FAIRFAX INDIA
HOLDINGS CORPORATION

1

INTERIM REPORT

For the three months ended
March 31, 2016

CONSOLIDATED BALANCE SHEETS
as at March 31, 2016 and December 31, 2015
(unaudited - US$ thousands)

	Notes	March 31, 2016	December 31, 2015
Assets			
Cash and cash equivalents	6	**293,889**	12,464
Restricted cash		**—**	6,457
Interest receivable		**5,846**	27,680
Investments	6	**727,675**	978,569
Other assets		**171**	281
Total assets		**1,027,581**	1,025,451
Liabilities			
Accrued expenses		**750**	743
Payable to related parties	11	**2,556**	1,993
Income taxes payable	9	**9,110**	9,386
Total liabilities		**12,416**	12,122
Equity			
Common shareholders' equity		**1,015,165**	1,013,329
Total equity		**1,015,165**	1,013,329
		1,027,581	1,025,451

See accompanying notes.

CONSOLIDATED STATEMENTS OF EARNINGS
for the three months ended March 31, 2016 and 2015
(unaudited - US$ thousands except per share amounts)

	Notes	2016	2015
Income			
Interest and dividends		**12,093**	4,901
Net realized gains (losses) on investments		**(2,152)**	48
Net unrealized gains (losses) on investments		**6,134**	(1,046)
Net foreign exchange gains (losses)		**(8,300)**	300
		7,775	4,203
Expenses			
Investment and advisory fees	11	**2,141**	856
General and administration expenses	12	**1,756**	588
		3,897	1,444
Earnings before income taxes		**3,878**	2,759
Provision for (recovery of) income taxes	9	**3,136**	(1,256)
Net earnings attributable to common shareholders		**742**	4,015
Net earnings per share	8	**$ 0.01**	$ 0.06
Shares outstanding (weighted average)	8	**106,678,879**	71,559,027

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
for the three months ended March 31, 2016 and 2015
(unaudited - US$ thousands)

	2016	2015
Net earnings	**742**	4,015
Other comprehensive loss		
Item that may be subsequently reclassified to net earnings		
Unrealized foreign currency translation losses, net of income taxes of nil	**(959)**	(6,931)
Comprehensive loss attributable to common shareholders	**(217)**	(2,916)

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
for the three months ended March 31, 2016 and 2015
(unaudited - US$ thousands)

	Subordinate voting shares	Multiple voting shares	Share-based payments, net	Retained earnings	Accumulated other comprehensive loss	Equity attributable to common shareholders
Balance as of January 1, 2016	**727,972**	**300,000**	**(319)**	**40,939**	**(55,263)**	**1,013,329**
Net earnings for the period	—	—	—	**742**	—	**742**
Unrealized foreign currency translation losses	—	—	—	—	**(959)**	**(959)**
Purchases and amortization	—	—	**53**	—	—	**53**
Tax benefit of IPO costs	**2,000**	—	—	—	—	**2,000**
Balance as of March 31, 2016	**729,972**	**300,000**	**(266)**	**41,681**	**(56,222)**	**1,015,165**

	Subordinate voting shares	Multiple voting shares	Share-based payments, net	Retained earnings	Accumulated other comprehensive loss	Equity attributable to common shareholders
Balance as of January 1, 2015	—	—	—	—	—	—
Net earnings for the period	—	—	—	4,015	—	4,015
Unrealized foreign currency translation losses	—	—	—	—	(6,931)	(6,931)
Issuance of shares, net of issuance costs	725,825	300,000	—	—	—	1,025,825
Balance as of March 31, 2015	725,825	300,000	—	4,015	(6,931)	1,022,909

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS
for the three months ended March 31, 2016 and 2015
(unaudited - US$ thousands)

	Notes	2016	2015
Operating activities			
Net earnings		**742**	4,015
Net bond discount amortization		**(104)**	(9)
Deferred income taxes		**2,000**	(1,824)
Net realized (gains) losses on investments		**2,152**	(48)
Net foreign exchange (gains) losses		**8,300**	(300)
Net unrealized (gains) losses on investments		**(6,134)**	1,046
Purchases of investments		**(43,119)**	(1,021,893)
Sales of investments		**297,235**	34,289
Decrease in restricted cash in support of acquisitions	6	**6,457**	—
Changes in operating assets and liabilities:			
Interest receivable		**21,834**	(4,892)
Income taxes payable		**(276)**	—
Other		**687**	1,342
Cash provided by (used in) operating activities		**289,774**	(988,274)
Financing activities			
Subordinate voting shares:			
Issuances		**—**	766,789
Issuance costs		**—**	(38,340)
Multiple voting share issuances		**—**	300,000
Cash provided by financing activities		**—**	1,028,449
Increase in cash and cash equivalents		**289,774**	40,175
Cash and cash equivalents - beginning of period		**12,464**	235
Foreign currency translation		**(8,349)**	(17)
Cash and cash equivalents - end of period		**293,889**	40,393
Net Interest and dividends received on securities			
Interest received		**19,807**	—
Dividends received		**4,331**	—
Net interest paid on purchases and sales of securities		**(9,086)**	(3,168)
Income taxes paid		**(1,397)**	—

See accompanying notes.

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1. Business Operations

Fairfax India Holdings Corporation ("the company" or "Fairfax India") is an investment holding company. Its investment objective is to achieve long term capital appreciation, while preserving capital, by investing, either directly or through one of its wholly-owned subsidiaries, in public and private equities and debt instruments in India and Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India ("Indian Investments"). The company makes all or substantially all of its investments either directly or through one of its wholly-owned subsidiaries, which currently include FIH Mauritius Investments Ltd ("FIH Mauritius") and FIH Private Investments Ltd ("FIH Private").

In the first quarter of 2015, Fairfax India completed its initial public offering ("IPO") concurrent with two private placements followed by the exercise of an over-allotment option by the underwriters (collectively "the offerings") and raised gross proceeds of approximately $1.06 billion (net proceeds of $1.02 billion) by issuance of subordinate voting shares ("SVS") and multiple voting shares ("MVS"). The company's SVS commenced trading on January 30, 2015 on the Toronto Stock Exchange ("TSX") under the symbol "FIH.U". The MVS are not traded.

Fairfax Financial Holdings Limited ("Fairfax") has taken the initiative in creating the company and 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 investment management. Fairfax has been listed on the TSX under the symbol "FFH" for 30 years. Fairfax, through its subsidiaries, owns 30 million MVS. These MVS represented 95.1% of the voting rights and 28.1% of the equity interest in Fairfax India at March 31, 2016.

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.

