outlook for PVC and caustic soda industry in India and across global markets. Sanmar's key business drivers relate to the execution of its plan to drive the growth of its Speciality Chemicals business, increase PVC manufacturing capacity in India (specifically the specialty PVC) to align with the growing demand for PVC, and to improve the overall capacity utilization at all of its PVC production facilities.

During the second quarter of 2021, Sanmar Egypt received approval from its lenders to restructure $785.4 million of its term loans, which eased liquidity pressures that worsened during the COVID-19 pandemic. During the third quarter of 2022, Sanmar Egypt received final regulatory approval to complete its debt restructuring.

During the third quarter of 2021, Chemplast completed an IPO and secondary offering for aggregate proceeds of approximately $519 million (38.5 billion Indian rupees), diluting Sanmar's ownership interest in Chemplast from 100.0% to 55.0%. The proceeds were used to repay Chemplast's debt and Sanmar's holding company debt. The IPO was completed at a price of 541.00 Indian rupees per share. The share price of Chemplast decreased by 17.0% from 552.50 Indian rupees per share at December 31, 2021 to 458.50 Indian rupees per share at December 31, 2022.

In an effort to boost domestic manufacturing and bring added value to Egyptian products, the Egyptian government introduced a number of incentives in the past few years including introducing import duties for PVC, reducing import duties on ethanol and ethylene dichloride (a key raw material used in the production of PVC), announcing a five-year anti-dumping duty on imports of PVC from the United States, and continuation of the next phase of its export subsidy program. Sanmar Egypt is expected to benefit from this through its exports in the PVC and caustic soda segments from increased sales and margins.

During the second quarter of 2022, CCVL optimized its suspension PVC plant and as a result, the capacity increased by 10%.

The renewed lockdowns in China due to its zero-COVID policy have resulted in a sharp contraction of demand for PVC resin, leading to a spike in exports from China and a steep fall in market prices. The surplus of PVC in China is expected to be temporary but has impacted the net realizable value of Sanmar's intermediate and finished products during its fiscal 2023. In the recent quarter, the surplus of PVC has declined and Sanmar has seen PVC prices begin to rebound.

Valuation and Consolidated Financial Statement Impact

At December 31, 2022 the company held a 42.9% equity interest in Sanmar (December 31, 2021 – 42.9%) and its internal valuation model indicated that the fair value of the company's investment in Sanmar was $337,846 (December 31, 2021 – $421,153).

Sanmar's Summarized Financial Information

Sanmar's fiscal year ends on March 31. Summarized below are Sanmar's balance sheets at September 30, 2022 and March 31, 2022.

Balance Sheets
(unaudited – US$ thousands)

	September 30, 2022(1)	**March 31, 2022(1)**
Current assets	458,837	477,691
Non-current assets	1,690,878	1,794,827
Current liabilities	688,361	738,225
Non-current liabilities	939,174	1,050,505
Total equity	522,180	483,788

(1) The net assets of Sanmar were translated at September 30, 2022 at $1 U.S. dollar = 81.35 Indian rupees and at March 31, 2022 at $1 U.S. dollar = 75.77 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Current and non-current assets in U.S. dollars decreased primarily due to the weakening of the Indian rupee relative to the U.S. dollar during the six months ended September 30, 2022 in addition to decreases in inventory and deferred tax assets. Current liabilities decreased primarily due to decreased tax provisions, partially offset by increased trade payables as a result of higher inventory prices and increased current borrowings. Non-current liabilities decreased primarily due to decreased borrowings from repayments of term loan installments during the period.

Summarized below are Sanmar's statements of earnings for the six months ended September 30, 2022 and 2021.

Statements of Earnings
(unaudited – US$ thousands)

	Six months ended September 30, 2022(1)	**Six months ended September 30, 2021(1)**
Revenue	670,815	624,209
Earnings before income taxes	51,303	15,585
Net earnings	43,557	7,955

(1) Amounts for the six months ended September 30, 2022 and 2021 were translated into US$ using the average exchange rates of $1 U.S. dollar = 78.49 Indian rupees and $1 U.S. dollar = 73.92 Indian rupees prevailing during those respective periods.

Revenue increased primarily due to increased demand for PVC, caustic soda and hydrogen peroxide leading to increased sales volume, particularly in comparison to the prior period where volumes were subdued due to COVID-19 restrictions, in addition to recognition of export incentives in the current period. Earnings before income taxes and net earnings for the six months ended September 30, 2022 increased primarily reflecting increased revenue as noted above, a gain on loan restructuring, and lower interest costs due to reduced borrowings, partially offset by increased input and power costs due to rising prices and sales volume increases, and a write-down of inventory to net realizable value due to a sharp fall in market prices of finished goods as discussed above.

Investment in Seven Islands Shipping Limited

Business Overview

Seven Islands Shipping Limited ("Seven Islands"), a private company located in Mumbai, India, is the second largest private sector tanker shipping company in India and transports liquid and gas cargo along the Indian coast as well as in international waters. At December 31, 2022 Seven Islands owned 24 vessels, including 2 gas carriers, with a total deadweight capacity of approximately 1.3 million metric tons. Its vessels are registered in India and operate as Indian owned and flagged vessels.

Additional information can be accessed from Seven Islands' website www.sishipping.com.

At December 31, 2022 the company had appointed one of the six Seven Islands board members.

Key Business Drivers, Events and Risks

Seven Islands' key business drivers relate to its ability to acquire vessels from reputable vessel owners within the international market and quickly deploy those vessels through charter contracts with India's largest oil and gas companies. Seven Islands' business model is susceptible to overall shipping cycles and could be impacted by industry downturns in terms of lower rates and increased competition. However, Seven Islands operates primarily in the crude oil, oil products and liquefied petroleum gas transport segments wherein India has one of the fastest growing energy consumption rates, mitigating business deployment risk for oil and gas tankers in India in comparison with other countries. In addition, India has witnessed a decline in the fleet of other shipping companies, due to lower operational efficiencies, forming a gap that Seven Islands has been able to fill.

Recent macroeconomic trends have slowed down the global growth of oil demand including subdued demand from China's zero-COVID restrictions, the appreciation of the U.S. dollar contributing to increased commodity prices, including oil, monetary tightening implemented by several central banks, and higher prices influenced by OPEC+ output policy to cut supply amid hopes of higher Chinese demand and uncertain prospects for Russian supply. This is partially offset by the shortage of oil and gas tankers caused by the slowdown in tanker deliveries during COVID-19 and an increase in manufacturing slots occupied by container ships since restrictions were lifted. Additionally, the conflict in Ukraine has led many western nations as well as the European Union to place a ban on the import of oil from Russia, which increased the demand for medium-sized vessels and longer-haul routes, particularly in Asia and caused an uptick in tanker charter rates.

Seven Islands is somewhat insulated from increased volatility in the short term arising from the effects of the recent global economic disruptions since the majority of its revenue contracts are on time charter which range between six months to over two years.

Seven Islands' revenues are denominated in U.S. dollars, whereas a majority of expenses incurred are denominated in the Indian rupee. Seven Islands is also exposed to the fluctuations in the Indian rupee to the extent that new vessels are acquired as the asset purchases are negotiated and settled in U.S. dollars.

Valuation and Consolidated Financial Statement Impact

At December 31, 2022 the company held a 48.5% equity interest in Seven Islands (December 31, 2021 – 48.5%) and its internal valuation model indicated that the fair value of the company's investment in Seven Islands was $96,910 (December 31, 2021 – $105,926).

Investment in National Commodities Management Services Limited

Business Overview

National Commodities Management Services Limited ("NCML"), a private company located in Gurugram, India, is a leading integrated agriculture value chain solutions company, and offers end-to-end solutions in grain procurement, storage and preservation, testing and certification, collateral management, and commodity and weather intelligence.

NCML's principal lines of business are as follows:

Commodity Management Solutions

The commodity management solutions business is primarily comprised of NCML's warehousing and supply chain management businesses, alongside adjacent services relating to transportation, inspection, testing, electronic trading, commodity market and pricing information, and collateral management. NCML also has a recognized research and development centre which focuses on weather and commodity monitoring, yield guidance and various aspects of food safety. NCML's warehousing business is a market leader in India and comprised of over 1.9 million metric tons of storage capacity across approximately 700 leased, owned, and franchised warehouses throughout 16 states in India. The supply chain management line of business provides end-to-end procurement and trading and disposal services, throughout the entire post-harvest agriculture value chain. NCML's clients include bulk consumers, large end users, aggregators and farmers.

Silo Projects

The Food Corporation of India ("FCI") is a government agency responsible for procurement and distribution of food grains throughout India. In 2017 and 2018, the FCI awarded NCML with 30 year concession agreements to build a total of 16 silo projects with a capacity of 50,000 metric tons each, for exclusive use by the FCI. Between 2020 and 2022, NCML and the FCI mutually agreed to terminate the construction of six silo projects due to unavailability of land with the specified requirements. The remaining projects are comprised of eight silo projects to be constructed under a design, build, finance, own and operate model and two silo projects to be constructed under a design, build, finance, operate and transfer model.

Non-banking Financial Company

NCML Finance Private Ltd ("NFin"), NCML's wholly-owned subsidiary, is an RBI registered NBFC with a focus on rural and agri-business financing.

Additional information can be accessed from NCML's website www.ncml.com.

At December 31, 2022 the company had appointed two of the six NCML board members.

Key Business Drivers, Events and Risks

NCML's key business drivers relate to its ability to achieve long term modernization of its grain storage facilities, the expansion of its commodity management solutions line of businesses with adjacent services, and the successful construction of the silos under the concession agreement with the FCI.

After achieving an estimated 1.6% growth in year over year food grain production during the 2021-22 agricultural crop year (July 2021 to June 2022), the Government of India has set a target to raise food grain production by approximately 3.9% for the 2022-23 crop year, representing a market of approximately 328 million metric tons of food grains. NCML's commodity management solutions business currently services approximately 1.9 million metric tons of food grain volume each year and continuously seeks opportunities to increase its utilization within the sizeable market by participating in government assignments and securing deposits from multinational corporations in both the food and non-food grain sector.

At December 31, 2022, two silo projects were fully operational, five silo projects were underway and expected to be completed in 2023 and three silo projects were still subject to land procurement. Between 2020 and 2022 NCML and the FCI agreed to terminate six silo projects due to inability to procure suitable land. FCI has initiated termination on the remaining three silo projects as a result of project delays and inability to procure suitable land. Subsequent to December 31, 2022, NCML agreed to surrender one of the projects and will continue negotiations with the FCI on the other two projects.

NCML's commodity management solutions and NBFC businesses continued to operate at reduced capacities during 2022 compared to the pre-pandemic environment. The reduced capacities primarily reflected an overall decrease in volume of commodity deposits, combined with a conscious effort to reduce financing exposure as a result of the tightened credit environment. In addition, the recent geopolitical events have raised commodity prices and increased Indian exports, resulting in a temporary increase in commodity withdrawals and reduced storage demand in the near term.

To manage working capital and liquidity requirements, NCML has focused on risk mitigation controls and protocols and primarily serving existing clients. Additional capital may also be released through the sale of excess land parcels and the scaling down of businesses with less favourable risk-reward characteristics.

Valuation and Consolidated Financial Statement Impact

NCML Common Shares

At December 31, 2022 the company held an 89.5% equity interest in NCML (December 31, 2021 – 89.5%) and its internal valuation model indicated that the fair value of the company's equity investment in NCML was $56,871 (December 31, 2021 – $69,578).

NCML Compulsorily Convertible Debentures

The company has invested $13,970 (approximately 1.0 billion Indian rupees) in 12.5% unsecured compulsorily convertible debentures ("NCML CCD"), due September 30, 2029. The company has the option to convert the NCML CCD into common shares of NCML at any time prior to the maturity date, at which time the conversion is compulsory, at a conversion price of 68.00 Indian rupees per common share.

