FAIRFAX INDIA
HOLDINGS CORPORATION

2023 Annual Report

Contents

2023 Annual Report

Fairfax India Corporate Performance

(in US$ millions, 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	41	1,025	979	1,013	107	0.42
2016	10.25	11.55	129	108	1,303	1,096	1,075	105	1.01
2017	14.46	15.00	610	453	2,672	2,636	2,132	147	2.94
2018	13.86	13.13	167	96	2,707	2,661	2,118	153	0.63
2019	16.89	12.80	713	516	3,245	3,171	2,578	153	3.30
2020	16.37	9.60	(13)	(41)	3,073	3,028	2,447	149	(0.27)
2021	19.65	12.61	694	495	3,584	3,546	2,775	141	3.22
2022	19.11	12.28	238	191	3,366	3,211	2,642	138	1.34
2023	21.85	15.20	599	372	3,822	3,644	2,959	135	2.72
Compound annual growth	9.2%[4]	4.8%							

(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 International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS® Accounting Standards") 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 $21.85 at December 31, 2023 represented a compound annual growth rate from the initial public offering price of $10.00 per share at January 30, 2015 of 9.2%.*

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 loans, 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, 2023 were $750 million. At year end, IIFL Finance had shareholders' equity of $1.3 billion and there were approximately 39,300 employees. Additional information can be accessed from IIFL Finance's website www.iifl.com.

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, 2023 were $234 million. At year end, IIFL Securities had shareholders' equity of $203 million and there were approximately 1,890 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 751 branches and 570 automated teller machines across India. CSB Bank's revenues for the twelve months ended December 31, 2023 were $237 million. At year end, CSB Bank had shareholders' equity of $438 million and there were approximately 7,310 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, 2023 were $74 million. At year end, Fairchem Organics had shareholders' equity of $33 million and there were approximately 225 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, 2023 were $45 million. At year end, 5paisa had shareholders' equity of $63 million and there were approximately 485 employees. Additional information can be accessed from 5paisa's website www.5paisa.com.

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, 2023 were $305 million. At year end, BIAL had shareholders' equity of $310 million and there were approximately 1,630 employees. Additional information can be accessed from BIAL's website www.bengaluruairport.com.

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

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, 2023 were $965 million. At year end, Sanmar had shareholders' equity of $269 million and there were approximately 2,190 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, 2023 Seven Islands owned 25 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, 2023 were $166 million. At year end, Seven Islands had shareholders' equity of $213 million and there were approximately 125 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, 2023 were $33 million. At year end, NCML had shareholders' equity of $57 million and there were approximately 935 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 to importers and exporters to transport cargo. Saurashtra's revenues for the twelve months ended December 31, 2023 were $40 million. At year end, Saurashtra had shareholders' equity of $28 million and there were approximately 230 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, 2023 were $80 million. At year end, Maxop had shareholders' equity of $36 million and there were approximately 4,250 employees.

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, 2023 were $36 million. At year end, Jaynix had shareholders' equity of $24 million and there were approximately 215 employees. Additional information can be accessed from Jaynix's website www.jaynix.com.

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, 2023 were $1.8 billion. At year end, NSE had shareholders' equity of $2.7 billion. Additional information can be accessed from NSE's website www.nseindia.com.

To Our Shareholders,

Fairfax India's book value per share (BVPS), our key performance measure, grew again this year at a healthy rate. After declining 2.7% in 2022 to $19.11*, it bounced back, growing by 14.3% in 2023 to $21.85. The US$ S&P BSE Sensex 30 index was up 18.0% (that included an 8% surge just in December), while the value of the publicly listed companies in our portfolio was up 38.5%**. Common shareholders' equity increased by 12.0% after declining by 4.8% the previous year.

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

$ millions except per share amounts:	**2023**	**2022**	**2021**	**2020**	**2019**		**2015**	**CAGR(1)**
Book value per share	$ 21.85	$ 19.11	$ 19.65	$ 16.37	16.89		9.5	9.2%
Income	598.9	237.5	693.5	(13.0)	712.7		65.3	
Net earnings (loss)	371.8	191.4	494.5	(41.5)	516.3		40.9	
Return on equity	13.3%	7.1%	18.9%	(1.7)%	22.0%	...	4.0%	11.8%(2)
$ billions:								
Total assets	3.8	3.4	3.6	3.1	3.2		1.0	15.9%
Investments	3.6	3.2	3.5	3.0	3.2		1.0	15.9%
Common shareholders' equity	3.0	2.6	2.8	2.4	2.6		1.0	12.8%
Shares outstanding (millions)	135.4	138.3	141.2	149.5	152.6		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 9.6% annually.*

(2) *Simple average of the return on equity for each of the nine 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 Accounting Standards 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.*

As demonstrated in the table below***, Fairfax India has produced solid investment returns. Including $1.7 billion in unrealized gains on its existing portfolio, it has achieved a 13% annualized return since inception – 22.0% on listed investments and 9.7% on private investments. Since its inception, Fairfax India has also generated realized cash gains, including dividends and interest of $723.8 million, and has never lost money on a monetized investment! We have achieved an annualized return of 28.1% on partially monetized investments and 16.6% on fully monetized investments, aggregating to an annualized return of 18.2% for all monetized investments. If the subsequent event of Fairfax India's disposal of its entire position in NSE is included, the realized cash gain since inception is over $900 million, increasing the annualized return for all monetized investments to approximately 20%.

Most 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.

Existing Indian Investments	Initial investment date	Ownership %	Cash consideration	Fair value	Net change	Cumulative interest & dividends	Compounded annualized return (USD)(1)
Public Indian Investments							
Common stocks:							
IIFL Finance	Dec 2015	15.1%	76.2	412.2	335.9	15.9	25.8%
IIFL Securities	Dec 2015	27.5%	51.1	147.4	96.4	13.9	16.9%
5paisa	Dec 2015	24.6%	16.6	52.1	35.5	–	22.5%
Fairchem Organics	Feb 2016	52.8%	29.7	103.0	73.3	2.1	23.3%
CSB Bank	Oct 2018	49.7%	169.5	409.3	239.8	–	20.0%
Other	May 2022	<1.0%	3.4	2.8	(0.6)	<0.1	(11.6)%
			346.5	1,126.8	780.3	32.0	22.0%
Private Indian Investments							
Common stocks:							
NCML	Aug 2015	91.0%	188.3	50.3	(138.0)	0.8	(15.7)%
Sanmar	Apr 2016	42.9%	199.0	302.9	103.8	–	10.9%
NSE	Jul 2016	1.0%	26.8	188.6	161.8	15.0	33.4%
Saurashtra	Feb 2017	51.0%	30.0	50.6	20.5	10.4	11.0%
BIAL	Mar 2017	64.0%	903.0	1,600.0	697.0	2.2	11.7%
IH Fund	Jan 2019	–	13.2	13.1	(0.1)	4.7	5.9%
Seven Islands	Mar 2019	48.5%	83.8	142.8	59.0	6.1	13.0%
Maxop	Nov 2021	67.0%	51.4	56.7	5.2	–	5.6%
Jaynix	Feb 2022	70.0%	32.5	49.3	16.8	–	24.7%
Other Indian Fixed Income	Nov 2021	–	31.4	31.5	0.1	0.5	2.8%
			1,559.5	2,485.7	926.2	39.8	9.7%
Total existing			**1,906.0**	**3,612.5**	**1,706.5**	**71.8**	**13.0%**

Monetized Indian Investments	Initial investment date	Last sale date	Cash consideration	Cash proceeds	Cash proceeds less cash consideration	Cumulative interest & dividends	Compounded annualized return (USD)(1)
Partially monetized:							
IIFL Finance	Dec 2015	Dec 2023	35.7	177.3	141.6	7.5	24.9%
Fairchem Organics	Feb 2016	Feb 2022	7.8	45.6	37.8	0.1	49.7%
			43.5	222.9	179.4	7.6	28.1%
Fully monetized:							
360 ONE WAM	Dec 2015	May 2023	107.0	243.5	136.4	40.5	16.7%
Other	Mar 2018	Jan 2023	178.8	282.6	103.8	9.3	28.0%
Privi Speciality	Aug 2016	Apr 2021	55.0	164.9	109.9	2.0	27.1%
Sanmar bonds	Apr 2016	Dec 2019	299.0	433.9	134.9	–	11.0%
			639.8	1,124.8	485.0	51.8	16.6%
Total monetized			**683.3**	**1,347.7**	**664.4**	**59.4**	**18.2%**

(1) Compounded annualized return refers to the internal rate of return and is used interchangeably with "annualized return" throughout this letter.

**** Please refer to the company's MD&A included in its 2023 Annual Report, under the heading Track Record for a complete summary of the company's performance to date including footnotes. Figures may not add due to rounding.*

Since we began, Fairfax India has completed investments in twelve companies and exited two (13 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 Presidents Sheetal Sancheti and Hariharan Sundaresan 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 former member of the Board of Directors, has provided us with invaluable advice on almost all of our transactions.

With the exception of Sri Lanka, India, Vietnam and Singapore, all Asian emerging markets were down in 2023. You will see from the table below (based on the leading US$ equity index in each country named) that India's 18.0% equity index gain was outperformed only by the relatively minor Sri Lankan market that recovered sharply from a crisis-driven low the previous year:

Sri Lanka	42.4%
India	18.0%
Vietnam	9.3%
Singapore	1.2%
Malaysia	(6.7)%
China	(13.9)%
Hong Kong	(13.9)%
Thailand	(14.0)%

And here is a comparison of Fairfax India's change in BVPS in 2023 with the change in major Indian US$ equity indices:

Fairfax India BVPS	14.3%
Fairfax India's Public Indian Investments	38.5%
S&P BSE Sensex 30	18.0%
S&P BSE 500	24.1%
S&P BSE midcap	44.6%
Nifty 50	19.3%

As noted in the table above, while our BVPS was up sharply in 2023, it underperformed all the major Indian indices. However, the value of Fairfax India's listed portfolio companies (which are based on publicly traded market values, similar to the equity indices above) was up 38.5% in 2023.

Despite the sharp increase in Indian equity markets, the table below indicates that on average, valuations are not as stretched as one might expect, with the exception of market cap to GDP ratio which is up sharply. However, we will continue to watch valuations carefully because within the benign averages lie some sectors like consumer goods, IT, capital goods and pharma which are very expensive.

	December 31, 2022	December 31, 2023	10-year average
Price to earnings ratio	23.1	22.6	23.4
Price to book value ratio	3.4	3.0	3.0
Dividend yield	1.1%	1.3%	1.3%
Market cap to GDP ratio	98%	120%	85%

The valuations of our listed portfolio companies, with a price to earnings ratio of 13.2 and price to book value ratio of 2.3, are much better than the 10-year average.

Over the nine 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 nine years:

Fairfax India BVPS[(1)]	+9.2%
Fairfax India's Public Indian Investments[(2)]	+22.4%
US$ S&P BSE Sensex 30	+7.1%

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

(2) Represents the annualized growth related to existing and monetized Public Indian Investments since Fairfax India's inception.

Please note that Fairfax India's book value is based on publicly traded market values only for about 37% 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 2023 were $371.8 million versus $191.4 million in 2022, largely as the result of net unrealized gains on investments of $361.7 million compared to $153.7 million in 2022 and net realized gains on investments of $193.2 million compared to $95.9 million in 2022. Earnings also reflect dividend and interest income of $45.7 million and net foreign exchange losses of $1.7 million. Fully diluted earnings per share was $2.72 in 2023 versus $1.34 in 2022. The significant contributors to net unrealized and realized gains recorded in 2023 were:

CSB Bank	$188.8
BIAL	125.0
IIFL Finance	98.3
IIFL Securities	82.6
Seven Islands	46.8
NSE	30.1
5paisa	24.1
Jaynix	16.8
Sanmar	(33.2)
NCML	(16.1)

While the BVPS of Fairfax India is $21.85, we believe that the underlying intrinsic value is much higher. As Fairfax India's shares continue to trade at a discount to book value, we have taken the opportunity to buy back since inception 22.0 million shares for $285.0 million or an average price of $12.93 per share, including the 2.9 million shares we bought in 2023 for $37.2 million or an average price of $12.97 per share. In total, we have bought back approximately 14% of total shares since inception.

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 owned at the time 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 2023 as we are in the process of obtaining regulatory approvals.

Were Anchorage currently listed, the proportion of the publicly listed investments in Fairfax India would increase from 37% to 82% of the overall portfolio.

Financial Position

At December 31, 2023, the financial position of Fairfax India was as follows:

Undeployed cash and investments[1]	$ 209.2
Unsecured senior notes maturing in February 2028	500.0
Common shareholders' equity	2,958.7
Total debt to equity	16.9%

(1) Includes passive investments in publicly traded Indian companies

Fairfax India also has access to a $175.0 million revolving credit facility, which we haven't yet needed but can use for investing or operations. In the fourth quarter of 2023 we extended the maturity on the revolving credit facility to October 2026.

In December 2023, DBRS Limited upgraded Fairfax India's credit rating to BBB from BBB (low), reaffirming the company's strong financial position.

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. For the first two three-year periods, Fairfax India was required to settle the performance fee with its subordinate voting shares, but at the end of the third three-year period, Fairfax Financial could elect to receive any performance fee payable in cash or subordinate voting shares.

The end of 2023 marks the end of the third three-year period. Fairfax Financial elected to receive the performance fee of $110.2 million in cash to minimize dilutive impact to Fairfax India shareholders, as the number of shares issued to settle the performance fee would have been based on Fairfax India's share price which is currently trading at a discount to its book value.

Indian Investments[1]

Bangalore International Airport (BIAL)

BIAL achieved a prestigious recognition at the 2023 Prix Versailles organized by UNESCO. BIAL's Terminal 2 (T2) was acknowledged as one of the 'World's most beautiful airports' and received the esteemed 2023 'World special prize for an interior' for airports.

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.

A total of 620 endemic plants, 3,600+ plant species, 150 palm species, 7,700 transplanted trees, 100 varieties of lilies, 96 lotus species, 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

(1) Indian Accounting Standards (Ind AS) are based on and substantially converged with IFRS Accounting Standards. As such, all of the Indian Investments' figures are unaudited and based on Ind AS or IFRS Accounting Standards, 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.

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 travelers' 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.

BIAL is Fairfax India's largest investment and a very important one as it accounts for 44% of the fair 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. In 2023, Fairfax India acquired in two tranches an additional 10% of BIAL from Siemens for $250.0 million, resulting in a total investment of $903.0 million for 64% of BIAL. It is the third largest airport in India and is one of the fastest growing airports 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, 2021 and the first half of 2022, passenger numbers at BIAL surpassed pre-pandemic levels in 2023, with 32.7 million domestic passengers and 4.5 million international passengers, for a total of 37.2 million passengers. This is 10.5% higher than the pre-pandemic passenger high of 33.7 million passengers achieved in 2019.

- **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.

Aero revenue in 2023 increased by 77% over the previous year to $158.6 million.

- **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 $1.1 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 $1.7 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 has resumed its growth trajectory in 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, in 2023 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.

As a result of these initiatives, non-aero revenue in 2023 increased by 38% over the previous year to its highest ever of $124.7 million.

- **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 2023 BIAL recorded its all-time high cargo volume of 422,644 metric tons, including India's highest (27% 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 and 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 & 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.
- Addition of 216 rooms to the existing 154 room Taj Bangalore 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.

BIAL is close to finalizing options whereby it will make the investments required to fast track some of the hotel, business park and RDE developments rather than wait for outside investment.

- **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 2023.

Passenger traffic grew 35% over the previous year to 37.2 million and total passenger traffic exceeded pre-pandemic levels. BIAL's revenue increased by 60% over the previous year to $305.3 million. EBITDA increased by 71% over the previous year to $194.6 million. Profit after tax turned around to $44.1 million from a loss of $6.0 the previous year.

Despite the unprecedented events that impacted operations and financial performance in 2020, 2021 and 2022, BIAL generated an average ROE of 14% for the second control period and an ROE of 17% for the combined first and second control periods. ROE in 2023 was 14%.

The valuation of Fairfax India's 64% interest in BIAL increased to $1.6 billion in 2023 from $1.2 billion in 2022, implying an equity value of approximately $2.5 billion for the whole company. Excluding cash flows from the 460 acres in Airport City, BIAL is carried on our books at 9.5 times normalized free cash flow, which we consider to be conservative. Bangalore is one of the fastest growing cities in the world and air passenger traffic in India is expected to have robust growth with increasing business and leisure travel, and the improvement in air connectivity to tier II cities. The valuation is supported by future cash flow estimates driven by the growth in capacity, non-aero revenue and real estate monetization plans described above, but does not reflect apparent market interest.

2023 featured the following significant achievements by BIAL:

- After the construction of the spectacular terminal 2 was completed in 2022, its full operations, including the transfer of all international flights, was completed in 2023, increasing BIAL's capacity to about 50 million passengers a year, boding well for its performance.
- Established six new international routes.
- Achieved AA+ (Stable) rating with CRISIL (first time for any airport in India). CRISIL is S&P's subsidiary in India.
- 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:
  - It achieved ACI's highest level 4+ carbon accreditation.
  - 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 June 2024.
  - Water positivity score increased from 1.37 to 2.36.

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.

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 700 new branches to its existing 3,965 and over 6,500 new employees to its existing 32,700 and continues to move forward aggressively to consolidate its position as one of the major NBFCs in India, serving over 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 2023 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 39% of its AUM and 26% of its income.

Also in 2023 IIFL FIN, continuing with its stated objective of focusing on retail loans to relatively under-banked customer segments, achieved the following highlights:

- It achieved dominance in its major lines of business:
  - It has become the largest lender in the affordable housing segment of the housing loans market with AUM of $3.1 billion, and
  - The number two lender in gold loans and microfinance with AUM of $3.0 and $1.5 billion, respectively.

- It diversified its borrowing sources to reduce its cost of borrowing.
- Its rating was upgraded by CRISIL from a stable to positive outlook, reflecting its strengthening market position and the expected sustained improvement of its profitability.

IIFL FIN had excellent results in 2023. Its AUM, which have grown at a CAGR of 16% over the last 5 years, grew by 34% over the previous year to $9.3 billion in 2023. The growth was driven by home loans (+25%) and gold loans (+35%). In 2023, IIFL FIN's revenue increased by 25% to $750.0 million and profit after tax increased by 36% to $242.3 million, generating an ROE of 17%. The below average ROE resulted partly from higher than normal capital levels at IIFL Home Finance (HFC) from a 2022 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 its peer group, with gross non-performing assets (NPA) and net NPAs at 1.7% and 0.9% respectively, compared to 2.1% and 1.1% respectively in the previous year. The provision coverage ratio was 151% versus 164% the previous year.

Loan to value is very conservative, at 72% for home loans, 71% for gold loans and 52% for business loans (loans against property). With a well-diversified asset portfolio of which over 95% is retail in nature, a capital adequacy ratio (CAR) of 19.6% for IIFL Finance and 45.8% for HFC, and net interest margins at 9.8%, even though the cost to income ratio increased from 42% to 43% (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.

During 2023 Fairfax India sold 27 million of the 85 million shares of IIFL FIN that it owned, generating a realized cash gain of $149.1 million (including dividends) and an annualized return of 24.9%.

On March 4, 2024 the RBI (the Indian Central Bank and Banking regulator) ordered IIFL FIN, to stop sanctioning and disbursing any new gold loans with immediate effect, as a result of non-compliance with certain banking regulations as identified by the RBI. The stoppage will be in effect until the RBI completes a special audit and the regulatory deficiencies identified are rectified to RBI's satisfaction. IIFL FIN has responded to the RBI and is in the process of rectifying the deficiencies. The order does not directly affect the other segments of IIFL FIN which account for approximately 70% of its business. Fairfax India has offered to provide IIFL FIN liquidity support of up to $200 million on yet to be determined, mutually agreed terms and conditions subject to regulatory and legal compliance.

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 one of its best years ever in 2023: its revenue increased by 46% to $233.9 million and profit before tax increased by 72% to $68.3 million, generating an ROE of 25%. These results were driven by the strong performance of the retail broking and investment banking divisions that benefited from the buoyant equity and IPO markets in India in 2023.

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 algo trading. IIFL SEC serves over 3 million customers and has a strong online presence.

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

- Retail broking and financial products distribution (75% 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, 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 38-member research team that covers over 260 Indian companies accounting for over 75% of India's market capitalization. It is a market leader in block sales placements, placing over $11 billion in blocks over the past five years. It has more than 890 domestic and foreign clients and has developed trusted long term relationships with them through sustained high-quality performance.
- Investment banking (9% of revenue) – it is a highly regarded category 1 merchant banker in India and despite volatile markets, it completed over 50 transactions in 2023, including 15 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 10.0 times price to estimated March 2024 earnings and price to estimated March 2024 BVPS of 2.5 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.

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.

Mr. Narayan Gangadhar was appointed MD and CEO of 5paisa in June 2023. He brings many years of experience in North America with tech giants like Microsoft, Google, Amazon and Uber and is most recently from Angel One, a leading online stock broker in India.

Narayan has implemented some key new strategic changes at 5paisa:

- To change from pursuing customers based on profitability (which was resulting in lost market share) to pursuing market share with a focus on controlling CTR (cost to revenue) ratio;
- To create the best in class digital app;
- To drive digital acquisition of customers;
- To create call centres with knowledgeable staff who can solve issues quickly;
- To focus on algo trading which is a strength of 5paisa; and
- To measure NPS (net promoter score) and improve scores.

5paisa has sustained a strong pace of client acquisition since inception, taking its total client base to 4 million in 2023. The 5paisa mobile app has been hugely popular, recording over 17 million downloads and sustaining a rating of 4.3 on Playstore.

In 2023 total revenue grew 11% to $45.2 million and net income grew 88% to $7.6 million – due to the intense competition from established and new discount brokers, its market share in retail cash broking fell from 2.8% to 2.3%, even while it added customers at an average rate of about 51,000 per month. To combat this intense competitive pressure, 5paisa is de-emphasizing 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.