The company is federally incorporated and 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

These interim consolidated financial statements of the company for the three months ended March 31, 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard 34 Interim Financial Reporting. Accordingly, certain information and disclosures normally included in annual consolidated financial statements prepared in accordance with IFRS as issued by the IASB have been omitted or condensed. These interim consolidated financial statements should be read in conjunction with the company's annual consolidated financial statements for the year ended December 31, 2015, which have been prepared in accordance with IFRS as issued by the IASB.

These interim consolidated financial statements were approved for issue by the company's Board of Directors on April 28, 2016.

3. Summary of Significant Accounting Policies

The principal accounting policies applied to the preparation of these interim consolidated financial statements are as set out in the company's annual consolidated financial statements for the year ended December 31, 2015, prepared in accordance with IFRS as issued by the IASB. Those policies and methods of computation have been consistently applied to all periods presented except as described below.

New accounting pronouncements adopted in 2016

The company adopted the following amendments, effective January 1, 2016. These changes were adopted in accordance with the applicable transitional provisions of each amendment, and did not have a significant impact on the consolidated financial statements.

IFRS Annual Improvements 2012-2014
In September 2014 the IASB issued a limited number of amendments to clarify the requirements of four IFRS standards.

Disclosure Initiative (Amendments to IAS 1)
In December 2014 the IASB issued certain narrow-focus amendments to IAS 1 Presentation of Financial Statements to clarify existing presentation and disclosure requirements.

4. Critical Accounting Estimates and Judgments

In the preparation of the company's interim consolidated financial statements, management has made a number of estimates and judgments which are consistent with those as described in the company's annual consolidated financial statements for the year ended December 31, 2015. 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.

5. Significant Investments

Investment in Adi Finechem Limited

On November 4, 2015, Fairfax India, through its wholly-owned subsidiary, FIH Mauritius, entered into an agreement with existing shareholders of Adi Finechem Limited ("Adi") to acquire approximately 44.66% of the outstanding shares of Adi at a price per share of 212 Indian rupees (collectively the "Adi Shareholder Transaction") for total consideration of approximately 1.3 billion Indian rupees (approximately $20 million at exchange rates on the announcement date).

Adi's shares are listed on the Bombay Stock Exchange and the National Stock Exchange of India. As a result of such listings, Fairfax India was also required to make an open offer (the "Adi Open Offer") for an additional 26% of the shares outstanding of Adi in accordance with applicable regulations of the Securities and Exchange Board of India ("SEBI"). The company therefore deposited approximately 190.1 million Indian rupees ($2.9 million) in escrow to partially fund the Adi Open Offer as required by SEBI.

On February 8, 2016, the company closed the Adi Shareholder Transaction and the Adi Open Offer. Upon closing of the Adi Shareholder Transaction, the company acquired 44.66% of the outstanding shares of Adi for an aggregate consideration of approximately 1.3 billion Indian rupees (approximately $19 million based on the exchange rates on the date of close). Pursuant to the open offer, 847 shares were tendered and the company purchased an additional 33,894 shares during the quarter. As at March 31, 2016, the company held approximately 44.91% of the outstanding shares of Adi.

Adi is a specialty chemical manufacturer located near Ahmedabad, Gujarat, India. Adi manufactures oleo chemicals used in the paints, inks and adhesives industries, as well as intermediate nutraceutical and health products.

6. Cash and Investments

Fixed Income Maturity Profile

Bonds are summarized by their earliest contractual maturity date in the table below. Actual maturities may differ from maturities shown below due to the existence of put features. At March 31, 2016, there were no bonds containing put features (December 31, 2015 - $137.4 million).

	March 31, 2016		December 31, 2015	
	Amortized cost	**Fair value**	Amortized cost	Fair value
Due after 1 year through 5 years	**—**	**—**	190,458	190,409
Due after 5 years through 10 years	**135,031**	**134,689**	237,348	235,867
Due after 10 years	**87,453**	**87,812**	87,553	86,513
	222,484	**222,501**	515,359	512,789

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 and derivative contracts by type of issuer was as follows:

	March 31, 2016				
	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 thousands)**
Cash and cash equivalents[1]	**293,889**	**—**	**—**	**293,889**	**19,462,033**
Investments:					
Short term U.S. treasury bills[2]	**42,974**	**—**	**—**	**42,974**	**2,845,853**
Government of India bonds	**—**	**125,639**	**—**	**125,639**	**8,320,115**
Indian corporate bonds	**—**	**96,862**	**—**	**96,862**	**6,414,429**
NCML[3]	**—**	**—**	**146,298**	**146,298**	**9,688,230**
IIFL[4]	**214,294**	**—**	**—**	**214,294**	**14,191,056**
Adi[4]	**23,979**		**—**	**23,979**	**1,587,947**
Common stock	**28,092**	**—**	**—**	**28,092**	**1,860,351**
Investment funds[5]	**—**	**49,537**	**—**	**49,537**	**3,280,443**
	309,339	**272,038**	**146,298**	**727,675**	**48,188,424**
	603,228	**272,038**	**146,298**	**1,021,564**	**67,650,457**
	59.1%	**26.6%**	**14.3%**	**100.0%**	**100.0%**

	December 31, 2015				
	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 thousands)
Cash and cash equivalents[1]	12,464	—	—	12,464	824,597
Restricted cash[6]	6,457	—	—	6,457	427,191
	18,921	—	—	18,921	1,251,788
Investments:					
Short term U.S. treasury bills[7]	50,143	—	—	50,143	3,317,267
Government of India bonds	—	123,448	—	123,448	8,166,876
Indian corporate bonds	—	389,341	—	389,341	25,757,320
NCML	—	—	146,445	146,445	9,688,230
IIFL[3]	220,747	—	—	220,747	14,603,787
Investment funds[4]	—	48,445	—	48,445	3,204,956
	270,890	561,234	146,445	978,569	64,738,436
	289,811	561,234	146,445	997,490	65,990,224
	29.1%	56.2%	14.7%	100.0%	100.0%

(1) Includes fixed deposits of $14,508 with weekly redemption and U.S. treasury bills with maturity dates of less than three months of $244,993 at March 31, 2016 (December 31, 2015 - $4,501 and nil).

(2) Short term U.S. treasury bills have a maturity date of June 23, 2016.

(3) Based on the company's valuation, there are no changes to the fair value of the investment in National Collateral Management Services Limited ("NCML") as there were no changes to its business, its capital structure and its operating environment since December 31, 2015.

(4) IIFL Holdings Limited ("IIFL") and Adi are publicly traded companies on the Bombay Stock Exchange ("BSE") and the National Stock Exchange of India ("NSE").