At December 31, 2022 the fair value of the company's investment in NCML CCD was $12,517 (December 31, 2021 – $14,630) with the changes in fair value in 2022 and 2021 presented within Other Indian Fixed Income in the tables at the outset of the Indian Investments section of this MD&A.

NCML's Summarized Financial Information

NCML's fiscal year ends on March 31. Summarized below are NCML's balance sheets at December 31, 2022 and March 31, 2022.

Balance Sheets
(unaudited – US$ thousands)

	December 31, 2022(1)	March 31, 2022(1)
Current assets	31,638	46,284
Non-current assets	140,663	142,282
Current liabilities	34,732	33,685
Non-current liabilities	78,157	82,144
Shareholders' equity	59,412	72,737

(1) *The net assets of NCML were translated at December 31, 2022 at $1 U.S. dollar = 82.73 Indian rupees and at March 31, 2022 at $1 U.S. dollar = 75.77 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.*

Current assets decreased primarily reflecting decreased cash and decreased advances made by NCML's NBFC due to the tighter credit environment in India. Non-current assets in U.S. dollars decreased principally reflecting the weakening of the Indian rupee relative to the U.S. dollar during the nine months ended December 31, 2022, partially offset by the continued construction of silo projects. Current liabilities increased primarily due to increased interest payable on the NCML CCD and net proceeds received from working capital facilities. Non-current liabilities in U.S. dollars decreased principally reflecting the weakening of the Indian rupee as discussed above, partially offset by loan proceeds received in connection with silo project milestones.

Summarized below are NCML's statements of earnings (loss) for the nine months ended December 31, 2022 and 2021.

Statements of Earnings (Loss)
(unaudited – US$ thousands)

	Nine months ended December 30, 2022(1)	Nine months ended December 30, 2021(1)
Revenue	23,014	26,301
Loss before income taxes	(6,964)	(9,198)
Net loss	(7,491)	(9,211)

(1) *Amounts for the nine months ended December 31, 2022 and 2021 were translated into US$ using the average exchange rates of $1 U.S. dollar = 79.69 Indian rupees and $1 U.S. dollar = 74.26 Indian rupees prevailing during those respective periods.*

Revenue decreased primarily reflecting reduced business volumes in the supply chain management business. The above was partially offset by incremental revenue from operational silos and growth in revenue from testing and certification services. Loss before income taxes and net loss decreased as a result of accounting loss provisions recorded during the nine months ended December 31, 2021 relating to insurance claim receivables and trade and loan receivables, which will be recorded as gains in future periods if and when received. Loss before income taxes and net loss in the nine months ended December 31, 2022 also included loss provisions related to the termination of three silo projects during the period.

Investment in Saurashtra Freight Private Limited

Business Overview

Saurashtra Freight Private Limited ("Saurashtra"), a private company located in Mumbai, India, operates one of the largest container freight stations ("CFS") at Mundra port (Gujarat). Services provided by Saurashtra's CFS include transportation of containers to and from the port, stuffing and destuffing of containers, cargo storage, transportation of cargo to the end customer, and the storage, maintenance and repair of empty containers. Saurashtra's subsidiary, Fairfreight Lines, focuses on services for container shipping, offering integrated logistics solutions to its customers by providing containers, which are leased by Saurashtra, to importers and exporters to transport cargo.

Additional information can be accessed from Saurashtra's website www.saurashtrafreight.com.

At December 31, 2022 the company had appointed one of the three Saurashtra board members.

Key Business Drivers, Events and Risks

Saurashtra measures the operating performance of its CFS business based on the utilization of its standard twenty-foot (shipping container) equivalent units ("TEUs") relative to total installed capacity, and total import and export container traffic in the market. In 2022 Saurashtra handled 125,697 TEUs compared to annual installed capacity of 197,200 TEUs, implying a capacity utilization of approximately 64% (2021 – 119,529 TEUs compared to annual installed capacity of 188,600, implying a capacity utilization of approximately 63%). At December 31, 2022 Saurashtra had the highest market share of import and export volumes at Mundra port of 14% and 15%, respectively. Saurashtra remains the largest CFS at Mundra port in terms of total throughput achieved with a 14% market share for the quarter ended December 31, 2022.

The CFS industry is highly fragmented with 14 CFS at Mundra port. Many of these CFS are inefficient and operating below capacity, providing Saurashtra with the opportunity to benefit from industry consolidation.

Saurashtra is in process of expanding its CFS logistics park capacity by early 2023. Saurashtra has also invested in additional container units to expand Fairfreight Lines' container carrier business, where high ocean freight rates during 2022 mitigated the impact of rising slot costs. Softening global demand and ease of supply chain disruptions will adversely impact ocean freight rates. However, Fairfreight Lines maintains an optimal container inventory size to sustain its profitability. Saurashtra continues to actively pursue additional volume and increase capacity through offering comprehensive packages to shipping lines and evaluating expansion projects in its existing businesses and the wider logistics industry.

Saurashtra has been granted the status of Authorized Economic Operator ("AEO") under the World Customs Organization. As an AEO, Saurashtra is approved by customs as compliant with supply chain security standards and is eligible for certain benefits such as being a preferred CFS for customs and that bank guarantees are no longer required for customs.

Valuation and Consolidated Financial Statement Impact

At December 31, 2022 the company held a 51.0% equity interest in Saurashtra (December 31, 2021 – 51.0%) and its internal valuation model indicated that the fair value of the company's investment in Saurashtra was $50,707 (December 31, 2021 – $47,157).

In 2022 the consolidated statements of earnings included dividend income earned from the company's investment in Saurashtra of $771 (2021 – $1,317).

Investment in Maxop Engineering Company Private Limited

Business Overview

Maxop Engineering Company Private Limited ("Maxop"), a private company located in New Delhi, India, is a precision aluminum die casting and machining solution provider for customers in the automotive and industrial sectors located throughout Asia, North America and Europe. At December 31, 2022 Maxop operated from six manufacturing facilities located in India and had a total installed casting capacity of approximately 20,000 metric tons.

Additional information can be accessed from Maxop's website www.maxop.com.

At December 31, 2022 the company had appointed one of the three Maxop board members.

Key Business Drivers, Events and Risks

Maxop's key business drivers relate to the growing demand and increasing scope of industrial application for aluminum die-casting, a process which manufactures lightweight parts and provides high flexibility for complex shapes. In particular, the automotive industry is a major consumer of aluminum die-cast products as it provides an effective alternative to reduce vehicle weight in order to meet increasingly strict fuel economy standards. Global demand for vehicle production is also expected to experience significant growth, in large part due to the rising popularity of electric vehicles.

Accordingly, the automotive parts die casting segment makes up the majority of Maxop's revenue profile across domestic and export sales. As a result of an ongoing global semiconductor chip shortage (a key component used by the automotive sector) and other supply chain disruptions exacerbated by the conflict in Ukraine and lingering impacts of the COVID-19 pandemic, Maxop has witnessed a shift in its business volumes towards the domestic Indian market throughout 2022, where demand and growth have been relatively robust in comparison to the export market.

Maxop is also a supplier of fully machined precision components, and diversifies its revenue mix by catering to general engineering product segments in the non-automotive sector with applications such as air conditioning and food processing machine parts.

Maxop mitigates its exposure to volatility in input prices through its aluminum processing plant which transforms scrap metal to aluminum ingots for its aluminum die casting and machinery supply segment. Maxop continues to actively monitor its material sourcing and consumption amid global supply chain issues as discussed above, as well as its liquidity requirements through prudent working capital management.

Valuation and Consolidated Financial Statement Impact

On September 16, 2021 Fairfax India entered into an agreement to acquire, in aggregate, a 67.0% equity interest in Maxop in two transactions. On November 30, 2021 the company invested cash consideration of $29,520 (approximately 2.2 billion Indian rupees) for a 51.0% equity interest in Maxop under the initial transaction. On September 5, 2022 the company invested additional cash consideration of $21,928 (approximately 1.8 billion Indian rupees) as part of the second transaction and acquired an additional 16.0% equity interest.

In aggregate, the company acquired a 67.0% equity interest in Maxop for $51,448 (approximately 4.0 billion Indian rupees), which was determined based on Maxop's achievement of certain financial-based performance targets.

At December 31, 2022 the company's internal valuation model indicated that the fair value of the company's investment in Maxop was $51,886 (December 31, 2021 – $29,844).

Investment in Jaynix Engineering Private Limited

Business Overview

Jaynix Engineering Private Limited ("Jaynix"), a private company based in Gujarat, India, is a manufacturer of non-ferrous electrical connectors and electrical assemblies, and is a critical Tier 1 supplier to major electrical original equipment manufacturers in North America and Europe.

At December 31, 2022 the company had appointed one of the five Jaynix board members.

Key Business Drivers, Events and Risks

Jaynix's key business drivers relate to its ability to grow its customer base and product offerings in North America and Europe while maintaining the high quality of its products. Jaynix leverages its low-cost manufacturing operations in three manufacturing plants in India to cater to markets in North America and Europe and has in-house capabilities to design products and to increase production capacities in the manufacturing of components. Jaynix is currently evaluating plans to increase assembly capacity within India and exploring the possibility of expanding its manufacturing presence in North America.

Jaynix is able to maintain its competitive advantage as the requirement for specific certifications present a barrier to entry for other competitors wishing to enter the North American and European markets, wherein Jaynix's management has operational expertise in obtaining and maintaining these certifications. While the electrical connector and assemblies markets in these regions are dominated by only a few suppliers, the COVID-19 pandemic resulted in significant increased demand for electrical connectors and assemblies used throughout various industries, resulting in significant supply constraints. Jaynix has been in an optimal position to capitalize on this opportunity with its low production cycle time. Additionally, Jaynix has been able to maintain stable product margins despite volatile commodity prices in the current economic environment, as raw material costs (including aluminum, which is the primary raw material used by Jaynix) are passed through to the customer.

Valuation and Interim Consolidated Financial Statement Impact

On February 11, 2022 the company invested cash consideration of $32,504 (approximately 2.5 billion Indian rupees) for a 70.0% equity interest in Jaynix.

At December 31, 2022 the company's internal valuation model indicated that the fair value of the company's investment in Jaynix was $32,796.

Investment in National Stock Exchange of India Limited

Business Overview

National Stock Exchange of India Limited ("NSE"), a private company located in Mumbai, India, operates India's largest stock exchange. In addition to providing a platform for exchange-traded financial products in India, NSE's flagship index, Nifty50, is used extensively by investors in India and around the world as a barometer of the Indian capital markets.

Additional information can be accessed from NSE's website www.nseindia.com.

At December 31, 2022 the company did not have any representation on the board of NSE.

Key Business Drivers, Events and Risks

India has two main stock exchanges where the majority of its trading takes place, the BSE and NSE of India. Although most significant firms in India are listed on both the BSE and NSE of India, NSE enjoys dominant market share positions including a 93% market share in the equity trading segment, a 100% market share in the equity derivatives trading segment and a 69% and 96% market share in the foreign exchange futures and options markets, respectively. In 2022 NSE of India was the world's largest exchange in derivatives trading volumes, for the fourth straight year.

In 2016 NSE filed a draft prospectus with SEBI in connection with a proposed domestic IPO, subsequent to which NSE would also pursue an overseas listing. However as a result of the ongoing matter discussed below, NSE's proposed IPO has been delayed.

As previously disclosed, NSE filed an appeal with the Securities Appellate Tribunal ("SAT") following SEBI's order for NSE to pay penalties and interest in connection with certain broker members having access to co-location facilities which potentially resulted in unfair trading advantages. In January 2023, the SAT ruling concluded that the NSE did not violate Stock Exchange and Clearing Corporation regulations, therefore setting aside SEBI's order, and instead directed the NSE to deposit approximately $12,088 (1.0 billion Indian rupees) to SEBI's Investor Protection Fund for its lack of due diligence in the matter. The SAT ruling may be challenged by SEBI.

Valuation and Consolidated Financial Statement Impact

At December 31, 2022 the company estimated the fair value of its investment in NSE was $159,627 (December 31, 2021 – $111,216).

