FAIRFAX INDIA
HOLDINGS CORPORATION

1

INTERIM REPORT

**For the three months ended
March 31, 2019**

Consolidated Balance Sheets
as at March 31, 2019 and December 31, 2018
(unaudited - US$ thousands)

	Notes	**March 31, 2019**	December 31, 2018
Assets			
Cash and cash equivalents	6, 14	**58,031**	21,240
Restricted cash	6, 7	**5,198**	13,833
Bonds	5, 6	**430,418**	576,386
Common stocks	5, 6	**2,167,058**	2,084,961
Total cash and investments		**2,660,705**	2,696,420
Interest receivable		**1,463**	7,039
Income taxes refundable		**1,211**	1,423
Other assets		**7,615**	668
Total assets		**2,670,994**	2,705,550
Liabilities			
Accounts payable and accrued liabilities		**1,083**	1,034
Payable for partly paid shares	5	**30,060**	29,827
Payable to related parties	12	**8,732**	8,827
Deferred income taxes	10	**4,604**	689
Term loan	7	**548,614**	547,228
Total liabilities		**593,093**	587,605
Equity			
Common shareholders' equity	8	**2,077,901**	2,117,945
		2,670,994	2,705,550

See accompanying notes.

Consolidated Statements of Earnings
for the three months ended March 31, 2019 and 2018
(unaudited - US$ thousands except per share amounts)

		First quarter	
	Notes	**2019**	2018
Income			
Interest	6	**3,039**	6,763
Dividends	6	**6,006**	6,575
Net realized gains (losses) on investments	6	**(1,302)**	15
Net change in unrealized gains (losses) on investments	6	**(39,484)**	41,349
Net foreign exchange gains (losses)	6	**3,254**	(10,577)
		(28,487)	44,125
Expenses			
Investment and advisory fees	12	**8,289**	8,221
General and administration expenses	13	**1,409**	1,115
Interest expense	7	**10,069**	5,562
		19,767	14,898
Earnings (loss) before income taxes		**(48,254)**	29,227
Provision for income taxes	10	**4,331**	402
Net earnings (loss)		**(52,585)**	28,825
Net earnings (loss) per share (basic and diluted)	9	**$ (0.34)**	$ 0.19
Shares outstanding (weighted average)	9	**152,726,355**	149,391,128

See accompanying notes.

Consolidated Statements of Comprehensive Income
for the three months ended March 31, 2019 and 2018
(unaudited - US$ thousands)

	First quarter	
	2019	2018
Net earnings (loss)	**(52,585)**	28,825
Other comprehensive income (loss), net of income taxes		
Item that may be subsequently reclassified to net earnings (loss)		
Unrealized foreign currency translation gains (losses), net of income taxes of nil (2018 - nil)	**15,523**	(46,070)
Other comprehensive income (loss), net of income taxes	**15,523**	(46,070)
Comprehensive loss	**(37,062)**	(17,245)

See accompanying notes.

Consolidated Statements of Changes in Equity
for the three months ended March 31, 2019 and 2018
(unaudited - US$ thousands)

	Subordinate voting shares	Multiple voting shares	Share-based payments, net	Retained earnings	Accumulated other comprehensive income (loss)	Common shareholders' equity
Balance as of January 1, 2019	**1,297,426**	**300,000**	**(93)**	**684,842**	**(164,230)**	**2,117,945**
Net loss for the period	**—**	**—**	**—**	**(52,585)**	**—**	**(52,585)**
Other comprehensive income:						
Unrealized foreign currency translation gains	**—**	**—**	**—**	**—**	**15,523**	**15,523**
Purchases for cancellation (note 8)	**(2,421)**	**—**	**—**	**(577)**	**—**	**(2,998)**
Amortization	**—**	**—**	**16**	**—**	**—**	**16**
Balance as of March 31, 2019	**1,295,005**	**300,000**	**(77)**	**631,680**	**(148,707)**	**2,077,901**
Balance as of January 1, 2018	1,206,512	300,000	(64)	597,105	28,911	2,132,464
Net earnings for the period	—	—	—	28,825	—	28,825
Other comprehensive loss:						
Unrealized foreign currency translation losses	—	—	—	—	(46,070)	(46,070)
Issuance of shares	114,437	—	—	—	—	114,437
Amortization	—	—	12	—	—	12
Balance as of March 31, 2018	1,320,949	300,000	(52)	625,930	(17,159)	2,229,668

See accompanying notes.