(5) These investment funds are primarily valued based on net asset value statements provided by third party fund managers. The units of the funds are redeemable and priced daily.

(6) Restricted cash is comprised of cash in escrow at December 31, 2015 arising from investments in IIFL ($3.6 million) and Adi ($2.9 million).

(7) Short term U.S. treasury bills have maturity dates of June 23, 2016 and March 3, 2016.

Transfers between fair value hierarchy levels are considered effective from the beginning of the reporting period in which the transfer is identified. During the quarter ended March 31, 2016 and year ended December 31, 2015, there were no transfers of securities between Level 1 and Level 2 and in and out of Level 3 as a result of changes in observable or unobservable valuation inputs.

A summary of changes in the fair value of NCML common shares for the three months ended March 31, 2016 and year ended December 31, 2015 are as follows:

	March 31, 2016		December 31, 2015	
	U.S. dollars	**Indian rupees (in thousands)**	U.S. dollars	Indian rupees (in thousands)
Balance - beginning of period	**146,445**	**9,688,230**	—	—
Purchases	**—**	**—**	148,716	9,688,230
Loss on translation to the presentation currency(1)	**(147)**	**—**	(2,271)	—
Balance - end of period	**146,298**	**9,688,230**	146,445	9,688,230

(1) Included in other comprehensive income.

7. Total Equity

Equity attributable to common shareholders

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

The number of shares outstanding was as follows:

	2016	2015
Subordinate voting shares - January 1	**76,678,879**	—
Issuances	**—**	76,678,879
Subordinate voting shares - March 31	**76,678,879**	76,678,879
Multiple voting shares - January 1	**30,000,000**	1
Issuances	**—**	29,999,999
Multiple voting shares - March 31	**30,000,000**	30,000,000
Common shares effectively outstanding - March 31	**106,678,879**	106,678,879

8. Earnings per Share

Net earnings per share is calculated in the following table based upon the weighted average common shares outstanding:

	First quarter	
	2016	2015
Net earnings attributable to common shareholders – basic	**742**	4,015
Weighted average common shares outstanding – basic	**106,678,879**	71,559,027
Net earnings per common share	**$ 0.01**	$ 0.06

9. Income Taxes

The company's provision for (recovery of) income taxes for the quarters ended March 31 are summarized in the following table:

	First quarter	
	2016	2015
Current income tax:		
Current year expenses	**1,136**	568
Deferred income tax:		
Origination and reversal of temporary differences	**2,000**	(1,824)
Provision for (recovery of) income taxes	**3,136**	(1,256)

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).

The company's earnings (loss) before income taxes by jurisdiction and the associated provision for income taxes for the quarters ended March 31 are summarized in the following table:

	First quarter					
	2016			2015		
	Canada	**Mauritius**	**Total**	Canada	Mauritius	Total
Earnings (loss) before income taxes	**1,812**	**2,066**	**3,878**	(931)	3,690	2,759
Provision for (recovery of) income taxes	**2,000**	**1,136**	**3,136**	(1,824)	568	(1,256)
Net earnings (loss)	**(188)**	**930**	**742**	893	3,122	4,015

Management reviews the recoverability of the deferred income tax asset on an ongoing basis and adjusts, as necessary, to reflect its anticipated realization. Deferred income taxes at March 31, 2016 were nil (December 31, 2015 - nil) as the company has not recorded deferred tax assets of $6.6 million (December 31, 2015 - $8.6 million) related to costs of the public share offerings and net operating and foreign accrual property losses of $11.6 million (December 31, 2015 - $0.2 million).

A reconciliation of the provision for (recovery of) 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 quarters ended March 31 are summarized in the following table:

	First quarter	
	2016	2015
Canadian statutory income tax rate	**26.5%**	26.5%
Provision for income taxes at the Canadian statutory income tax rate	**1,028**	730
Income earned outside of Canada	**(7,866)**	—
Change in unrecorded tax benefit of losses and temporary differences	**11,364**	—
Foreign exchange	**(1,390)**	(1,584)
Other including permanent differences	**—**	(402)
Provision for (recovery of) income taxes	**3,136**	(1,256)

The tax rate differential on income earned outside of Canada principally reflects the net investment income taxed in India and Mauritius.

The change in unrecorded tax benefit of losses and temporary differences is primarily comprised of deferred tax assets in Canada of $11.6 million that were not recorded by the company because the related pre-tax losses do not meet the applicable recognition criteria.

Foreign exchange principally reflects 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 based subsidiaries is Indian rupees.

Changes in net income taxes payable during the quarter ended March 31, 2016 and year ended December 31, 2015 were as follows:

	March 31, 2016	December 31, 2015
Balance - beginning of period	**9,386**	—
Amounts recorded in the consolidated statement of earnings	**1,136**	11,257
Payments made during the period	**(1,397)**	(1,573)
Gain on translation to the functional currency	**(15)**	(298)
Balance - end of the period	**9,110**	9,386

10. Financial Risk Management

The company's activities expose it to certain financial risks during or at the end of the reporting period. These risks, and the company's management thereof, are described below.

Market Risk

Foreign Currency Risk

The company’s net assets and net earnings may be significantly affected by foreign currency translation movements as the majority of assets and income are denominated in a currency other than the U.S. dollar, which is the company's presentation currency. The company has not hedged its foreign currency risk.

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

	March 31, 2016		
	Cash and cash equivalents	**Investments**	**Total**
Canadian dollars	**50**	**—**	**50**
U.S. dollars	**279,480**	**103,251**	**382,731**
Mauritius rupees	**63**	**—**	**63**
Total	**279,593**	**103,251**	**382,844**

	December 31, 2015		
	Cash and cash equivalents	Investments	Total
Canadian dollars	42	—	42
U.S. dollars	12,367	98,588	110,955
Mauritius rupees	55	—	55
Total	12,464	98,588	111,052

Interest Rate Risk

Interest rate movements in India could significantly affect the company's net assets and profitability. 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.

The table below 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. This analysis was performed on each individual security, with the hypothetical effect on net earnings calculated on an after-tax basis. The company is also exposed to indirect interest rate risk through investment funds with a fair value of $49.5 million at March 31, 2016 (December 31, 2015 - $48.4 million) to the extent the funds are invested in fixed income securities.