In 2022 the consolidated statements of earnings included dividend income earned from the investment in NSE of $2,719 (2021 – $1,685).

Investment in India Housing Fund

Business Overview

India Housing Fund ("IH Fund") is a closed-ended fund of IIFL Private Equity Fund (the "Trust") registered as a Category II Alternative Investment Fund ("AIF") under SEBI AIF Regulations. IH Fund is a fund incorporated to focus on investing in India's real estate sector by investing in equity, debt and equity-linked instruments of real estate and construction companies involved in projects or ventures with expected growth potential.

At December 31, 2022 IH Fund had invested approximately $151 million at period end exchange rates (approximately 12.5 billion Indian rupees) in 8 real estate sector investments.

At December 31, 2022 the company had appointed one of the five members of IH Fund's Investment Committee.

Key Business Drivers, Events and Risks

The Indian real estate sector is a key growth driver of the country's economy and is the second highest employment generator in India. The Indian real estate sector is expected to contribute approximately 13% to the country's GDP by 2025 and reach $1 trillion by 2030.

The Government of India developed a host of initiatives to boost the housing sector and continues to undertake various reforms to highlight its focus on affordable housing, such as: (i) interest rate subsidy on housing loans; (ii) 100% deduction in taxable income for qualified developers; (iii) ease of entry and exit for foreign direct investments; (iv) digitization of land records; and (v) establishment of the Real Estate (Regulation and Development Act), 2016 which seeks to protect home-buyers as well as help boost investments in the real estate industry.

Valuation and Consolidated Financial Statement Impact

At December 31, 2022 the company estimated the fair value of its investment in IH Fund was $15,576 (December 31, 2021 – $23,613).

During 2022 the company received distributions of $5,909 (2021 – $2,535) from IH Fund and in 2022 the consolidated statements of earnings included dividend income earned from the investment in IH Fund of $1,482 (2021 – $1,267).

Results of Operations

Fairfax India's consolidated statements of earnings (loss) for the years ended December 31, 2022, 2021 and 2020 are shown in the following table:

	2022	2021	2020
Income			
Interest	11,353	5,500	6,013
Dividends	23,985	27,468	16,449
Net realized gains on investments	95,882	227,193	5,372
Net change in unrealized gains (losses) on investments	153,656	438,935	(26,618)
Net foreign exchange losses	(47,350)	(5,557)	(14,188)
	237,526	693,539	(12,972)
Expenses			
Investment and advisory fees	38,988	40,775	33,922
Performance fee (recovery)	(36,428)	85,193	(41,991)
General and administration expenses	13,470	5,526	4,233
Interest expense	25,521	28,515	29,844
	41,551	160,009	26,008
Earnings (loss) before income taxes	195,975	533,530	(38,980)
Provision for income taxes	4,487	39,030	2,496
Net earnings (loss)	191,488	494,500	(41,476)
Attributable to:			
Shareholders of Fairfax India	191,439	494,514	(41,476)
Non-controlling interests	49	(14)	–
	191,488	494,500	(41,476)
Net earnings (loss) per share	$ 1.38	$ 3.38	$ (0.27)
Net earnings (loss) per diluted share	$ 1.34	$ 3.22	$ (0.27)

Total income of $237,526 in 2022 decreased from $693,539 in 2021 principally due to decreased net change in unrealized gains on investments, decreased net realized gains on investments, increased net foreign exchange losses (primarily on U.S. dollar denominated borrowings), and decreased dividend income, partially offset by increased interest income.

Interest income of $11,353 in 2022 increased from $5,500 in 2021 principally as a result of higher interest income from Government of India bonds and U.S. treasuries held during 2022. Dividend income of $23,985 in 2022 principally related to dividends received from the company's investments in 360 ONE (formerly IIFL Wealth), IIFL Finance, IIFL Securities, NSE, Other Public Indian Investments, IH Fund, Fairchem Organics and Saurashtra. Dividend income of $27,468 in 2021 principally related to dividends received from the company's investments in 360 ONE (formerly IIFL Wealth), Other Public Indian Investments, IIFL Finance, NSE, Saurashtra, IH Fund and IIFL Securities.

Net gains (losses) on investments and net foreign exchange gains (losses) in 2022 and 2021 were comprised as follows:

	2022			2021		
	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:						
Short term investments	(4)	5	1	–	(5)	(5)
Bonds	(1,411)	(2,167)	(3,578)	128	(1,109)	(981)
Common stocks	97,297(1)	155,818(1)	253,115	222,218(1)	440,049(1)	662,267
Derivatives	–	–	–	4,847(1)	–	4,847
	95,882	153,656	249,538	227,193	438,935	666,128
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	3,478	–	3,478	2,113	–	2,113
Short term investments	–	558	558	–	–	–
Borrowings	–	(53,208)(2)	(53,208)	(36,032)(2)	26,847(2)	(9,185)
Other	1,822	–	1,822	1,515	–	1,515
	5,300	(52,650)	(47,350)	(32,404)	26,847	(5,557)

(1) *Refer to the Indian Investments section of this MD&A for a summary of changes in the fair value of the company's Public and Private Indian Investments during 2022 and 2021.*

(2) *In 2022 unrealized foreign exchange loss on borrowings related to the Unsecured Senior Notes. In 2021 net realized foreign exchange loss of $36,032 related to the repayment of the Secured Term Loan. The net change in unrealized gain of $26,847 was primarily comprised of the reversal of unrealized foreign exchange losses in prior years of $32,546 upon repayment of the Secured Term Loan, partially offset by unrealized foreign exchange loss of $5,699 primarily related to the Unsecured Senior Notes issued in February 2021.*

In 2022, net realized gains of $95,882 principally related to realized gains since inception from sales of 360 ONE (formerly IIFL Wealth) ($63,799) and Other Public Indian Investments ($33,399). In 2021, net realized gains of $227,193 principally related to sales of Privi Speciality ($132,303), Other Public Indian Investments ($58,944), and Fairchem Organics ($33,558).

In 2022, the net change in unrealized gains on investments of $153,656 was principally comprised of unrealized gains on the company's investments in IIFL Finance ($218,516), NSE ($62,869), CSB Bank ($19,713), 360 ONE (formerly IIFL Wealth) ($9,906) and Saurashtra ($8,779), partially offset by unrealized losses on the company's investments in Sanmar ($42,731), Fairchem Organics ($29,685), IIFL Securities ($28,338), 5paisa ($9,086) and NCML common shares ($5,947), and the reversal of prior period unrealized gains arising from sales of the company's investments in 360 ONE (formerly IIFL Wealth) ($39,261) and Other Public Indian Investments ($20,965). In 2021, the net change in unrealized gains on investments of $438,935 was principally comprised of unrealized gains on the company's investments in IIFL Finance ($189,963), Fairchem Organics ($96,381), Sanmar ($88,806), 360 ONE (formerly IIFL Wealth) ($66,625), IIFL Securities ($48,836), NSE ($40,062), CSB Bank ($17,060), Saurashtra ($14,988) and 5paisa ($10,477), partially offset by unrealized losses on the company's investments in NCML common shares ($15,253) and the reversal of prior period unrealized gains arising from sales of the company's investments in Privi Speciality ($105,082), Other Public Indian Investments ($30,297) and Fairchem Organics ($5,346).

Total expenses of $41,551 in 2022 decreased from $160,009 in 2021 primarily as a result of a performance fee recovery in 2022 and decreased investment and advisory fees principally reflecting foreign currency translation losses on Indian Investments, and decreased interest expense, partially offset by increased general and administration expenses primarily due to increased consulting fees and transaction advisory fees related to sales completed in 2022.

The investment and advisory fees are calculated and payable quarterly as 0.5% of the value of undeployed capital and 1.5% of the company's common shareholders' equity less the value of undeployed capital. In 2022 the investment and advisory fees recorded in the consolidated statements of earnings were $38,988 (2021 – $40,775).

At December 31, 2022 the company recorded a performance fee accrual of $41,531 related to the third calculation period (December 31, 2021 – $84,716). In 2022 a performance fee recovery of $36,428 was recorded in the consolidated statements of earnings (2021 – performance fee recorded of $85,193). Refer to note 12 (Related Party Transactions) of the consolidated financial statements for the year ended December 31, 2022 for additional discussion on the performance fee accrual at December 31, 2022.

The provision for income taxes of $4,487 in 2022 (2021 – $39,030) differed from the provision for income taxes that would be determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's earnings before income taxes primarily as a result of the tax rate differential on income earned outside of Canada, partially offset by the increase in unrecorded tax benefit of losses and temporary differences, and foreign exchange fluctuations.

The company reported net earnings attributable to shareholders of $191,439 (net earnings of $1.38 per basic share and $1.34 per diluted share) in 2022 compared to net earnings attributable to shareholders of $494,514 (net earnings of $3.38 per basic share and $3.22 per diluted share) in 2021. The year-over-year decrease in net earnings primarily reflected the decreased net gains on investments (realized and unrealized), increased foreign exchange losses and increased general and administration expenses, partially offset by a performance fee recovery in 2022 compared to a performance fee recorded in 2021, decreased provision for income taxes, and increased interest income.

Consolidated Balance Sheet Summary

The assets and liabilities reflected on the company's consolidated balance sheet at December 31, 2022 were primarily impacted by unrealized foreign currency translation losses and net change in unrealized gains on investments, which resulted in changes in the accrual of performance fees and deferred income taxes, in addition to purchases and sales of investments, and purchases of subordinate voting shares for cancellation.

Total Assets

Total assets at December 31, 2022 of $3,365,569 (December 31, 2021 – $3,584,346) were principally comprised as follows:

Total cash and investments decreased from $3,576,708 at December 31, 2021 to $3,358,056 at December 31, 2022. The company's total cash and investments composition by the issuer's country of domicile was as follows:

	December 31, 2022					December 31, 2021			
	India	**U.S.**	**Canada**	**Other**	**Total**	**India**	**Canada**	**Other**	**Total**
Cash and cash equivalents	1,889	118,636	11,269	15,654	147,448	4,465	17,346	8,565	30,376
Short term investments:									
U.S. treasury	–	49,692	–	–	49,692	–	–	–	–
Government of India	–	–	–	–	–	6,151	–	–	6,151
	–	49,692	–	–	49,692	6,151	–	–	6,151
Bonds:									
Government of India	121,108	–	–	–	121,108	192,385	–	–	192,385
Other Indian Fixed Income	19,585		–	–	19,585	22,083	–	–	22,083
	140,693	–	–	–	140,693	214,468	–	–	214,468
Common stocks:									
IIFL Finance	493,341	–	–	–	493,341	318,136	–	–	318,136
360 ONE (formerly IIFL Wealth)	46,730	–	–	–	46,730	230,111	–	–	230,111
IIFL Securities	65,837	–	–	–	65,837	103,217	–	–	103,217
CSB Bank	223,268	–	–	–	223,268	227,649	–	–	227,649
Fairchem Organics	111,083	–	–	–	111,083	155,020	–	–	155,020
5paisa	28,421	–	–	–	28,421	41,232	–	–	41,232
Privi Speciality	–	–	–	–	–	79	–	–	79
Other	15,577	–	–	–	15,577	69,612	–	–	69,612
BIAL	1,233,747	–	–	–	1,233,747	1,372,170	–	–	1,372,170
Sanmar	337,846	–	–	–	337,846	421,153	–	–	421,153
Seven Islands	96,910	–	–	–	96,910	105,926	–	–	105,926
NCML	56,871	–	–	–	56,871	69,578	–	–	69,578
Saurashtra	50,707	–	–	–	50,707	47,157	–	–	47,157
Maxop	51,886	–	–	–	51,886	29,844	–	–	29,844
Jaynix	32,796	–	–	–	32,796	–	–	–	–
NSE	159,627	–	–	–	159,627	111,216	–	–	111,216
IH Fund	15,576	–	–	–	15,576	23,613	–	–	23,613
	3,020,223	–	–	–	3,020,223	3,325,713	–	–	3,325,713
Total cash and investments	3,162,805	168,328	11,269	15,654	3,358,056	3,550,797	17,346	8,565	3,576,708

Cash and cash equivalents increased from $30,376 at December 31, 2021 to $147,448 at December 31, 2022 principally due to net sales of investments, and receipts of dividend and interest income, partially offset by purchases of subordinate voting shares for cancellation, income tax payments, and interest payments on borrowings.