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

In 2023 we completed our exit from IIFL Wealth.

The total proceeds of the sale were $243.5 million, generating a realized cash gain of $176.9 million (including dividends) and an annualized return of 16.7%.

We thank Nirmal, Karan and Yatin, and wish them the very best in the future.

Since our inception, Fairfax India has invested cash consideration of $286.7 million across the IIFL group of companies, which includes IIFL Finance, IIFL Securities, IIFL Wealth (now 360 ONE WAM) and 5paisa (most of it through our original investment in IIFL Holdings). To date, we have completed total sales of $420.8 million, received dividends of $77.8 million, and at the end of 2023 continued to hold remaining IIFL group investments with a fair value of $611.7 million, aggregating to over $1 billion in value and representing an annualized return of 21.2%.

Sanmar Chemicals Group (Sanmar)

Sanmar had a very difficult year in 2023. For the year ended December 31, 2023 Sanmar's revenue declined by 26% over the previous year to $965.4 million, EBITDA declined by 55% to $96.3 million and it incurred a loss before tax of $27.9 million versus a profit of $91.0 million the previous year (EBITDA and profit and loss before tax described here and below exclude accounting debt restructuring gains and a non-cash inventory write-down).

The poor financial performance was, among other factors, driven by:

- Depressed global (ex India) demand for PVC (polyvinyl chloride), due to the economic slowdown in China and poor housing starts in the western world resulting in price drops of 30-60%;
- The anti-dumping duty that was in effect in India for the past 15 years lapsed in 2022. Export surpluses around the world found a home in India with China dumping the most at the lowest prices;
- Increasing energy prices; and
- Lower caustic soda prices.

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.

Sanmar is 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, Singapore 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 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, Sanmar committed to reduce overall debt of the company. To achieve this objective, it 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. Sanmar has 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 poor year in 2023. Revenue declined 35% over the previous year to $189.8 million, EBITDA decreased 98% to $1.0 million and it incurred a loss before tax of $10.7 million versus a profit of $47.5 million the previous year.

- **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 2023. Revenue decreased 26% to $310.3 million over the previous year, EBITDA decreased by 49% to $15.7 million and it incurred a loss before tax of $3.0 million versus a profit of $12.2 million the previous year. The lack-luster 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 2024 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 100% capacity utilization achieved in 2023 and the completion of certain expected process refinements, going forward, Sanmar will be able to take advantage of its significant investment in Egypt.

TCI also had poor operating results in 2023. Revenue declined 22% over the previous year to $476.6 million, EBITDA declined 39% to $79.0 million and it incurred a loss before tax of $15.0 million versus a profit of $44.6 million the previous year. The poor performance was due to the global drop in global 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.

The fair value of Fairfax India's investment in Sanmar decreased to $302.9 million in 2023 from $337.8 million in 2022. The fair value at December 31, 2023 was based on CSL's publicly traded market price (comprising 74% of the total fair value) and an internal valuation model for TCI, which implied a price to normalized free cash flow of 3.6 times.

CSB Bank (CSB)

Under the leadership of Pralay Mondal, who took over as CEO in 2022, CSB continues to make excellent progress on its transformative journey that began with the recapitalization of the bank that was enabled by our investment. 2023 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 751 branches (up from 649 last year) and 570 ATMs (up from 512 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 73% 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.

CSB made excellent progress in its key performance measures in 2023, with loan advances growth of 23% and deposits growth of 21% (including lower cost, current and savings accounts (CASA) growth of 6%, where growth has been slower across the industry). Net interest income grew by 12% and the credit to deposit ratio improved from 81% to 83%. Net interest margin (NIM) decreased from 5.5% but remains at an industry leading 5.2%. Cost of deposits increased to 5.1% from 4.2%, and CASA declined to 27.6% from 31.4% of total deposits, as a result of stronger growth in term deposits due to the current high interest rate environment.

Credit quality also improved – gross NPAs decreased to 1.2% from 1.5%, net NPAs decreased to 0.3% from 0.4% and the provision coverage ratio remained flat at 91.9% in December 2023. CSB's revenue for 2023 increased by 27% to $236.4 million from $196.4 million in 2022, net income increased by 10% to $69.2 million and its CAR dropped from 25.8% to 23.0%.

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, are 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, except growth in net interest income due to the strong growth in deposits primarily from higher cost term deposits, resulting in higher interest expenses.

Position at year ended September 30, 2023 *(all numbers are %s)*[(1)]

	CSB	Peer Group	All Banks
Growth in Net Interest Income	13.1	20.5	25.1
Growth in Advances	27.4	15.9	20.9
Growth in Deposits	21.2	14.4	14.2
Credit Deposit Ratio	87.5	79.9	80.7
Return on Equity	16.6	12.9	13.2
Return on Total Assets	1.8	1.1	1.1
Net Interest Margin	5.4	4.1	3.8
Efficiency (Cost to Income) Ratio	60.3	56.4	56.8
Gross Non-Performing Advances	1.3	3.3	3.3

(1) Source: Capital IQ. For comparability based on available information, Net Interest Margin in the above table is calculated using average net advances and investment securities.

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 over 98% in equity derivatives trading.

We are expecting to complete the sale of our entire investment in NSE in early 2024 for proceeds of approximately $189 million (of which $132.3 million closed in January 2024), which will generate an annualized return on the investment of approximately 33%. We felt that the investment was fully valued and we had made an excellent return.

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 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.

For the year ended December 31, 2023, its revenue declined by 9% to $74.2 million, net earnings decreased by 3% to $5.0 million and shareholders' equity grew by 13% to $33.4 million, generating an ROE of 15%. The decline in profits was due to higher raw material costs and weak end-product demand and prices beginning in 2022: 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, resulting in a corresponding increase in sales prices. There was also poor product demand in Europe due to recessionary conditions. Raw material costs and sales prices have since moderated and remained subdued in 2023.

Fairchem has made a concerted effort over the last five 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 to 120,000 metric tons per annum. Fairchem has built a plant to manufacture a product that is new for them and commercial operations commenced in December 2023. This product has good market potential and could be a source of excellent growth for Fairchem.

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 $103.0 million on December 31, 2023, down significantly from its earlier peak. However, we believe this is temporary because the stock fell sharply after a few quarters of disappointing results.

Seven Islands Shipping (SISL)

SISL had its best year ever in 2023!

Its revenue increased by 34% to $165.5 million, net income increased by 310% to $84.5 million and shareholders' equity grew by 50% to $213.3 million, generating an ROE of 39%. This was mainly due to higher charter rates and the opportunistic sale of vessels during the year. SISL also paid its first ever dividend in the fourth quarter of 2023 and Fairfax India received $6.1 million. Despite some volatility in the last few years, SISL has mostly demonstrated stable and consistent revenue and EBITDA CAGR of about 30% in the last 10 years. Since the time we acquired our interest in SISL, it has generated free cash flow of $209.4 million, an average annual free cash flow on investment of about 25%.

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%. At December 31, 2023, this investment was valued at $142.8 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 25 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 four older ships and acquired five younger ships during 2023. Over the next five years, SISL is aiming to grow its fleet from the current 25 to about 28 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 generally 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 benefited from the general rate arbitrage in domestic versus international deployment.

SISL has a small and efficient operations team consisting of about 125 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.

The fair value of Fairfax India's investment in Seven Islands increased to $142.8 million in 2023 from $96.9 million in 2022, implying a price to earnings of 3.5 times and a price to free cash flow of 3.9 times.

National Commodities Management Services (NCML)

The investment in NCML has not lived up to our expectations.

NCML has operated for over 19 years in the agriculture value chain by offering end-to-end solutions in grain procurement, testing, storage and collateral management. NCML has about 2.0 million metric tons of storage capacity in over 360 locations covering 735 warehouses in 16 states in India. It has a network of 15 regional/area offices, more than 700 touch points at agricultural produce markets and thousands of farmers and traders to facilitate procurement of commodities. Beyond its major business segments, NCML offers commodity and weather intelligence service and financing to agriculture sector participants.

In 2015, Fairfax India acquired approximately 88% of NCML for an aggregate investment of approximately $148.7 million. NCML is among India's top three privately owned post-harvest agriculture-logistics service providers. Our investment thesis hinged on NCML's ability to capture agricultural value chain opportunities that cater to a population of 1.4 billion people, in turn contributing to India's food security. To give a perspective, India has approximately 188 million metric tons of grain storage, of which 85 million is owned by organized privately owned companies. NCML is among the top three privately owned operators with over 2.0 million metric tons of storage capacity. The opportunity in NCML was to organize and modernize private grain storage and the supply chain of agricultural produce in India.

Following Fairfax India's acquisition and investment of approximately 2.0 billion Indian rupees, NCML invested in building 2.0 million square feet of warehouses, 11 testing labs and over 1,470 weather stations, and created a financing loan book of 385 million Indian rupees. During 2016 to 2018, 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 aggregating 800,000 metric tons across multiple agrarian states of India.

Shortly after our investment, the Government of India implemented GST and demonetized some currency. These steps significantly impacted the rural economy, more specifically the functioning of the post-harvest agriculture supply chain, by reducing storage requirements for agricultural produce and reducing NCDEX (a leading Indian agricultural commodity exchange) volumes (which declined from 9.0 trillion Indian rupees in 2014-15 to 5.9 trillion Indian rupees in 2017-18), both of which impacted NCML's storage business. There was also a significant deterioration in the quality of Indian banking system's exposure to the agriculture-value chain during this period. Lack of availability of financing for this sector led to a further decline in market participants and warehousing requirements. While the sector was recovering from these shocks, the COVID pandemic from 2020 to 2022 further crippled the rural/agriculture economy.

There were significant cost overruns in construction of the silo projects due to delays in land acquisition, delays in obtaining regulatory approvals, pandemic-related construction delays, and difficulty in obtaining long term project financing during the NBFC crisis in 2018 and a banking crisis in 2020. These projects were further impacted by three farm laws introduced by the Government of India in September 2020. The introduction of these farm laws faced a stiff protest from farmers for over a year and were subsequently withdrawn but the damage was done. Farmers' protest was particularly intense in states where many of NCML's silo locations were situated.

In 2022, Sanjay Gupta was appointed as the CEO to turn the business around. Since then:

- The senior management team of NCML has been stabilized.

- NCML has completed construction of four silo locations and expects three to be completed in early 2024. NCML surrendered the balance of nine projects that had become unviable due to cost overruns.
- Capital has been redirected to businesses with better return potential, such as warehousing, testing and inspection, weather intelligence and silos.
- NCML downsized businesses with poor risk/reward characteristics, specifically Collateral Management, Supply Chain Management, Market Yard (agricultural commodity e-auction marketplace) and Transportation segments.
- NCML focused on monetizing low yielding warehouse and land it held.
- NCML significantly reduced overheads to better align with the size of the business.
- NCML refinanced and repaid loans to right-size the capital structure.

To help NCML in its turnaround, during 2023 Fairfax India converted its $14.0 million investment in NCML's compulsorily convertible debentures into NCML common shares and invested an additional $24.0 million into 9.47% unsecured non-convertible debentures, due November 8, 2028.

2023 was another difficult year: although revenue increased by 8% to $33.3 million, net loss increased to $18.5 million (including a one-time provision of $15.7 million) from a loss of $12.3 million in 2022. NCML proactively made provisions for losses from contracts signed in previous years to strengthen its balance sheet.

The fair value of Fairfax India's investment in NCML decreased to $50.3 million in 2023 (including $9.8 million in 2023 purchases) from $56.9 million in 2022, implying a price to normalized free cash flow of 7.0 times.

A significant part of NCML's restructuring will be completed by 2024, under Sanjay's leadership. NCML's work on capital allocation and business strategies should help it return to operating profitability in 2024. Our long term outlook on the opportunity in India's agriculture sector is strong. We believe that India is at an inflection point where it needs to significantly modernize its grain storage and transportation ecosystem. When undertaken, NCML will be the largest beneficiary of this reform, given its deep domain knowledge and wide geographical presence as the largest privately owned company in this sector.

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 six 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 $29.5 million. The second step, the purchase of an additional 16%, was completed in September 2022 for a further payment of $21.9 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 2023 by 19% over the previous year to $79.6 million. Maxop demonstrated resilient revenue growth in a global market impacted by reduced exports (due to uncertain economic conditions in North America and Europe, the Russia-Ukraine war, the war in the Middle East and the Red Sea shipping disruptions) 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. As a result, EBITDA increased 9% to $15.7 million, and net income remained flat at $6.0 million.

The fair value of Fairfax India's investment in Maxop increased to $56.7 million in 2023 from $51.9 million in 2022, implying a price to earnings of 14.7 times and a price to free cash flow of 7.6 times.

Growth outlook for the coming years remains strong through volumes from a significant new customer and new part nominations from other existing customers. Maxop has expanded capacities to meet the increased demand and set up a separate manufacturing facility to supply the new customer.

Maxop's growth potential looks very promising.

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 223,000 TEU (twenty-foot equivalent unit shipping containers) per annum and handled about 142,700 TEU in 2023, implying capacity utilization of about 64%. It has achieved a market share of about 13% at Mundra port, the second highest among all CFS there.

Under the able leadership of Raghav Agarwalla, Saurashtra produced good financial results in 2023, despite challenges in one of the divisions. Volume of containers handled increased by 14% to about 142,700 TEU, revenue decreased by 1% to $39.8 million, EBITDA increased by 23% to $12.3 million and net income increased 3% to $5.4 million. In 2023 Saurashtra generated an ROE of 19% versus 13% the previous year, generated $7.5 million of free cash and at year-end had a cash balance of $10.5 million and debt of $6.8 million.

Fairfreight Lines, the NVOCC (non-vessel operating common carrier) business that Saurashtra launched in 2017, after excellent results in 2022, softened in 2023 due to a drop in global ocean freight rates. Despite the drop in rates, the division remained profitable because of its small inventory size and operating cost rationalization. Container inventory remained relatively flat at around 1,200 dry boxes and over 1,700 tanks.

In 2017 Fairfax India invested $30.0 million to acquire a 51% interest in Saurashtra.

The fair value of Fairfax India's investment in Saurashtra decreased slightly to $50.6 million in 2023 from $50.7 million in 2022, implying a price to earnings of 18.4 times and a price to free cash flow of 13.2 times.

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.

Jaynix achieved several important goals in 2023:

- In a major development for Jaynix, it has received certification for a pilot UL lab and expects certification for a full 9,000 square foot UL lab at its plant in March 2024. This will enable it to de-bottleneck a significant impediment in its supply chain and also enable it to supply its after market products directly to retailers in North America.
- It doubled its production capacity for Lugs, its major product line.
- It was awarded the best supplier award by a major customer, Eaton.

In 2023 Jaynix's revenue increased 9% over the previous year to $36.3 million, while EBITDA and net profit remained flat around $11 million and $7 million, respectively, generating an ROE of 28%.

The fair value of Fairfax India's investment in Jaynix increased to $49.3 million in 2023 from $32.8 million in 2022, implying a price to earnings of 10.3 times and a price to free cash flow of 13.1 times.

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.

Jaynix's growth prospects are excellent.

Developments in India

In a global environment beset by geopolitical tension and uncertainty, India represents a bright spot. It is the fastest growing major economy and will account for over one-sixth of future global economic growth. With a projected annual growth rate hovering at 7%, India is the highest for a large economy. India is set for a remarkable run and is on pace to become the world's third largest economy within the next decade. As a consumption-led economy with a business-friendly government, India is in an excellent position to make transformative progress in the coming years. With the emergence of de-risking as a priority, many companies see India as an important location for diversification. The government has made this an area of focus by providing incentives for global corporations to make India their destination both to access the vast Indian market as well as to use it as a base to export to other countries.

India made history last year with its Moon mission, becoming the first country to land in the lunar south pole. India's inclusion into JP Morgan's emerging-market index is expected to have inflows approximating USD 40 billion, according to Goldman Sachs. India's rising geopolitical importance and global relevance was also evident in its hosting of the G-20 leaders' summit. 2023 was a landmark year, in which India became the fifth largest economy and the most populous nation.

Indian business leaders are upbeat about the future. Credit growth is strong, bad loans have declined significantly, and the banking sector is resilient. Companies have demonstrated robust financial performance, having deleveraged their balance sheets. In the agricultural sector, despite uneven monsoons, production of food grains has remained stable. Incentives for the manufacturing sector provide a significant potential to increase its share of the economy. The services sector continues to be buoyant, representing the largest share of GDP.

Over the last few years, the Indian economy has withstood various shocks: the pandemic, wars in Ukraine and the Middle East, and inflation emanating from spikes in oil, commodity, and food prices. During this period, the Indian economy has demonstrated exceptional resilience and growth. In 2023, its GDP per capita crossed USD 2,500 and, in many of its major urban centers, approached or crossed USD 10,000. India has become attractive for foreign direct investment (FDI) and a leader in adopting digital infrastructure. The Modi government has adopted technological platforms on a massive scale: Aadhaar (digital identity), Unified Payments Interface (digital payments) and Digilocker (vaccine certificates, tax documents). Internet connections across the country continue to increase, approaching nine hundred million.

The scale and scope of Indian social programs are unprecedented, such as those for financial inclusion. Over 500 million bank accounts have been opened in the last decade with government transfers going directly to the recipient and thereby reducing corruption. Similarly, access to tap water has been provided to 60% of rural households in India, with the goal of total coverage in the next year. These initiatives have made a material difference in the lives of Indians and lifted millions out of poverty.

A striking feature of India's growth is the rapid improvement in its physical infrastructure. Approximately 10,000 kilometers of highways were added in 2022, and the country has doubled the number of airports with civilian flights. Two carriers have placed large orders for new aircraft. Railway track construction has increased significantly and with surging passenger demand, a major expansion in the coming years is underway. Almost 3.3% of GDP is allocated towards infrastructure.

India has firmly moved into a top tier location for global investment. In her most recent Budget speech in February, the Finance Minister of India, Nirmala Sitharaman, stated that the FDI inflow in the last decade of USD 596 billion was twice that of the prior decade. In the last few years alone, the country has attracted investments from Apple, which plans to manufacture 25% of its iPhones from India, GE, Google, Boeing, Micron and AMD amongst others. India is well poised for future growth.

Over the past decade the Modi government has implemented numerous policy reforms, including a significant reduction in the corporate tax rate, the Goods and Services Tax, revisions to the Bankruptcy Code, massive allocations towards physical infrastructure, incentives to attract domestic and foreign manufacturing, and managing the country's energy transition, and it is on track to meet its fiscal deficit targets. India has become a vibrant start-up center, with over one hundred unicorns. The country's foreign exchange reserves in December 2023 exceeded USD 600 billion, providing a buffer to weather any further unexpected shocks. In Spring 2024, India will hold its national election with an eligible electorate of over nine hundred million. Prime Minister Modi will seek a third five-year mandate and is in a commanding position to obtain it.

As we end our first nine 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, McKinley Inglis, Victor Ma, Brad Van Hoffen, Kasi Rao and Nadir Patel. We would also like to thank our independent directors – Chris Hodgson, Satish Rai, Sharmila Karve, Bill McFarland, the Honourable Jason Kenney and Lauren Templeton – for their wise advice, support and encouragement. We acknowledge with much gratitude the role that Deepak Parekh has played – he retired this year, but will continue to be an advisor to us.

We are looking forward to connecting with you at our in-person and virtual annual meeting at 9:30 a.m. (Eastern time) on April 10, 2024.

March 8, 2024

Chandran Ratnaswami
Chief Executive Officer

V. P. Watsa

V. Prem Watsa
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 8, 2024

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, 2023 and 2022, 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 Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2023 and 2022;
- 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, comprising material accounting policy information 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, 2023. 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	How our audit addressed the key audit matter
Valuation of certain Private Indian Investments – common stocks valued using discounted cash flow analyses *Refer to note 3 – Summary of Material 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 $2,486 million as at December 31, 2023, of which a portion related to common stocks was valued by management using discounted cash flow analyses that use significant unobservable inputs. Significant unobservable inputs may include after-tax discount rates, long term growth rates and multi-year free cash flow forecasts prepared by investee management. Management applies significant judgment in determining after-tax discount rates and long term growth rates. We considered this a key audit matter due to (i) the significance of certain Private Indian Investments – common stocks valued by management using discounted cash flow analyses that use significant unobservable inputs and (ii) the significant judgment required by management when determining the fair value estimates of these Private Indian Investments – common stocks, including the determination of significant unobservable inputs such as after-tax discount rates and long term growth rates. There was also a high degree of auditor subjectivity, judgment and audit effort in performing procedures relating to the valuation of these investments, including the assessment of significant unobservable inputs. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the fair values of certain Private Indian Investments – common stocks valued using discounted cash flow analyses that use significant unobservable inputs, which included the following: • Tested the reasonableness of the multi-year free cash flow forecasts prepared by investees' management used in the discounted cash flow analyses by considering consistency with, as applicable: – current and past performance of the particular investment; and – relevant external market and industry data. • Tested the mathematical accuracy of the discounted cash flow analyses. • Professionals with specialized skill and knowledge in the field of valuation assisted in: – assessing the appropriateness of the methodology used in management's discounted cash flow analyses; and – assessing the reasonableness of the after-tax discount rates and long term growth rates used in management's discounted cash flow analyses and testing the underlying data. • 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 Accounting Standards, 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 8, 2024

Consolidated Financial Statements

Consolidated Balance Sheets
as at December 31, 2023 and December 31, 2022
(US$ thousands)

	Notes	December 31, 2023	December 31, 2022
Assets			
Cash and cash equivalents	6, 15	174,615	147,448
Short term investments	6	–	49,692
Bonds	5, 6	63,263	140,693
Common stocks	5, 6	3,581,043	3,020,223
Total cash and investments		3,818,921	3,358,056
Interest receivable		1,367	5,599
Income taxes refundable	10	220	1,012
Other assets		1,027	902
Total assets		3,821,535	3,365,569
Liabilities			
Accounts payable and accrued liabilities		912	1,143
Accrued interest expense	7, 12	8,611	8,611
Income taxes payable	10	–	331
Payable to related parties	12	120,858	50,851
Deferred income taxes	10	108,553	50,554
Borrowings	7, 12	497,827	497,306
Total liabilities		736,761	608,796
Equity	8		
Common shareholders' equity		2,958,718	2,642,036
Non-controlling interests		126,056	114,737
Total equity		3,084,774	2,756,773
		3,821,535	3,365,569

See accompanying notes.