	March 31, 2016		
	Fair value of fixed income portfolio	**Hypothetical $ change effect on net earnings**	**Hypothetical % change in fair value**
Change in interest rates			
200 basis point rise	**195,903**	**(19,549)**	**(12.0)%**
100 basis point rise	**209,077**	**(9,866)**	**(6.0)%**
No change	**222,501**	**—**	**—**
100 basis point decline	**239,387**	**12,412**	**7.6 %**
200 basis point decline	**256,858**	**25,253**	**15.4 %**

	December 31, 2015		
	Fair value of fixed income portfolio	Hypothetical $ change effect on net earnings	Hypothetical % change in fair value
Change in interest rates			
200 basis point rise	467,293	(33,439)	(8.9)%
100 basis point rise	490,481	(16,396)	(4.4)%
No change	512,789	—	—
100 basis point decline	546,766	24,973	6.6 %
200 basis point decline	580,625	49,860	13.2 %

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 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 following table illustrates the potential impact on net earnings of a 10% change in the fair value of the company's publicly traded equity investments.

	March 31, 2016	
Change in fair value of the company's publicly traded equity investments	**+10%**	**-10%**
Publicly traded equity investments	**266,365**	**266,365**
Pre-tax impact on net earnings	**26,637**	**(26,637)**
After-tax impact on net earnings	**23,107**	**(23,107)**

	December 31, 2015	
Change in fair value of the company's publicly traded equity investment	+10%	-10%
Publicly traded equity investment	220,747	220,747
Pre-tax impact on net earnings	22,075	(22,075)
After-tax impact on net earnings	19,150	(19,150)

Credit Risk

Credit risk arises on investments and cash balances. Cash balances are held in high credit-quality financial institutions. The company has invested in securities rated as investment grade or higher by a Designated Rating Organization ("DRO"), being DBRS Limited, Standard & Poor's Ratings Service ("S&P"), Fitch Inc. and Moody's Investors Service, Inc. ("Moody's"), or subsidiaries or affiliates of a DRO. The company's investment portfolio includes short term U.S. treasury bills rated Aaa by Moody's and AA+ by S&P, Government of India bonds rated Baa3 by Moody's and BBB by S&P, and Indian corporate bonds rated AAA by subsidiaries of a DRO. The company is exposed to indirect credit risk through its holdings in investment funds.

The table below sets out the fair value of each of these categories of investments (excluding investments in private and public company shares):

	March 31, 2016	December 31, 2015
Cash	**48,896**	12,464
Restricted cash	—	6,457
U.S. treasury bills[(1)]	**287,967**	50,143
Government of India bonds	**125,639**	123,448
Indian corporate bonds	**96,862**	389,341
Investment funds	**49,537**	48,445
Total	**608,901**	630,298

(1) Includes cash equivalents of $244,993 at March 31, 2016 (December 31, 2015 - nil).

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 cash and cash equivalents to enable settlement of transactions on the due date. All liabilities are due within three months with the exception of income taxes payable which will be remitted to the respective tax jurisdictions within six months.

Concentration Risk

The company's 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 of 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.

The company's investment portfolio composition between Indian and U.S. investments was as follows:

	March 31, 2016		
	India	**U.S.**	**Total**
U.S. treasury bills[(1)]	—	**287,967**	**287,967**
Government of India bonds	**125,639**	—	**125,639**
Indian corporate bonds	**96,862**	—	**96,862**
Investment funds	**49,537**	—	**49,537**
Common stock	**28,092**	—	**28,092**
NCML	**146,298**	—	**146,298**
IIFL	**214,294**	—	**214,294**
Adi	**23,979**	—	**23,979**
Total	**684,701**	**287,967**	**972,668**

	December 31, 2015		
	India	U.S.	Total
U.S. treasury bills[(1)]	—	50,143	50,143
Government of India bonds	123,448	—	123,448
Indian corporate bonds	389,341	—	389,341
Investment funds	48,445	—	48,445
NCML	146,445	—	146,445
IIFL	220,747	—	220,747
Total	928,426	50,143	978,569

(1) Includes cash equivalents of $244,993 at March 31, 2016 (December 31, 2015 - nil).

Capital Management

The company's capital is comprised of its shareholders' equity. The company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The company will seek attractive risk adjusted returns, but will at all times emphasize downside protection and minimize the loss of capital.

11. Related Party Transactions

Payable to Related Parties

Payable to related parties at March 31, 2016 included $392 (December 31, 2015 - $181) for certain expenses paid by Fairfax on behalf of Fairfax India, $23 (December 31, 2015 - $9) due to an affiliate of Fairfax for information technology support services and investment management fees of $2,141 (December 31, 2015 - $1,803) which are discussed below.

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 (the "Investment Advisory Agreement"). As compensation for the provision of these services, the company pays an investment and advisory fee, and if applicable, a performance fee. Such fees are determined with reference to the company's net asset value. In accordance with the Investment Advisory Agreement, on any date, the net asset value is calculated by subtracting the aggregate carrying value of the liabilities of the company from the aggregate fair value of the assets of the company on that date.

Investment and Advisory Fee

The per annum investment and advisory fee is calculated as 0.5% of the value of undeployed capital and 1.5% of net asset value less the value of undeployed capital.

For the three months ended March 31, 2016, the company has determined that the majority of its assets (with the exception of its investments in NCML, IIFL and Adi, which is considered deployed capital) represent undeployed capital and that the 0.5% per annum fee is payable on the net asset value for the quarter ended March 31, 2016, less the fair values of NCML, IIFL and Adi. A fee of 1.5% per annum based on the fair values of NCML, IIFL and Adi as at March 31, 2016 was accrued for the quarter. The investment and advisory fee for the quarter ended March 31, 2016 was $2,141 (March 31, 2015 - $856).

At March 31, 2016 payables to related parties included $2,141 (December 31, 2015 - $1,803) of investment and advisory fees.

Performance Fee

The performance fee is paid for the period from January 30, 2015 to December 31, 2017 and for each consecutive three-year period thereafter, and is calculated, on a cumulative basis, as 20% of any increase in net asset value (including distributions) above a 5% per annum increase. The company has determined that the performance fee is not applicable for the quarter ended March 31, 2016.

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 Corporate Secretary of the company will be borne by Fairfax.

12. General and Administration Expenses

General and administration expenses for the three months ended March 31, 2016 and 2015 were comprised as follows:

	First quarter	
	2016	2015
Brokerage fees	**78**	331
Audit, legal and tax professional fees	**898**	80
Salaries and employee benefit expenses	**210**	36
Administrative expenses	**356**	141
Other	**214**	—
	1,756	588

13. Subsequent Events

Investment in Bangalore International Airport Limited

On March 28, 2016 the company and Fairfax, through their wholly-owned subsidiaries in Mauritius, announced that they will collectively acquire 33% of the equity of Bangalore International Airport Limited ("BIAL") from Bangalore Airport & Infrastructure Developers Private Limited, a wholly-owned subsidiary of GVK Power and Infrastructure Limited for an aggregate investment of approximately 21.49 billion Indian rupees (approximately $325 million at current exchange rates). As Fairfax India is limited to investing no more than 25% of its total assets in any single investment (this currently limits any single investment to approximately $250 million), Fairfax India will invest $250 million and Fairfax or one of its subsidiaries will invest the remaining amount. The transaction is subject to customary closing conditions and third party consents, including lender consents, and is expected to be completed by the second quarter of 2016.