Short term investments increased from $6,151 at December 31, 2021 to $49,692 at December 31, 2022, principally related to the reinvestment of a portion of the net proceeds from the sale of Other Public Indian Investments into short term U.S. treasury bills, partially offset by sales of short term investments in Government of India treasury bills held at December 31, 2021.

Bonds and Common stocks – The company is actively seeking investment opportunities in India and will continue to redirect capital from its cash and cash equivalents, short term investments, and Government of India bonds into Indian Investments as and when those opportunities are identified. For more information about recent Indian Investments, see the Indian Investments section of this MD&A. For more information on the company's total cash and investments holdings of $3,358,056 at December 31, 2022 (December 31, 2021 – $3,576,708) see note 6 (Cash and Investments) of the consolidated financial statements for the year ended December 31, 2022.

Interest and dividends receivable increased from $5,339 at December 31, 2021 to $5,599 at December 31, 2022 primarily reflecting increased interest receivable from Other Indian Fixed Income, partially offset by decreased dividends receivable.

Income taxes refundable of $1,012 at December 31, 2022 (December 31, 2021 – $1,056) was primarily comprised of corporate taxes refundable at Anchorage in connection with the transfer of BIAL equity interest in 2021.

Other assets decreased from $1,243 at December 31, 2021 to $902 at December 31, 2022, primarily due to the amortization of upfront costs related to the Revolving Credit Facility in 2022.

Total Liabilities and Equity

Total liabilities at December 31, 2022 of $608,796 (December 31, 2021 – $681,912) were principally comprised as follows:

Accrued interest expense of $8,611 at December 31, 2022 (December 31, 2021 – $8,611) was principally comprised of accrued interest expense for the Unsecured Senior Notes.

Payable to related parties decreased from $95,002 at December 31, 2021 to $50,851 at December 31, 2022 principally as a result of a performance fee recovery during 2022, resulting in a decreased performance fee accrual of $41,531 (relating to the third calculation period ending on December 31, 2023) to Fairfax.

Deferred income taxes decreased from $80,648 at December 31, 2021 to $50,554 at December 31, 2022 primarily due to a reversal of prior period deferred taxes recognized on the company's investments in 360 ONE (formerly IIFL Wealth), Fairchem Organics, IIFL Securities, Other Public Indian Investments and 5paisa, in addition to the impact of currency translation losses, partially offset by deferred taxes recognized primarily attributable to unrealized gains on the company's investments in CSB Bank, Saurashtra, Maxop, Jaynix and Seven Islands.

Borrowings increased from $496,785 at December 31, 2021 to $497,306 at December 31, 2022, principally reflecting the amortization of issuance costs on the Unsecured Senior Notes. Refer to note 7 (Borrowings) to the consolidated financial statements for the year ended December 31, 2022.

Total equity at December 31, 2022 of $2,756,773 (December 31, 2021 – $2,902,434) was comprised of common shareholders' equity of $2,642,036 (December 31, 2021 – $2,774,792) and non-controlling interests of $114,737 (December 31, 2021 – $127,642). Refer to note 8 (Total Equity) to the consolidated financial statements for the year ended December 31, 2022.

Comparison of 2021 to 2020 – Total assets of $3,584,346 at December 31, 2021 (December 31, 2020 – $3,072,998) and total liabilities of $681,912 at December 31, 2021 (December 31, 2020 – $626,064) were primarily impacted by net change in unrealized gains on investments resulting in the accrual of performance fees and provision for deferred income taxes, purchases and sales of investments, the sale of subsidiary shares to non-controlling interests, purchases of subordinate voting shares for cancellation, net repayment of borrowings, and unrealized foreign currency translation losses.

Financial Risk Management

The primary goals of the company's financial risk management program are to ensure that the outcomes of activities involving elements of risk are consistent with the company's objectives and risk tolerance, while maintaining an appropriate balance between risk and reward and protecting the company's consolidated balance sheets from events that have the potential to materially impair its financial strength. There were no significant changes in the types of the company's risk exposures or the process used by the company for managing those risk exposures at December 31, 2022 compared to those identified at December 31, 2021, other than as outlined in note 11 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2022.

Capital Resources and Management

The company's objectives when managing capital are to protect its lenders, to safeguard its ability to continue as a going concern, and to maintain an optimal capital structure to reduce the cost of capital in order to optimize returns for common shareholders. The company will seek attractive risk-adjusted returns, but will at all times seek downside protection and attempt to minimize the loss of capital. Total capital (comprised of borrowings, common shareholders' equity and non-controlling interests) decreased from $3,399,219 at December 31, 2021 to $3,254,079 at December 31, 2022 principally reflecting decreases in common shareholders' equity and non-controlling interests, as described below.

Common shareholders' equity decreased from $2,774,792 at December 31, 2021 to $2,642,036 at December 31, 2022 primarily reflecting unrealized foreign currency translation losses attributable to shareholders of $288,553 and purchases of subordinate voting shares for cancellation of $35,582, partially offset by net earnings attributable to shareholders of $191,439 in 2022.

Non-controlling interests decreased from $127,642 at December 31, 2021 to $114,737 at December 31, 2022, primarily reflecting unrealized foreign currency translation losses attributable to non-controlling interests of $12,954 in 2022.

On December 17, 2021 the company entered into a $175,000 unsecured revolving credit facility with a syndicate led by a Canadian bank. The Revolving Credit Facility has a three-year term with an option to extend for an additional year. At December 31, 2022 the Revolving Credit Facility was undrawn and remained available.

On December 19, 2022 DBRS Morningstar confirmed the company's Issuer Rating and Unsecured Senior Notes credit rating of BBB (low) and revised the trends of both ratings from Stable to Positive.

Book Value per Share

Common shareholders' equity at December 31, 2022 was $2,642,036 (December 31, 2021 – $2,774,792). The book value per share at December 31, 2022 was $19.11 compared to $19.65 at December 31, 2021 representing a decrease in 2022 of 2.7%, primarily reflecting unrealized foreign currency translation losses attributable to shareholders of Fairfax India due to the weakening of the Indian rupee against the U.S. dollar of $288,553 (or $2.09 per share), partially offset by net earnings attributable to shareholders of Fairfax India of $191,439.

The table below presents the book value per share and book value per share before cumulative performance fees for the period from the company's IPO date of January 30, 2015 to December 31, 2022, and the annual growth rate and the compound annual growth rate in book value per share and book value per share before cumulative performance fees.

	Book value per share	**Annual growth in book value per share**	**Book value per share before cumulative performance fees**	**Annual growth in book value per share before cumulative performance fees**
January 30, 2015[(1)]	$10.00	–	$10.00	–
December 31, 2015	$ 9.50	(5.0)%	$ 9.50	(5.0)%
December 31, 2016	$10.25	7.9%	$10.25	7.9%
December 31, 2017	$14.46	41.1%	$15.24	48.7%
December 31, 2018	$13.86	(4.1)%	$14.59	(4.3)%
December 31, 2019	$16.89	21.9%	$18.11	24.1%
December 31, 2020	$16.37	(3.1)%	$17.29	(4.5)%
December 31, 2021	$19.65	20.0%	$21.50	24.3%
December 31, 2022	$19.11	(2.7)%	$20.63	(4.0)%
Compound annual growth in book value per share[(2)]		8.5%		9.6%

(1) On January 30, 2015 Fairfax India completed its IPO at an offering price of $10.00 per share.

(2) The company's book value per share of $19.11 at December 31, 2022 represented a compound annual growth rate from the IPO price of $10.00 per share of 8.5% (a growth of 9.6% before cumulative performance fees).

The company has had strong performance during the period from the closing of its IPO in January 2015 to December 31, 2022. As a result of that strong performance, the company's book value per share of $19.11 at December 31, 2022 represented a compound annual growth rate during that period of 8.5% (9.6% before cumulative performance fees described in note 12 (Related Party Transactions) to the consolidated financial statements for the year ended December 31, 2022) from the IPO price of $10.00 per share, outperforming the compound annual growth rate of the U.S. dollar S&P BSE Sensex Index of 5.8% during the same period.

The company has issued and purchased common shares since it was federally incorporated on November 25, 2014 as follows:

Date	Number of subordinate voting shares	Number of multiple voting shares(1)	Total number of shares	Average issue/purchase price per share	Net proceeds/ (purchase cost)
2014 – issuance of shares	–	1	1	$10.00	–
2015 – issuance of shares	76,678,879	29,999,999	106,678,878	$ 9.62	1,025,825
2016 – purchase of shares	(1,797,848)	–	(1,797,848)	$11.78	(21,178)
2017 – issuance of shares	42,553,500	–	42,553,500	$11.60	493,504
2017 – purchase of shares	(1,900)	–	(1,900)	$14.21	(27)
2018 – issuance of shares(2)	7,663,685	–	7,663,685	$14.93	114,437
2018 – purchase of shares	(2,234,782)	–	(2,234,782)	$14.42	(32,218)
2019 – purchase of shares	(230,053)	–	(230,053)	$13.03	(2,998)
2020 – purchase of shares	(3,160,910)	–	(3,160,910)	$ 9.14	(28,905)
2021 – issuance of shares(3)	546,263	–	546,263	$ 9.55	5,217
2021 – purchase of shares	(8,781,482)	–	(8,781,482)	$14.45	(126,869)
2022 – purchase of shares	(2,964,452)	–	(2,964,452)	$12.00	(35,582)
	108,270,900	30,000,000	138,270,900		
Subsequent to 2022 – purchase of shares	(99,968)	–	(99,968)	$12.66	(1,266)
	108,170,932	30,000,000	138,170,932		

(1) Multiple voting shares that may only be issued to Fairfax or its affiliates and are not publicly traded.

(2) Subordinate voting shares issued to Fairfax on March 9, 2018 for settlement of the performance fee accrued at December 31, 2017 of $114,437. Issuance of the subordinate voting shares was a non-cash transaction and were issued at the VWAP of $14.93 in accordance with the Investment Advisory Agreement.

(3) Subordinate voting shares issued to Fairfax on March 5, 2021 for settlement of the performance fee accrued at December 31, 2020 of $5,217. Issuance of the subordinate voting shares was a non-cash transaction and were issued at the VWAP of $9.55 in accordance with the Investment Advisory Agreement.

On September 28, 2022 the company announced that the TSX accepted its intention to commence a normal course issuer bid to purchase up to 5,863,570 subordinate voting shares over a twelve month period from September 30, 2022 to September 29, 2023. Prior to the above announcement, the company had an existing normal course issuer bid to purchase up to 3,500,000 subordinate voting shares which commenced on September 30, 2021 and expired on September 29, 2022. Decisions regarding any future purchases will be based on market conditions, share price and other factors including opportunities to invest capital for growth. The Notice of Intention to Make a Normal Course Issuer Bid is available, without charge, by contacting the Corporate Secretary of the company.

In connection with the normal course issuer bid, the company also entered into an automatic share purchase plan with its designated broker to allow for the purchase of subordinate voting shares during times when the company normally would not be active in the market. Such purchases are determined by the broker in its sole discretion based on the parameters established by the company prior to commencement of the applicable trading black-out period.

During 2022, the total number of shares effectively outstanding decreased as a result of the purchase of 2,964,452 subordinate voting shares for cancellation under the normal course issuer bid for a net cost of $35,582 (2021 – 1,734,503 subordinate voting shares under the normal course issuer bid and 7,046,979 subordinate voting shares under a substantial issuer bid, for a total net cost of $126,869). At December 31, 2022 there were 138,270,900 common shares effectively outstanding.