Consolidated Statements of Cash Flows
for the three months ended March 31, 2019 and 2018
(unaudited - US$ thousands)

	Notes	First quarter 2019	First quarter 2018
Operating activities			
Net earnings (loss)		**(52,585)**	28,825
Items not affecting cash and cash equivalents:			
Net bond premium amortization		**31**	155
Deferred income taxes	10	**3,843**	—
Amortization of share-based payment awards		**16**	12
Net realized losses (gains) on investments	6	**1,302**	(15)
Net change in unrealized losses (gains) on investments	6	**39,484**	(41,349)
Net foreign exchange (gains) losses	6	**(3,254)**	10,577
Decrease in restricted cash in support of term loans		**8,635**	5,562
Net sales of short term investments		**—**	11,620
Purchases of bonds and common stocks	14	**(118,586)**	(23,999)
Sales of bonds	14	**160,051**	5,454
Changes in operating assets and liabilities:			
Interest receivable		**5,536**	512
Income taxes refundable		**219**	—
Payable to related parties		**(315)**	866
Other		**(6,816)**	(2,070)
Cash provided by (used in) operating activities		**37,561**	(3,850)
Financing activities			
Subordinate voting shares:			
Purchases for cancellation	8	**(2,998)**	—
Cash used in financing activities		**(2,998)**	—
Increase (decrease) in cash and cash equivalents		**34,563**	(3,850)
Cash and cash equivalents - beginning of period		**21,240**	13,244
Foreign currency translation		**2,228**	1,170
Cash and cash equivalents - end of period		**58,031**	10,564

See accompanying notes.

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1. Business Operations

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

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 principally 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 interim consolidated financial statements for the three months ended March 31, 2019 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 the 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, 2018, which have been prepared in accordance with IFRS as issued by the IASB effective as at December 31, 2018.

These interim consolidated financial statements were approved for issue by the company's Board of Directors on May 2, 2019.

3. Summary of Significant Accounting Policies

The principal accounting policies applied to the preparation of these interim consolidated financial statements and the methods of computation are as set out in the company's annual consolidated financial statements for the year ended December 31, 2018, 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 2019

The company adopted the following new standards and amendments, effective January 1, 2019. These changes were adopted in accordance with the applicable transitional provisions of each amendment, and did not have a significant impact on the company's consolidated financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments ("IFRIC 23")
IFRIC 23 clarifies how IAS 12 *Income Taxes* should be applied when there is uncertainty over income tax treatments.

IFRS Annual Improvements 2015-2017
These amendments clarify the requirements of four IFRS standards.

4. Critical Accounting Estimates and Judgments

In the preparation of the company's interim consolidated financial statements, management has made a number of critical accounting estimates and judgments in the preparation of notes 5, 6 and 10 in a manner consistent with those as described in the company's annual consolidated financial statements for the year ended December 31, 2018.

5. Indian Investments

Throughout the company's interim consolidated financial statements for the three months ended March 31, 2019, 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 for the first quarters of 2019 and 2018 were as follows:

	First quarter				
	Balance as of January 1, 2019	**Purchases**	**Net change in unrealized gains (losses) on investments [1]**	**Net unrealized foreign currency translation gains**	**Balance as of March 31, 2019 [1]**
Public Indian Investments:					
Common stocks:					
IIFL	**613,458**	**—**	**(95,972)**	**3,131**	**520,617**
Fairchem	**96,574**	**—**	**27,597**	**1,226**	**125,397**
5paisa	**11,913**	**—**	**(416)**	**86**	**11,583**
Other	**98,180**	**—**	**10,055**	**939**	**109,174**
Total Public Indian Investments	**820,125**	**—**	**(58,736)**	**5,382**	**766,771**
Private Indian Investments:					
Sanmar bonds	**392,776**	**—**	**11,906**	**3,266**	**407,948**
Common stocks:					
BIAL	**704,077**	**—**	**5,818**	**5,588**	**715,483**
Sanmar	**217,170**	**—**	**339**	**1,699**	**219,208**
NCML	**165,380**	**—**	**(62)**	**1,288**	**166,606**
CSB	**93,081**	**40,547** [2]	**—**	**474**	**134,102**
Seven Islands	**—**	**71,767**	**—**	**—**	**71,767**
Saurashtra	**24,843**	**—**	**1,113**	**212**	**26,168**
NSE	**60,285**	**—**	**—**	**470**	**60,755**
IH Fund	**—**	**6,272**	**(109)**	**35**	**6,198**
Total Private Indian Investments	**1,657,612**	**118,586**	**19,005**	**13,032**	**1,808,235**
Total Indian Investments	**2,477,737**	**118,586**	**(39,731)**	**18,414**	**2,575,006**

	First quarter				
	Balance as of January 1, 2018	Purchases	Net change in unrealized gains (losses) on investments [1]	Net unrealized foreign currency translation losses	Balance as of March 31, 2018 [1]
Public Indian Investments:					
Common stocks:					
IIFL	888,485	—	47,338	(19,612)	916,211
Fairchem	149,200	—	(38,096)	(2,691)	108,413
5paisa	19,958	—	(2,219)	(398)	17,341
Other	—	4,976	—	(1)	4,975
Total Public Indian Investments	1,057,643	4,976	7,023	(22,702)	1,046,940
Private Indian Investments:					
Sanmar bonds	333,172	—	4,231	(7,177)	330,226
Common stocks:					
BIAL	608,288	—	2,674	(13,038)	597,924
Sanmar	556	—	(120)	(10)	426
NCML	179,054	—	1,704	(3,850)	176,908
Saurashtra	28,000	—	(636)	(590)	26,774
NSE	40,452	—	27,900	(1,229)	67,123
Total Private Indian Investments	1,189,522	—	35,753	(25,894)	1,199,381
Total Indian Investments	2,247,165	4,976	42,776	(48,596)	2,246,321

(1) All Private Indian Investments were classified as Level 3 in the fair value hierarchy. Net change in unrealized gains (losses) on investments related to unrealized gains (losses) on investments held at the end of the reporting periods.

(2) Comprised of an additional 30.0% of the warrants that have been paid for as they had features of in-substance equity. Excluded from this table is the payable for partly paid shares of CSB of $30,060 on the consolidated balance sheet which represents the 75.0% remaining consideration to be paid on the partly paid shares.

Public Indian Investments

The fair values of Fairfax India's Public Indian Investments, whose shares are listed on both the BSE 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.

Investment in IIFL Holdings Limited

IIFL Holdings Limited ("IIFL") is a publicly traded, diversified financial services holding company located in Mumbai, India with principal lines of business in wealth management, capital markets and other activities (comprised of retail investment brokerage, institutional equities, investment banking and financial products distribution) and a non-banking financial company.

In February 2017 and December 2015 the company acquired 84,641,445 common shares of IIFL (representing a 26.9% equity interest) for aggregate cash consideration of $276,734 (approximately 18.5 billion Indian rupees). In October 2017 IIFL spun-off its wholly-owned subsidiary 5paisa Capital Limited (''5paisa'') which resulted in a reduction to the company's cost of its investment in IIFL by $19,758. Upon completion of this transaction the company had invested $256,976 for a 26.9% equity interest in IIFL.

On January 31, 2018 IIFL's board of directors approved a draft plan to reorganize IIFL into three listed entities (the "reorganization") consisting of IIFL Finance (comprised of the loans and mortgages businesses), IIFL Wealth (comprised of the wealth, asset management and alternative investment fund businesses) and IIFL Securities (comprised of all other IIFL businesses including investment brokerage, distribution and investment banking). Shareholders of IIFL will receive seven common shares of IIFL Securities and one common share of IIFL Wealth for every seven IIFL shares held. IIFL Holdings Limited will be renamed IIFL Finance, and shares of IIFL Finance, IIFL Wealth and IIFL Securities will be listed on the BSE and NSE of India. The reorganization is anticipated to be completed in the second quarter of 2019, subject to customary closing conditions and applicable regulatory approvals.