Signed on behalf of the Board

V. P. Watsa
Director

Director

Consolidated Statements of Earnings
for the years ended December 31, 2023 and 2022
(US$ thousands except per share amounts)

	Notes	2023	2022
Income			
Interest	6	16,833	11,353
Dividends	6	28,831	23,985
Net realized gains on investments	6	193,203	95,882
Net change in unrealized gains on investments	6	361,702	153,656
Net foreign exchange losses	6	(1,713)	(47,350)
		598,856	237,526
Expenses			
Investment and advisory fees	12	39,382	38,988
Performance fee (recovery)	12	69,385	(36,428)
General and administration expenses	14	12,672	13,470
Interest expense	7	25,521	25,521
		146,960	41,551
Earnings before income taxes		451,896	195,975
Provision for income taxes	10	68,050	4,487
Net earnings		383,846	191,488
Attributable to:			
Shareholders of Fairfax India		371,770	191,439
Non-controlling interests		12,076	49
		383,846	191,488
Net earnings per share	9	$ 2.72	$ 1.38
Net earnings per diluted share	9	$ 2.72	$ 1.34
Shares outstanding (weighted average)	9	136,818,139	139,066,682

See accompanying notes.

Consolidated Statements of Comprehensive Income (Loss)
for the years ended December 31, 2023 and 2022
(US$ thousands)

	2023	2022
Net earnings	383,846	191,488
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 (2022 – nil)	(18,614)	(301,507)
Other comprehensive loss, net of income taxes	(18,614)	(301,507)
Comprehensive income (loss)	365,232	(110,019)
Attributable to:		
Shareholders of Fairfax India	353,913	(97,114)
Non-controlling interests	11,319	(12,905)
	365,232	(110,019)

See accompanying notes.

Consolidated Statements of Changes in Equity

for the years ended December 31, 2023 and 2022
(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, 2023	1,143,368	300,000	(379)	1,810,723	(611,676)	2,642,036	114,737	2,756,773
Net earnings for the year	–	–	–	371,770	–	371,770	12,076	383,846
Other comprehensive loss:								
Unrealized foreign currency translation losses	–	–	–	–	(17,857)	(17,857)	(757)	(18,614)
Purchases for cancellation (note 8)	(30,221)	–	–	(7,025)	–	(37,246)	–	(37,246)
Purchases and amortization	–	–	15	–	–	15	–	15
Balance as of December 31, 2023	1,113,147	300,000	(364)	2,175,468	(629,533)	2,958,718	126,056	3,084,774
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

See accompanying notes.

Consolidated Statements of Cash Flows
for the years ended December 31, 2023 and 2022
(US$ thousands)

	Notes	2023	2022
Operating activities			
Net earnings		383,846	191,488
Items not affecting cash and cash equivalents:			
Net bond premium (discount) amortization		(2,282)	1,011
Performance fee (recovery)	12	69,385	(36,428)
Deferred income taxes	10	58,731	(23,076)
Amortization of share-based payment awards		58	49
Net realized gains on investments	6	(193,203)	(95,882)
Net change in unrealized gains on investments	6	(361,702)	(153,656)
Net foreign exchange losses	6	1,713	47,350
Net sales (purchases) of short term investments		51,712	(43,385)
Purchases of investments	15	(330,608)	(184,293)
Sales of investments	15	384,508	448,811
Changes in operating assets and liabilities:			
Interest receivable		806	(844)
Income taxes refundable		792	(66)
Income taxes payable		(332)	349
Payable to related parties		1,402	(27)
Other		1,784	943
Cash provided by operating activities		66,610	152,344
Financing activities			
Subordinate voting shares:			
Purchases for cancellation	8	(37,246)	(35,582)
Cash used in financing activities		(37,246)	(35,582)
Increase in cash and cash equivalents		29,364	116,762
Cash and cash equivalents – beginning of year		147,448	30,376
Foreign currency translation		(2,197)	310
Cash and cash equivalents – end of year	15	174,615	147,448

See accompanying notes.

Index to Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements
for the years ended December 31, 2023 and 2022
(in US$ and thousands except share and per share amounts and as otherwise indicated)

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 consolidated 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 consolidated 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, 2023 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). The company has determined that it continues to meet the definition of an investment entity under IFRS Accounting Standards (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, and borrowings, 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 8, 2024.

3. Summary of Material 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 monetize 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"), Maxop Engineering Company Private Limited ("Maxop"), Saurashtra Freight Private Limited ("Saurashtra") 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 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 Accounting Standards 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"). On December 15, 2023, in accordance with the terms of the Investment Advisory Agreement, Fairfax elected to receive payment of the performance fee for the third calculation period in cash.

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 2023

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

The amendments to IAS 12 *Income Taxes* clarify how companies account for deferred tax on transactions that give rise to equal taxable and deductible temporary differences. Adoption of the amendments on January 1, 2023 in accordance with the applicable transition provisions did not have a significant impact on the company's consolidated financial statements.

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

The amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* help entities decide which accounting policies to disclose in their financial statements. Adoption of these amendments on January 1, 2023 did not have a significant impact on the company's consolidated financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

The amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* help entities distinguish between accounting policies and accounting estimates. Prospective adoption of these amendments on January 1, 2023 did not have a significant impact on the company's consolidated financial statements.

International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)

On May 23, 2023 the IASB issued amendments to IAS 12 *Income Taxes* to provide temporary relief from accounting and disclosure for deferred taxes arising from the implementation of Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD). The Pillar Two model rules provide a general framework for the implementation of a 15% global minimum tax, which is to be applied on a jurisdiction-by-jurisdiction basis. The company retrospectively adopted this amendment during the second quarter of 2023 and applied the exception to recognizing and disclosing deferred taxes related to Pillar Two income taxes.

In August 2023, Canada released draft legislation in respect of certain aspects of Pillar Two for public consultation. Although it is intended for Canada's principal Pillar Two rules to take effect on January 1, 2024, Canada has not yet enacted or substantively enacted Pillar Two legislation. The other principal jurisdictions in which Fairfax India operates – India and Mauritius – have not introduced any detailed Pillar Two legislation at this time.

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, 2023. The company does not expect to adopt any of them in advance of their respective effective dates.

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 amendments are not expected to have a significant impact on the company's 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 amendments are not expected to have a significant impact on the company's consolidated financial statements.

Lack of Exchangeability (Amendments to IAS 21)

On August 15, 2023 the IASB issued *Lack of Exchangeability* (Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*) to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the effects, risks, estimated rates and techniques used when a currency is not exchangeable. The amendments apply for annual reporting periods beginning on or after January 1, 2025 with early application permitted. When applying the amendments, an entity is not permitted to restate comparative information and instead required to translate the affected amounts at estimated spot exchange rates at the date of initial application, with an adjustment to retained earnings (if between foreign and functional currency) or to the reserve for cumulative translation differences (if between functional and presentation currency). The amendments are not expected to have a significant impact on the company's 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.

While the company's valuation techniques for Private Indian Investments remained principally unchanged during 2023, consideration has been given to the current economic and market environment in the determination of unobservable inputs used in discounted cash flows, including the amount and timing of future cash flows prepared by investees' management, discount rates, growth rates and other inputs. Economic considerations include the effects of supply chain disruptions prolonged by recent geopolitical events, and actions taken by central banks across the world in response to inflationary pressures. 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, 2023.

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 64.0% 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, 2023, 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 2023 is as follows:

	2023							
	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(2)	493,341	–	(177,324)	–	177,324	(79,044)	(2,146)	412,151
CSB Bank	223,268	–	–	–	–	188,770	(2,703)	409,335
IIFL Securities	65,837	–	–	–	–	82,598	(998)	147,437
Fairchem Organics	111,083	–	–	–	–	(7,495)	(590)	102,998
5paisa	28,421	–	–	–	–	24,052	(344)	52,129
Other	15,577	–	(13,447)	–	6,403	(5,869)	87	2,751
360 ONE (formerly IIFL Wealth)	46,730	–	(45,974)	–	16,551	(17,727)	420	–
Total Public Indian Investments	984,257	–	(236,745)	–	200,278	185,285	(6,274)	1,126,801
Private Indian Investments:								
Common stocks:								
BIAL	1,233,747	250,000	–	–	–	125,033	(8,792)	1,599,988
Sanmar	337,846	–	–	–	–	(33,249)	(1,716)	302,881
NSE	159,627	–	–	–	–	30,141	(1,153)	188,615
Seven Islands	96,910	–	–	–	–	46,841	(912)	142,839
Maxop	51,886	–	–	–	–	5,128	(340)	56,674
Saurashtra	50,707	–	–	–	–	139	(295)	50,551
NCML(3)	56,871	9,824	–	–	–	(16,056)	(312)	50,327
Jaynix	32,796	–	–	–	–	16,797	(316)	49,277
IH Fund	15,576	–	(2,444)	–	–	40	(82)	13,090
Other Indian Fixed Income(3)(4)	19,585	24,013	(6,399)	412	(5,803)	(399)	60	31,469
Total Private Indian Investments	2,055,551	283,837	(8,843)	412	(5,803)	174,415	(13,858)	2,485,711
Total Indian Investments	3,039,808	283,837	(245,588)	412	194,475	359,700	(20,132)	3,612,512

(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 investments held at the end of the reporting period with the exception of net change in unrealized losses of $399 related to the reversal of prior period unrealized gains on the NCML CCD included in Other Indian Fixed Income. Net change in unrealized gains related to common shares of CSB Bank classified as Level 3 was $152,049.*

(2) *As a result of past spin offs of 5paisa, IIFL Securities and 360 ONE (formerly IIFL Wealth) at their respective fair values, the company's cost basis of IIFL Finance is nil. Accordingly, all proceeds from sales of IIFL Finance common shares during 2023 were reflected as realized gains.*

(3) *On March 31, 2023, the company exercised its option to convert the NCML CCD (included within Other Indian Fixed Income) into NCML common shares. The NCML common shares were recognized at a fair value of $6,399 (525.8 million Indian rupees), which resulted in a realized loss on the NCML CCD of $5,803. In May 2023, NCML issued additional common shares to the company to settle accrued interest related to the NCML CCD, which the company recorded at a fair value of $3,425 (283.2 million Indian rupees).*

(4) *On November 9, 2023, the company invested $24,013 (2.0 billion Indian rupees) in unsecured NCML non-convertible debentures ("NCML NCD") due November 8, 2028.*

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
CSB Bank	227,649	–	–	–	–	19,713	(24,094)	223,268
Fairchem Organics	155,020	–	(25)	–	20	(29,704)	(14,228)	111,083
IIFL Securities	103,217	–	–	–	–	(28,338)	(9,042)	65,837
360 ONE (formerly IIFL Wealth)(2)	230,111	–	(197,491)	–	63,799	(29,355)	(20,334)	46,730
5paisa	41,232	–	–	–	–	(9,086)	(3,725)	28,421
Other	69,612	3,386	(68,284)	–	33,399	(19,041)	(3,495)	15,577
Privi Speciality	79	–	(83)	–	79	(74)	(1)	–
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
NSE	111,216	–	–	–	–	62,869	(14,458)	159,627
Seven Islands	105,926	–	–	–	–	1,823	(10,839)	96,910
NCML	69,578	–	–	–	–	(5,947)	(6,760)	56,871
Maxop	29,844	21,928	–	–	–	4,125	(4,011)	51,886
Saurashtra	47,157	–	–	–	–	8,779	(5,229)	50,707
Jaynix	–	32,504	–	–	–	3,349	(3,057)	32,796
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 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 (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 (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 included a reversal of prior period unrealized gains on 360 ONE of $39,261.*

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, 2023		December 31, 2022	
Public Indian Investments:	**Industry**	**Shares held**	**Ownership**	**Shares held**	**Ownership**
Common stocks:					
IIFL Finance Limited ("IIFL Finance")	Financial services	57,641,445	15.1%	84,641,445	22.3%
CSB Bank Limited ("CSB Bank")(1)	Financial services	86,262,976	49.7%	86,262,976	49.7%
IIFL Securities Limited ("IIFL Securities")	Financial services	84,641,445	27.5%	84,641,445	27.8%
Fairchem Organics Limited ("Fairchem Organics")	Commercial and industrial	6,878,656	52.8%	6,878,656	52.8%
5paisa Capital Limited ("5paisa")	Financial services	7,670,130	24.6%	7,670,130	25.0%
Other(2)	Various(2)	–	< 1.0%	–	< 1.0%
360 ONE WAM Limited ("360 ONE") (formerly IIFL Wealth Management Limited)	Financial services	–	–%	2,182,749	2.5%

(1) *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, 2023 and 2022 the company held 69,394,331 common shares of CSB Bank that continue to be restricted until August 7, 2024. The company is also subject to a dilution schedule from the RBI, requiring the company to bring down its shareholding in CSB Bank to 40.0% within 5 years, 30.0% within 10 years, and 26.0% within 15 years of the initial investment date.*

(2) *At December 31, 2023 Other Public Indian Investments was comprised of an investment of less than 1.0% equity interest in the financial services sector (December 31, 2022 – investments of less than 1.0% equity interest in the financial services and utilities sectors).*

The changes in fair value of the company's Public Indian Investments in 2023 and 2022 are presented in the tables disclosed earlier in note 5.

Subsequent to December 31, 2023

On March 4, 2024 the RBI ordered IIFL Finance to immediately cease the sanctioning and disbursing of gold loans, in connection with the results of an inspection which identified material supervisory concerns related to IIFL Finance's gold loan portfolio ("RBI Order"). The duration of supervisory restrictions will be subject to the completion of a special audit by the RBI and the rectification of findings to the RBI's satisfaction. As a result of the announcement, IIFL Finance's share price decreased by 29.8%, representing an unrealized loss on the company's investment in IIFL Finance for the period from December 31, 2023 to March 8, 2024 of approximately $123 million.

On March 6, 2024, in response to the liquidity concerns of IIFL Finance's stakeholders arising from the RBI Order, the company committed to provide liquidity support to IIFL Finance of up to $200.0 million on terms to be mutually agreed. Any investment terms agreed upon will be subject to applicable laws and regulatory approvals.

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 2023 and 2022 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 May 9, 2023 Fairfax India entered into an agreement with Siemens Project Ventures GmbH ("Siemens"), a part of Siemens Financial Services and one of the original investors in the public-private partnership, to acquire an additional 10.0% equity interest in BIAL through FIH Mauritius in two transactions:

- June 21, 2023 – the company acquired a 3.0% equity interest in BIAL for cash of $75,000 (6.2 billion Indian rupees).
- December 12, 2023 – the company acquired an additional 7.0% equity interest in BIAL for cash of $175,000 (14.6 billion Indian rupees).

The transaction implies a fair value for 100% of BIAL at approximately $2.5 billion (approximately 208.0 billion Indian rupees), which is supported by the discounted cash flow analysis described below.

At December 31, 2023 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 16.9% and a long term growth rate of 3.5% (December 31, 2022 – 12.4% to 16.1%, and 3.5%, respectively). At December 31, 2023 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 2023 and for one business unit, the fourth quarter of 2022 (December 31, 2022 – second quarter of 2022 for two business units and fourth quarter of 2022 for one business unit) 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 if significant delays in construction and development activities occur, the fair value of the company's investment in BIAL may be negatively impacted.

Current Model Assumptions

Free cash flow forecasts were revised by BIAL's management in 2023 to primarily reflect: (i) changes in the timing of capital expenditures including delayed spending on BIAL's Terminal 2 from fiscal year 2023 to fiscal year 2024 and increased spending in fiscal years 2025 and 2026 as a result of planned Terminal 1 upgrades; (ii) higher user development fees ("UDF") in the fourth control period commencing in BIAL's fiscal year 2027; and (iii) an increase in passenger traffic for fiscal year 2024. BIAL's Terminal 2 commenced domestic operations on January 15, 2023 and international operations commenced on September 12, 2023. Free cash flow forecasts continue to reflect BIAL's real estate development plans, which include expanded asset classes, a timeline for development and a financing strategy.

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.

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, 2023 the company held a 64.0% equity interest in BIAL (December 31, 2022 – 54.0%) and its internal valuation model indicated that the fair value of the company's investment in BIAL was $1,599,988 (December 31, 2022 – $1,233,747), which approximates the equity valuation of BIAL implied by the Siemens transaction discussed above.

At December 31, 2023 the company held 43.6% out of its 64.0% (December 31, 2022 – 43.6% out of its 54.0%) equity interest in BIAL through Anchorage. As a result, the company's fully-diluted equity interest in BIAL was 59.0% (December 31, 2022 – 49.0%). Refer to note 8 (Total Equity, under the heading Non-controlling interests) for further discussion on Anchorage.

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.

Chemplast Sanmar Limited ("Chemplast"), a publicly traded subsidiary of the Sanmar group, 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 and represented 74% of the fair value of Sanmar at December 31, 2023 (December 31, 2022 – 61%).

At December 31, 2023 the company estimated the fair value of its investment in Sanmar 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 11.0% and a long term growth rate of 3.0% (December 31, 2022 – 13.2% and 3.0%, respectively); and (ii) the unadjusted bid price of Chemplast's common shares. At December 31, 2023 free cash flow forecasts were based on EBITDA estimates derived from financial information for Sanmar Egypt prepared in the third quarter of 2023 (December 31, 2022 – fourth quarter of 2022) by Sanmar's management.

Free Cash Flow Forecast Inputs

The primary driver of free cash flow estimates is the future prices of petrochemical products. If the prices of petrochemical products do not develop favourably in future periods, the fair value of the company's investment in Sanmar may be negatively impacted.

Current Model Assumptions

Free cash flow forecasts for Sanmar Egypt were revised by Sanmar's management in 2023 primarily to reflect: (i) lower margins due to continued pressure on PVC prices over the forecast period as a result of weak demand recovery in China; (ii) a shift to export markets as a result of the devaluation of the Egyptian pound; and (iii) downward revision of Egyptian export incentives. The revised forecasts continue to expect prices of caustic soda to normalize in the medium to long term from the all-time highs experienced in fiscal year 2023.

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, 2023 the company held a 42.9% equity interest in Sanmar (December 31, 2022 – 42.9%) and its internal valuation model indicated that the fair value of the company's investment in Sanmar was $302,881 (December 31, 2022 – $337,846).

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.

During the fourth quarter of 2023 the company entered into two agreements to sell, in aggregate, 78.0% of its equity interest in NSE for gross proceeds of approximately $147 million based on period end exchange rates (12.2 billion Indian rupees). The agreements represented transactions at fair value with 360 ONE (formerly IIFL Wealth) and IIFL Securities. At December 31, 2023 the sales were subject to customary closing conditions.

At December 31, 2023 the company held a 1.0% equity interest in NSE (December 31, 2022 – 1.0%) with an estimated fair value of $188,615 (December 31, 2022 – $159,627) based on the transaction price for the sales described above (December 31, 2022 – based on third party transactions completed in the fourth quarter of 2022).

Subsequent to December 31, 2023

On January 29, 2024 the company completed the sale of 70.1% of its equity interest in NSE for gross proceeds of $132,265 (11.0 billion Indian rupees). In February 2024 the company entered into two additional agreements to sell its remaining interest in NSE for gross proceeds of approximately $42 million (3.5 billion Indian rupees). The remaining sales are subject to customary closing conditions and are expected to be completed in the first quarter of 2024.

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, 2023 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 15.7% and a long term growth rate of 3.0% (December 31, 2022 – 12.2% and 3.0%, respectively). At December 31, 2023 free cash flow forecasts were based on EBITDA estimates derived from financial information for Seven Islands prepared in the third quarter of 2023 (December 31, 2022 – third quarter of 2022) by Seven Islands' management.

Free Cash Flow Forecast Inputs

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

Current Model Assumptions

Free cash flows were revised by Seven Islands' management in 2023 primarily to reflect: (i) higher EBITDA margins over the forecast period supported by higher charter rates; and (ii) earlier sales of certain vessels at favourable rates in response to selling restrictions on older vessels imposed by the Indian government. Upward revisions to free cash flows were partially offset by higher expansionary capital expenditures due to a continued shortage of vessels. 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.

Seven Islands' net debt decreased during 2023 as a result of strong operating results, partially offset by dividends paid during the year, which had a favourable impact on its fair value.

At December 31, 2023 the company held a 48.5% equity interest in Seven Islands (December 31, 2022 – 48.5%) and its internal valuation model indicated that the fair value of the company's investment in Seven Islands was $142,839 (December 31, 2022 – $96,910).

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 5, 2022 the company invested cash of $21,928 (1.8 billion Indian rupees) for an additional 16.0% equity interest in Maxop, completing the second and final transaction under the terms of an investment agreement entered into in September 2021. In aggregate, the company acquired a 67.0% equity interest in Maxop for $51,448 (4.0 billion Indian rupees).

At December 31, 2023 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 14.2% and a long term growth rate of 4.0% (December 31, 2022 – 14.9% and 4.0% respectively). At December 31, 2023 free cash flow forecasts were based on EBITDA estimates derived from financial information for Maxop prepared in the fourth quarter of 2023 (December 31, 2022 – fourth quarter of 2022) by Maxop's management.