BIAL owns and operates the Kempegowda International Airport in Bangalore, India through a public-private partnership.

Investment in Sanmar Chemicals Group

On April 8, 2016 the company announced that, through its wholly-owned subsidiaries, it had agreed to invest $300 million into the Sanmar Chemicals Group ("Sanmar"), through a combination of equity and debt securities resulting in a 30% equity ownership in Sanmar. As Fairfax India is currently limited to investing approximately $250 million, as described above, Fairfax India will fund an initial tranche of $250 million upon the closing of the transaction, and the second tranche of $50 million will be funded within 90 days thereafter by the company, Fairfax or another investor. The first tranche is expected to be completed in the second quarter of 2016 upon the satisfaction of certain conditions precedent. If the second tranche is not completed, the company's equity ownership in Sanmar will be reduced to 25%.

Sanmar is one of the largest suspension PVC manufacturers in India and is in the process of expanding its PVC capacity in Egypt. Sanmar also manufactures caustic soda, chloromethanes, refrigerant gases, industrial salt and specialty chemical intermediates.

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

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 notes to the interim consolidated financial statements for the first quarter ended March 31, 2016 and the company's audited financial statements and accompanying notes for the year ended December 31, 2015. Additional information relating to the company's filings, including its annual information form, can be found on SEDAR at *www.sedar.com*. Additional information can also be accessed from the company's website at *www.fairfaxindia.ca*.

(2) The MD&A contains references to Net Asset Value ("NAV") and NAV per share, which are non-IFRS measures. On any date, NAV is calculated by subtracting the aggregate carrying value of the liabilities of the company from the aggregate fair value of the assets of the company on that date. NAV per share is calculated by dividing NAV by the total number of common shares of the company outstanding on that date. The NAV per share is equal to book value per share.

Cautionary Statement Regarding the Valuation of Investments in Private Indian Companies

In the absence of an active market for its investments in private Indian companies, fair values for these investments are determined by management using appropriate 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 investments in private Indian companies could be disposed of may differ from the fair values assigned and those differences may be material.

Cautionary Statement Regarding Financial Information of IIFL Holdings Limited, formerly known as India Infoline Limited

IIFL Holdings Limited, formerly known as India Infoline Limited ("IIFL") prepares its financial statements in accordance with Indian Generally Accepted Accounting Principles ("Indian GAAP"). Fairfax India is limited in respect to the amount of independent verification it is able to perform with respect to IIFL's financial information. The financial information contained in this MD&A was prepared by IIFL exclusively for Fairfax India by IIFL's management and board of directors. Such financial information is the responsibility of IIFL's management, has been prepared by them in accordance with IFRS as issued by the IASB and is presented in Indian rupees.

IIFL's financial information should be read in conjunction with Fairfax India's historical 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 any of IIFL's financial information contained herein requires material modifications. However, readers are cautioned that IIFL's financial information contained in the MD&A may not be appropriate for their purposes.

Business Developments

Fairfax Financial Holdings Limited ("Fairfax") has taken the initiative in creating the company and 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 investment management. Fairfax has been listed on the TSX under the symbol "FFH" for 30 years.

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 for the company and its consolidated subsidiaries.

In the first quarter of 2015, the company completed its Initial Public Offering ("IPO") of 50,000,000 subordinate voting shares at a price of $10.00 per share for gross proceeds of $500 million. The company's subordinate voting shares began trading on the TSX under the symbol "FIH.U" on January 30, 2015. Concurrent with the IPO, the company issued to Fairfax and its affiliates 30,000,000 multiple voting shares of the company on a private placement basis, for gross proceeds of approximately $300 million. Also, concurrent with the closing of the IPO, the company issued 20,578,947 subordinate voting shares, on a private placement basis, for gross proceeds of approximately $200 million. The combined gross proceeds of the IPO and private placements were approximately $1.0 billion.

Investments

National Collateral Management Services Limited ("NCML")

On August 19, 2015 the company, through its wholly-owned subsidiary, FIH Mauritius, acquired a 73.56% ownership interest in NCML by purchasing 23,326,335 newly issued shares and 71,050,691 shares from certain shareholders for 2.0 billion Indian rupees ($30.7 million) and 6.1 billion Indian rupees ($93.5 million) respectively for an aggregate investment of 8.1 billion Indian rupees ($124.2 million) (collectively, the “NCML Acquisition”).

Subsequently, the company, through FIH Mauritius, acquired an additional 14.51% ownership interest in NCML by purchasing 18,618,420 shares from minority shareholders for 1.6 billion Indian rupees ($24.5 million). As of March 31, 2016, the company held 88.07% of the outstanding shares of NCML.

NCML is a ten year old company now preparing to expand to take advantage of the significant market potential in India’s under-developed agricultural storage industry. NCML operates in the agriculture value chain by offering end-to-end solutions in grain procurement, testing, storage and collateral management. As a result of recently announced fiscal and non-fiscal changes in agriculture and food policy, private companies like NCML are enhancing their range of services provided to Indian farmers, traders, food processors, banks, the government and other businesses connected to the agriculture supply chain. This is expected to significantly improve efficiencies to help India achieve its stated national objective of greater food security.

Based on the company's valuation, there are no changes to the fair value of the investment in NCML as there were no changes to its business, its capital structure and its operating environment since December 31, 2015.

The company's fiscal year ends on December 31 and NCML's fiscal year ends on March 31. Summarized below is NCML's financial information for the fiscal years ended March 31, 2015 and 2014 and financial information for the most recent period available.

Balance Sheet
(in US$ and $ thousands - unaudited)

	At December 31, 2015(1)	At March 31, 2015(1)	At March 31, 2014(1)
Current assets	**55,749**	43,671	43,561
Non-current assets	**49,208**	45,411	30,697
Current liabilities	**15,536**	30,091	22,729
Non-current liabilities	**13,481**	13,512	8,726
Shareholders' equity	**75,940**	45,479	42,803

Income Statement
(in US$ and $ thousands - unaudited)

	Nine months ended December 31, 2015(2)	Year ended March 31, 2015(2)	Year ended March 31, 2014(2)
Revenue	**34,062**	62,629	53,807
Net earnings before taxes	**3,866**	4,279	3,419
Net earnings	**3,448**	4,722	2,637

(1) The net assets of NCML were translated at December 31, 2015 at US$ 1 = 66.16 Indian rupees, at March 31, 2015 at US$ 1 = 62.58 Indian rupees and at March 31, 2014 at US$ 1 = 59.72 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

(2) Amounts for the nine months ended December 31, 2015 and years ended March 31, 2015 and March 31, 2014 were translated into US$ using the average exchange rates of US$ 1 = 64.74 Indian rupees, US$ 1 = 61.12 Indian rupees and US$ 1 = 60.26 Indian rupees prevailing during those respective periods.