At March 31, 2019 the fair value of the company's investment in IIFL was $520,617 (December 31, 2018 - $613,458) comprised of 84,641,445 common shares representing a 26.5% equity interest (December 31, 2018 - 26.5%). The changes in fair value of the company's investment in IIFL for the first quarters of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

Investment in Fairchem Speciality Limited

Fairchem Speciality Limited ("Fairchem") is a publicly traded, specialty chemical manufacturer located in Ahmedabad, India. Fairchem manufactures oleochemicals used in the paints, inks and adhesives industries, as well as intermediate nutraceutical and health products. Privi Organics Limited ("Privi"), a wholly-owned subsidiary of Fairchem, is a supplier of aroma chemicals to the fragrance industry and is located in Mumbai, India.

In March 2017, upon completion of the merger of Fairchem and Privi, the company had acquired a 48.8% equity interest in Fairchem for aggregate cash consideration of $74,384 (approximately 5.0 billion Indian rupees).

At March 31, 2019 the fair value of the company's investment in Fairchem was $125,397 (December 31, 2018 - $96,574) comprised of 19,046,078 common shares representing a 48.8% equity interest (December 31, 2018 - 48.8%). The changes in fair value of the company's investment in Fairchem for the first quarters of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

Investment in 5paisa Capital Limited

5paisa Capital Limited ("5paisa"), located in Mumbai, India, is a publicly traded online financial services provider with a do-it-yourself based investment brokerage model where the customer can execute investment transactions for a low brokerage fee. 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.

In October 2017 IIFL spun-off its wholly-owned subsidiary 5Paisa Digital Undertaking through the formation of a new public company, 5paisa Capital Limited, listed on the BSE and the NSE of India. This non-cash transaction resulted in Fairfax India receiving one new common share of 5paisa for every 25 common shares of IIFL held for a total of 3,385,657 common shares of 5paisa with a fair value of $19,758.

At March 31, 2019 the fair value of the company's investment in 5paisa was $11,583 (December 31, 2018 - $11,913) comprised of 3,385,657 common shares representing a 26.6% equity interest (December 31, 2018 - 26.6%). The changes in fair value of the company's investment in 5paisa for the first quarters of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

Investment in Other Public Indian Investments

During 2018 the company acquired common shares of public companies in the financial services sector of India, listed on both the BSE and the NSE of India (investment in "Other Public Indian Investments") for aggregate cash consideration of $94,090. At March 31, 2019 the fair value of the company's investment in Other Public Indian Investments was $109,174 (December 31, 2018 - $98,180) and represents less than 1.0% equity interest in each of the public Indian companies. The changes in fair value of the company's investment in Other Public Indian Investments for the first quarters of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

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.

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 2038 (with the right to extend the agreement for an additional 30 years), 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.

During 2017 and 2018 Fairfax India had invested aggregate cash consideration of $652,982 (approximately 42.7 billion Indian rupees) (inclusive of $74,202 of costs incurred, approximately 4.8 billion Indian rupees) for a 54.0% equity interest in BIAL through the following transactions: (i) March 2017 the company acquired a 38.0% equity interest in BIAL for cash consideration of $385,498 (approximately 25.2 billion Indian rupees); (ii) July 2017 acquired an additional 10.0% equity interest in BIAL for cash consideration of $200,093 (12.9 billion Indian rupees) which the company determined included $74,202 of consideration in excess of the fair value of those additional shares acquired; and, (iii) May 2018 the company acquired an additional 6.0% equity interest in BIAL for cash consideration of $67,391 (approximately 4.6 billion Indian rupees).