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 were revised by Maxop's management in 2023 primarily to reflect: (i) revenue growth from new customer contracts, requiring additional capital expenditures; and (ii) decreased EBITDA margins in the short term due to customer-specific onboarding and process customization costs. 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, 2023 the company held a 67.0% equity interest in Maxop (December 31, 2022 – 67.0%) and its internal valuation model indicated that the fair value of the company's investment in Maxop was $56,674 (December 31, 2022 – $51,886).

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 to importers and exporters to transport cargo.

At December 31, 2023 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 16.2% to 18.0% and long term growth rates ranging from 4.0% to 5.0% (December 31, 2022 – 17.8% to 19.5%, and 4.0% to 5.0%, respectively). At December 31, 2023 free cash flow forecasts were based on EBITDA estimates derived from financial information for Saurashtra's two business units prepared in the fourth quarter of 2023 (December 31, 2022 – third quarter of 2022) 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 2023 primarily to reflect: (i) higher EBITDA forecasts due to improved operating efficiencies and higher utilization at the CFS business, partially offset by a decrease in export revenues; (ii) lower revenue and EBITDA forecasts for Fairfreight Lines in the near term due to lower ocean freight rates, which are expected to recover in the medium term; and (iii) reduced capital expenditures 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 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.

Saurashtra's net cash decreased during 2023 as a result of dividends paid during the year, which decreased its fair value.

At December 31, 2023 the company held a 51.0% equity interest in Saurashtra (December 31, 2022 – 51.0%) and its internal valuation model indicated that the fair value of the company's investment in Saurashtra was $50,551 (December 31, 2022 – $50,707).

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

On March 31, 2023 the company converted its investment in 12.5% unsecured compulsorily convertible debentures originally issued by NCML in 2019 ("NCML CCD") into NCML common shares with a fair value of $6,399 (525.8 million Indian rupees). As a result, the company recorded a realized loss on the NCML CCD of $5,803. In May 2023, NCML issued additional common shares to the company to settle accrued interest related to the NCML CCD, which the company recorded at a fair value of $3,425 (283.2 million Indian rupees). As a result of the above transactions, the company's equity interest in NCML increased from 89.5% to 91.0%.

At December 31, 2022 the fair value of the company's investment in the NCML CCD was $12,517 and was presented within Other Indian Fixed Income within the tables disclosed earlier in note 5. At December 31, 2022 the company accrued $3,944 in interest receivable related to the NCML CCD.

At December 31, 2023 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 for two business units with assumed after-tax discount rates ranging from 11.9% to 12.0% and long term growth rates ranging from 2.4% to 5.0% (December 31, 2022 – 12.1% to 12.2%, 2.4% to 6.0%, respectively); and (ii) an adjusted net book value approach for its NBFC business unit. At December 31, 2023 free cash flow forecasts were based on EBITDA estimates derived from financial information for two business units prepared in the third quarter of 2023 (December 31, 2022 – third quarter of 2022) by NCML's management.

Free Cash Flow Forecast Inputs

The primary drivers of free cash flow estimates are warehouse utilization and successful completion of silo construction projects.

Current Model Assumptions

Free cash flow forecasts were revised by NCML's management in 2023 to primarily reflect: (i) lower forecasted EBITDA across all segments, primarily due to unfavourable market conditions; and (ii) settlement of NCML's external debt at a significant discount to par value, reducing pressure on NCML to sell warehousing assets. Revised forecasts continued to reflect the substantial completion of remaining silo projects in fiscal year 2024.

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. The long term growth rate for NCML's warehousing business unit was lowered during 2023 to reflect suppressed demand due to sustained commodity price inflation.

At December 31, 2023 the company held a 91.0% equity interest in NCML (December 31, 2022 – 89.5%) and its internal valuation model indicated that the fair value of the company's equity investment in NCML was $50,327 (December 31, 2022 – $56,871).

NCML Non-convertible Debentures

On November 9, 2023 the company invested $24,013 (2.0 billion Indian rupees) in 9.47% unsecured non-convertible debentures ("NCML NCD"), due November 8, 2028.

At December 31, 2023 the fair value of the company's investment in the NCML NCD of $24,034 (including a deferred loss of $3,631) was based on a discounted cash flow analysis using an estimate of NCML's credit spread, and is presented within Other Indian Fixed Income within the table disclosed earlier in note 5.

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 of $32,504 (2.5 billion Indian rupees) for a 70.0% equity interest in Jaynix.

At December 31, 2023 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 28.3% and a long term growth rate of 1.5% (December 31, 2022 – 21.6% and 1.5% respectively). At December 31, 2023 free cash flow forecasts were based on EBITDA estimates derived from financial information for Jaynix prepared in the fourth quarter of 2023 (December 31, 2022 – 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, supported by planned capacity expansion, development of new products, acquisition of new customers, and growing long term relationships with existing customers.

Current Model Assumptions

Free cash flows were revised by Jaynix's management in 2023 primarily to reflect: (i) revenue growth over the forecast period, supported by planned capacity expansions with high fixed asset turnover; (ii) introduction of new products currently in development in the medium term; and (iii) improved EBITDA margins over the forecast period, consistent with levels achieved in fiscal years 2022 and 2023. 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, 2023 the company held a 70.0% equity interest in Jaynix (December 31, 2022 – 70.0%) and its internal valuation model indicated that the fair value of the company's investment in Jaynix was $49,277 (December 31, 2022 – $32,796).

Investment in India Housing Fund

India Housing Fund ("IH Fund") is a closed-ended fund of 360 ONE Private Equity Fund (formerly IIFL Private Equity Fund) 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 2023 the company received distributions of $2,444 (2022 – $5,909) from IH Fund.

At December 31, 2023 the company estimated the fair value of its investment in IH Fund of $13,090 (December 31, 2022 – $15,576) 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, 2023					December 31, 2022				
	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	174,615	–	–	174,615	14,530	147,448	–	–	147,448	12,198
Short term investments:										
U.S. treasury[1]	–	–	–	–	–	49,692	–	–	49,692	4,111
	–	–	–	–	–	49,692	–	–	49,692	4,111
Bonds:										
Government of India[1]	–	31,794	–	31,794	2,646	–	121,108	–	121,108	10,019
Other Indian Fixed Income[2]	–	–	31,469	31,469	2,619	–	–	19,585	19,585	1,621
	–	31,794	31,469	63,263	5,265	–	121,108	19,585	140,693	11,640
Common stocks:										
IIFL Finance	412,151	–	–	412,151	34,297	493,341	–	–	493,341	40,814
CSB Bank[3]	84,735	–	324,600	409,335	34,062	48,569	–	174,699	223,268	18,471
IIFL Securities	147,437	–	–	147,437	12,269	65,837	–	–	65,837	5,447
Fairchem Organics	102,998	–	–	102,998	8,571	111,083	–	–	111,083	9,190
5paisa	52,129	–	–	52,129	4,338	28,421	–	–	28,421	2,351
Other	2,751	–	–	2,751	229	15,577	–	–	15,577	1,288
360 ONE (formerly IIFL Wealth)	–	–	–	–	–	46,730	–	–	46,730	3,866
BIAL	–	–	1,599,988	1,599,988	133,141	–	–	1,233,747	1,233,747	102,068
Sanmar[4]	–	–	302,881	302,881	25,204	–	–	337,846	337,846	27,950
NSE[5]	–	–	188,615	188,615	15,695	–	–	159,627	159,627	13,206
Seven Islands	–	–	142,839	142,839	11,886	–	–	96,910	96,910	8,017
Maxop	–	–	56,674	56,674	4,716	–	–	51,886	51,886	4,293
Saurashtra	–	–	50,551	50,551	4,206	–	–	50,707	50,707	4,195
NCML	–	–	50,327	50,327	4,188	–	–	56,871	56,871	4,705
Jaynix	–	–	49,277	49,277	4,101	–	–	32,796	32,796	2,713
IH Fund	–	–	13,090	13,090	1,089	–	–	15,576	15,576	1,289
	802,201	–	2,778,842	3,581,043	297,992	809,558	–	2,210,665	3,020,223	249,863
Total cash and investments	976,816	31,794	2,810,311	3,818,921	317,787	1,006,698	121,108	2,230,250	3,358,056	277,812
	25.6%	0.8%	73.6%	100.0%	100.0%	30.0%	3.6%	66.4%	100.0%	100.0%

(1) Priced based on information provided by independent pricing service providers at December 31, 2023 and 2022. Short term investments relate to government treasury bills maturing between three and twelve months from the date of purchase.

(2) At December 31, 2023, Other Indian Fixed Income included a deferred loss of \$3,631 related to the NCML NCD (December 31, 2022 – nil).

(3) 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, 2023 and 2022.

(4) The fair value of Chemplast, a publicly traded subsidiary of Sanmar, represented 74% of the company's investment in Sanmar at December 31, 2023 (December 31, 2022 – 61%).

(5) During the fourth quarter of 2023 the company entered into agreements to sell 78.0% of its equity interest in NSE. As such, on December 31, 2023 NSE's estimated fair value was based on the transaction price of the sales.

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

During 2023 there were no transfers of financial instruments between fair value hierarchy levels. 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.

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													
	2023							2022						
Indian rupees *(in millions)*	**Balance as of January 1**	**Purchases**	**Sales**	**Amortization**	**Net realized losses on investments**	**Net change in unrealized gains (losses) on investments**	**Balance as of December 31**	**Balance as of January 1**	**Purchases**	**Sales**	**Transfers**	**Amortization**	**Net change in unrealized gains (losses) on investments**	**Balance as of December 31**
Common stocks:														
BIAL	102,068	20,746	–	–	–	10,327	133,141	102,001	–	–	–	–	67	102,068
CSB Bank	14,453	–	–	–	–	12,558	27,011	12,962	–	–	–	–	1,491	14,453
Sanmar	27,950	–	–	–	–	(2,746)	25,204	31,307	–	–	–	–	(3,357)	27,950
NSE	13,206	–	–	–	–	2,489	15,695	8,267	–	–	–	–	4,939	13,206
Seven Islands	8,017	–	–	–	–	3,869	11,886	7,874	–	–	–	–	143	8,017
Maxop	4,293	–	–	–	–	423	4,716	2,218	1,750	–	–	–	325	4,293
Saurashtra	4,195	–	–	–	–	11	4,206	3,506	–	–	–	–	689	4,195
NCML	4,705	809	–	–	–	(1,326)	4,188	5,172	–	–	–	–	(467)	4,705
Jaynix	2,713	–	–	–	–	1,388	4,101	–	2,450	–	–	–	263	2,713
IH Fund	1,289	–	(203)	–	–	3	1,089	1,755	–	(472)	–	–	6	1,289
5paisa	–	–	–	–	–	–	–	328	–	–	(328)	–	–	–
Other Indian Fixed Income	1,621	2,000	(526)	34	(477)	(33)	2,619	1,642	–	–	–	31	(52)	1,621
Total	184,510	23,555	(729)	34	(477)	26,963	233,856	177,032	4,200	(472)	(328)	31	4,047	184,510

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 investments held at the end of the reporting periods, with the exception of net change in unrealized losses of 33 million Indian rupees related to the reversal of prior period unrealized gains on the NCML CCD included in Other Indian Fixed Income.

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, 2023. 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 and IH Fund, as the company determined that there were no significant unobservable inputs suited for a sensitivity analysis. Additionally, significant unobservable inputs pertaining to Other Indian Fixed Income relate to individual issuer credit spreads, where an increase (decrease) in credit spreads would generally result in a lower (higher) fair value of the underlying investment, as reflected in note 11 (Financial Risk Management, under the heading Interest Rate Risk).

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	$1,599,988	Discounted cash flow	After-tax discount rate	12.4% to 16.9%	(361,816) / 462,946	(313,875) / 401,606
			Long term growth rate	3.5%	28,673 / (27,117)	24,874 / (23,524)
CSB Bank[(3)]	$ 324,600	Bid price, net of discount	Discount for lack of marketability	6.9%	(2,603) / 2,599	(2,258) / 2,255
Sanmar[(4)]	$ 302,881	Discounted cash flow	After-tax discount rate	11.0%	(45,186) / 57,845	(39,199) / 50,180
			Long term growth rate	3.0%	9,552 / (8,976)	8,286 / (7,787)
Seven Islands	$ 142,839	Discounted cash flow	After-tax discount rate	15.7%	(12,985) / 15,231	(11,264) / 13,213
			Long term growth rate	3.0%	2,275 / (2,187)	1,973 / (1,898)
Maxop	$ 56,674	Discounted cash flow	After-tax discount rate	14.2%	(7,143) / 8,723	(6,197) / 7,567
			Long term growth rate	4.0%	1,442 / (1,373)	1,251 / (1,191)
Saurashtra	$ 50,551	Discounted cash flow	After-tax discount rate	16.2% to 18.0%	(3,484) / 4,092	(3,022) / 3,550
			Long term growth rate	4.0% to 5.0%	622 / (599)	540 / (519)
NCML[(5)]	$ 50,327	Discounted cash flow	After-tax discount rate	11.9% to 12.0%	(9,992) / 12,970	(8,668) / 11,251
			Long term growth rate	2.4% to 5.0%	1,820 / (1,698)	1,578 / (1,473)
Jaynix	$ 49,277	Discounted cash flow	After-tax discount rate	28.3%	(2,226) / 2,419	(1,931) / 2,098
			Long term growth rate	1.5%	224 / (220)	194 / (191)

(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) *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.*

(4) *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 the fair value of Sanmar of $22,415, and an increase or decrease in net earnings of $19,445.*

(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. At December 31, 2023 and 2022 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 reflects net sales of Government of India bonds to fund the company's additional equity investment in BIAL. The decrease in bonds due after 5 years through 10 years reflects the early conversion of the NCML CCD into NCML common shares.

	December 31, 2023		December 31, 2022	
	Amortized cost	Fair value	Amortized cost	Fair value
Due in 1 year or less	–	–	6,681	6,622
Due after 1 year through 5 years	63,636	63,263	123,869	121,554
Due after 5 years through 10 years	–	–	12,121	12,517
	63,636	63,263	142,671	140,693
Effective interest rate		8.0%		6.9%

Investment Income

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

Interest and dividends

	2023	2022
Interest:		
Cash and cash equivalents	5,400	721
Short term investments	2,159	256
Bonds	9,274	10,376
	16,833	11,353
Dividends: Common stocks	28,831	23,985

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

	2023			2022		
	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
Bonds	(7,075)[(1)]	1,603	(5,472)	(1,411)	(2,167)	(3,578)
Common stocks	200,278[(1)]	360,099[(1)]	560,377	97,297[(1)]	155,818[(1)]	253,115
	193,203	361,702	554,905	95,882	153,656	249,538
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	852	–	852	3,478	–	3,478
Short term investments	248	(531)	(283)	–	558	558
Borrowings	–	(2,923)	(2,923)	–	(53,208)	(53,208)
Other	641	–	641	1,822	–	1,822
	1,741	(3,454)	(1,713)	5,300	(52,650)	(47,350)

(1) Refer to note 5 for a summary of changes in the fair value of the company's Public and Private Indian Investments during 2023 and 2022.

7. Borrowings

	December 31, 2023			December 31, 2022		
	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	497,827	452,250	500,000	497,306	453,650

(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, for net proceeds of $496,350 after commissions and expenses. Fairfax, through its subsidiaries, holds $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, 2023 the Unsecured Senior Notes were recognized net of unamortized issuance costs of $2,173 (December 31, 2022 – $2,694) 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.

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 had a three-year term with an option to extend for an additional year. On October 3, 2023 the company amended the Revolving Credit Facility to extend its maturity date from December 17, 2024 to October 2, 2026, while maintaining the option to extend for an additional year. At December 31, 2023 and 2022 the Revolving Credit Facility was undrawn and remained available.

Interest Expense

In 2023 interest expense of $25,521 (2022 – $25,521) was comprised of interest expense related to stated interest of $25,000 (2022 – $25,000), and the amortization of issuance costs of $521 (2022 – $521). At December 31, 2023 the company recognized accrued interest expense of $8,611 (December 31, 2022 – $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, 2023 included 30,000,000 (December 31, 2022 – 30,000,000) multiple voting shares and 105,398,509 (December 31, 2022 – 108,270,900) 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, 2023 there were no preference shares outstanding.

Common Stock

The number of shares outstanding was as follows:

	2023	**2022**
Subordinate voting shares – January 1	108,270,900	111,235,352
Purchases for cancellation	(2,872,391)	(2,964,452)
Subordinate voting shares – December 31	105,398,509	108,270,900
Multiple voting shares – beginning and end of year	30,000,000	30,000,000
Common shares effectively outstanding – December 31	135,398,509	138,270,900

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 2023, under the terms of its normal course issuer bid, the company purchased for cancellation 2,872,391 subordinate voting shares (2022 – 2,964,452) for a net cost of $37,246 (2022 – $35,582), of which $7,025 was charged to retained earnings (2022 – $4,392).

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. At December 31, 2023 the company did not provide instructions to its broker for the purchase of shares during the black-out period.

Dividends

The company did not pay any dividends on its outstanding multiple and subordinate voting shares during 2023 and 2022.

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% equity interest in BIAL from FIH Mauritius to 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 ownership interest in BIAL was comprised of 10.4% held through FIH Mauritius and 43.6% held through Anchorage, representing effective ownership interest of 49.0% on a fully-diluted basis.

At December 31, 2023 the company continued to hold 43.6% out of its 64.0% (December 31, 2022 – 43.6% out of its 54.0%) equity interest in BIAL through Anchorage. As a result, the company's fully-diluted equity interest in BIAL was 59.0% (December 31, 2022 – 49.0%).

Net earnings attributable to non-controlling interests of $12,076 during 2023 (2022 – $49) principally related to net unrealized gains on Anchorage's investment in BIAL.

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 from 64.0% at December 31, 2023 to a minimum of 57.5%). 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:

	2023	2022
Net earnings attributable to shareholders of Fairfax India – basic and diluted	371,770	191,439
Weighted average common shares outstanding – basic	136,818,139	139,066,682
Contingently issuable subordinate voting shares	–	3,360,057
Weighted average common shares outstanding – diluted	136,818,139	142,426,739
Net earnings per common share – basic	$ 2.72	$ 1.38
Net earnings per common share – diluted	$ 2.72	$ 1.34

On December 15, 2023, in accordance with the terms of the Investment Advisory Agreement (defined in note 12), Fairfax elected to receive payment of the performance fee for the third calculation period in cash. Accordingly, at December 31, 2023 there were no contingently issuable subordinate voting shares that could potentially dilute net earnings per share.

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. 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:

	2023	2022
Current income tax:		
Current year expense	9,305	27,628
Adjustment to prior years' income taxes	14	(65)
	9,319	27,563
Deferred income tax:		
Origination and reversal of temporary differences	58,731	(23,076)
Provision for income taxes	68,050	4,487

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, 2023 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 deferred income taxes of $58,731 in 2023 primarily attributable to net unrealized gains on the company's investments in equity shares acquired or spun out subsequent to April 1, 2017, primarily BIAL, CSB Bank, IIFL Securities, Seven Islands, 5paisa, Jaynix and Maxop, partially offset by a reversal of prior period deferred income taxes recognized on the company's investments in 360 ONE (formerly IIFL Wealth), Fairchem Organics and Other Public Indian Investments. The company's investment in BIAL is held by Anchorage and FIH Mauritius. Investment gains earned at Anchorage are subject to a higher tax rate compared to FIH Mauritius.

In 2022 the company recorded a reversal of prior period deferred income taxes of $23,076 primarily attributable to net unrealized losses (including the reversal of prior period net unrealized gains upon sales) on the company's investments in 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.

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 2023 and 2022 are summarized in the following table:

	2023			2022		
	Canada	Mauritius	Total	Canada	Mauritius	Total
Earnings (loss) before income taxes	(29,794)	481,690	451,896	(80,290)	276,265	195,975
Provision for income taxes	–	68,050(1)	68,050	–	4,487(2)	4,487
Net earnings (loss)	(29,794)	413,640	383,846	(80,290)	271,778	191,488

(1) *Includes Indian withholding taxes of $9,157 (including capital gains taxes paid on sales of 360 ONE and Other Public Indian Investments) and an increase in potential capital gains tax in India of $58,731.*

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

The decrease in loss before income taxes in Canada during 2023 compared to 2022 principally related to lower net foreign exchange losses on borrowings. The increase in earnings before income taxes in Mauritius during 2023 compared to 2022 primarily reflected increased net gains on investments, partially offset by increased performance fees.

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:

	2023	**2022**
Canadian statutory income tax rate	26.5%	26.5%
Provision for income taxes at the Canadian statutory income tax rate	119,752	51,933
Tax rate differential on income earned outside of Canada	(80,731)	(56,336)
Provision (recovery) relating to prior years	14	(65)
Increase in unrecorded tax benefit of losses and temporary differences	30,299	3,218
Foreign exchange effect	(1,280)	5,736
Other including permanent differences	(4)	1
Provision for income taxes	68,050	4,487

The tax rate differential on income earned outside of Canada of $80,731 in 2023 (2022 – $56,336) 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 $30,299 in 2023 principally reflected increases in unrecorded deferred tax assets related to foreign accrual property losses of $29,783, net operating losses in Canada of $7,674, the impact of foreign exchange of $3,714, and the potential impact of the application of capital loss benefit in India on future dispositions of investments in equity shares of $2,422, partially offset by the reversal of temporary timing differences on performance and professional fees of $10,962, and on debt and equity issuance costs of $2,332, 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 Accounting Standards.

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 Accounting Standards.

At December 31, 2023 deferred tax assets of $115,130 in Canada and $6,671 in India (December 31, 2022 – $88,899 in Canada and $4,293 in India) were not recorded as it was considered not probable that those losses could be utilized by the company.