IIFL Holdings Limited

On December 1, 2015, the company acquired a 21.85% ownership interest in IIFL by purchasing 68,788,445 shares for an aggregate consideration of 13.4 billion Indian rupees (approximately $202 million at exchange rates on close). Prior to the company’s investment in IIFL, Fairfax, through its subsidiaries, owned 8.88% of the issued and outstanding IIFL shares and had an economic interest in approximately another 5.19% of IIFL shares through derivative instruments (all acquired prior to the establishment of Fairfax India).

FIH Mauritius and the Fairfax affiliates have undertaken not to exercise voting rights on IIFL shareholder resolutions for any IIFL shares exceeding 25% of the issued and outstanding IIFL shares at the time of voting, effectively limiting voting to 25% even in cases where FIH Mauritius and Fairfax affiliates own more than 25% of the IIFL shares.

IIFL is a publicly traded, diversified financial services holding company in India with subsidiaries in non-banking finance company (NBFC) business, wealth management, retail broking, institutional equities, investment banking and financial products distribution. IIFL serves over three million customers from 2,500 business locations in 850 cities and towns in India. It also has an international presence, with offices in New York, Singapore, Dubai, Geneva, Hong Kong, London and Mauritius.

The company's fiscal year ends on December 31 and IIFL's fiscal year ends on March 31. Summarized below is IIFL's financial information for the fiscal years ended March 31, 2015 and 2014 and financial information for the most recent period available.

Balance Sheet
(in US$ and $ thousands - unaudited)

	At December 31, 2015[(1)]	At March 31, 2015[(1)]	At March 31, 2014[(1)]
Current assets	**1,992,942**	2,029,446	1,582,091
Non-current assets	**1,463,676**	1,059,447	856,405
Current liabilities	**1,553,619**	1,096,818	1,046,318
Non-current liabilities	**1,445,851**	1,575,121	1,030,311
Shareholders' equity	**457,148**	416,954	361,867

Income Statement
(in US$ and $ thousands - unaudited)

	Nine months ended December 31, 2015[(2)]	Year ended March 31, 2015[(2)]	Year ended March 31, 2014[(2)]
Revenue	**484,200**	598,148	470,708
Net earnings before taxes	**92,087**	116,948	66,788
Net earnings	**61,650**	75,514	46,319

(1) The net assets of IIFL were translated at December 31, 2015 at US$ 1 = 66.16 Indian rupees, at March 31, 2015 at US$ 1 = 62.58 Indian rupees and at March 31, 2014 at US$ 1 = 59.72 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

(2) Amounts for the nine months ended December 31, 2015 and years ended March 31, 2015 and March 31, 2014 were translated into US$ using the average exchange rates of US$ 1 = 64.74 Indian rupees, US$ 1 = 61.12 Indian rupees and US$ 1 = 60.26 Indian rupees prevailing during those respective periods.

Adi Finechem Limited

On February 8, 2016 the company acquired a 44.66% ownership interest in Adi Finechem Limited ("Adi") from existing shareholders for an aggregate investment of approximately 1.3 billion Indian rupees (approximately $19 million based on the exchange rates on the date of close) which represented a purchase price of 212 Indian rupees per share (approximately $3.12 per share based on the exchange rates on the date of close).

At March 31, 2016, the company held a 44.91% interest in Adi.

Adi is a specialty chemical manufacturer located near Ahmedabad, Gujarat, India. Adi manufactures oleo chemicals used in the paints, inks and adhesives industries, as well as intermediate nutraceutical and health products. It has developed an in-house technology that uses machinery manufactured by leading European companies to convert waste generated during the production of soy, sunflower, corn and cotton oil into valuable chemicals. Those chemicals include acids that go into non-edible products like soap, detergents, personal care products and paints, and other products that are used in the manufacture of health foods and vitamin E. The company’s customers include major multinational companies including BASF, Archer Daniels Midland, Cargill, Advanced Organic Materials, IFFCO Chemicals and Asian Paints.

The company's fiscal year ends on December 31 and Adi's fiscal year ends on March 31. Summarized below is Adi's financial information for the fiscal years ended March 31, 2015 and 2014 and financial information for the most recent period available.

	At December 31, 2015[1]	At March 31, 2015[1]	At March 31, 2014[1]
Current assets	**6,280**	5,740	7,458
Non-current assets	**11,651**	11,128	7,528
Current liabilities	**5,165**	3,906	4,849
Non-current liabilities	**3,348**	3,231	1,860
Shareholders' equity	**9,418**	9,731	8,277

	Nine months ended December 31, 2015[2]	Year ended March 31, 2015[2]	Year ended March 31, 2014[2]
Revenue	**18,784**	26,959	27,250
Net earnings before tax	**1,388**	3,413	4,799
Net earnings	**871**	2,273	3,157

(1) The net assets of Adi were translated at December 31, 2015 at US$ 1 = 66.16 Indian rupees, at March 31, 2015 at US$ 1 = 62.58 Indian rupees and at March 31, 2014 at US$ 1 = 59.72 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

(2) Amounts for the nine months ended December 31, 2015 and years ended March 31, 2015 and March 31, 2014 were translated into US$ using the average exchange rates of US$ 1 = 64.74 Indian rupees, US$ 1 = 61.12 Indian rupees and US$ 1 = 60.26 Indian rupees prevailing during those respective periods.

Subsequent Events

Investment in Bangalore International Airport Limited

On March 28, 2016 the company and Fairfax, through their wholly-owned subsidiaries in Mauritius, announced that they will collectively acquire 33% of the equity of Bangalore International Airport Limited ("BIAL") from Bangalore Airport & Infrastructure Developers Private Limited, a wholly-owned subsidiary of GVK Power and Infrastructure Limited for an aggregate investment of approximately 21.49 billion Indian rupees (approximately $325 million at current exchange rates). As Fairfax India is limited to investing no more than 25% of its total assets in any single investment (this currently limits any single investment to approximately $250 million), Fairfax India will invest $250 million and Fairfax or one of its subsidiaries will invest the remaining amount. The transaction is subject to customary closing conditions and third party consents, including lender consents, and is expected to be completed by the second quarter of 2016.