At March 31, 2019 the company estimated the fair value of its investment in BIAL using a discounted cash flow analysis for its two business units based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 11.2% to 12.8% and a long term growth rate of 3.5% (December 31, 2018 - 11.3% to 12.8%, and 3.5%, respectively), and the estimated fair value of the monetizable leasehold land (approximately 460 acres) based on third party valuations with an assumed 20.0% discount factor (December 31, 2018 - 20.0%) for the leasehold nature of the asset. At March 31, 2019 free cash flow projections were based on EBITDA estimates derived from financial information for BIAL's two business units prepared in the third quarter of 2018 (December 31, 2018 - third quarter of 2018) by BIAL's management. 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. At March 31, 2019 the company's internal valuation model indicated that the fair value of the company's investment in BIAL was $715,483 (December 31, 2018 - $704,077). The changes in fair value of the company's investment in BIAL for the first quarters of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

Investment in Sanmar Chemicals Group

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

In April 2016 Fairfax India invested $250,000 in Sanmar comprised of $1,000 in common shares (representing a 30.0% equity interest) and $249,000 in bonds, and in September 2016 invested an additional $50,000 in Sanmar bonds. Both tranches of Sanmar bonds mature on April 22, 2023 (7 years from the date of issuance of the first tranche), subject to earlier redemption at the option of Sanmar under certain circumstances. In lieu of cash, the coupon payment on the bond is payable in kind in the form of additional Sanmar bonds over the life of the financial instrument. A redemption premium may also be payable in kind to the company resulting in an effective annual interest rate of 13.0%.

On September 17, 2018 the company announced that it had entered into an agreement with Sanmar pursuant to which the $299,000 in Sanmar bonds will be settled for proceeds equal to, at the date of cancellation, the bonds' principal amount plus an effective annual interest rate of 13.0%. The company will invest $203,306 at period end exchange rates (approximately 14.1 billion Indian rupees) of the net proceeds received from the settlement of the Sanmar bonds into 171,710 newly issued common shares of Sanmar, increasing the company's equity interest in Sanmar to 42.9% from 30.0% at March 31, 2019. The company will receive the remaining net proceeds in cash that had a value of approximately $205 million at March 31, 2019 based on the fair value of the Sanmar bonds at that date of $407,948. This transaction is subject to customary closing conditions and third party consents, and is expected to be completed in the second quarter of 2019.

Sanmar Bonds

At March 31, 2019 the company estimated the fair value of its investment in Sanmar bonds using an industry accepted discounted cash flow and option pricing model that incorporated Sanmar's estimated credit spread of 6.0% (December 31, 2018 - 5.6%) and assumptions related to certain redemption options embedded in the bonds. The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to Sanmar. At March 31, 2019 the company's internal valuation model indicated that the fair value of the company's investment in Sanmar bonds was $407,948 (December 31, 2018 - $392,776). The changes in fair value of the company's investment in Sanmar bonds for the first quarters of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

Sanmar Common Shares

At March 31, 2019 the company estimated the fair value of its investment in Sanmar common shares using a discounted cash flow analysis for its four business units based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 13.4% to 16.6% and long term growth rates ranging from 3.0% to 4.0% (December 31, 2018 - 13.5% to 16.6%, and 3.0% to 4.0%, respectively). At March 31, 2019 free cash flow projections were based on EBITDA estimates derived from financial information for Sanmar's four business units (with additional financial information and analysis completed for Chemplast's underlying business units involved in new capital projects) prepared in the third quarter of 2018 (December 31, 2018 - third quarter of 2018) by Sanmar's management. 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. At March 31, 2019 the company's internal valuation model indicated that the fair value of the company's investment in Sanmar common shares was $219,208 (December 31, 2018 - $217,170). The changes in fair value of the company's investment in Sanmar common shares for the first quarters of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

Investment in National Collateral Management Services Limited

National Collateral Management Services Limited ("NCML") is a private agricultural commodities storage company headquartered in Gurugram, India, operating in the agriculture value chain and offering end-to-end solutions in grain procurement, testing, storage and collateral management. NCML's wholly-owned subsidiary, NCML Finance Private Ltd, focuses on rural and agri-business finance.