Foreign exchange effect decreasing the provision by $1,280 in 2023 (2022 – increasing the provision by $5,736) 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:

	2023	**2022**
Balance – January 1	681	1,056
Amounts recorded in the consolidated statements of earnings	(9,319)	(27,563)
Payments made during the year	8,859	27,280
Foreign currency translation	(1)	(92)
Balance – December 31	220	681

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 $108,553 at December 31, 2023 (December 31, 2022 – $50,554) 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, 2023 deferred tax assets not recorded by the company of $121,801 (December 31, 2022 – $93,192) were primarily comprised of foreign accrual property losses of $62,886 (December 31, 2022 – $32,460), net operating loss carryforwards of $49,209 (December 31, 2022 – $40,274), the potential impact of the application of capital loss benefit in India on future dispositions of investments in equity shares of $6,671 (December 31, 2022 – $4,293), temporary timing differences on debt and equity issuance costs of $2,961 (December 31, 2022 – $5,204), and on performance and professional fees of $74 (December 31, 2022 – $10,961). The net operating loss carryforwards and foreign accrual property losses expire between 2037 and 2043.

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 $1,767,288 at December 31, 2023 (December 31, 2022 – $1,459,237).

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. Consideration has been given to the supply chain disruptions prolonged by recent geopolitical events, and actions taken by central banks across the world in response to inflationary pressures. There were no significant changes to the types of the company's risk exposures or the processes used by the company for managing those risk exposures at December 31, 2023 compared to those identified at December 31, 2022, except as described below.

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, 2023 compared to December 31, 2022.

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, 2023					December 31, 2022					
	Cash and cash equivalents	Borrowings	Payable to related parties	Accrued interest expense	Net exposure	Cash and cash equivalents	Short term investments	Borrowings	Payable to related parties	Accrued interest expense	Net exposure
U.S. dollars	27,112	(497,827)	(120,858)	(8,611)	(600,184)	145,028	49,692	(497,306)	(50,851)	(8,611)	(362,048)
All other currencies	211	–	–	–	211	531	–	–	–	–	531
Total	27,323	(497,827)	(120,858)	(8,611)	(599,973)	145,559	49,692	(497,306)	(50,851)	(8,611)	(361,517)

The company's net liability exposure to the U.S. dollar increased at December 31, 2023 compared to December 31, 2022 primarily reflecting a decrease in U.S. dollar cash and cash equivalents due to deployment into Indian Investments, and an increase in the performance fee payable to Fairfax.

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, 2023			December 31, 2022		
	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	(539,976)	59,997	44,098	(325,365)	36,152	26,572
5.0% appreciation	(569,974)	29,999	22,049	(343,441)	18,076	13,286
No change	(599,973)	–	–	(361,517)	–	–
5.0% depreciation	(629,972)	(29,999)	(22,049)	(379,593)	(18,076)	(13,286)
10.0% depreciation	(659,970)	(59,997)	(44,098)	(397,669)	(36,152)	(26,572)

(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, 2023 compared to December 31, 2022.

The company's exposure to interest rate risk decreased in 2023 primarily reflecting net sales of Government of India bonds to fund the company's additional equity investment in BIAL. 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. This analysis was performed on each individual security, with the hypothetical effect on net earnings.

	December 31, 2023			December 31, 2022		
	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	60,649	(2,119)	(4.1)%	135,232	(4,014)	(3.9)%
100 basis point increase	61,932	(1,080)	(2.1)%	137,924	(2,035)	(2.0)%
No change	63,263	–	–	140,693	–	–
100 basis point decrease	64,643	1,121	2.2%	143,545	2,096	2.0%
200 basis point decrease	66,077	2,286	4.4%	146,480	4,253	4.1%

(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 market price risk increased to $3,581,043 at December 31, 2023 from $3,020,223 at December 31, 2022. 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, 2023 to be a hypothetical increase or decrease in net earnings of $195,427 (December 31, 2022 – increase or decrease in net earnings of $169,117). 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, 2023 compared to December 31, 2022.

Cash and Cash Equivalents and Short Term Investments

At December 31, 2023 the company's cash and cash equivalents of $174,615 (December 31, 2022 – $147,448) 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, 2023 there were no short term investments held by the company. 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.

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, 2023 the company's debt instruments were all considered to be subject to credit risk with a fair value of $63,263 (December 31, 2022 – $140,693), representing 1.7% (December 31, 2022 – 4.2%) of the total cash and investments portfolio.

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

	December 31, 2023		December 31, 2022	
	Fair value	Rating	Fair value	Rating
Government of India bonds(1)	31,794	Baa3/BBB-	121,108	Baa3/BBB-
Other Indian Fixed Income	31,469	Not rated	19,585	Not rated
Total bonds	63,263		140,693	

(1) Rated Baa3 by Moody's and BBB- by S&P at December 31, 2023 and 2022.

The company's exposure to credit risk from its investments in fixed income securities decreased at December 31, 2023 compared to December 31, 2022 primarily reflecting net sales of Government of India bonds to fund the company's additional equity investment in BIAL. 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, 2023 compared to December 31, 2022.

Subsequent to December 31, 2023

In January 2024, the company invested $143,548 of cash into Government of India bonds, with maturities ranging between 1 year through 5 years and ratings of Baa3/BBB-.

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. Unless otherwise noted, 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, 2023 compared to December 31, 2022.

The undeployed cash and investments at December 31, 2023 provide adequate liquidity to meet the company's known significant commitments over the next twelve months, which are principally comprised of settlement of the performance fee payable for the third calculation period, investment and advisory fees, interest expense, and general and administration expenses.

At December 31, 2023 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 next calculation period ending on December 31, 2026, 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. During the fourth quarter of 2023 the company entered into two agreements to sell, in aggregate, 78.0% of its equity interest in NSE for gross proceeds of approximately $147 million based on period end exchange rates (12.2 billion Indian rupees). On January 29, 2024 the company completed the sale of 70.1% of its equity interest in NSE for gross proceeds of $132,265 (11.0 billion Indian rupees).

At December 31, 2023, in addition to cash and cash equivalents of $174,615, the company held common shares of Public Indian Investments which carry no selling restrictions with a fair value of $802,201 and Government of India bonds with a fair value of $31,794. 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.

Subsequent to December 31, 2023

On March 6, 2024, in response to the liquidity concerns of IIFL Finance's stakeholders arising from the RBI Order, the company committed to provide liquidity support to IIFL Finance of up to $200.0 million on terms to be mutually agreed. Any investment terms agreed upon will be subject to applicable laws and regulatory approvals.

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, 2023 and 2022 the company's total cash and investments composition by the issuer's country of domicile was primarily India, and at December 31, 2023 represented 99.3% (December 31, 2022 – 94.2%) of the total cash and investments portfolio.

The company's holdings of Public and Private Indian Investments (see note 5) at December 31, 2023 and 2022 are summarized by the issuer's primary industry sector in the table below:

	December 31, 2023	December 31, 2022
Infrastructure	1,599,988	1,233,747
Financial services	1,232,943	1,042,153
Commercial and industrial	586,191	602,999
Ports and shipping	193,390	147,617
Utilities	–	13,292
	3,612,512	3,039,808

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 increased at December 31, 2023 from December 31, 2022 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, 2023 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) increased from $3,254,079 at December 31, 2022 to $3,582,601 at December 31, 2023 principally reflecting increases in common shareholders' equity and non-controlling interests, as described below.

Common shareholders' equity increased from $2,642,036 at December 31, 2022 to $2,958,718 at December 31, 2023 primarily reflecting net earnings attributable to shareholders of $371,770, partially offset by purchases of subordinate voting shares for cancellation of $37,246 and unrealized foreign currency translation losses attributable to shareholders of $17,857 in 2023.

Non-controlling interests increased from $114,737 at December 31, 2022 to $126,056 at December 31, 2023, primarily reflecting net earnings attributable to non-controlling interests of $12,076 principally arising from net unrealized gains on the company's investment in BIAL held through Anchorage, partially offset by unrealized foreign currency translation losses attributable to non-controlling interests of $757 in 2023.

On October 3, 2023 the company amended the Revolving Credit Facility to extend its maturity date from December 17, 2024 to October 2, 2026, while maintaining the option to extend for an additional year. At December 31, 2023 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, 2023	December 31, 2022
Performance fee	110,158	41,531
Investment and advisory fees	10,700	9,211
Other	–	109
	120,858	50,851

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".

Third Calculation Period

For the period from January 1, 2021 to December 31, 2023 (the "third calculation period"), the company determined that a performance fee of $110,158 was payable at December 31, 2023 (December 31, 2022 – accrual of $41,531). On December 15, 2023, in accordance with the terms of the Investment Advisory Agreement, Fairfax elected to receive payment of the performance fee for the third calculation period in cash. The performance fee payable at December 31, 2023 will be paid to Fairfax within the first six months of 2024.

In connection with the above, a performance fee of $69,385 was recorded in 2023 in the consolidated statements of earnings (2022 – performance fee recovery of $36,428 representing the partial reversal of the performance fee accrual at December 31, 2021).

Fourth Calculation Period

The period from January 1, 2024 to December 31, 2026 (the "fourth calculation period") will be the next consecutive three-year period after December 31, 2023 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, 2026, the performance fee will be payable in cash, or at Fairfax's option, in subordinate voting shares. The number of subordinate voting shares to be issued will be calculated based on the VWAP.

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 2023 the investment and advisory fees recorded in the consolidated statements of earnings were $39,382 (2022 – $38,988).

Unsecured Senior Notes

Fairfax, through its subsidiaries, holds $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, 2023	December 31, 2022
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 2023 included $2,920 related to amounts due to related parties (2022 – $2,920). Refer to note 7 for further details on the Unsecured Senior Notes.

Fairfax's Voting Rights and Equity Interest

At December 31, 2023 Fairfax, through its subsidiaries, owned 30,000,000 multiple voting shares (December 31, 2022 – 30,000,000) and owned and/or exercised control or direction over 28,504,470 subordinate voting shares (December 31, 2022 – 28,504,470) of Fairfax India. At December 31, 2023 Fairfax's aggregate ownership, control and/or direction of the subordinate voting shares and multiple voting shares represented a 95.2% voting interest and a 43.2% equity interest (December 31, 2022 – 95.0% and 42.3%) 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 IFRS Accounting Standards, was recognized in general and administration expenses in the consolidated statements of earnings and was as follows:

	2023	2022
Retainers and fees	195	158
Share-based payments	30	30
Other	50	50
	275	238

13. Segment Reporting

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:

	2023	2022
Audit, legal, tax, and professional fees(1)	7,623	10,077
Salaries and employee benefit expenses	1,025	1,163
Administrative expenses	1,700	1,650
Other(2)	2,324	580
	12,672	13,470

(1) *Audit, legal, tax, and professional fees decreased primarily due to lower transaction advisory fees, which related to the sale of 360 ONE (formerly IIFL Wealth) common shares in the prior year.*

(2) *Other expenses increased primarily due to brokerage fees arising from the sale of IIFL Finance common shares during 2023.*

15. Supplementary Cash Flow Information

Cash and cash equivalents of $174,615 (December 31, 2022 – $147,448) were included in the consolidated balance sheets and statements of cash flows as follows:

	December 31, 2023	December 31, 2022
Cash and term deposits with banks	171,373	28,812
U.S. treasury bills	3,242	118,636
	174,615	147,448

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:

	2023	2022
Purchases of investments		
Bonds	(80,608)	(126,475)
Common stocks	(250,000)	(57,818)
	(330,608)	(184,293)
Sales of investments		
Bonds	145,319	177,019
Common stocks	239,189	271,792
	384,508	448,811
Net interest and dividends received (paid)		
Net interest income received	14,458	10,861
Dividends received	28,831	24,730
Interest paid on borrowings	(25,000)	(25,000)
	18,289	10,591
Income taxes paid	(8,859)	(27,280)

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 8, 2024)

(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.sedarplus.ca. 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 as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), 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 Accounting Standards 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.

The book value per share at December 31, 2023 was $21.85 compared to $19.11 at December 31, 2022, representing an increase of 14.3% in 2023, primarily reflecting net earnings attributable to shareholders of Fairfax India of $371,770, partially offset by unrealized foreign currency translation losses attributable to shareholders of Fairfax India of $17,857 principally due to the weakening of the Indian rupee against the U.S. dollar. Net earnings attributable to shareholders of Fairfax India is primarily related to net change in unrealized and realized gains on investments, partially offset by performance fees, a provision for income taxes, and investment and advisory fees.

The following narrative sets out the company's key business developments in 2023 and 2022.

Capital Transactions

During 2023, the company continued to purchase shares under its normal course issuer bid, and purchased for cancellation 2,872,391 subordinate voting shares (2022 – 2,964,452) for a net cost of $37,246 (2022 – $35,582).

On October 3, 2023 the company amended the $175,000 unsecured revolving credit facility ("Revolving Credit Facility") to extend its maturity date from December 17, 2024 to October 2, 2026, while maintaining the option to extend the facility for an additional year. At December 31, 2023 the Revolving Credit Facility was undrawn and remained available.

For further details refer to notes 7 (Borrowings) and 8 (Total Equity) to the consolidated financial statements for the year ended December 31, 2023.

Summary of 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, 2023. Full descriptions of the Indian Investments committed to, acquired and sold in 2023 and 2022 are provided in the Indian Investments section of this MD&A.

Track Record

The company's investment performance since inception has been strong for both its public and private company investments (as measured in U.S. dollars). It has monetized and realized significant gains on its Indian Investments, that have been reinvested. The company expects to continue to take advantage of the strong Indian economic environment in the future. The table below provides a summary of the company's existing and monetized Indian Investments, including their compounded annualized return in U.S. dollars since the company's inception:

		December 31, 2023					
Existing Indian Investments:	**Initial investment date**	**Ownership %**	**Cash consideration(1)**	**Fair value**	**Net change**	**Cumulative interest and dividends(2)**	**Compounded annualized return(3)**
Public Indian Investments:							
Common stocks:							
IIFL Finance(4)	December 2015	15.1%	76,239	412,151	335,912	15,940	25.8%*
IIFL Securities(4)	December 2015	27.5%	51,055	147,437	96,382	13,935	16.9%*
5paisa(4)	December 2015	24.6%	16,603	52,129	35,526	–	22.5%*
Fairchem Organics(5)	February 2016	52.8%	29,741	102,998	73,257	2,108	23.3%
CSB Bank	October 2018	49.7%	169,492	409,335	239,843	–	20.0%
Other	May 2022	< 1.0%	3,386	2,751	(635)	15	(11.6)%
			346,516	1,126,801	780,285	31,998	22.0%
Private Indian Investments:							
Common stocks:							
NCML	August 2015	91.0%	188,288	50,327	(137,961)	823	(15.7)%
Sanmar	April 2016	42.9%	199,039	302,881	103,842	–	10.9%
NSE(6)	July 2016	1.0%	26,783	188,615	161,832	15,048	33.4%
Saurashtra	February 2017	51.0%	30,018	50,551	20,533	10,393	11.0%
BIAL	March 2017	64.0%	902,982	1,599,988	697,006	2,241	11.7%
IH Fund(7)	January 2019	–	13,210	13,090	(120)	4,749	5.9%
Seven Islands	March 2019	48.5%	83,846	142,839	58,993	6,054	13.0%
Maxop	November 2021	67.0%	51,448	56,674	5,226	–	5.6%
Jaynix	February 2022	70.0%	32,504	49,277	16,773	–	24.7%
Other Indian Fixed Income	November 2021	–	31,408	31,469	61	475	2.8%
			1,559,526	2,485,711	926,185	39,783	9.7%
Total existing Indian Investments			1,906,042	3,612,512	1,706,470	71,781	13.0%

Monetized Indian Investments:	**Initial investment date**	**Last sale date**	**Cash consideration(1)**	**Cash proceeds(1)**	**Cash proceeds less cash consideration**	**Cumulative interest and dividends(2)**	**Compounded annualized return(3)**
Partially monetized(8):							
IIFL Finance(4)	December 2015	December 2023	35,711	177,324	141,613	7,467	24.9%*
Fairchem Organics(5)	February 2016	February 2022	7,787	45,585	37,798	86	49.7%
			43,498	222,909	179,411	7,553	28.1%
Fully monetized:							
360 ONE (formerly IIFL Wealth)(4)	December 2015	May 2023	107,044	243,465	136,421	40,492	16.7%*
Other	March 2018	January 2023	178,762	282,564	103,802	9,298	28.0%
Privi Speciality(5)	August 2016	April 2021	54,975	164,895	109,920	1,985	27.1%
Sanmar Bonds(9)	April 2016	December 2019	299,000	433,873	134,873	–	11.0%
			639,781	1,124,797	485,016	51,775	16.6%
Total monetized Indian Investments			683,279	1,347,706	664,427	59,328	18.2%
** Aggregate: IIFL Finance, IIFL Securities, 5paisa and 360 ONE (formerly IIFL Wealth)*							*21.2%*

(1) *Cash consideration and cash proceeds reflect U.S. dollar amounts translated from Indian rupees at foreign currency exchange rates at time of purchase or sale.*

(2) *Cumulative interest and dividends is comprised of dividend income and interest income recorded and received over the period of the company's investment.*

(3) *Compounded annualized return reflects the U.S. dollar annualized internal rate of return calculated for each of the company's existing and monetized Indian Investments, taking into account (1) the timing of cash flows (including cash consideration of purchases, cash proceeds on sales, cumulative interest and dividends received, and return of capital distributions) over the period of the company's investment, and (2) the fair value at the end of the reporting period for existing Indian Investments.*

(4) In December 2015 and February 2017 the company acquired common shares of IIFL Holdings Limited ("IIFL Holdings") for aggregate cash consideration of $276,734. In October 2017 IIFL Holdings spun off its wholly-owned subsidiary, 5paisa, and in May 2019, also spun off its wholly-owned subsidiaries IIFL Securities and 360 ONE (formerly IIFL Wealth), and renamed the remaining business to IIFL Finance. As a result, the initial cash consideration of $276,734 paid for IIFL Holdings and cumulative interest and dividends have been allocated to each of the spun-off entities based on their respective fair values at the dates of spin off. Cash consideration for 5paisa also includes cash paid for additional shares acquired subsequent to its spin off.

(5) Cash consideration for Fairchem Organics and Privi Speciality Chemicals Limited ("Privi Speciality") reflects the company's initial cash consideration for Fairchem Speciality Limited and Privi Organics Limited, respectively, prior to their merger in 2017 and demerger in 2020. Cash consideration for Fairchem Organics also includes cash paid for additional shares acquired subsequent to the demerger.

(6) During the fourth quarter of 2023 and the first quarter of 2024 the company entered into agreements to sell its equity interest in NSE for gross proceeds of approximately $189 million (15.7 billion Indian rupees). On January 29, 2024 the company completed one of the sales and received gross proceeds of $132.3 million (11.0 billion Indian rupees). The remaining sales are subject to customary closing conditions and are expected to be completed in the first quarter of 2024.

(7) Cash consideration for IH Fund reflects the company's initial cash consideration less return of capital distributions received in cash.

(8) On partially monetized investments, cash consideration and cumulative interest and dividends reflect amounts proportionate to shares sold.

(9) Cash proceeds for Sanmar bonds reflect the bonds' total principal and interest.

Book Value per Share

Common shareholders' equity at December 31, 2023 was $2,958,718 (December 31, 2022 – $2,642,036). The book value per share at December 31, 2023 was $21.85 compared to $19.11 at December 31, 2022 representing an increase in 2023 of 14.3%, primarily reflecting net earnings attributable to shareholders of Fairfax India of $371,770, partially offset by unrealized foreign currency translation losses attributable to shareholders of Fairfax India of $17,857 principally due to the weakening of the Indian rupee against the U.S. dollar.

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, 2023, 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)%
December 31, 2023	$21.85	14.3%	$24.13	17.0%
Compound annual growth in book value per share[2]		9.2%		10.4%

(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 $21.85 at December 31, 2023 represented a compound annual growth rate from the IPO price of $10.00 per share of 9.2% (a growth of 10.4% before cumulative performance fees).

The company has had strong performance from the closing of its IPO in January 2015 to December 31, 2023. As a result of that strong performance, the company's book value per share of $21.85 at December 31, 2023 represented a compound annual growth rate during that period of 9.2% (10.4% before cumulative performance fees described in note 12 (Related Party Transactions) to the consolidated financial statements for the year ended December 31, 2023) 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 7.1% 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)
2023 – purchase of shares	(2,872,391)	–	(2,872,391)	$12.97	(37,246)
	105,398,509	30,000,000	135,398,509		

(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, 2023 the company announced that the TSX accepted its intention to commence a normal course issuer bid to purchase up to 5,646,788 subordinate voting shares over a twelve month period from September 30, 2023 to September 29, 2024. Prior to the above announcement, the company had an existing normal course issuer bid to purchase up to 5,863,570 subordinate voting shares which commenced on September 30, 2022 and expired on September 29, 2023. 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. At December 31, 2023 the company did not provide instructions to its broker for the purchase of shares during the black-out period.

During 2023, the total number of shares effectively outstanding decreased as a result of the purchase of 2,872,391 subordinate voting shares for cancellation under the normal course issuer bid for a net cost of $37,246 (2022 – 2,964,452 subordinate voting shares for a net cost of $35,582). At December 31, 2023 there were 135,398,509 common shares effectively outstanding.

Operating Environment

Overview

India continues to be one of the world's largest and fastest growing major economies in 2023. 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.

Global Economic Environment

According to the World Economic Outlook Update (January 2024) published by the International Monetary Fund ("IMF"), global GDP growth fell from 3.5% in 2022 to 3.1% in 2023, and is forecasted at 3.1% and 3.2% in 2024 and

2025, respectively. Despite the overall slowdown, the global economy has demonstrated resilience in its recovery from the COVID-19 pandemic, Russia's invasion of Ukraine, and inflationary pressures, as global growth and deceleration of inflation were both better than expected.