BIAL owns and operates the Kempegowda International Airport Bengaluru ("KIAB"), under a 30+30 year concession agreement from the government of India. KIAB has the distinction of being the first airport in India that was built to the highest international standards by the private sector under a public-private partnership.

Investment in Sanmar Chemicals Group

On April 8, 2016 the company announced that, through its wholly-owned subsidiaries, it had agreed to invest $300 million into the Sanmar Chemicals Group ("Sanmar"), through a combination of equity and debt securities resulting in a 30% equity ownership in Sanmar. As Fairfax India is currently limited to investing approximately $250 million, as described above, Fairfax India will fund an initial tranche of $250 million upon the closing of the transaction, and the second tranche of $50 million will be funded within 90 days thereafter by the company, Fairfax or another investor. The first tranche is expected to be completed in the second quarter of 2016 upon the satisfaction of certain conditions precedent. If the second tranche is not completed, the company's equity ownership in Sanmar will be reduced to 25%.

Sanmar is one of the largest suspension PVC manufacturers in India with an installed capacity of almost 300,000 tons per annum, apart from being the largest specialty PVC company in India. Sanmar is in the process of expanding its PVC capacity in Egypt from 200,000 tons per annum to 400,000 tons per annum. Once the expansion is completed, Sanmar will have a total PVC capacity of over 700,000 tons per annum, making it among the largest PVC companies in the world. In addition, Sanmar also manufactures caustic soda, chloromethane, refrigerant gases, industrial salt and specialty chemical intermediates.

Business Objectives

Investment Objective

The company is an investment holding company. Its investment objective is to achieve long term capital appreciation, while preserving capital, by investing, either directly or through one of its wholly-owned subsidiaries, in public and private equities 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").

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 expected to underpin 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 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 and the Portfolio Advisor.

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 seeks attractive risk adjusted returns, but will at all times emphasize downside protection and minimize the loss of capital.

The company intends to make Indian Investments with a view to be a strategic partner to grow the business. 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 Fairfax's fundamental values (as set forth in Fairfax's guiding principles which are included in Fairfax's publicly available annual reports).

Investment Selection

To identify potential investments, the company principally relies on the expertise of the Portfolio Advisor and its affiliates.

The following is an illustrative list of criteria that the company 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.

Strong competitive position in industry: The company seeks to invest in businesses that hold leading 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 and that position them 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 and its affiliates conduct thorough due diligence investigations when evaluating any Indian Investments prior to a recommendation to the company and its subsidiaries to make an investment. 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% of the company's total assets; provided, however, that the company is nonetheless 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% of the company's total assets (the "Investment Concentration Restriction"). The company intends to make multiple different investments as part of its prudent investment strategy, and, accordingly, will invest the net proceeds of the offerings in at least six different Indian Investments that satisfy the Investment Concentration Restriction. As at March 31, 2016 the company is in compliance with these investment restrictions.

Results of Operations

	First quarter			
	2016		2015	
	U.S. dollars	**Indian rupees (in thousands)**	U.S. dollars	Indian rupees (in thousands)
Interest income	**12,093**	**816,267**	4,901	304,952
Net unrealized gains (losses) on investments	**6,134**	**414,056**	(1,046)	(65,119)
Other gains (losses)	**(10,452)**	**(705,543)**	348	21,647
Total expenses	**(3,897)**	**(263,018)**	(1,444)	(89,833)
Earnings before income taxes	**3,878**	**261,762**	2,759	171,647
Provision for (recovery of) income taxes	**3,136**	**211,699**	(1,256)	(78,176)
Net earnings	**742**	**50,063**	4,015	249,823

The company's net earnings decreased by $3.3 million in the first quarter of 2016 compared to the first quarter of 2015 primarily due to increased losses on investments and foreign exchange and higher expenses during the quarter.

The increase in other losses of $10.8 million is predominantly comprised of $8.3 million of foreign exchange losses and $2.2 million of realized losses on investments.

The increase in expenses in the first quarter of 2016 compared to the first quarter of 2015 primarily relates to higher investment and advisory fees resulting from an increase in Indian Investments.

The provision for taxes in the first quarter of 2016 was significantly higher than the first quarter of 2015 and what would be determined by applying the company's statutory income tax rate of 26.5 percent to the company's earnings before income taxes primarily due to foreign exchange fluctuations, the unrecorded benefit of losses and the reversal of temporary differences.

Consolidated Balance Sheet Summary

	March 31, 2016		December 31, 2015	
	U.S. dollars	**Indian rupees (in thousands)**	U.S. dollars	Indian rupees (in thousands)
Total assets	**1,027,581**	**68,048,965**	1,025,451	67,840,013
Total liabilities	**12,416**	**822,193**	12,122	801,981
Common shareholders' equity	**1,015,165**	**67,226,772**	1,013,329	67,038,032

Assets

Cash and cash equivalents of $293.9 million at March 31, 2016 (December 31, 2015 - $18.9 million) included a combination of U.S. dollars and foreign currencies (expressed in U.S. dollars and Indian rupees) as shown below:

	March 31, 2016		December 31, 2015	
	U.S. dollars	**Indian rupees (in thousands)**	U.S. dollars	Indian rupees (in thousands)
Canadian dollars	**50**	**3,309**	42	2,753
Indian rupees	**14,296**	**946,691**	6,457	427,191
Mauritius rupees	**63**	**4,146**	55	3,667
U.S. dollars[(1)]	**279,480**	**18,507,889**	12,367	818,178
Total	**293,889**	**19,462,035**	18,921	1,251,789

(1) Includes fixed deposits of $14,508 with weekly redemption at March 31, 2016 (December 31, 2015 - $4,501).

For more information on the company's investment holdings of $727.7 million at March 31, 2016 (December 31, 2015 - $978.6 million) see note 6 (Cash and Investments) of the interim consolidated financial statements for the first quarter ended March 31, 2016.

Interest receivable of $5.8 million at March 31, 2016 (December 31, 2015 - $27.7 million) principally related to accrued interest on the company's Indian corporate and government bonds.

Liabilities

Payable to related parties of $2.6 million at March 31, 2016 (December 31, 2015 - $2.0 million) was primarily comprised of investment and advisory fees payable to Fairfax.