In the third quarter of 2015 and August 2017 Fairfax India acquired an 89.5% equity interest in NCML for cash consideration of $174,318 (approximately 11.3 billion Indian rupees).

At March 31, 2019 the company estimated the fair value of its investment in NCML using a discounted cash flow analysis based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 12.8% to 21.8% and long term growth rates ranging from 2.4% to 6.0% (December 31, 2018 - 12.0% to 21.8%, and 2.4% to 6.0%, respectively). At March 31, 2019 free cash flow projections were based on EBITDA estimates derived from financial information for NCML's business units prepared in the third quarter of 2018 (December 31, 2018 - third quarter of 2018) by NCML's management. 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. At March 31, 2019 the company's internal valuation model indicated that the fair value of the company's investment in NCML was $166,606 (December 31, 2018 - $165,380). The changes in fair value of the company's investment in NCML for the first quarters of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

Investment in The Catholic Syrian Bank Limited

The Catholic Syrian Bank Limited ("CSB"), a private company headquartered in Thrissur, India, was 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 419 branches and 281 automated teller machines across India.

On February 20, 2018 the company entered into an agreement to acquire a 51.0% equity interest, on a fully diluted basis, in CSB for $171,059 at period end exchange rates (approximately 12.1 billion Indian rupees). The company's investment in securities of CSB comprised of common shares and warrants (to purchase approximately 66.5 million common shares), were payable as follows: (i) consideration payable on initial closing for 25.0% of the common shares and 40.0% of the warrants; and, (ii) remaining 75.0% of the common shares payable within 12 months of the initial closing, upon request by CSB, and 60.0% of the warrants payable within 18 months of the initial closing, in one or more tranches, either upon request by CSB or at the option of Fairfax India.

On October 19, 2018 the company completed the initial investment in CSB and recorded $88,524 (approximately 6.5 billion Indian rupees) and $28,367 (approximately 2.1 billion Indian rupees) within common stocks and payable for partly paid shares on the consolidated balance sheet ("Tranche 1").

On March 20, 2019 the company invested in an additional 30.0% of the warrants and recorded $40,547 (approximately 2.8 billion Indian rupees) within common stocks ("Tranche 2").

The cash consideration paid by the company upon closing Tranche 1 and Tranche 2 of $100,704 (approximately 7.2 billion Indian rupees) represented 25.0% of the consideration payable for the common shares for $9,456 ($37,823 net of the payable for partly paid shares of $28,367) and 70.0% of the warrants for $91,248.

CSB Common Shares

At March 31, 2019 the company's investment in CSB common shares cost of $129,071 were comprised of: (i) 19.8 million common shares that represented 100.0% of the common shares received for $37,823 (approximately 2.8 billion Indian rupees) representing a 19.7% equity interest; and, (ii) 70.0% of the warrants to purchase 46.5 million common shares for $91,248 (approximately 6.5 billion Indian rupees) reflected as common shares as they had features of in-substance equity.

The initial transaction price for Tranche 1 and Tranche 2 were considered to approximate fair value at March 31, 2019 as there has been no significant changes to CSB's business, capital structure and operating environment and the key assumptions in the company's acquisition valuation model continued to be valid. At March 31, 2019 the fair value of the company's investment in CSB (comprised of 100.0% of the common shares and 70.0% of the warrants (December 31, 2018 - 100.0% and 40%, respectively)) was $134,102 (December 31, 2018 - $93,081) representing a 45.0% effective equity interest (December 31, 2018 - 36.4%) on a diluted basis in CSB which included the warrants that are in-substance equity. In the first quarter of 2019 the change in fair value of the company's investment in CSB related to unrealized foreign currency translation gains as presented in the table disclosed earlier in note 5.

Payable for partly paid shares of CSB

The remaining consideration payable for 75.0% of the common shares of $30,060 at period end exchange rates (approximately 2.1 billion Indian rupees) is payable within 12 months of Tranche 1, upon request by CSB, and recorded within payable for partly paid shares on the consolidated balance sheet at March 31, 2019.