Subsequent to December 31, 2022, under the terms of the normal course issuer bid, the company purchased 99,968 subordinate voting shares for cancellation for a net cost of $1,266.

Liquidity

The undeployed cash and investments at December 31, 2022 provide adequate liquidity to meet the company's known significant commitments over the next twelve months, which are principally comprised of purchases of subordinate voting shares for cancellation under its automatic share purchase plan, investment and advisory fees, interest expense, and general and administration expenses.

At December 31, 2022 the company's payment obligations which are due beyond one year primarily relate to the recurring nature of expenses described above and a principal repayment on the Unsecured Senior Notes due in

February 2028, which bear interest at a fixed rate of 5.0% per annum, payable in semi-annual installments. In addition, under the Investment Advisory Agreement (defined in note 12 (Related Party Transactions) to the consolidated financial statements for the year ended December 31, 2022), if a performance fee is payable for the period ending on December 31, 2023, the performance fee will be payable in cash, or at Fairfax's option, in subordinate voting shares.

The company has the ability to sell a portion of its Indian Investments to supplement its liquidity requirements, by way of private placements or in public markets for its Public Indian Investments, or through private sales or IPOs for its Private Indian Investments. The fair values of cash and investments at December 31, 2022, including selling restrictions and financial risks related to the investments, are disclosed in note 6 (Cash and Investments) and note 11 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2022. At December 31, 2022, in addition to cash and cash equivalents of $147,448, the company held common shares of Public Indian Investments which carry no selling restrictions with a fair value of $809,558, Government of India bonds with a fair value of $121,108 and short term investments of $49,692. The company expects to continue to receive investment income on its holdings of fixed income securities and dividends from its equity investments to supplement its cash and cash equivalents. To further augment its liquidity, the company can draw upon its Revolving Credit Facility. Accordingly, the company has adequate working capital to support its ongoing operations.

Highlights in 2022 (with comparisons to 2021) of major components of the statements of cash flows are presented in the following table:

	2022	**2021**
Operating activities		
Cash used in operating activities excluding the impact of changes in restricted cash and net sales (purchases) of investments	(68,789)	(46,667)
Decrease in restricted cash in support of borrowings	–	16,051
Decrease in restricted cash in support of investments	–	264
Net purchases of short term investments	(43,385)	(6,283)
Purchases of investments	(184,293)	(316,753)
Sales of investments	448,811	414,477
Cash provided by operating activities	152,344	61,089
Financing activities		
Borrowings:		
Proceeds	–	500,000
Issuance costs	–	(3,650)
Repayments	–	(550,000)
Purchases of subordinate voting shares for cancellation	(35,582)	(126,869)
Sales of subsidiary shares to non-controlling interests	–	129,221
Cash used in financing activities	(35,582)	(51,298)
Increase in cash and cash equivalents during the year	116,762	9,791

"Cash used in operating activities excluding the impact of changes in restricted cash and net sales (purchases) of investments" provides a measure of the cash generated by (used in) the company's head office operations, primarily comprised of cash inflows (outflows) from interest and dividend income, interest expense, investment and advisory fees, current income taxes and general and administration expenses, and excludes the impact of changes to restricted cash and purchases and sales of investments. Cash used in operating activities excluding the impact of changes in restricted cash and net sales (purchases) of investments of $68,789 in 2022 increased from $46,667 in 2021, primarily reflecting increased cash payments related to income taxes and general and administrative expenses, partially offset by increased cash receipts from interest income.

Decrease in restricted cash in support of borrowings of $16,051 in 2021 primarily related to the release of restricted cash upon the repayment of the Secured Term Loan. Net purchases of short term investments of $43,385 in 2022 related to the purchase of U.S. treasury bills, net of sales of Indian treasury bills which were purchased in 2021. Purchases of investments of $184,293 in 2022 primarily related to purchases of Government of India bonds, Jaynix, Maxop and Other Public Indian Investments. Purchases of investments of $316,753 in 2021 primarily related to purchases of Government of India bonds, Maxop, Fairchem Organics, 5paisa, and Other Indian Fixed Income. Sales of investments of $448,811 in 2022 primarily related to partial sales of the company's investments in 360 ONE (formerly IIFL Wealth), Government of India bonds, and Other Public Indian Investments. Sales of investments of $414,477 in 2021 primarily related to sales of the company's investments in Privi Speciality, Other Public Indian Investments, Government of India bonds, and the partial sale of Fairchem Organics. Refer to note 15

(Supplementary Cash Flow Information) to the consolidated financial statements for the year ended December 31, 2022 for details of purchases and sales of investments.

Proceeds from borrowings of $500,000 and issuance costs of $3,650 in 2021 related to the issuance of the Unsecured Senior Notes on February 26, 2021. Repayments of borrowings of $550,000 in 2021 related to the repayment of the Secured Term Loan. Refer to note 7 (Borrowings) to the consolidated financial statements for the year ended December 31, 2022 for additional details.

Purchases of subordinate voting shares for cancellation of $35,582 in 2022 (2021 – $126,869) related to the company's purchases of 2,964,452 subordinate voting shares under the terms of the normal course issuer bid (2021 – 8,781,482 under the terms of the normal course issuer bid and a substantial issuer bid). Sales of subsidiary shares to non-controlling interests of $129,221 in 2021 related to the sale of an 11.5% non-controlling interest in Anchorage to OMERS. Refer to note 8 (Total Equity) to the consolidated financial statements for the year ended December 31, 2022 for additional details.

Contractual Obligations

On February 26, 2021 the company completed an offering of $500,000 principal amount of 5.0% unsecured senior notes due February 26, 2028. The Unsecured Senior Notes bear interest at a fixed rate of 5.0% per annum, payable in semi-annual installments.

Under the terms of the Investment Advisory Agreement (defined in note 12 (Related Party Transactions) to the consolidated financial statements for the year ended December 31, 2022), the company and its subsidiaries are contractually obligated to pay Fairfax an investment and advisory fee and, if applicable, a performance fee. These fees will vary based on the company's common shareholders' equity and book value per share.

The investment and advisory fees are calculated and payable quarterly as 0.5% of the value of undeployed capital and 1.5% of the company's common shareholders' equity less the value of undeployed capital. The investment and advisory fees recorded in the consolidated statements of earnings for 2022 were $38,988 (2021 – $40,775).

At December 31, 2022 the company recorded a performance fee accrual of $41,531 related to the third calculation period (December 31, 2021 – $84,716). Refer to note 12 (Related Party Transactions) to the consolidated financial statements for the year ended December 31, 2022 for discussion on the performance fee.

Accounting and Disclosure Matters

Management's Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the company's management, including the company's CEO and CFO, the company conducted an evaluation of the effectiveness of its disclosure controls and procedures as of December 31, 2022, as required by Canadian securities legislation. Disclosure controls and procedures are designed to ensure that the information required to be disclosed by the company in the reports it files or submits under securities legislation is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and reported to management, including the company's CEO and CFO, as appropriate, to allow required disclosures to be made in a timely fashion. Based on their evaluation, the CEO and CFO have concluded that as of December 31, 2022, the company's disclosure controls and procedures were effective.

Management's Report on Internal Control Over Financial Reporting

The company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined under National Instrument 52-109). The company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). A company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS as issued by the IASB, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The company's management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2022. In making this assessment, the company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control – Integrated Framework (2013)*. Based on this assessment, the company's management, including the CEO and CFO, concluded that, as of December 31, 2022, the company's internal control over financial reporting was effective based on the criteria in *Internal Control – Integrated Framework (2013)* issued by COSO.

Critical Accounting Estimates and Judgments

Please refer to note 4 (Critical Accounting Estimates and Judgments) to the consolidated financial statements for the year ended December 31, 2022.

Significant Accounting Policy Changes

There were no significant accounting policy changes during 2022. Please refer to note 3 (Summary of Significant Accounting Policies) to the consolidated financial statements for the year ended December 31, 2022 for a detailed discussion of the company's accounting policies.

Future Accounting Changes

New standards and amendments that have been issued but are not yet effective are described in note 3 (Summary of Significant Accounting Policies) to the consolidated financial statements for the year ended December 31, 2022. The company does not expect to adopt any of these new standards in advance of their respective effective dates.

Risk Management

Overview

The primary goals of the company's financial risk management program are to ensure that the outcomes of activities involving elements of risk are consistent with the company's objectives and risk tolerance, while maintaining an appropriate balance between risk and reward and protecting the company's consolidated balance sheets from events that have the potential to materially impair its financial strength. There were no significant changes in the types of the company's risk exposures or the process used by the company for managing those risk exposures at December 31, 2022 compared to those identified at December 31, 2021, other than as outlined in note 11 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2022.

Risks

The following risks, among others, should be considered in evaluating the outlook for the company. Additional risks not currently known to the company or that are currently deemed immaterial may also impair business operations. The company, its consolidated subsidiaries, Fairfax and the Portfolio Advisor monitor these risks on an on-going basis and take actions as needed to mitigate their impact. For further details about the risks relating to the company, please see Risk Factors in Fairfax India's most recent annual information form, which is available on SEDAR at www.sedar.com.

COVID-19 Pandemic and the Conflict in Ukraine

COVID-19 continues to create uncertainty in the global economy, despite many countries emerging from government mandated lockdowns and vaccines becoming more widely available. While the economic impact of the COVID-19 pandemic has eased in many regions, supply chain disruptions and volatility in commodity prices persist, contributing to increased inflationary pressures, worsened by supply shocks arising from the conflict in Ukraine and other geopolitical events worldwide. In response, central banks around the world have aggressively raised interest rates in an effort to ease rising inflation. The company's Indian Investments rely, to a certain extent, on free movement of goods, services and capital from around the world, and as a result, are facing upward cost pressures. Given the ongoing and dynamic nature of the circumstances surrounding COVID-19, the conflict in Ukraine and other geopolitical events worldwide, it is difficult to predict how significant these continuing events will be on the global economy, and the company's businesses and investments, or for how long any further disruptions in the future are likely to continue.

Oil Price Risk

India imports a majority of its requirements of petroleum oil and petroleum products. The Government of India has deregulated prices and has been reducing the subsidy in respect of certain oil products, resulting in international crude prices having a greater effect on domestic oil prices. Global oil prices continued to be volatile, any increase or volatility in oil prices, as well as the impact of Indian rupee depreciation, which makes imports more expensive, and the pass-through of such increases to Indian consumers could have a material adverse impact on the Indian economy, including a rise in inflation and market interest rates resulting in a significant impact on the profitability of certain Indian Investments.

Geographic Concentration of Investments

Substantially all of the company's investments will be made in India and in Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India. As a result, the company's performance is particularly sensitive to economic changes in India. The market value of the company's investments, the income generated by the company and the company's performance is particularly sensitive to changes in the economic condition and regulatory environment in India. Adverse changes in the economic condition or regulatory environment of India may have a material adverse effect on the company's business, cash flows, financial condition and net earnings.

Foreign Currency Fluctuation

All of the company's portfolio investments have been and will be made in India and in Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India, and the financial position and results for these investments have been and are expected to be principally denominated in Indian rupees. The functional currency of the company and its consolidated subsidiaries is the Indian rupee and the company's presentation currency is the U.S. dollar. The company presents its consolidated financial statements in U.S. dollars to provide comparability with other North American investment entities. Accordingly, the income and expenses are translated at the average rates of exchange in effect during the applicable reporting period. Assets and liabilities are translated at the exchange rates in effect at the balance sheet date. As a result, the company's consolidated financial position is subject to foreign currency fluctuation risk, which could materially adversely impact its operating results and cash flows. Although the company may enter into currency hedging arrangements in respect of its foreign currency cash flows, there can be no assurance that the company will do so or, if it does, that the full amount of the foreign currency exposure will be hedged at any time.

Volatility of the Indian Securities Markets

Stock exchanges in India have, in the past, experienced substantial fluctuations in the prices of listed securities. The stock exchanges in India have also experienced temporary exchange closures, broker defaults, settlement delays and strikes by brokerage firm employees. In addition, the governing bodies of the stock exchanges in India have, from time to time, imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Furthermore, from time to time, disputes have occurred between listed businesses and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment. Such volatility in the trading performance may negatively affect the company's future income and earnings.