Net Asset Value or Book Value Per Share

	March 31, 2016	December 31, 2015
Net assets (in thousands)	**$ 1,015,165**	$ 1,013,329
Number of common shares outstanding	**106,678,879**	106,678,879
NAV per share	**$ 9.52**	$ 9.50

Investments

The company's investment portfolio composition between Indian and U.S. investments was as follows:

	March 31, 2016		
	India	**U.S.**	**Total**
U.S. treasury bills[(1)]	**—**	**287,967**	**287,967**
Government of India bonds	**125,639**	**—**	**125,639**
Indian corporate bonds	**96,862**	**—**	**96,862**
Investment funds	**49,537**	**—**	**49,537**
Common stock	**28,092**	**—**	**28,092**
NCML	**146,298**	**—**	**146,298**
IIFL	**214,294**	**—**	**214,294**
Adi	**23,979**	**—**	**23,979**
Total	**684,701**	**287,967**	**972,668**

	December 31, 2015		
	India	U.S.	Total
U.S. treasury bills[(1)]	—	50,143	50,143
Government of India bonds	123,448	—	123,448
Indian corporate bonds	389,341	—	389,341
Investment funds	48,445	—	48,445
NCML	146,445	—	146,445
IIFL	220,747	—	220,747
Total	928,426	50,143	978,569

(1) Includes cash equivalents of $244,993 at March 31, 2016 (December 31, 2015 - nil).

The company is actively seeking investment opportunities in India and will continue to re-direct capital from its bond portfolio into Indian Investments as and when those opportunities are identified. For more information about recent investments, see the Business Developments section of this MD&A.

Liquidity and Capital Resources

In the first quarter of 2016, the company liquidated certain Indian bonds to finance its upcoming acquisitions of Sanmar and BIAL. For the quarter ended March 31, 2015, the company raised gross proceeds of $1.06 billion through the offerings and the related issuance costs of $38.3 million (net of taxes) were primarily comprised of fees paid to underwriters of the subordinate voting shares.

	First quarter	
	2016	2015
Operating activities		
Cash (used in) provided by operating activities before the undernoted	**35,658**	(772)
Net (purchases) sales of investments	**254,116**	(987,502)
Financing activities		
Issuance of subordinate voting shares	**—**	766,789
Issuance of multiple voting shares	**—**	300,000
Issuance costs	**—**	(38,340)
Increase in cash and cash equivalents	**289,774**	40,175

The company believes it has adequate working capital to support its operations. The company's primary uses of cash are to make investments and to pay related expenses.

Related Party Transactions

The company's related party transactions are disclosed in note 11 (Related Party Transactions) to the interim consolidated financial statements for the first quarter ended March 31, 2016.

Outstanding Share Data

At March 31, 2016, the company had 76,678,879 subordinate voting shares and 30,000,000 multiple voting shares outstanding (an aggregate of 106,678,879 shares effectively outstanding). Each subordinate voting share carries one (1) 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 (50) votes per share at all meetings of shareholders except for separate meetings of holders of another class of shares. The multiple voting shares are not publicly traded.

Contractual Obligations

Under the terms of the Investment Advisory Agreement, the company and its subsidiaries are contractually obligated to pay an investment and advisory fee and, if applicable, a performance fee. These fees will vary based on the NAV of the company.

For the quarter ended March 31, 2016, the company incurred investment and advisory fees of $2,141 compared to $856 in the first quarter of 2015.

The performance fee is paid for the period from January 30, 2015 to December 31, 2017 and for each consecutive three-year period thereafter, and is calculated, on a cumulative basis, as 20% of any increase in NAV (including distributions) above a 5% per annum increase. The company has determined that the performance fee is not applicable for the quarters ended March 31, 2016 and 2015.

Comparative Quarterly Data (unaudited)
(in US$ and $ thousands)

	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014
Income	**7,775**	29,667	30,114	1,267	4,203	—
Expenses	**3,897**	2,559	4,418	2,487	1,444	—
Provision for (recovery of) income taxes	**3,136**	6,317	7,378	965	(1,256)	—
Net earnings (loss)	**742**	20,791	18,318	(2,185)	4,015	—
Net earnings (loss) per share	**0.01**	0.20	0.17	(0.02)	0.06	—

(in Indian rupees and in thousands)[(1)]

	March 31, 2016	December 31, 2015
Income	**524,810**	1,902,290
Expenses	**263,045**	164,092
Provision for income taxes	**211,699**	405,088
Net earnings	**50,066**	1,333,110
Net earnings per share	**0.47**	12.50

(1) *Presented for the quarters subsequent to October 1, 2015, the date upon which the company's functional currency changed from the U.S. dollar to the Indian rupee.*

Income primarily consisted of interest and dividends on the company's portfolio and net realized and unrealized gains (losses) on investments. Expenses primarily related to investment management fees, transaction and related costs and professional fees.

Forward-Looking Statements

This interim report may contain forward-looking information within the meaning of applicable securities legislation. Forward-looking statements may relate to the company'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 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 the opinions and estimates of the company as of the date of this interim 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: taxation *of the company and its subsidiaries; substantial loss of capital; long-term nature of investment; limited number of investments; geographic concentration of investments; potential lack of diversification; financial market fluctuations; pace of completing investments; control or significant influence position risk; minority investments; ranking of company investments and structural subordination; follow-on investments; prepayments of debt investments; risks upon dispositions of investments; bridge financings; reliance on key personnel; effect of fees; performance fee could induce Fairfax to make speculative investments; operating and financial risks of investments; allocation of personnel; potential conflicts of interest; employee misconduct at the portfolio advisor could harm the company; valuation methodologies involve subjective judgments; lawsuits; foreign currency fluctuation; derivative risks; unknown merits and risks of future investments; resources could be wasted in researching investment opportunities that are not ultimately completed; investments may be made in foreign private businesses where information is unreliable or unavailable; illiquidity of investments; competitive market for investment opportunities; use of leverage; investing in leveraged businesses; regulation; investment and repatriation restrictions; aggregation restrictions; restrictions relating to debt securities; pricing guidelines; emerging markets; corporate disclosure, governance and regulatory requirements; legal and regulatory risks; volatility of the Indian securities markets; political, economic, social and other factors; governance issues risk; Indian tax law; changes in law; exposure to permanent establishment, etc.; enforcement of rights; smaller company risk; due diligence and conduct of potential investment entities; Asian economic risk; reliance on trading partners risk; natural disaster risks; government debt risk; and economic risk. Additional risks and uncertainties are described in the company's annual information form which is available on SEDAR at www.sedar.com and on the company's website at www.fairfaxindia.ca. These factors and assumptions are not intended to represent a complete list of the factors and assumptions that could affect the company. These factors and assumptions, however, should be considered carefully.*

Although the company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The company does not undertake to update any forward-looking statements contained herein, except as required by applicable securities laws.

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