CSB Warrants - Derivative

The remaining consideration payable for 30.0% of the warrants of $40,295 at period end exchange rates (approximately 2.8 billion Indian rupees) is payable within 18 months of Tranche 1, in one or more tranches, either upon request by CSB or at the option of Fairfax India, and represents a derivative instrument. At March 31, 2019 the company estimated the fair value of the derivative to be nil (December 31, 2018 - nil) calculated as the difference between the CSB common shares' fair value (transaction price of 140 Indian rupees per share) and the effective exercise price of the CSB warrants (140 Indian rupees).

Investment in Seven Islands Shipping Limited

Seven Islands Shipping Limited ("Seven Islands"), a private company headquartered in Mumbai, Maharashtra, is the second largest tanker private shipping company in India and transports products along the Indian coast as well as in international waters. Seven Islands owns 14 vessels with a total deadweight capacity of approximately 1 million tonnes, and its vessels are registered in India and operate as Indian owned and flagged vessels.

On March 29, 2019 the company invested cash consideration of $71,767 (approximately 5.0 billion Indian rupees) for a 41.4% equity interest in Seven Islands.

The initial transaction price for the company's investment in Seven Islands was considered to approximate fair value at March 31, 2019 as there has been no significant changes to Seven Islands' business, capital structure and operating environment and the key assumptions in the company's acquisition valuation model continued to be valid.

Investment in Saurashtra Freight Private Limited

Saurashtra Freight Private Limited ("Saurashtra"), a private company headquartered in Mumbai, India, runs one of the largest container freight stations ("CFS") at Mundra port (Gujarat). Services provided by Saurashtra's CFS includes transportation of containers to and from the port, stuffing/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 new services for container shipping, offering integrated logistic solutions to its customers by providing containers, which are leased by Saurashtra, to importers and exporters to transport cargo.

In February 2017 Fairfax India acquired a 51.0% equity interest in Saurashtra for cash consideration of $30,018 (approximately 2.0 billion Indian rupees).

At March 31, 2019 the company estimated the fair value of its investment in Saurashtra using a discounted cash flow analysis based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 15.6% to 16.0% and long term growth rates ranging from 4.0% to 5.0% (December 31, 2018 - 15.6% to 16.0%, and 4.0% to 5.0%, respectively). At March 31, 2019 free cash flow projections were based on EBITDA estimates derived from financial information for Saurashtra's two business units prepared in the fourth quarter of 2018 (December 31, 2018 - fourth quarter of 2018) by Saurashtra's management. The 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. At March 31, 2019 the company's internal valuation model indicated that the fair value of the company's investment in Saurashtra was $26,168 (December 31, 2018 - $24,843). The changes in fair value of the company's investment in Saurashtra for the first quarters of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

Investment in 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.

In the third quarter of 2016 Fairfax India acquired a 1.0% equity interest in NSE for cash consideration of $26,783 (approximately 1.8 billion Indian rupees).

At March 31, 2019 the company's estimated fair value of its investment in NSE of $60,755 (December 31, 2018 - $60,285) was based on recent third party transactions completed in the fourth quarter of 2018 (December 31, 2018 - fourth quarter of 2018). The changes in fair value of the company's investment in NSE for the first quarters of 2019 and 2018 are presented in the tables disclosed earlier in note 5.

Investment in India Housing Fund

The company entered into an agreement on December 24, 2018 whereby it committed to invest $25 million in the India Housing Fund ("IH Fund"). The investment in IH Fund will be denominated in the Indian rupee, and as such, the amounts to be paid will be converted from U.S. dollars to Indian rupees on each investment date. IH Fund is a close-ended fund of IIFL Private Equity Fund (the "Trust") registered as a Category II Alternative Investment Fund ("AIF") under the SEBI AIF Regulations. IH Fund is a new fund incorporated to focus on the real estate sector in India, investing in equity, debt and equity-linked instruments of real estate and construction companies involved in projects or ventures with expected growth potential.

On January 7, 2019 the company invested 25.0% or $6,272 (approximately 437 million Indian rupees) of the committed investment amount in IH Fund, with the remaining 75.0% or $18.7 million to be drawn down within a 2 year period.