With inflation easing, market expectations that future policy rates will decline have contributed to a reduction in longer-term interest rates and rising equity markets. However, long term borrowing costs remain high, partly due to rising government debt and divergences across central bank policy decisions. Factors such as persistent inflation, renewed supply chain disruptions and commodity price shocks arising from geopolitical tensions and disruptions linked to climate change, may contribute to continued policy tightening by central banks and increased borrowing costs, further constraining global economic activity.

Indian Economy

India's GDP grew 7.2% in its fiscal year 2023 (April 2022 to March 2023), which outpaced major economies and was primarily supported by private consumption and government capital expenditure. In its January 2024 report, the IMF forecasted continued strong growth of 6.7% and 6.5% in fiscal years 2024 and 2025, respectively, reflecting resilient domestic demand.

India became the world's most populous country in 2023 with a population exceeding 1.4 billion, and is expected to contribute to over one sixth of global economic growth in the coming years. Private consumption and capital investment continue to be the main drivers of growth, supported by the large and growing population with rising incomes and further access to credit, in addition to supportive policies to accelerate capital spending and investments in infrastructure. As discussed above, headwinds to growth may arise from weak global demand, and renewed supply chain disruptions brought on by geopolitical tensions and erratic weather conditions.

The RBI increased the benchmark interest rate in February 2023 to 6.50%, and has since kept the rate unchanged. The RBI also announced it would continue to remain focused on the withdrawal of its accommodative policy to ensure that inflation progressively aligns within the target, while supporting growth.

Interim Union Budget for Fiscal Year 2024-25

On February 1, 2024 Finance Minister Nirmala Sitharaman presented the 2024-25 Interim Union Budget of India, which highlighted proposed increases to government spending on physical, digital and social infrastructure, with the intention to improve the ease of doing business and encourage foreign investment. The budget also emphasized initiatives to support environmentally sustainable actions, invest in agriculture and food processing activities, provide more affordable housing, and develop tourist attractions to promote opportunities for local entrepreneurship. Corporate tax rates remained unchanged, while certain tax benefits for start-ups and investments made by government investment funds were extended. India continues to be a very attractive market with good investment opportunities.

Indian Market Indices and Foreign Exchange Rate

The U.S. dollar S&P BSE Sensex 30 increased 18.0% during 2023, largely supported by moderating inflation, strong corporate earnings, robust domestic demand, and investment activity. The Indian rupee weakened slightly against the U.S. dollar during 2023, reflecting depreciation of 0.6%. Improvement in inflows from foreign institutional investors and controlled inflation levels are expected to contribute to a positive outlook for Indian markets.

Consistent with Indian equity markets, the fair values of the company's Public Indian Investments increased significantly during 2023. 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 face varying degrees of impact in response to changes in the global economic environment. Further discussion specific to each Indian Investment is included 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 consolidated 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 monetize 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 may 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 increased at December 31, 2023 from December 31, 2022 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, 2023 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 Accounting Standards 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 Limited (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 Accounting Standards. 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 Accounting Standards, 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.

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 2023 and 2022 are presented in the tables disclosed in note 5 (Indian Investments) to the consolidated financial statements for the year ended December 31, 2023.

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 loans, 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, 2023 the company had appointed one of the nine 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, 2023 IIFL Finance had 4,681 branches across India, making it one of the largest retail focused non-banking finance companies ("NBFC"). IIFL Finance has also 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 network and segment experience to originate and service loans, while allowing IIFL Finance to scale its customer base and leverage capital more efficiently.

At December 31, 2023 IIFL Finance had assets under management ("AUM") of approximately $9.3 billion (774 billion Indian rupees) (December 31, 2022 – $7.0 billion (579 billion Indian rupees)) comprised of home loans (33%), gold loans (32%), microfinance (15%), loans against property (10%), digital loans (5%), construction and real estate finance (4%), and capital market finance (1%). The well diversified asset portfolio is predominantly retail in nature with small loan ticket sizes, mitigating the risk of asset concentration and exposure to cyclical movements.

On March 4, 2024 the RBI ordered IIFL Finance to immediately cease the sanctioning and disbursing of gold loans due to material supervisory concerns in IIFL Finance's gold loan portfolio arising from an onsite inspection conducted by the RBI for the fiscal year ended March 31, 2023 ("RBI Order"). The primary concerns raised by the RBI included violations over the assaying and certifying of the purity and net weight of gold at the time of sanction of loans and at the time of auction upon default, breaches of regulated loan-to-value ratios and lending in excess of statutory limits in cash, among others. IIFL Finance will continue to service its existing gold loan portfolio and reaffirmed its commitment to rectify its gold loan processes in order to address the RBI's observations. The RBI stated that these supervisory restrictions will be reviewed after the completion of a special audit, subject to IIFL Finance's recertification of audit findings to the RBI's satisfaction. This does not directly impact the other segments of IIFL Finance, which account for 68% of its business.

As a result of the announcement, IIFL Finance's share price decreased by 29.8%, representing an unrealized loss on the company's investment in IIFL Finance for the period from December 31, 2023 to March 8, 2024 of approximately $123 million.

On March 6, 2024, in response to the liquidity concerns of IIFL Finance's stakeholders arising from the RBI Order, the company committed to provide liquidity support to IIFL Finance of up to $200.0 million on terms to be mutually agreed. Any investment terms agreed upon will be subject to applicable laws and regulatory approvals.

Valuation and Consolidated Financial Statement Impact

During 2023 the company sold 27,000,000 common shares of IIFL Finance for gross proceeds of $177,324 (14.7 billion Indian rupees). As a result of past spin offs of 5paisa, IIFL Securities and 360 ONE (formerly IIFL Wealth) at their respective fair values, the company's cost basis of IIFL Finance is nil. Accordingly, all proceeds from sales of IIFL Finance common shares were reflected as a realized gain of $177,324.

At December 31, 2023 the fair value of the company's investment in IIFL Finance was $412,151 (December 31, 2022 – $493,341), comprised of 57,641,445 common shares of IIFL Finance representing a 15.1% equity interest (December 31, 2022 – 84,641,445 common shares representing a 22.3% equity interest).

IIFL Finance's share price increased by 23.4% from 482.20 Indian rupees per share at December 31, 2022 to 595.00 Indian rupees per share at December 31, 2023.

In 2023 the consolidated statements of earnings included dividend income earned from the company's investment in IIFL Finance of $4,116 (2022 – $3,936).

Subsequent to December 31, 2023

On February 6, 2024 the company received dividend income from the company's investment in IIFL Finance of approximately $2.8 million (230.6 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, 2023 and March 31, 2023.

Balance Sheets
(unaudited – US$ thousands)

	September 30, 2023(1)	**March 31, 2023**(1)
Financial assets	6,491,674	6,262,119
Non-financial assets	173,266	187,103
Financial liabilities	5,273,641	5,145,540
Non-financial liabilities	40,329	62,281
Total equity	1,350,970	1,241,401

(1) The net assets of IIFL Finance were translated at September 30, 2023 at $1 U.S. dollar = 83.04 Indian rupees and at March 31, 2023 at $1 U.S. dollar = 82.18 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Financial assets increased principally reflecting increased loan advances. Non-financial assets decreased primarily due to a decrease in current tax assets. Financial liabilities increased primarily reflecting net proceeds from borrowings and increased other financial liabilities. Non-financial liabilities decreased primarily attributable to decreased advances from customers.

Summarized below are IIFL Finance's statements of earnings for the six months ended September 30, 2023 and 2022.

Statements of Earnings
(unaudited – US$ thousands)

	Six months ended September 30, 2023(1)	**Six months ended September 30, 2022**(1)(2)
Revenue	594,965	512,984
Earnings before income taxes	157,932	122,732
Net earnings	121,115	92,594

(1) Amounts for the six months ended September 30, 2023 and 2022 were translated into US$ using the average exchange rates of $1 U.S. dollar = 82.43 Indian rupees and $1 U.S. dollar = 78.49 Indian rupees prevailing during those respective periods.

(2) Certain prior period comparative figures have been restated for comparability to be consistent with current period's presentation.

IIFL Finance's revenue increased primarily reflecting an increase in interest income consistent with the higher balance of assets under management, and higher total portfolio yield. Earnings before income taxes and net earnings increased primarily due to increased interest income as noted above, partially offset by increased finance costs consistent with higher interest rates, and increased employee benefit and other administrative expenses attributed to the continued expansion of IIFL Finance's digital and physical footprint.

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 751 branches and 570 automated teller machines across India.

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

At December 31, 2023 the company had appointed two of the ten CSB Bank board members.

Key Business Drivers, Events and Risks

According to the RBI, India's banking sector remains sound and resilient, supported by high capital ratios, improved asset quality and robust earnings growth. Sustaining this improvement, however, requires further strengthening of governance and risk management and increasing capital buffers. Moving forward, the Indian banking industry will need to focus on improved customer services and the protection of the banking and payment system from risks of fraud and data breaches.

CSB Bank's key business drivers relate to its ability to provide financial services in India, particularly in the areas of retail, SMEs, gold and corporate lending and to mobilize low cost deposits in the form of current accounts, savings accounts and non-resident Indian deposits. CSB Bank has embarked on a journey of Sustain – Build – Scale 2030 ("SBS 2030"), where it aims to "Sustain its strong foundation and critical strengths, Build the future highway though investments in technology, digital infrastructure, partnerships, leadership, products, processes and Scale your Bank to the next level of growth and excellence with necessary guardrails in place". Currently in the 'build' phase, CSB plans to focus on infrastructure investments in technology to help scale the business, where the customer acquisition pace is expected to increase significantly to lay a strong foundation for the scale phase. CSB's vision is to transition from a small bank to mid-sized bank by fiscal year 2030.

The net loan advance and deposit segments have been the drivers of growth for CSB Bank during fiscal year 2024. Despite the increased costs from investments made in people, distribution and technology, CSB Bank's operating profit continues to grow. Contributing to this growth are the geographical expansion plans, including CSB Bank's planned opening of an additional 100 branches during fiscal year 2024. CSB Bank is now focused on better leveraging its full-service banking license by building franchises that offer wholesale, SME, retail and gold loans, and further investing to provide its customers with a full-service banking facility.

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 by the RBI from time to time. In addition, the RBI stipulates ownership limits for shareholders of banks in India over the long term. On November 29, 2023, the dilution schedule was amended, now requiring the company to bring down its voting interest in CSB Bank to 40.0% within 5 years, 30.0% within 10 years, and 26.0% within 15 years from the initial investment date.

Valuation and Consolidated Financial Statement Impact

At December 31, 2023 the company estimated the fair value of its investment in CSB Bank based on the bid price less a discount for lack of marketability of 6.9% on the 69,394,331 common shares subject to selling restrictions (December 31, 2022 – 12.6%). At December 31, 2023 the fair value of the company's investment in CSB Bank was $409,335 (December 31, 2022 – $223,268) comprised of 86,262,976 common shares representing a 49.7% equity interest (December 31, 2022 – 49.7%).

CSB Bank's share price increased by 75.5% from 238.20 Indian rupees per share at December 31, 2022 to 418.00 Indian rupees per share at December 31, 2023.

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, 2023 and March 31, 2023.

Balance Sheets
(unaudited – US$ thousands)

	September 30, 2023(1)	March 31, 2023(1)(2)
Financial assets	3,686,866	3,456,558
Non-financial assets	116,775	114,561
Financial liabilities	3,283,654	3,087,318
Non-financial liabilities	97,037	87,869
Shareholders' equity	422,950	395,932

(1) The net assets of CSB Bank were translated at September 30, 2023 at $1 U.S. dollar = 83.04 Indian rupees and at March 31, 2023 at $1 U.S. dollar = 82.18 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

(2) Certain prior period comparative figures have been restated for comparability to be consistent with current period's presentation.

Financial assets increased primarily due to increased loans and advances to customers and investment securities. Non-financial assets increased primarily as a result of the growth in the number of CSB Bank branches. Financial liabilities increased principally as a result of increased deposits from customers and increased borrowings. Non-financial liabilities increased primarily as a result of increased other payables and lease liabilities.

Summarized below are CSB Bank's statements of earnings for the six months ended September 30, 2023 and 2022.

Statements of Earnings
(unaudited – US$ thousands)

	Six months ended September 30, 2023(1)	Six months ended September 30, 2022(1)
Revenue	121,602	98,056
Earnings before income taxes	46,932	46,788
Net earnings	35,137	35,032

(1) Amounts for the six months ended September 30, 2023 and 2022 were translated into US$ using the average exchange rates of $1 U.S. dollar = 82.43 Indian rupees and $1 U.S. dollar = 78.49 Indian rupees prevailing during those respective periods.

Revenue increased primarily as a result of higher net interest income attributable to increased loans and advances, largely driven by the gold loan portfolio. Earnings before income taxes and net earnings increased slightly primarily reflecting increased revenues 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 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, 2023 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 markets, with over 2,500 points of presence across India. 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 890 domestic and foreign clients, and provides comprehensive research coverage in over 260 stocks in more than 20 sectors, which accounts for over 75% of India's market capitalization. The investment banking business was ranked first in terms of number of IPOs launched in fiscal year 2023 and continues to have a strong presence in capital markets and private equity 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 a result of changes in market conditions since the board approvals, both IIFL Securities and 5paisa announced in January 2024 that, in the interest of their companies and stakeholders, both companies have decided to withdraw from and re-evaluate the transaction.

On December 7, 2023, the Securities Appellate Tribunal ("SAT") sided with IIFL Securities' appeal, and set aside the SEBI order issued on June 19, 2023 that restrained IIFL Securities from onboarding new brokerage clients for two years, on allegations relating to the segregation and application of client funds over an inspection period from April 2011 to January 2017. SEBI may further appeal the SAT ruling with the Supreme Court of India.

At December 31, 2023 IIFL Securities had AUM of approximately $21.8 billion (1,816 billion Indian rupees) (December 31, 2022 – approximately $15.0 billion (1,241 billion Indian rupees)).

Valuation and Consolidated Financial Statement Impact

At December 31, 2023 the fair value of the company's investment in IIFL Securities was $147,437 (December 31, 2022 – $65,837), comprised of 84,641,445 common shares of IIFL Securities representing a 27.5% equity interest (December 31, 2022 – 27.8%).

IIFL Securities' share price increased by 125.3% from 64.35 Indian rupees per share at December 31, 2022 to 144.95 Indian rupees per share at December 31, 2023.

In 2023 the consolidated statements of earnings included dividend income earned from the company's investment in IIFL Securities of $3,087 (2022 – $3,374).

Subsequent to December 31, 2023

On March 1, 2024 IIFL Securities declared a dividend of 3 Indian rupees per share. Fairfax India expects to receive approximately $3.1 million (253.9 million Indian rupees).

Investment in Fairchem Organics Limited

Business Overview

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. 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, 2023 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.

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. As India is one of the largest consumers of soft oils, easy access to raw materials and lower costs, combined with 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 compared to its competitors.

After volatile prices seen in the vegetable oil market in 2022 (a key raw material input for Fairchem Organics), resulting from the conflict in Ukraine as well as export levies on palm oil imposed by Indonesia (one of the largest producers and exporters of palm oil), prices have since moderated and remained subdued during 2023. Fairchem Organics maintains its competitive position amongst its global peers through continued research and development aimed at improving product yield, while optimizing its manufacturing processes.

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, 2023 the fair value of the company's investment in Fairchem Organics was $102,998 (December 31, 2022 – $111,083), comprised of 6,878,656 common shares of Fairchem Organics representing a 52.8% equity interest (December 31, 2022 – 52.8%).

Fairchem Organics' share price decreased by 6.7% from 1,336.00 Indian rupees per share at December 31, 2022 to 1,246.00 Indian rupees per share at December 31, 2023.

In 2023 the consolidated statements of earnings included dividend income earned from the company's investment in Fairchem Organics of $626 (2022 – $1,155).

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, 2023 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 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.

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. As a result of changes in market conditions since the board approvals, both IIFL Securities and 5paisa announced in January 2024 that, in the interest of their companies and stakeholders, both companies have decided to withdraw from and re-evaluate the transaction.

At December 31, 2023 the 5paisa mobile application has reached over 17.4 million downloads and its total customer base exceeded 3.9 million. During 2023, over 86% of customer acquisitions were attributed to customers onboarded to the digital platform without intervention or assistance. 5paisa is focused on improving the quality of customer acquisitions and investing in new technologies to strengthen revenue and optimize costs.

Valuation and Consolidated Financial Statement Impact

At December 31, 2023 the fair value of the company's investment in 5paisa was $52,129 (December 31, 2022 – $28,421), comprised of 7,670,130 common shares of 5paisa representing a 24.6% equity interest (December 31, 2022 – 25.0%).

5paisa's share price increased by 84.5% from 306.55 Indian rupees per share at December 31, 2022 to 565.55 Indian rupees per share at December 31, 2023.

Investment in Other Public Indian Investments

During 2022 the company sold investments in Other Public Indian Investments for total gross proceeds of $68,284 (5.3 billion Indian rupees), resulting in realized gains of $33,399. During 2023 the company completed additional sales of investments in Other Public Indian Investments for total gross proceeds of $13,447 (1.1 billion Indian rupees), resulting in realized gains of $6,403.

At December 31, 2023 the fair value of the company's investment in Other Public Indian Investments was $2,751 (December 31, 2022 – $15,577) and represents less than 1.0% equity interest in a public Indian company in the financial services sector (December 31, 2022 – public Indian companies in the utilities and financial services sectors).

In 2023 the consolidated statements of earnings included dividend income earned from the company's investment in Other Public Indian Investments of $10 (2022 – $2,544).

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. On January 5, 2023 IIFL Wealth Management Limited was renamed to 360 ONE WAM Limited.

Valuation and Consolidated Financial Statement Impact

During 2022, the company sold a cumulative 9,908,886 equity shares of 360 ONE for gross proceeds of $197,491 (16.2 billion Indian rupees), resulting in realized gains of $63,799. At December 31, 2022 the fair value of the company's investment in 360 ONE was $46,730, comprised of 2,182,749 common shares representing a 2.5% equity interest.

During 2023, the company sold its remaining equity interest in 360 ONE for gross proceeds of $45,974 (3.8 billion Indian rupees), resulting in realized gains of $16,551.

In 2023 the consolidated statements of earnings included dividend income earned from the company's investment in 360 ONE of $383 (2022 – $8,004).

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 principally unchanged during 2023, consideration has been given to the current economic and market environment in the determination of unobservable inputs used in discounted cash flows, 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 2023 and 2022, including details on valuation methodologies and current model assumptions are disclosed in note 5 (Indian Investments) to the consolidated financial statements for the year ended December 31, 2023.

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 over time 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 and included 154 guest rooms and 13 conference rooms. The hotel is currently undergoing an expansion to add 216 additional guest rooms, of which 113 rooms became operational on September 1, 2023, and the remaining rooms were completed on February 29, 2024.

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

At December 31, 2023 the company had appointed seven of the sixteen BIAL board members.

Key Business Drivers, Events and Risks

KIAB is the busiest airport in South India, and the third largest in the country. The airport handled approximately 37.2 million passengers in 2023 reflecting an increase in overall traffic of 35.3% compared to 2022. Total passenger levels have surpassed 2019 pre-pandemic levels, largely owing to domestic passenger traffic. International passenger traffic levels recovered to 92% of 2019 pre-pandemic levels, and its continued recovery is supported by the commencement of international operations at BIAL's Terminal 2 on September 12, 2023. BIAL also handled the highest market share of perishable cargo in India for the third consecutive year in fiscal year 2023.

In December 2023, BIAL achieved notable recognition at the 2023 Prix Versailles by UNESCO. The airport's Terminal 2 was acknowledged as one of the 'World's most beautiful airports' and received the esteemed 2023 'World special prize for an interior' for the airport category.

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, which commenced domestic operations on January 15, 2023 and international operations on September 12, 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 when completed will be approximately 73 million passengers per annum.

- ***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.

Valuation and Consolidated Financial Statement Impact

On May 9, 2023 Fairfax India entered into an agreement with Siemens Project Ventures GmbH ("Siemens"), a part of Siemens Financial Services and one of the original investors in the public-private partnership, to acquire an additional 10.0% equity interest in BIAL through FIH Mauritius in two transactions:

- June 21, 2023 – the company acquired a 3.0% equity interest in BIAL for cash of $75,000 (6.2 billion Indian rupees).
- December 12, 2023 – the company acquired an additional 7.0% equity interest in BIAL for cash of $175,000 (14.6 billion Indian rupees).

The transaction implies a fair value for 100% of BIAL at approximately $2.5 billion (approximately 208.0 billion Indian rupees).

At December 31, 2023 the company held a 64.0% equity interest in BIAL (December 31, 2022 – 54.0%), and its internal valuation model indicated that the fair value of the company's investment in BIAL was $1,599,988 (December 31, 2022 – $1,233,747), which approximates the equity valuation of BIAL implied by the Siemens transaction discussed above.

At December 31, 2023 the company held 43.6% out of its 64.0% (December 31, 2022 – 43.6% out of its 54.0%) equity interest in BIAL through Anchorage. As a result, the company's fully-diluted equity interest in BIAL was 59.0% (December 31, 2022 – 49.0%). Refer to note 8 (Total Equity, under the heading Non-controlling interests) to the consolidated financial statements for the year ended December 31, 2023 for further discussion on Anchorage.

BIAL's Summarized Financial Information

BIAL's fiscal year ends on March 31. Summarized below are BIAL's balance sheets at September 30, 2023 and March 31, 2023.

Balance Sheets
(unaudited – US$ thousands)

	September 30, 2023(1)	March 31, 2023(1)
Current assets	257,619	270,447
Non-current assets	1,582,491	1,538,722
Current liabilities	175,033	147,684
Non-current liabilities	1,350,956	1,338,204
Shareholders' equity	314,121	323,281

(1) The net assets of BIAL were translated at September 30, 2023 at $1 U.S. dollar = 83.04 Indian rupees and at March 31, 2023 at $1 U.S. dollar = 82.18 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Current assets decreased primarily reflecting the use of cash and cash equivalents towards capital expansion projects and investments in longer term fixed deposits, as reflected by the increase in non-current assets. Current liabilities increased primarily reflecting increased capital expenditure payables, partially offset by 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, 2023 and 2022.