Investments May Be Made in Foreign Private Businesses Where Information is Unreliable or Unavailable

In pursuing the company's investment strategy, the company may seek to make investments in privately-held businesses as disclosed in note 5 (Indian Investments) to the consolidated financial statements for the year ended December 31, 2022. As minimal public information exists about private businesses, the company could be required to make investment decisions on whether to pursue a potential investment in a private business on the basis of limited information, which may result in an investment in a business that is not as profitable as the company initially suspected, if at all. Investments in private businesses pose certain incremental risks as compared to investments in public businesses, including that they:

- have reduced access to the capital markets, resulting in diminished capital resources and ability to withstand financial distress;
- may have limited financial resources and may be unable to meet their obligations under any debt securities that the company may hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of the company realizing any guarantees that it may have obtained in connection with its investment;

- may have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and changing market conditions, as well as general economic downturns;
- are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on a portfolio investment and, as a result, the company; and
- generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position.

Valuation Methodologies Involve Subjective Judgments

The company's financial assets and liabilities are valued in accordance with IFRS. Accordingly, the company is required to follow a specific framework for measuring the fair value of its investments and, in its audited consolidated financial statements, to provide certain disclosures regarding the use of fair value measurements.

The fair value measurement accounting guidance establishes a hierarchal disclosure framework that ranks the observability of market inputs used in measuring financial instruments at fair value. The observability of inputs depends on a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily quoted prices, or for which fair value can be measured from quoted prices in active markets, generally will have a high degree of market price observability and less judgment applied in determining fair value.

A portion of the company's portfolio investments are in the form of securities that are not publicly traded and thus have no readily ascertainable market prices. The fair value of securities and other investments that are not publicly traded may not be readily determinable. The company will value these securities quarterly at fair value as determined in good faith by the company and in accordance with the valuation policies and procedures under IFRS. The company may utilize the services of an independent valuation firm to aid it in determining the fair value of these securities. The types of factors that may be considered in fair value pricing of the company's investments include the nature and realizable value of any collateral, the portfolio business' ability to make payments and its earnings, the markets in which the portfolio investment does business, comparisons to publicly traded companies, discounted cash flows and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, such valuations may fluctuate over short periods of time and may be based on estimates. Thus, the company's determinations of fair value may differ materially from the prices that would have been obtained if a ready market for these securities existed. The value of the company's total assets could be materially adversely affected if the company's determinations regarding the fair value of its investments were materially higher than the values that it ultimately realizes upon the disposition of such securities.

The value of the company's investment portfolio may also be affected by changes in accounting standards, policies or practices. From time to time, the company will be required to adopt new or revised accounting standards or guidance. It is possible that future accounting standards that the company is required to adopt could change the valuation of the company's investments.

Due to a wide variety of market factors and the nature of certain securities to be held by the company, there is no guarantee that the fair value determined by the company or any third party valuation agents will represent the value that will be realized by the company on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment. Moreover, the valuations to be performed by the company or any third party valuation agents are inherently different from the valuation of the company's securities that would be performed if the company were forced to liquidate all or a significant portion of its securities, as liquidation valuation could be materially lower.

In addition, the values of the company's investments are subject to significant volatility, including due to a number of factors beyond the company's control. These include actual or anticipated fluctuations in the quarterly and annual results of these companies or companies in their industries, market perceptions concerning the availability of additional securities for sale, general economic, social or political developments, changes in industry conditions or government regulations, changes in management or capital structure and significant acquisitions or dispositions. In addition, because the company often holds substantial positions in its investees, the disposition of these securities often is delayed for, or takes place over, long periods of time, which can further expose the company to volatility risk. Even if the company holds an investment that may be difficult to liquidate in a single transaction, the company may not discount the market price of the security sufficiently for purposes of its valuations. If the company realizes value on an investment that is significantly lower that the value at which it was recorded in its balance sheet, the company would recognize investment losses.

Financial Market Fluctuations

The company invests in both private businesses and publicly traded businesses. With respect to publicly traded businesses, as disclosed in note 5 (Indian Investments) to the consolidated financial statements for the year ended December 31, 2022, fluctuations in the market prices of such securities may negatively affect the value of such investments. In addition, general instability in the public debt market and other securities markets may impede the ability of businesses to refinance their debt through selling new securities, thereby limiting the company's investment options with regard to a particular portfolio investment.

Global capital markets have experienced extreme volatility and disruption in recent years as evidenced by the failure of major financial institutions, significant write-offs suffered by the financial services sector, the re-pricing of credit risk, the unavailability of credit or the downgrading and the possibility of default by sovereign issuers, forced exit or voluntary withdrawal of countries from a common currency and/or devaluation. Despite actions of government authorities, these events have contributed to a worsening of general economic conditions, high levels of unemployment in certain Western economies and the introduction of austerity measures by certain governments.

Such worsening of financial market and economic conditions may have a negative effect on the valuations of, and the ability of the company to exit or partially divest from, investment positions. Adverse economic conditions may also decrease the value of collateral securing some of its positions, and require the company to contribute additional collateral.

Depending on market conditions, the company may incur substantial realized and unrealized losses in future periods, all of which may materially adversely affect its results of operations and the value of any investment in the company.

Pace of Completing Investments

The company's business is to identify, with the assistance of the Portfolio Advisor, suitable investment opportunities, pursuing such opportunities and consummating such investment opportunities. If the company is unable to source and manage its investments effectively, it would adversely impact the company's financial position and net earnings. There can be no assurance as to the pace of finding and implementing investment opportunities. Conversely, there may only be a limited number of suitable investment opportunities at any given time. This may cause the company, while it deploys cash proceeds not yet invested, to hold significant levels of cash, cash equivalents, short term U.S. treasury bills or Government of India or Indian corporate bonds. A lengthy period prior to which capital is deployed may adversely affect the company's overall performance.

Minority Investments

The company may make minority equity investments in which the company does not participate in the management or otherwise influence the business or affairs of such businesses. The company will monitor the performance of each investment and maintain an ongoing dialogue with each business' management team. However, day-to-day operations will primarily be the responsibility of each business' management team and the company may not have the right to influence such operations.

Reliance on Key Personnel and Risks Associated with the Investment Advisory Agreement

The management and governance of the company depends on the services of certain key personnel, including the Portfolio Advisor, Fairfax, as administrator, and certain executive officers of the company. The loss of the services of any key personnel, particularly V. Prem Watsa and Chandran Ratnaswami, could have a material adverse effect on the company and materially adversely affect the company's financial condition and net earnings.

The company relies on the Portfolio Advisor and any of its sub-advisors, from time to time, including Fairbridge, with respect to the sourcing and advising with respect to their investments. Consequently, the company's ability to achieve its investment objectives depends in large part on the Portfolio Advisor and its ability to identify and advise the company on attractive investment opportunities. This means that the company's investments are dependent upon the Portfolio Advisor's business contacts, its ability to successfully hire, train, supervise and manage its personnel and its ability to maintain its operating systems. If the company were to lose the services provided by the Portfolio Advisor or its key personnel or if the Portfolio Advisor fails to satisfactorily perform its obligations under the Investment Advisory Agreement, the company's investments and growth prospects may decline.

The company may be unable to duplicate the quality and depth of management from the Portfolio Advisor if the company were to source and manage its own investments or if it were to hire another investment advisor. If the Portfolio Advisor should cease for whatever reason to be the investment advisor of the company or if Fairfax should cease to provide investment administration services to the company, the cost of obtaining substitute services may be greater than the fees the company will pay the Portfolio Advisor and Fairfax under the Investment Advisory Agreement, and this may adversely affect the company's ability to meet its objectives and execute its strategy which could materially and adversely affect the company's cash flows, net earnings and financial condition.

Lawsuits

The company may, from time to time, become party to a variety of legal claims and regulatory proceedings in Canada, India, Mauritius or elsewhere. The existence of such claims against the company or its affiliates, directors or officers could have various adverse effects, including the incurrence of significant legal expenses defending such claims, even those claims without merit. The company manages day-to-day regulatory and legal risk primarily by implementing appropriate policies, procedures and controls. Internal and external legal counsel also work closely with the company to identify and mitigate areas of potential regulatory and legal risk. The company's results of operations, financial condition and liquidity could be materially adversely affected by any such legal risks.

Use of Leverage

The company may rely on the use of leverage when making its investments. As such, the ability to achieve attractive rates of return on such investments will significantly depend on the company's continued ability to access sources of debt financing on attractive terms. An increase in either market interest rates or in the risk spreads demanded by lenders would make it more expensive for the company to finance its investments and, in turn, would reduce net returns therein. Increases in interest rates could also make it more difficult for the company to locate and consummate investments because other potential buyers, including operating companies acting as strategic buyers, may be able to bid for an asset at a higher price due to a lower overall cost of capital. Availability of capital from debt capital markets is subject to significant volatility and the company may not be able to access those markets on attractive terms, or at all, when completing an investment. In addition, we are subject to a leverage covenant under the terms of the Unsecured Senior Notes. Any of the foregoing circumstances could have a material adverse effect on the financial condition and results of operations of the company.

Significant Ownership by Fairfax May Adversely Affect the Market Price of the Subordinate Voting Shares

At December 31, 2022 Fairfax, through its subsidiaries, owned 30,000,000 multiple voting shares (December 31, 2021 – 30,000,000) and owned and/or exercised control or direction over 28,504,470 subordinate voting shares (December 31, 2021 – 23,030,285) of Fairfax India. At December 31, 2022 Fairfax's aggregate ownership, control and/or direction of the subordinate voting shares and multiple voting shares represented a 95.0% voting interest and a 42.3% equity interest in Fairfax India (December 31, 2021 – 94.5% and 37.5%).

For so long as Fairfax, either directly or through one or more subsidiaries, maintains a significant voting interest in the company, Fairfax will have the ability to exercise substantial influence with respect to the company's affairs and significantly affect the outcome of shareholder votes, and may have the ability to prevent certain fundamental transactions.

Accordingly, the subordinate voting shares may be less liquid and trade at a relative discount compared to such subordinate voting shares in circumstances where Fairfax did not have the ability to significantly influence or determine matters affecting the company. Additionally, Fairfax's significant voting interest in the company may discourage transactions involving a change of control of the company, including transactions in which an investor, as a holder of subordinate voting shares, might otherwise receive a premium for its subordinate voting shares over the then-current market price.

Weather Risk

Certain Indian Investments are operating in industries exposed to weather risk. The revenues of these portfolio companies may be adversely affected during a period of severe weather conditions in India. Because weather events are unpredictable by nature, historical results of operations of certain Indian Investments may not be indicative of their future results of operations. As a result of the occurrence of one or more major weather catastrophes in any given period, the expected returns from Indian Investments impacted by weather risk may fall short of the company's expectations.

Taxation Risks

The company structures its business according to prevailing taxation law and practice in Canada, Mauritius and India. Any change in tax policy, tax legislation (including in relation to taxation rates), the interpretation of tax policy or legislation or practice could adversely affect the company's return earned on investments and on the capital available to be invested. Further, taxes and other constraints that would apply to the company and its consolidated subsidiaries in such jurisdictions may not apply to other parties, and such parties may therefore have a significantly lower effective cost of capital and a corresponding competitive advantage in pursuing investments. A number of other factors may increase the effective tax rates, which would have a negative impact on net earnings. These include, but are not limited to, changes in the valuation of our deferred tax assets and liabilities, and any reassessment of taxes by a taxation authority.

The company utilizes Fairfax's tax specialist personnel for assessing the income tax consequences of planned transactions and events and undertaking the appropriate tax planning. The company also consults with external tax professionals as needed. Tax legislation of each jurisdiction in which the company operates is interpreted to determine income taxes and expected timing of the reversal of deferred income tax assets and liabilities.

Any amendments to the capital gains and permanent establishment articles in the India-Mauritius Double Taxation Avoidance Agreement may result in capital gains derived from the company or its investments in India becoming subject to tax in India, which could have a material adverse effect on the company's business, financial condition and net earnings. During the second quarter of 2016, India and Mauritius amended their India-Mauritius tax treaty. As a result, capital gains realized by Mauritius residents on dispositions of shares of Indian companies acquired on or after April 1, 2017 and disposed of after March 31, 2019 will be subject to tax in India at the full India domestic tax rate. Capital gains realized by Mauritius residents on dispositions of shares of Indian companies acquired prior to April 1, 2017 remain exempt from capital gains tax in India.

On March 29, 2018 India enacted the Finance Act 2018 which repealed, with effect from April 1, 2018, the long term capital gains tax exemption which was available in respect of transfers of equity shares of Indian companies on which Securities Transaction Tax was paid at the time of acquisition and transfer of such shares. As a result, long term capital gains realized on such transfers will generally be taxed at a rate of 10.0%. However, grandfathering of the long term capital gains exemption in respect of any accrued gain on such shares held as of January 31, 2018 will generally be available to the extent of the accrued gain as of January 31, 2018. Capital gains realized by a tax resident of Mauritius on a transfer of equity shares of an Indian company which were acquired prior to April 1, 2017 will continue to be exempt from capital gains tax in India by virtue of the India-Mauritius tax treaty, notwithstanding the repeal of the long term capital gains tax exemption under Indian domestic law.

At December 31, 2022 the company evaluated the potential impact of the application of capital gains tax in India on any future dispositions of investments in equity shares held by FIH Mauritius, FIH Private and Anchorage. Changes to deferred income taxes recorded principally relate to net changes in unrealized gains and losses on the company's investment in equity shares acquired subsequent to April 1, 2017 (see note 10 (Income Taxes) to the consolidated financial statements for the year ended December 31, 2022). The company will continue to evaluate the potential impact of the Indian capital gains tax as it relates to any future dispositions of investments in equity shares of its Indian Investments.

On March 27, 2020 India enacted the Finance Act 2020 which amended the regulations pertaining to dividend income. Dividend income which was received by the company from an Indian company on or before March 31, 2020 was exempt from tax in India, while dividend income received by the company from an Indian company subsequent to March 31, 2020 will be taxable. The Indian company is liable to withhold the appropriate tax.

There is a risk that Canadian or foreign tax laws, or the interpretation thereof, could change in a manner that adversely affects the company. Canada, together with approximately 140 other countries comprising the Organisation for Economic Co-operation and Development ("OECD") and the G20 Inclusive Framework on Base Erosion and Profit Shifting ("BEPS"), approved in principle in 2021 certain base erosion tax initiatives including the introduction of a 15% global minimum tax which was initially intended to be effective in 2023. Canada has not yet released any domestic legislation in respect of the introduction of a global minimum tax. The exact implementation date of the proposed global minimum tax in Canada is not yet known. In November 2022, the Department of Finance Canada released for public comment draft legislative proposals (revising prior draft legislative proposals released for comment in February 2022) which, if enacted, may limit the deductibility of interest and financing expenses for Canadian tax purposes. The draft legislative proposals are generally intended to apply in respect of taxation years beginning on or after October 1, 2023. Comments on the draft legislative proposals were invited until January 6, 2023. The company will continue to monitor the BEPS and interest deductibility limitation proposals, which may result in an increase in future taxes and an adverse effect on the company.

Emerging Markets

The company's investment objective is to achieve long term capital appreciation, while preserving capital, by investing in Indian Investments. Foreign investment risk is particularly high given that the company invests in securities of issuers based in or doing business in an emerging market country.

The economies of emerging market countries have been and may continue to be adversely affected by economic conditions in the countries with which they trade. The economies of emerging market countries may also be predominantly based on only a few industries or dependent on revenues from particular commodities. In addition, custodial services and other investment-related costs may be more expensive in emerging markets than in developed markets, which could reduce the company's income from securities or debt instruments of emerging market country issuers.

There is a heightened possibility of imposition of withholding taxes on interest or dividend income generated from emerging market securities. Governments of emerging market countries may engage in confiscatory taxation or expropriation of income and/or assets to raise revenues or to pursue a domestic political agenda. In the past, emerging market countries have nationalized assets, companies and even entire sectors, including the assets of foreign investors, with inadequate or no compensation to the prior owners. There can be no assurance that the company will not suffer a loss of any or all of its investments or, interest or dividends thereon, due to adverse fiscal or other policy changes in emerging market countries.

Governments of many emerging market countries have exercised and continue to exercise substantial influence over many aspects of the private sector. In some cases, the government owns or controls many companies, including some of the largest in the country. Accordingly, government actions could have a significant effect on economic conditions in an emerging country and on market conditions, prices and yields of securities in the company's portfolio.

Bankruptcy law and creditor reorganization processes may differ substantially from those in Canada and the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain emerging market countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain. In addition, it may be impossible to seek legal redress against an issuer that is a sovereign state.

Also, because publicly traded debt instruments of emerging market issuers represent a relatively recent innovation in the world debt markets, there is little historical data or related market experience concerning the attributes of such instruments under all economic, market and political conditions.

Other heightened risks associated with emerging markets investments include without limitation: (i) risks due to less social, political and economic stability, including the risk of war, terrorism, nationalization, limitations on the removal of funds or other assets, or diplomatic developments that affect investments in these countries; (ii) the smaller size of the market for such securities and a lower volume of trading, resulting in a lack of liquidity and in price volatility; (iii) certain national policies which may restrict the company's investment opportunities, including restrictions on investing in issuers or industries deemed sensitive to relevant national interests and requirements that government approval be obtained prior to investment by foreign persons; (iv) certain national policies that may restrict the company's repatriation of investment income, capital or the proceeds of sales of securities, including temporary restrictions on foreign capital remittances; (v) the lack of uniform accounting and auditing standards and/or standards that may be significantly different from the standards required in Canada; (vi) less publicly available financial and other information regarding issuers; (vii) potential difficulties in enforcing contractual obligations; and (viii) higher rates of inflation, higher interest rates and other economic concerns. The company may invest to a substantial extent in emerging market securities that are denominated in Indian rupees, subjecting the company to a greater degree of foreign currency risk. Also, investing in emerging market countries may entail purchases of securities of issuers that are insolvent, bankrupt or otherwise of questionable ability to satisfy their payment obligations as they become due, subjecting the company to a greater amount of credit risk and/or high yield risk. Additionally, the demand for securities of the company may be more volatile due to general market volatility in demand for investments in emerging markets.

As reflected in the above discussion, investments in emerging market securities involve a greater degree of risk than, and special risks in addition to the risks associated with, investments in domestic securities or in securities of foreign developed countries.

MLI

Under a mandate given by G20 nations to address global tax avoidance, in 2015, the OECD developed 15 action plans aimed at tackling BEPS strategies. Action Plan 15 of the BEPS project envisaged a multilateral instrument ("MLI") for modifying the global tax treaty network in a timely and synchronized manner.

On June 2017, India proposed to modify its existing 93 comprehensive tax treaties when it joined 66 other countries (including Canada and Mauritius) in signing the MLI. On June 25, 2019, the Government of India deposited its instrument of ratification of the MLI with the OECD. Mauritius deposited its instrument of ratification of the MLI with the OECD on October 18, 2019, but has excluded India from its covered tax agreements.

Accordingly, the MLI currently does not apply in respect of the India-Mauritius tax treaty. This position could, however, change in the future based on inter-government negotiations. If Mauritius includes India as one of its covered tax agreements, the effect of the inclusion would need to be assessed. A loss of treaty benefits could have a material adverse effect on the company's business and financial conditions and results of operations.

Economic Risk

The Indian economy has grown rapidly during the past several years and there is no assurance that this growth rate will be maintained. India may experience substantial (and, in some cases, extremely high) rates of inflation or economic recessions causing a negative effect on the Indian economy. India may also impose restrictions on the exchange or export of currency, institute adverse currency exchange rates or experience a lack of available currency hedging instruments. Any of these events could have a material adverse effect on the Indian economy.

Trading Price of Subordinate Voting Shares Relative to Book Value per Share

The company is neither a mutual fund nor an investment fund, and due to the nature of its business and investment strategy, and the composition of its investment portfolio, the market price of its subordinate voting shares, at any time, may vary significantly from its book value per share. This risk is separate and distinct from the risk that the market price of the subordinate voting shares may decrease.

Other

Quarterly Data (unaudited)

Years ended December 31

US$ thousands, except per share amounts	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Full Year**
2022					
Income (loss)	73,079	(103,884)	148,771	119,560	237,526
Expenses	15,228	(29,538)	24,865	30,996	41,551
Provision for (recovery of) income taxes	2,068	(4,791)	11,206	(3,996)	4,487
Net earnings (loss)	55,783	(69,555)	112,700	92,560	191,488
Net earnings (loss) attributable to shareholders	55,962	(69,710)	112,613	92,574	191,439
Net earnings (loss) per share	$ 0.40	$ (0.50)	$ 0.81	$ 0.67	$ 1.38
Net earnings (loss) per diluted share	$ 0.38	$ (0.50)	$ 0.79	$ 0.65	$ 1.34
2021					
Income (loss)	340,101	313,303	186,020	(145,885)	693,539
Expenses	76,393	61,637	37,460	(15,481)	160,009
Provision for (recovery of) income taxes	8,282	26,772	16,655	(12,679)	39,030
Net earnings (loss)	255,426	224,894	131,905	(117,725)	494,500
Net earnings (loss) attributable to shareholders	255,426	224,894	131,910	(117,716)	494,514
Net earnings (loss) per share	$ 1.71	$ 1.51	$ 0.91	$ (0.83)	$ 3.38
Net earnings (loss) per diluted share	$ 1.66	$ 1.43	$ 0.85	$ (0.83)	$ 3.22

Years ended December 31

Indian rupees and in millions, except per share amounts(1)	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Full Year**
2022					
Income (loss)	5,500	(7,848)	11,479	9,528	18,659
Expenses	1,146	(2,237)	1,908	2,447	3,264
Provision for (recovery of) income taxes	156	(363)	864	(304)	353
Net earnings (loss)	4,198	(5,248)	8,707	7,385	15,042
Net earnings (loss) attributable to shareholders	4,212	(5,260)	8,700	7,386	15,038
Net earnings (loss) per share	30.16	(37.76)	62.67	53.34	108.14
Net earnings (loss) per diluted share	28.75	(37.76)	61.11	52.07	105.58
2021					
Income (loss)	24,791	23,118	13,857	(10,499)	51,267
Expenses	5,568	4,552	2,792	(1,085)	11,827
Provision for (recovery of) income taxes	604	1,967	1,235	(920)	2,886
Net earnings (loss)	18,619	16,599	9,830	(8,494)	36,554
Net earnings (loss) attributable to shareholders	18,619	16,599	9,830	(8,494)	36,554
Net earnings (loss) per share	124.65	111.11	67.58	(60.07)	249.72
Net earnings (loss) per diluted share	120.98	105.75	63.71	(60.07)	238.16

(1) Presented in the company's functional currency.

Income of $119,560 in the fourth quarter of 2022 compared to loss from income of $145,885 in the fourth quarter of 2021 primarily as a result of net change in unrealized gains on investments and realized gains on investments principally related to the partial sales of 360 ONE (formerly IIFL Wealth) and Other Public Indian Investments, partially offset by increased foreign exchange losses. Net change in unrealized gains on investments of $47,705 in the fourth quarter 2022 principally related to unrealized gains on IIFL Finance, Sanmar and CSB Bank, partially offset by unrealized losses on Fairchem Organics and NSE, in addition to the reversal of prior period gains related to 360 ONE (formerly IIFL Wealth) and Other Public Indian Investments as a result of its sales. Net change in unrealized losses on investments of $186,133 in the fourth quarter of 2021 principally related to unrealized losses on CSB Bank, 360 ONE (formerly IIFL Wealth), Sanmar and Fairchem Organics, in addition to the reversal of prior period gains on Fairchem Organics as a result of its partial sale, partially offset by unrealized gains on Saurashtra and NSE.