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

	Six months ended September 30, 2023[(1)]	Six months ended September 30, 2022[(1)]
Revenue	157,705	108,059
EBITDA	103,685	68,693
Net earnings (loss)	(5,483)	15,313

(1) Amounts for the six months ended September 30, 2023 and 2022 were translated into US$ using the average exchange rates of $1 U.S. dollar = 82.43 Indian rupees and $1 U.S. dollar = 78.49 Indian rupees prevailing during those respective periods.

The increase in revenue primarily reflected increased aeronautical revenues as a result of higher UDFs with effect from April 1, 2023 and higher passenger traffic levels. The increase in passenger traffic translated into higher revenues across all non-aeronautical revenues, reflecting higher spend by passengers. The increase in EBITDA principally reflected increased revenues, partially offset by higher operating, marketing and administrative expenses in connection with higher business volumes and the launch of Terminal 2. Net loss for the six months ended September 30, 2023 compared to net earnings in the prior period was primarily due to increased depreciation and interest expense, consistent with the commencement of operations of Terminal 2 in 2023.

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. Sanmar is in the process of expanding its specialty paste PVC and custom manufactured chemicals capacity in India over fiscal year 2024.

Sanmar's principal lines of business are as follows:

Chemplast Sanmar Limited ("Chemplast") – a public company

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 its custom manufactured chemicals business ("Speciality Chemicals"). Specialty paste PVC resin is primarily used in the artificial leather industry to produce footwear, auto parts, furniture upholstery and mats. Caustic soda is primarily used in the manufacturing of paper and pulp, textiles, alumina, soaps and detergents, and is also the basic feedstock for various chemicals. Chloromethanes are primarily used in pharmaceutical and agro-chemical sectors. 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, 2023 the company had appointed one of the four Sanmar board members.

Key Business Drivers, Events and Risks

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.

The international PVC market has been impacted by weak demand recovery in China, but prices are expected to recover from current lows in 2024. Additionally, Sanmar Egypt is focusing on exporting PVC to global markets in the short term as a result of the currency depreciation of the Egyptian pound.

Valuation and Consolidated Financial Statement Impact

At December 31, 2023 the company held a 42.9% equity interest in Sanmar (December 31, 2022 – 42.9%) and its internal valuation model indicated that the fair value of the company's investment in Sanmar was $302,881 (December 31, 2022 – $337,846).

The fair value of Chemplast, a publicly traded subsidiary of Sanmar, comprised 74% of the company's investment in Sanmar at December 31, 2023 (December 31, 2022 – 61%). The share price of Chemplast increased by 9.0% from 458.50 Indian rupees per share at December 31, 2022 to 499.60 Indian rupees per share at December 31, 2023.

Sanmar's Summarized Financial Information

Sanmar's fiscal year ends on March 31. Summarized below are Sanmar's balance sheets at September 30, 2023 and March 31, 2023.

Balance Sheets
(unaudited – US$ thousands)

	September 30, 2023(1)	March 31, 2023(1)
Current assets	343,263	381,091
Non-current assets	1,704,322	1,693,998
Current liabilities	579,411	576,449
Non-current liabilities	969,663	961,701
Total equity	498,511	536,939

(1) The net assets of Sanmar were translated at September 30, 2023 at $1 U.S. dollar = 83.04 Indian rupees and at March 31, 2023 at $1 U.S. dollar = 82.18 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Current assets decreased and non-current assets increased primarily due to use of cash towards purchases of property, plant and equipment as a result of capital expansion projects. Current and non-current liabilities increased primarily due to increased borrowings to fund expansion projects at Chemplast, partially offset by decreased customer advances.

Summarized below are Sanmar's statements of earnings (loss) for the six months ended September 30, 2023 and 2022.

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

	Six months ended September 30, 2023(1)	Six months ended September 30, 2022(1)(2)
Revenue	477,993	670,815
Earnings (loss) before income taxes	(40,178)	48,730
Net earnings (loss)	(35,896)	43,557

(1) Amounts for the six months ended September 30, 2023 and 2022 were translated into US$ using the average exchange rates of $1 U.S. dollar = 82.43 Indian rupees and $1 U.S. dollar = 78.49 Indian rupees prevailing during those respective periods.

(2) Certain prior period comparative figures have been restated for comparability to be consistent with current period's presentation.

Revenue decreased primarily due to lower prices of PVC, caustic soda and other chemicals in both India and Egypt, in addition to reduced export incentives, partially offset by higher sales volumes on certain finished products. Loss before income taxes and net loss for the six months ended September 30, 2023 compared to earnings before income taxes and net earnings in the prior period primarily reflected the decline in revenue as noted above, increased interest expense and the impact of other income in the prior period related to insurance proceeds at Sanmar Egypt, partially offset by decreased power costs at Sanmar Egypt due to the devaluation of the Egyptian pound.

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, 2023 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, over 98% market share in the equity derivatives trading segment and a 74% and 99% market share in the currency futures and currency options markets, respectively. In 2023 NSE of India was the world's largest exchange in derivatives trading volumes, for the fifth straight year.

Valuation and Consolidated Financial Statement Impact

During the fourth quarter of 2023 the company entered into two agreements to sell, in aggregate, 78.0% of its equity interest in NSE for gross proceeds of approximately $147 million based on period end exchange rates (12.2 billion Indian rupees). At December 31, 2023 the sales were subject to customary closing conditions.

At December 31, 2023 the company held a 1.0% equity interest in NSE (December 31, 2022 – 1.0%) with an estimated fair value of $188,615 (December 31, 2022 – $159,627).

In 2023 the consolidated statements of earnings included dividend income earned from the investment in NSE of $4,866 (2022 – $2,719).

Subsequent to December 31, 2023

On January 29, 2024 the company completed the sale of 70.1% of its equity interest in NSE for gross proceeds of $132,265 (11.0 billion Indian rupees). In February 2024 the company entered into two additional agreements to sell its remaining interest in NSE for gross proceeds of approximately $42 million (3.5 billion Indian rupees). The remaining sales are subject to customary closing conditions and are expected to be completed in the first quarter of 2024.

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, 2023 Seven Islands owned 25 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, 2023 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.

Due to the ban on the import of oil from Russia by many western nations and the European Union, as well as price caps imposed on crude oil shipped using western tankers and insurers, Russia has been exporting oil to China and India at significantly higher volumes. Seven Islands primarily operates along the Indian coast, the Arabian Gulf and Southeast Asia, shipping oil for Indian oil companies, therefore it indirectly benefits from the increased demand for medium-sized vessels and longer-haul routes, particularly in Asia, which has resulted in increased tanker charter rates.

The global crude oil market is currently experiencing fluctuations and uncertainties due to geopolitical events impacting supply chain and changing demand patterns. Recent macroeconomic trends indicate global oil demand will slow in 2024, influenced by the post-pandemic rebound losing momentum, tightening monetary policies, and pressures to make energy efficiency improvements. Despite these conditions, charter rates for crude oil tankers are expected to stay above pre-pandemic levels in the short to medium term, buoyed by sustained crude oil demand in Asia. Seven Islands remains somewhat insulated from volatility, at least in the short term as the majority of its revenue contracts are on time charter for 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 fluctuations in the Indian rupee to the extent that vessel acquisitions are negotiated and settled in U.S. dollars.

Valuation and Consolidated Financial Statement Impact

At December 31, 2023 the company held a 48.5% equity interest in Seven Islands (December 31, 2022 – 48.5%) and its internal valuation model indicated that the fair value of the company's investment in Seven Islands was $142,839 (December 31, 2022 – $96,910).

In 2023 the consolidated statements of earnings included dividend income earned from the company's investment in Seven Islands' of $6,054 (2022 – nil).

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. Maxop operates from eight manufacturing facilities located in India with total installed casting capacity of over 20,000 metric tons.

At December 31, 2023 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 applications for aluminum die casting, a process which manufactures lightweight parts and provides high flexibility for complex shapes. 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. The die casting market is expected to benefit from the significant growth in global demand for vehicle production, in large part due to the rising popularity of electric vehicles.

Accordingly, the automotive parts die casting segment makes up a significant portion of Maxop's revenue profile across domestic and export sales. 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.

Business growth continues to be supported by the resilient domestic market in India, where demand and growth have been relatively robust compared to the export market, in addition to Maxop's strong pipeline of contracts secured with major global customers. However, external market conditions such as elevated inflation, particularly across the U.S. and Europe, and other supply chain disruptions exacerbated by geopolitical conflicts may dampen future export growth, as well as raise energy and raw material costs.

Maxop's key initiatives involve securing more contracts from prominent customers, strategic enhancements to improve operational excellence and optimize costs, and the expansion of manufacturing facilities to serve regions and industries with significant growth outlook. Maxop also mitigates its exposure to volatility in input prices through its aluminum processing plants which transform scrap metal to aluminum ingots for its aluminum die casting and machinery supply segment.

Valuation and Consolidated Financial Statement Impact

On September 5, 2022 the company invested cash of $21,928 (1.8 billion Indian rupees) for an additional 16.0% equity interest in Maxop, completing the second and final transaction under the terms of an investment agreement entered into in September 2021. In aggregate, the company acquired a 67.0% equity interest in Maxop for $51,448 (4.0 billion Indian rupees).

At December 31, 2023 the company held a 67.0% equity interest in Maxop (December 31, 2022 – 67.0%) and its internal valuation model indicated that the fair value of the company's investment in Maxop was $56,674 (December 31, 2022 – $51,886).

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 to importers and exporters to transport cargo.

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

At December 31, 2023 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 2023 Saurashtra handled 142,741 TEUs compared to annual installed capacity of 223,000 TEUs, implying a capacity utilization of approximately 64% (2022 – 125,697 TEUs compared to annual installed capacity of 197,200, implying a capacity utilization of approximately 64%). Saurashtra is the second largest CFS at Mundra port in terms of total throughput, imports and exports, achieving a 13% market share for the quarter ended December 31, 2023.

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.

In order to meet demand arising from continued growth in overall container traffic, Saurashtra completed the expansion of its CFS logistics park in April 2023, which increased its annual installed capacity by approximately 34,400 TEUs. Although the container shipping business continued to witness declining ocean freight rates, primarily from softening global demand and ease of supply chain disruptions, 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.

During 2023 the Indian government imposed temporary grain export restrictions, including a ban on certain rice exports in order to combat high food price inflation. As a result, Saurashtra's export volumes have been impacted in the near term, however the remainder of their exports remain well-diversified with respect to commodity concentration.

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, 2023 the company held a 51.0% equity interest in Saurashtra (December 31, 2022 – 51.0%) and its internal valuation model indicated that the fair value of the company's investment in Saurashtra was $50,551 (December 31, 2022 – $50,707).

In 2023 the consolidated statements of earnings included dividend income earned from the company's investment in Saurashtra of $8,305 (2022 – $771).

Subsequent to December 31, 2023

On March 4, 2024 the company received dividend income from the company's investment in Saurashtra of approximately $0.5 million (40.8 million Indian rupees).

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 include its commodity management solutions business (including adjacent services), in addition to silo projects commissioned by the Food Corporation of India ("FCI"), and an NBFC which focuses on rural and agri-business financing.

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

At December 31, 2023 the company had appointed two of the five 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.

The Government of India has set a food grain production target of approximately 332 million metric tons for the 2023-24 crop year (July to June 2024). NCML's commodity management solutions business currently services approximately 2.0 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.

Business volumes across the commodity management solutions and NBFC businesses continued to be constrained by funding limitations and other external factors. Recent geopolitical events and unfavourable market conditions have contributed to elevated food price inflation and reduced supply, resulting in a temporary increase in commodity withdrawals and reduced storage demand in the near term. NCML has been focused on strengthening its liquidity as a result of the tightened credit environment. On September 18, 2023, NCML agreed to settle $36.1 million (3.0 billion Indian rupees) of outstanding external debt for $11.5 million (1.0 billion Indian rupees). NCML recorded a gain on the settlement of the external debt, which was fully offset by the impairment of certain assets.

At December 31, 2023, four of NCML's silo projects were operational, and three remaining silo projects are in advanced stages of construction with expected completion in fiscal year 2024. Between 2020 and 2023 NCML and FCI agreed to terminate nine out of the sixteen original silo projects due to inability to procure suitable land and other construction-related challenges.

To manage working capital and liquidity requirements, NCML has focused on risk mitigation controls and protocols, and 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

On March 31, 2023 the company converted its investment in 12.5% unsecured compulsorily convertible debentures originally issued by NCML in 2019 ("NCML CCD") into NCML common shares with a fair value of $6,399 (525.8 million Indian rupees). As a result, the company recorded a realized loss on the NCML CCD of $5,803. In May 2023, NCML issued additional common shares to the company to settle accrued interest related to the NCML CCD, which the company recorded at a fair value of $3,425 (283.2 million Indian rupees). As a result of the above transactions, the company's equity interest in NCML increased from 89.5% to 91.0%.

At December 31, 2022 the fair value of the company's investment in the NCML CCD was $12,517 and the company had accrued $3,944 in interest receivable related to the NCML CCD.

At December 31, 2023 the company held a 91.0% equity interest in NCML (December 31, 2022 – 89.5%) and its internal valuation model indicated that the fair value of the company's equity investment in NCML was $50,327 (December 31, 2022 – $56,871).

NCML Non-convertible Debentures

On November 9, 2023 the company invested $24,013 (2.0 billion Indian rupees) in 9.47% unsecured non-convertible debentures ("NCML NCD"), due November 8, 2028.

At December 31, 2023 the fair value of the company's investment in the NCML NCD was $24,034 (including a deferred loss of $3,631), and is presented within Other Indian Fixed Income within the table disclosed earlier in the Summary of Indian Investments section.

NCML's Summarized Financial Information

NCML's fiscal year ends on March 31. Summarized below are NCML's balance sheets at December 31, 2023 and March 31, 2023.

Balance Sheets
(unaudited – US$ thousands)

	December 31, 2023(1)	March 31, 2023(1)
Current assets	19,207	26,074
Non-current assets	113,331	131,458
Current liabilities	20,213	24,424
Non-current liabilities	55,407	77,260
Shareholders' equity	56,918	55,848

(1) The net assets of NCML were translated at December 31, 2023 at $1 U.S. dollar = 83.21 Indian rupees and at March 31, 2023 at $1 U.S. dollar = 82.18 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Current assets decreased primarily reflecting use of cash towards continued construction of silo projects and loss provisions recorded on receivables. Non-current assets decreased primarily reflecting loss provisions recorded on certain properties, partially offset by the continued construction of silo projects. Current liabilities decreased primarily due to decreased accrued interest. Non-current liabilities decreased primarily reflecting the settlement of external debt as discussed under the *Key Business Drivers, Events and Risks* section, partially offset by net proceeds received on silo project loans upon meeting new construction milestones. Shareholders' equity increased principally reflecting the issuance of common shares during the period to settle accrued interest on the NCML CCD, partially offset by net losses during the period.

Summarized below are NCML's statements of earnings (loss) for the nine months ended December 31, 2023 and 2022.

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

	Nine months ended December 31, 2023(1)	Nine months ended December 31, 2022(1)
Revenue	25,041	23,014
Loss before income taxes	(2,226)	(6,964)
Net loss	(2,433)	(7,491)

(1) Amounts for the nine months ended December 31, 2023 and 2022 were translated into US$ using the average exchange rates of $1 U.S. dollar = 82.71 Indian rupees and $1 U.S. dollar = 79.69 Indian rupees prevailing during those respective periods.

Revenue increased primarily reflecting revenue from operational silos and improved warehousing business volumes compared to the prior period (where demand was more significantly impacted by the conflict in Ukraine), partially offset by lower supply chain management revenues due to funding limitations. Loss before income taxes and net loss decreased due to improved margins consistent with cost optimization efforts by NCML, in addition to loss provisions recorded in the prior period related to the termination of three silo projects. The gain recorded on settlement of NCML's external debt in the current period was offset by loss provisions recorded on certain assets.

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.

Additional information can be accessed from Jaynix's website www.jaynix.com.

At December 31, 2023 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 across three manufacturing plants in India to cater to markets in North America and Europe, and has in-house capabilities to design products and scale its manufacturing production capacities. Jaynix is in process of constructing a new facility, in addition to acquiring new machinery and upgrading existing machinery in order to expand production capacity. New products are in development to expand Jaynix's product line and the business continues to explore the possibility of expanding its manufacturing presence in North America.

Jaynix is able to maintain its competitive advantage as the requirement for specific certifications presents 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. Overall growth in demand has slowed down, in part due to the slowdown in the U.S. housing market. Jaynix has been able to maintain stable product margins despite volatile commodity prices, 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 of $32,504 (2.5 billion Indian rupees) for a 70.0% equity interest in Jaynix.

At December 31, 2023 the company held a 70.0% equity interest in Jaynix (December 31, 2022 – 70.0%) and its internal valuation model indicated that the fair value of the company's investment in Jaynix was $49,277 (December 31, 2022 – $32,796).

Investment in India Housing Fund

Business Overview

India Housing Fund ("IH Fund") is a closed-ended fund of 360 ONE Private Equity Fund (formerly IIFL Private Equity Fund) 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, 2023 IH Fund had invested approximately $128 million at period end exchange rates (10.7 billion Indian rupees) in 7 real estate sector investments.

At December 31, 2023 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. Rising incomes and employment opportunities have led to rapid urbanization in India, increasing demand for real estate in urban areas, and pointing to a strong future for the real estate sector. The Indian real estate sector is expected to contribute approximately 13% to the country's GDP by 2025 and reach $1 trillion in market size 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, 2023 the company estimated the fair value of its investment in IH Fund was $13,090 (December 31, 2022 – $15,576).

During 2023 the company received distributions of $2,444 (2022 – $5,909) from IH Fund and in 2023 the consolidated statements of earnings included dividend income earned from the investment in IH Fund of $1,384 (2022 – $1,482).

Results of Operations

Fairfax India's consolidated statements of earnings for the years ended December 31, 2023, 2022 and 2021 are shown in the following table:

	2023	2022	2021
Income			
Interest	16,833	11,353	5,500
Dividends	28,831	23,985	27,468
Net realized gains on investments	193,203	95,882	227,193
Net change in unrealized gains on investments	361,702	153,656	438,935
Net foreign exchange losses	(1,713)	(47,350)	(5,557)
	598,856	237,526	693,539
Expenses			
Investment and advisory fees	39,382	38,988	40,775
Performance fee (recovery)	69,385	(36,428)	85,193
General and administration expenses	12,672	13,470	5,526
Interest expense	25,521	25,521	28,515
	146,960	41,551	160,009
Earnings before income taxes	451,896	195,975	533,530
Provision for income taxes	68,050	4,487	39,030
Net earnings	383,846	191,488	494,500
Attributable to:			
Shareholders of Fairfax India	371,770	191,439	494,514
Non-controlling interests	12,076	49	(14)
	383,846	191,488	494,500
Net earnings per share	$ 2.72	$ 1.38	$ 3.38
Net earnings per diluted share	$ 2.72	$ 1.34	$ 3.22

The company had net earnings attributable to shareholders of $371,770 (net earnings of $2.72 per basic and diluted share) in 2023 compared to net earnings attributable to shareholders of $191,439 (net earnings of $1.38 per basic share and $1.34 per diluted share) in 2022.

The key components of results of operations for 2023 (with comparisons to 2022, except as otherwise noted) included the following:

Net change in unrealized gains on investments of $361,702 (2022 – $153,656) were principally driven by changes in market prices of Public Indian Investments ($367,131) and fair values of Private Indian Investments determined using industry accepted valuation techniques and models ($174,415), partially offset by reversals of prior period unrealized gains on sales ($175,427). For more information about Indian Investments, see the Indian Investments section of this MD&A. For further analysis of the changes in fair value of Indian Investments, refer to note 5 (Indian Investments) to the consolidated financial statements for the year ended December 31, 2023.

Net realized gains on investments of $193,203 principally related to realized gains on partial sales of IIFL Finance, and sales of the remaining 360 ONE (formerly IIFL Wealth) holdings and certain Other Public Indian Investments, partially offset by a realized loss related to the conversion of the NCML CCD. Net realized gains on investments of $95,882 in 2022 principally arose from partial sales of 360 ONE (formerly IIFL Wealth) and Other Public Indian Investments.

Interest income of $16,833 in 2023 increased from $11,353 in 2022 principally as a result of increased interest from investments in U.S. treasury bills, partially offset by decreased interest from Other Indian Fixed Income due to the conversion of the NCML CCD in March 2023.

Dividends of $28,831 in 2023 increased from $23,985 in 2022 primarily due to increased dividends from the company's investments in Saurashtra, Seven islands and NSE, partially offset by decreased dividends from the company's investments in 360 ONE and Other Public Indian Investments, as a result of their sales since the prior year.

Net foreign exchange losses of $1,713 in 2023 (2022 – $47,350) primarily relates to foreign exchange losses on U.S. dollar denominated borrowings. The decrease from 2022 reflected less significant depreciation of the Indian rupee against the U.S. dollar during 2023.

Total expenses of $146,960 in 2023 increased from $41,551 in 2022 primarily due to the higher performance fee payable recorded in 2023 primarily reflecting net unrealized gains on investments, partially offset by decreased general and administration expenses primarily due to lower transaction advisory fees, compared to the prior year, which principally arose from the sale of 360 ONE (formerly IIFL Wealth).

Provision for income taxes of $68,050 in 2023 (2022 – $4,487) 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 and foreign exchange fluctuations, partially offset by the increase in unrecorded tax benefit of losses and temporary differences. Refer to note 10 (Income Taxes) to the consolidated financial statements for the year ended December 31, 2023 for further detail.