Total expenses of $30,996 in the fourth quarter of 2022 compared to total recovery from expenses of $15,481 in the fourth quarter of 2021, primarily as a result of a performance fee of $8,855 recorded in the fourth quarter of 2022 (fourth quarter of 2021 – performance fee recovery of $32,976), and increased general and administration expenses.

The company reported net earnings attributable to shareholders of Fairfax India of $92,574 (net earnings of $0.67 per basic share and $0.65 per diluted share) in the fourth quarter of 2022 compared to a net loss attributable to shareholders of Fairfax India of $117,716 (a net loss of $0.83 per basic and diluted share) in the fourth quarter of 2021. The increase in profitability in the fourth quarter of 2022 primarily reflected increased net unrealized and realized gains on investments, partially offset by increased performance fees, decreased recovery of income taxes, increased general and administration expenses, and increased foreign exchange losses.

Individual quarterly results have been (and are expected to continue to be) significantly impacted by net unrealized gains (losses) on the company's Indian Investments and net foreign exchange gains (losses), the timing of which is not predictable. Individual quarterly results have been (and may in the future be) affected by increased expenses impacted by the change in fair value of the company's Indian Investments which would result in a higher performance fee, if applicable, and investment and advisory fees.

Stock Prices and Share Information

At March 10, 2023 the company had 108,170,932 subordinate voting shares and 30,000,000 multiple voting shares outstanding (an aggregate of 138,170,932 common shares effectively outstanding). Each subordinate voting share carries one vote per share at all meetings of shareholders except for separate meetings of holders of another class of shares. Each multiple voting share carries fifty votes per share at all meetings of shareholders except for separate meetings of holders of another class of shares. Fairfax, through its subsidiaries, owns all the issued and outstanding multiple voting shares, which are not publicly traded.

The table that follows presents the TSX high, low and closing U.S. dollar prices of the subordinate voting shares of Fairfax India, trading under the symbol FIH.U, for each quarter of 2022 and 2021.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
		(US$)		
2022				
High	13.12	12.90	11.30	13.00
Low	11.11	10.54	9.25	9.25
Close	12.29	10.71	9.48	12.28
2021				
High	12.97	13.50	14.90	13.90
Low	9.65	11.96	12.74	11.43
Close	12.44	13.50	13.10	12.61

Compliance with Corporate Governance Rules

Fairfax India is a Canadian reporting issuer with securities listed on the TSX and trading in U.S. dollars under the symbol FIH.U. It has in place corporate governance practices that comply with all applicable rules and substantially comply with all applicable guidelines and policies of the Canadian Securities Administrators and the practices set out therein.

The company's Board of Directors has adopted a set of Corporate Governance Guidelines (which include a written mandate of the Board), established an Audit Committee and Governance, Compensation and Nominating Committee, approved written charters for all of its committees, approved a Code of Business Conduct and Ethics applicable to all directors, officers and employees of the company and established, in conjunction with the Audit Committee, a Whistleblower Policy. The company continues to monitor developments in the area of corporate governance as well as its own procedures.

Forward-Looking Statements

This annual report may contain forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements may relate to the company's or an Indian Investment's future outlook and anticipated events or results and may include statements regarding the financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividends, plans and objectives of the company. Particularly, statements regarding future results, performance, achievements, prospects or opportunities of the company, an Indian Investment, or the Indian market are forward-looking statements. In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will" or "will be taken", "occur" or "be achieved".

Forward-looking statements are based on our opinions and estimates as of the date of this annual report and they are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements, including but not limited to the following factors that are described in greater detail elsewhere in this annual report: COVID-19 pandemic and the conflict in Ukraine; oil price risk; geographic concentration of investments; foreign currency fluctuation; volatility of the Indian securities markets; investments may be made in foreign private businesses where information is unreliable or unavailable; valuation methodologies involve subjective judgments; financial market fluctuations; pace of completing investments; minority investments; reliance on key personnel and risks associated with the Investment Advisory Agreement; lawsuits; use of leverage; significant ownership by Fairfax may adversely affect the market price of the subordinate voting shares; weather risk; taxation risks; emerging markets; MLI; economic risk; and trading price of subordinate voting shares relative to book value per share risk. Additional risks and uncertainties are described in the company's annual information form which is available on SEDAR at www.sedar.com and on the company's website at www.fairfaxindia.ca. These factors and assumptions are not intended to represent a complete list of the factors and assumptions that could affect the company. These factors and assumptions, however, should be considered carefully.

Although the company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The company does not undertake to update any forward-looking statements contained herein, except as required by applicable securities laws.

Glossary of Non-GAAP and Other Financial Measures

Management analyzes and assesses the financial position of the consolidated company in various ways. Certain of the measures included in this Annual Report, which have been used consistently and disclosed regularly in the company's Annual Reports and interim financial reporting, do not have a prescribed meaning under IFRS as issued by the IASB and may not be comparable to similar measures presented by other companies.

Supplementary Financial Measures

Book value per share – The company considers book value per share a key performance measure in evaluating its objective of long term capital appreciation, while preserving capital. This measure is also closely monitored as it is used to calculate the performance fee, if any, to Fairfax. This measure is calculated by the company as common shareholders' equity divided by the number of common shares outstanding. Those amounts are presented in the consolidated balance sheet and note 8 (Total Equity under the heading *Common Stock*) respectively within the consolidated financial statements for the year ended December 31, 2022.

Non-GAAP Financial Measures

Book value per share prior to the performance fee – This measure adjusts common shareholders' equity in the book value per share calculation to remove the performance fee accrued at the end of the current reporting period as presented in note 12 (Related Party Transactions) within the consolidated financial statements for the year ended December 31, 2022, and is a key performance measure.

Book value per share before cumulative performance fees – This measure adjusts the common shareholders' equity in the book value per share calculation to add the performance fee accrued or payable at the end of the reporting period and adjusts the common shares outstanding at the end of the reporting period to remove the subordinate voting shares issued to settle performance fees in prior periods. The company issued 7,663,685 and 546,263 subordinate voting shares in connection with the first and second calculation periods, respectively. The company uses this measure to monitor the company's performance had it not been impacted by any performance fees.

Cash used in operating activities excluding the impact of changes in restricted cash and net sales (purchases) of investments – The company uses this measure to monitor the cash generated by (used in) the company's head office operations, primarily comprised of cash inflows (outflows) from interest and dividend income, interest expense, investment and advisory fees, current income taxes and general and administration expenses, and excludes the impact of changes to restricted cash and purchases and sales of investments. This measure is a component of cash provided by (used in) operating activities as presented in the consolidated statement of cash flows within the consolidated financial statements for the year ended December 31, 2022.

Cash and marketable securities – The company uses this measure to monitor short term liquidity risk. This measure is calculated by the company as the sum of cash, cash equivalents, short term investments, Government of India bonds and Other Public Indian Investments. Those amounts are presented in note 6 (Cash and Investments) within the consolidated financial statements for the year ended December 31, 2022.

Compound annual growth rate ("CAGR") – The company uses the CAGR to measure performance of certain of the above-noted metrics over a specified period of time. CAGR is calculated using the formula: (ending value / beginning value) ^ (1 / number of years) – 1.

Other Financial Measures related to Indian Investments

The Annual Report contains certain financial information related to Indian Investments (and related financial measures derived therefrom) which are prepared under Indian Accounting Standards (Ind AS), with the exception of the financial statements of CSB Bank prepared in accordance with Indian Generally Accepted Accounting Principles (Indian GAAP), unless otherwise noted. Such financial information is prepared by and is the responsibility of the respective Indian Investments' management teams. Fairfax India is limited with respect to the amount of independent verification it is able to perform on the Indian Investments' financial information.

Certain financial measures related to Indian Investments included in the Annual Report do not have a prescribed meaning under IFRS as issued by the IASB and may not be comparable to similar measures presented by the company or other companies.

Appendix to the Letter to Shareholders

Management analyzes and assesses the financial position of the consolidated company in various ways. Certain of the measures included in its letter to shareholders do not have a prescribed meaning under IFRS as issued by the IASB and may not be comparable to similar measures presented by other companies. Those measures are described below.

Supplementary Financial Measures

Return on equity – The company uses this measure to assess profitability for shareholders. This measure is calculated based on net earnings attributable to the company's shareholders divided by the average common shareholders' equity for the period. These amounts are presented on the consolidated balance sheet and consolidated statements of earnings, respectively, within the consolidated financial statements.

Proportion of the publicly listed investments in Fairfax India – The company uses this measure to determine the proportion of the company's Indian Investments with fair values based on published quotes in active markets, an important risk measure. This measure is calculated as the total fair value of the company's Public Indian Investments plus the fair value of the company's share of Chemplast Sanmar Limited (a publicly listed subsidiary of Sanmar, approximately $206.9 million), divided by the total fair value of the company's Indian Investments.

Internal rate of return – The company uses this measure to assess the performance of its investments. This measure represents the U.S. dollar annualized rate of return and is calculated for each of the company's Indian Investments based on its fair value at a point of time, taking into account the timing of cash flows (including cost of purchases, proceeds on sales, interest or dividends received and returns of capital) over the period of the company's investment.

Total debt to equity – The company uses this measure to monitor and manage its capital. This measure is calculated as total principal of Borrowings outstanding divided by common shareholders' equity at a point in time. These amounts are presented in note 7 (Borrowings) and the consolidated balance sheet, respectively, within the consolidated statements.

Non-GAAP Financial Measures

Book value per share without the rupee devaluation – This measure adjusts common shareholders' equity in the book value per share calculation to add back unrealized foreign currency translation losses attributable to shareholders and net foreign exchange losses recorded in the current period. The company uses this measure to evaluate its performance, excluding the impact of the depreciation of the Indian rupee in the current period.

Undeployed cash and investments – The company uses this measure to monitor short term liquidity risk. This measure is calculated by the company as the sum of cash, cash equivalents, restricted cash, short term investments, Government of India bonds and Other Public Indian Investments. These amounts are presented in note 6 (Cash and Investments) within the consolidated financial statements.

Directors of the Company

Christopher D. Hodgson
President Ontario Mining Association

Sharmila Karve
Corporate Director

Sumit Maheshwari
Managing Director and Chief Executive Officer
Fairbridge Capital Private Limited

R. William McFarland
Corporate Director

Deepak Parekh
Chairman
Housing Development Finance Corporation Limited

Satish Rai
Chief Investment Officer
Ontario Municipal Employees' Retirement System (OMERS)

Chandran Ratnaswami
Chief Executive Officer of the Company

Gopalakrishnan Soundarajan
Chief Operating Officer of the Company

Lauren C. Templeton
President
Templeton and Phillips Capital Management, LLC

Benjamin P. Watsa
Chief Executive Officer
Marval Capital Ltd.

V. Prem Watsa
Chairman of the Company

Operating Management

FIH Mauritius Investments Ltd.

Amy Tan
Chief Executive Officer

Officers of the Company

Jennifer Allen
Vice President

Jennifer Pankratz
General Counsel and Corporate Secretary

Chandran Ratnaswami
Chief Executive Officer

Amy Sherk
Chief Financial Officer

Gopalakrishnan Soundarajan
Chief Operating Officer

John Varnell
Vice President, Corporate Affairs

V. Prem Watsa
Chairman

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Website: www.fairfaxindia.ca

Auditor

PricewaterhouseCoopers LLP

Transfer Agent and Registrar

Computershare Trust Company of Canada,
Toronto

Share Listing

Toronto Stock Exchange
Stock Symbol: FIH.U

Annual Meeting

The annual meeting of the shareholders of Fairfax India Holdings Corporation will be held on Thursday, April 20, 2023 at 2:00 p.m. (Toronto time) at Roy Thomson Hall, 60 Simcoe Street, Toronto, Canada M5J 2H5 and virtually through a web-based platform