Consolidated Balance Sheet Summary

The assets and liabilities reflected on the company's consolidated balance sheet at December 31, 2023 were primarily impacted by net change in unrealized gains on investments, which resulted in higher performance fees and deferred income taxes, in addition to purchases and sales of investments, purchases of subordinate voting shares for cancellation, and unrealized foreign currency translation losses.

Total Assets

Total assets at December 31, 2023 of $3,821,535 (December 31, 2022 – $3,365,569) were principally comprised as follows:

Total cash and investments increased from $3,358,056 at December 31, 2022 to $3,818,921 at December 31, 2023. The company's total cash and investments composition by the issuer's country of domicile was as follows:

	December 31, 2023					December 31, 2022				
	India	U.S.	Canada	Other	Total	India	U.S.	Canada	Other	Total
Cash and cash equivalents	147,291	3,242	20,603	3,479	174,615	1,889	118,636	11,269	15,654	147,448
Short term investments:										
U.S. treasury	–	–	–	–	–	–	49,692	–	–	49,692
	–	–	–	–	–	–	49,692	–	–	49,692
Bonds:										
Government of India	31,794	–	–	–	31,794	121,108	–	–	–	121,108
Other Indian Fixed Income	31,469	–	–	–	31,469	19,585	–	–	–	19,585
	63,263	–	–	–	63,263	140,693	–	–	–	140,693
Common stocks:										
IIFL Finance	412,151	–	–	–	412,151	493,341	–	–	–	493,341
CSB Bank	409,335	–	–	–	409,335	223,268	–	–	–	223,268
IIFL Securities	147,437	–	–	–	147,437	65,837	–	–	–	65,837
Fairchem Organics	102,998	–	–	–	102,998	111,083	–	–	–	111,083
5paisa	52,129	–	–	–	52,129	28,421	–	–	–	28,421
Other	2,751	–	–	–	2,751	15,577	–	–	–	15,577
360 ONE (formerly IIFL Wealth)	–	–	–	–	–	46,730	–	–	–	46,730
BIAL	1,599,988	–	–	–	1,599,988	1,233,747	–	–	–	1,233,747
Sanmar	302,881	–	–	–	302,881	337,846	–	–	–	337,846
NSE	188,615	–	–	–	188,615	159,627	–	–	–	159,627
Seven Islands	142,839	–	–	–	142,839	96,910	–	–	–	96,910
Maxop	56,674	–	–	–	56,674	51,886	–	–	–	51,886
Saurashtra	50,551	–	–	–	50,551	50,707	–	–	–	50,707
NCML	50,327	–	–	–	50,327	56,871	–	–	–	56,871
Jaynix	49,277	–	–	–	49,277	32,796	–	–	–	32,796
IH Fund	13,090	–	–	–	13,090	15,576	–	–	–	15,576
	3,581,043	–	–	–	3,581,043	3,020,223	–	–	–	3,020,223
Total cash and investments	3,791,597	3,242	20,603	3,479	3,818,921	3,162,805	168,328	11,269	15,654	3,358,056

Cash and cash equivalents increased from $147,448 at December 31, 2022 to $174,615 at December 31, 2023 principally due to net sales of investments, and receipts of dividend and interest income, partially offset by purchases of subordinate voting shares for cancellation, interest payments on borrowings and income tax payments.

Short term investments decreased from $49,692 at December 31, 2022 to nil at December 31, 2023, principally due to net sales of U.S. treasury bills to fund interest payments on borrowings and purchases of investments.

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 $3,818,921 at December 31, 2023 (December 31, 2022 – $3,358,056) see note 6 (Cash and Investments) of the consolidated financial statements for the year ended December 31, 2023.

Interest receivable decreased from $5,599 at December 31, 2022 to $1,367 at December 31, 2023 primarily reflecting the settlement of interest on the NCML CCD through issuance of NCML common shares during 2023, in addition to decreased interest receivable from Government of India bonds.

Income taxes refundable decreased from $1,012 at December 31, 2022 to $220 at December 31, 2023, primarily due to the receipt of a corporate tax refund at Anchorage during 2023.

Other assets increased from $902 at December 31, 2022 to $1,027 at December 31, 2023, primarily related to additional upfront costs related to the amendment of the Revolving Credit Facility in 2023, partially offset by the amortization of upfront costs during the year.

Total Liabilities and Equity

Total liabilities at December 31, 2023 of $736,761 (December 31, 2022 – $608,796) were principally comprised as follows:

Accrued interest expense of $8,611 at December 31, 2023 (December 31, 2022 – $8,611) was comprised of accrued interest expense for the $500,000 principal 5.0% unsecured senior notes due February 26, 2028 ("Unsecured Senior Notes"), which are due in semi-annual installments.

Payable to related parties increased from $50,851 at December 31, 2022 to $120,858 at December 31, 2023 principally relating to the performance fee payable of $110,158 to Fairfax (relating to the third calculation period ending on December 31, 2023) and increased investment and advisory fees.

Deferred income taxes increased from $50,554 at December 31, 2022 to $108,553 at December 31, 2023 primarily due to deferred income taxes attributable to unrealized gains on the company's investments in BIAL, CSB Bank, IIFL Securities, Seven Islands, 5paisa, Jaynix and Maxop, partially offset by a reversal of prior period deferred income taxes recognized on the company's investments in 360 ONE (formerly IIFL Wealth), Fairchem Organics and Other Public Indian Investments.

Borrowings increased from $497,306 at December 31, 2022 to $497,827 at December 31, 2023, 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, 2023.

Total equity at December 31, 2023 of $3,084,774 (December 31, 2022 – $2,756,773) was comprised of common shareholders' equity of $2,958,718 (December 31, 2022 – $2,642,036) and non-controlling interests of $126,056 (December 31, 2022 – $114,737). Refer to note 8 (Total Equity) to the consolidated financial statements for the year ended December 31, 2023.

Comparison of 2022 to 2021 – Total assets of $3,365,569 at December 31, 2022 (December 31, 2021 – $3,584,346) and total liabilities of $608,796 at December 31, 2022 (December 31, 2021 – $681,912) 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.

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, 2023 compared to those identified at December 31, 2022, other than as outlined in note 11 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2023.

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) increased from $3,254,079 at December 31, 2022 to $3,582,601 at December 31, 2023 principally reflecting increases in common shareholders' equity and non-controlling interests, as described below.

Common shareholders' equity increased from $2,642,036 at December 31, 2022 to $2,958,718 at December 31, 2023 primarily reflecting net earnings attributable to shareholders of $371,770, partially offset by purchases of subordinate voting shares for cancellation of $37,246 and unrealized foreign currency translation losses attributable to shareholders of $17,857 in 2023.

Non-controlling interests increased from $114,737 at December 31, 2022 to $126,056 at December 31, 2023, primarily reflecting net earnings attributable to non-controlling interests of $12,076 principally arising from net unrealized gains on the company's investment in BIAL held through Anchorage, partially offset by unrealized foreign currency translation losses attributable to non-controlling interests of $757 in 2023.

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 had a three-year term with an option to extend for an additional year. On October 3, 2023 the company amended the Revolving Credit Facility to extend its maturity date from December 17, 2024 to October 2, 2026, while maintaining the option to extend for an additional year. At December 31, 2023 the Revolving Credit Facility was undrawn and remained available.

On December 4, 2023 DBRS Morningstar upgraded the company's Issuer Rating and the Unsecured Senior Notes rating to BBB from BBB (low). DBRS Morningstar also changed the trend on the ratings of Fairfax India to Stable from Positive.

Liquidity

For a detailed discussion on short term and long term liquidity requirements and sources of liquidity, refer to note 11 (Financial Risk Management, under the heading Liquidity Risk) to the consolidated financial statements for the year ended December 31, 2023.

For the period from January 1, 2021 to December 31, 2023 (the "third calculation period"), the company determined that a performance fee of $110,158 was payable at December 31, 2023 (December 31, 2022 – accrual of $41,531). On December 15, 2023, in accordance with the terms of the Investment Advisory Agreement, Fairfax elected to receive payment of the performance fee for the third calculation period in cash. The performance fee payable at December 31, 2023 will be paid to Fairfax within the first six months of 2024.

Highlights in 2023 (with comparisons to 2022) of major components of the statements of cash flows are presented in the following table:

	2023	2022
Operating activities		
Cash used in operating activities excluding the impact of net sales (purchases) of investments	(39,002)	(68,789)
Net sales (purchases) of short term investments	51,712	(43,385)
Purchases of investments	(330,608)	(184,293)
Sales of investments	384,508	448,811
Cash provided by operating activities	66,610	152,344
Financing activities		
Purchases of subordinate voting shares for cancellation	(37,246)	(35,582)
Cash used in financing activities	(37,246)	(35,582)
Increase in cash and cash equivalents during the year	29,364	116,762

"Cash used in operating activities excluding the impact of 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 purchases and sales of investments. Cash used in operating activities excluding the impact of net sales (purchases) of investments of $39,002 in 2023 decreased from $68,789 in 2022, primarily reflecting lower income taxes paid and increased cash receipts from dividend and interest income.

Net sales of short term investments of $51,712 in 2023 related to net sales of U.S. and Indian treasury bills, compared to the net purchase of treasury bills of $43,385 in 2022, principally comprised of U.S. treasury bills.

Purchases of investments of $330,608 in 2023 primarily related to purchases of BIAL common shares, Government of India bonds, and Other Indian Fixed Income bonds. Purchases of investments of $184,293 in 2022 primarily related to purchases of Government of India bonds and investments in common shares of Jaynix, Maxop and Other Public Indian Investments.

Sales of investments of $384,508 in 2023 primarily related to partial sales of IIFL Finance common shares, Government of India bonds, and sales of the company's remaining 360 ONE (formerly IIFL Wealth) holdings and certain Other Public Indian Investments. Sales of investments of $448,811 in 2022 primarily related to partial sales of the company's investments in 360 ONE, Government of India bonds, and Other Public Indian Investments. Refer to note 15 (Supplementary Cash Flow Information) to the consolidated financial statements for the year ended December 31, 2023 for details of purchases and sales of investments.

Purchases of subordinate voting shares for cancellation of $37,246 in 2023 (2022 – $35,582) related to the company's purchases of 2,872,391 subordinate voting shares under the terms of the normal course issuer bid (2022 – 2,964,452).

Contractual Obligations

The company's contractual obligations principally relate to its borrowings, and fees due to Fairfax under the terms of the Investment Advisory Agreement. Refer to note 7 (Borrowings) and note 12 (Related Party Transactions) to the consolidated financial statements for the year ended December 31, 2023 for additional details.

During the fourth quarter of 2023 the company entered into two agreements to sell, in aggregate, 78.0% of its equity interest in NSE for gross proceeds of approximately $147 million based on period end exchange rates (12.2 billion Indian rupees). At December 31, 2023 the sales were subject to customary closing conditions.

Subsequent to December 31, 2023

On January 29, 2024 the company completed the sale of 70.1% of its equity interest in NSE for gross proceeds of $132,265 (11.0 billion Indian rupees). In February 2024 the company entered into two additional agreements to sell its remaining interest in NSE for gross proceeds of approximately $42 million (3.5 billion Indian rupees). The remaining sales are subject to customary closing conditions and are expected to be completed in the first quarter of 2024.

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, 2023, 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, 2023, 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 as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). 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 Accounting Standards, 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, 2023. 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, 2023, 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, 2023.

Material Accounting Policy Changes

There were no material accounting policy changes during 2023. Please refer to note 3 (Summary of Material Accounting Policies) to the consolidated financial statements for the year ended December 31, 2023 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 Material Accounting Policies) to the consolidated financial statements for the year ended December 31, 2023. The company does not expect to adopt any of these new standards and amendments 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, 2023 compared to those identified at December 31, 2022, other than as outlined in note 11 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2023.

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.sedarplus.ca.

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, 2023. 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 Accounting Standards. 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 Accounting Standards. 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 held and 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 than 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, 2023, 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.

Disruption of the Company's Information Technology Systems

The company relies on information technology in virtually all aspects of the company's business. A significant disruption or failure of the company's information technology systems could result in service interruptions, safety failures, security violations, regulatory compliance failures, and inability to protect information and assets against intruders, and other operational difficulties. Attacks perpetrated against the company's information systems could result in loss of assets and critical information, potential breach of privacy laws, expose the company to remediation costs, reputational damage, regulatory scrutiny, litigation and adversely affect the company's results of operations, financial condition and liquidity.

Cyber-attacks could further adversely affect the company's ability to operate facilities, information technology and business systems, or compromise confidential employee information. Cyber-attacks resulting in political, economic, social or financial market instability or damage to or interference with the company's assets may result in business interruptions, lost revenue, higher commodity prices, disruption in fuel supplies, lower energy consumption, unstable markets, increased security and repair or other costs, any of which may affect the company's consolidated financial results. Furthermore, instability in the financial markets as a result of terrorism, sustained or significant cyber-attacks, or war could also materially adversely affect the company's ability to raise capital.

The company has taken steps intended to mitigate these risks, including implementation of cybersecurity and cyber resilience measures, business continuity planning, disaster recovery planning and business impact analysis, and regularly update these plans and security measures, however, there can be no assurance that such steps will be adequate to protect the company from the impacts of a cyber-attack.

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 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 thereon. 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, the company is 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, 2023 Fairfax, through its subsidiaries, owned 30,000,000 multiple voting shares (December 31, 2022 – 30,000,000) and owned and/or exercised control or direction over 28,504,470 subordinate voting shares (December 31, 2022 – 28,504,470) of Fairfax India. At December 31, 2023 Fairfax's aggregate ownership, control and/or direction of the subordinate voting shares and multiple voting shares represented a 95.2% voting interest and a 43.2% equity interest in Fairfax India (December 31, 2022 – 95.0% and 42.3%).

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. In May 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, 2023 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, 2023). 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.

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. The Canadian federal budget released on March 28, 2023 ("Budget 2023") reaffirmed Canada's intention to introduce legislation implementing the global minimum tax. As announced in Budget 2023, the primary charging rule of the global minimum tax and a domestic minimum top-up tax will be effective for fiscal years of multinational corporations that begin on or after December 31, 2023. The secondary charging rule will be effective for fiscal years that begin on or after December 31, 2024. On August 4, 2023, the Department of Finance Canada released for public comment draft legislative proposals to implement the global minimum tax. Comments on the draft legislative proposals were invited until September 29, 2023. The Department of Finance Canada has not yet released another version of the minimum tax proposals. On November 28, 2023, the Department of Finance Canada released draft legislative proposals (revising prior draft legislative proposals released for comment in August 2023, that revised draft legislative proposals from February and November 2022) which, if enacted, may limit the deductibility of certain 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. The draft legislative proposals received first reading at the House of Commons on November 30, 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.

In 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. However, in a cabinet meeting held on February 23, 2024, the Mauritius Government agreed to sign a protocol ("the Protocol") to amend the Double Taxation Avoidance Convention between Mauritius and India to comply with the BEPS minimum standard of the OECD. The impact of this proposed amendment on the company will need to be assessed once the terms of the Protocol become available. A loss of treaty benefits could have a material adverse effect on the company's business, financial condition 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 and in turn, the company.

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.

Economic Disruptions from the After-Effects of the COVID-19 Pandemic and the Conflicts in Ukraine and the Middle East

In May 2023, the World Health Organization declared the end of COVID-19 as a public health emergency of international concern. 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 conflicts in Ukraine and the Middle East and other geopolitical events worldwide. In response, central banks around the world 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 conflicts in Ukraine and the Middle East 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. Such further developments could have a material adverse effect on the company's business, financial condition, results of operations and cash flows.

Other

Quarterly Data (unaudited)

Years ended December 31

US$ thousands, except per share amounts	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2023					
Income (loss)	(37,215)	244,566	185,125	206,380	598,856
Expenses	5,978	55,798	38,351	46,833	146,960
Provision for income taxes	8,425	23,042	13,789	22,794	68,050
Net earnings (loss)	(51,618)	165,726	132,985	136,753	383,846
Net earnings (loss) attributable to shareholders	(55,487)	159,335	132,954	134,968	371,770
Net earnings (loss) per share	$ (0.40)	$ 1.16	$ 0.97	$ 1.00	$ 2.72
Net earnings (loss) per diluted share	$ (0.40)	$ 1.12	$ 0.93	$ 1.00	$ 2.72
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

Years ended December 31

Indian rupees and in millions, except per share amounts[(1)]	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2023					
Income (loss)	(3,061)	20,108	15,281	17,133	49,461
Expenses	492	4,587	3,169	3,890	12,138
Provision for income taxes	693	1,894	1,141	1,893	5,621
Net earnings (loss)	(4,245)	13,627	10,972	11,350	31,704
Net earnings (loss) attributable to shareholders	(4,564)	13,101	10,968	11,200	30,705
Net earnings (loss) per share	(33.02)	95.50	80.37	82.68	224.42
Net earnings (loss) per diluted share	(33.02)	92.40	76.82	82.68	224.42
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

(1) Presented in the company's functional currency.

Income of $206,380 in the fourth quarter of 2023 compared to $119,560 in the fourth quarter of 2022 increased primarily as a result of increased net realized gains on investments and dividend income, and foreign exchange gains compared to losses in the prior period, partially offset by a decrease in the net change in unrealized gains on investments.

Net realized gains on investments of $145,758 in the fourth quarter of 2023 primarily related to partial sales of IIFL Finance. Net realized gains on investments of $68,769 in the fourth quarter of 2022 primarily related to partial sales of 360 ONE (formerly IIFL Wealth) and Other Public Indian Investments.

Dividend income of $12,208 in the fourth quarter 2023 principally related to dividends received from the company's investments in Seven Islands and Saurashtra. Dividend income of $2,850 in the fourth quarter 2022 principally related to the company's investment in 360 ONE.

Net change in unrealized gains on investments of $44,581 in the fourth quarter 2023 principally related to unrealized gains on CSB Bank, IIFL Securities, BIAL, NSE and 5paisa, partially offset by the reversal of prior period gains from the sales of IIFL Finance and unrealized losses on Saurashtra. Net change in unrealized gains on investments of $47,705 in the fourth quarter of 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 and Other Public Indian Investments as a result of its sales.

Total expenses of $46,833 in the fourth quarter of 2023 increased from $30,996 in the fourth quarter of 2022, primarily as a result of higher performance fees of $27,849 recorded in the fourth quarter of 2023 (fourth quarter of 2022 – $8,855), partially offset by decreased general and administration expenses.

The company reported net earnings attributable to shareholders of Fairfax India of $134,968 (net earnings of $1.00 per basic and diluted share) in the fourth quarter of 2023 compared to 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. The increase in profitability in the fourth quarter of 2023 primarily reflected the changes noted above, partially offset by a provision for income taxes in the current period compared to a recovery in the prior period.

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 8, 2024 the company had 105,398,509 subordinate voting shares and 30,000,000 multiple voting shares outstanding (an aggregate of 135,398,509 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 2023 and 2022.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
		(US$)		
2023				
High	14.72	14.07	14.46	15.85
Low	11.70	12.30	12.88	12.19
Close	13.56	14.01	13.05	15.20
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

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: 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; disruption of the company's information technology systems; 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; trading price of subordinate voting shares relative to book value per share risk; and economic disruptions from the after-effects of the COVID-19 pandemic and the conflicts in Ukraine and the Middle East. Additional risks and uncertainties are described in the company's annual information form which is available on SEDAR+ at www.sedarplus.ca 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 Accounting Standards 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, 2023.

Cumulative interest and dividends – The company uses this measure to monitor cash flows generated from interest and dividend income for each Indian Investment. This measure is calculated by the company as the sum of dividend and interest income recorded and received over the period of the company's investment.

Compounded annualized return – The company uses this measure to assess the performance of its investments. This measure represents the U.S. dollar annualized internal rate of return and is calculated for each of the company's existing and monetized Indian Investments, taking into account (1) the timing of cash flows (including cash consideration of purchases, cash proceeds on sales, cumulative interest and dividends received, and return of capital distributions) over the period of the company's investment, and (2) the fair value at the end of the reporting period for existing Indian Investments.

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, 2023, 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 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 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, 2023.

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, 2023.

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 Accounting Standards 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 Accounting Standards and may not be comparable to similar measures presented by other companies. Those measures are described below.

Supplementary Financial Measures

Price to free cash flow – The company uses this measure to evaluate certain equity valuations of Indian Investments. It is calculated as the fair value of the Indian Investment, divided by the investee company's free cash flows for the preceding twelve months. Free cash flow is calculated as cash flow from operations of the investee company, less maintenance-related capital expenditures and interest paid. References to normalized free cash flow refer to forecasted free cash flow for the investee company's fiscal year 2026.

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 $224.1 million), divided by the total fair value of the company's Indian Investments.

Realized cash gain – The company uses this measure to evaluate the return on its monetized Indian Investments. This measure is calculated based on U.S. dollar amounts translated at foreign currency exchange rates at the time of respective cash flows, and is calculated as the difference between (1) the sum of cash proceeds and cumulative interest and dividends received from monetized Indian Investments, and (2) cash consideration originally paid for monetized Indian Investments.

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 for the year ended December 31, 2023.

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 for the year ended December 31, 2023.

Non-GAAP Financial Measures

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 for the year ended December 31, 2023.

Directors of the Company

Christopher D. Hodgson
President
Ontario Mining Association

Sharmila Karve
Corporate Director

Honourable Jason Kenney
Senior Advisor
Bennett Jones LLP

Sumit Maheshwari
Managing Director and Chief Executive Officer
Fairbridge Capital Private Limited

R. William McFarland
Corporate Director

Satish Rai
Senior Advisor
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

Head Office

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Suite 800
Toronto, Ontario, Canada M5J 2N7
Telephone: (416) 367-4755
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 Wednesday, April 10, 2024 at 9:30 a.m. (Toronto time) at The Ritz Carlton Hotel, The Wellington Room, 181 Wellington Street West, Toronto, Canada M5V 3G7 and virtually through a web-based platform.