At March 31, 2019 the company estimated the fair value of its investment in IH Fund of $6,198 (December 31, 2018 - nil) based on the net asset value at March 31, 2019 provided by the third party fund manager. The fair values are determined using quoted prices of the underlying assets for short term investments, and industry accepted valuation models for debt and equity instruments. The changes in fair value of the company's investment in IH Fund for the first quarter of 2019 are presented in the table disclosed earlier in note 5.

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:

	March 31, 2019					December 31, 2018				
	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	**58,031**	**—**	**—**	**58,031**	**4,020**	21,240	—	—	21,240	1,483
Restricted cash[1]	**5,198**	**—**	**—**	**5,198**	**360**	13,833	—	—	13,833	966
	63,229	**—**	**—**	**63,229**	**4,380**	35,073	—	—	35,073	2,449
Bonds:										
Government of India[2]	**—**	**1,529**	**—**	**1,529**	**106**	—	88,997	—	88,997	6,213
Indian corporate[2]	**—**	**20,941**	**—**	**20,941**	**1,450**	—	94,613	—	94,613	6,605
Sanmar	**—**	**—**	**407,948**	**407,948**	**28,261**	—	—	392,776	392,776	27,422
	—	**22,470**	**407,948**	**430,418**	**29,817**	—	183,610	392,776	576,386	40,240
Common stocks:										
IIFL	**520,617**	**—**	**—**	**520,617**	**36,066**	613,458	—	—	613,458	42,829
Fairchem	**125,397**	**—**	**—**	**125,397**	**8,687**	96,574	—	—	96,574	6,742
5paisa	**11,583**	**—**	**—**	**11,583**	**802**	11,913	—	—	11,913	832
Other	**109,174**	**—**	**—**	**109,174**	**7,563**	98,180	—	—	98,180	6,855
BIAL	**—**	**—**	**715,483**	**715,483**	**49,565**	—	—	704,077	704,077	49,155
Sanmar	**—**	**—**	**219,208**	**219,208**	**15,186**	—	—	217,170	217,170	15,162
NCML	**—**	**—**	**166,606**	**166,606**	**11,542**	—	—	165,380	165,380	11,546
CSB	**—**	**—**	**134,102**	**134,102**	**9,290**	—	—	93,081	93,081	6,498
Seven Islands	**—**	**—**	**71,767**	**71,767**	**4,972**	—	—	—	—	—
Saurashtra	**—**	**—**	**26,168**	**26,168**	**1,812**	—	—	24,843	24,843	1,734
NSE	**—**	**—**	**60,755**	**60,755**	**4,209**	—	—	60,285	60,285	4,209
IH Fund	**—**	**—**	**6,198**	**6,198**	**429**	—	—	—	—	—
	766,771	**—**	**1,400,287**	**2,167,058**	**150,123**	820,125	—	1,264,836	2,084,961	145,562
Total cash and investments	**830,000**	**22,470**	**1,808,235**	**2,660,705**	**184,320**	855,198	183,610	1,657,612	2,696,420	188,251
	31.2%	**0.8%**	**68.0%**	**100.0%**	**100.0%**	31.7%	6.8%	61.5%	100.0%	100.0%

(1) Comprised of funds set aside as restricted cash to fund term loan interest payments.

(2) Priced based on information provided by independent pricing service providers at March 31, 2019 and December 31, 2018. There were no changes in valuation techniques for these securities during the first quarter of 2019.

Transfers between fair value hierarchy levels are considered effective from the beginning of the reporting period in which the transfer is identified. During the first quarters of 2019 and 2018 there were no transfers of financial instruments between fair value hierarchy levels.

A summary of changes in fair value of the company's Private Indian Investments (classified as Level 3) denominated in the company's functional currency of the Indian rupee for the first quarters of 2019 and 2018 was as follows:

Indian rupees (in millions)	Bonds	Common stocks								
	Sanmar	BIAL	Sanmar	NCML	CSB	Seven Islands	Saurashtra	NSE	IH Fund	Total
Balance as of January 1, 2019	**27,422**	**49,155**	**15,162**	**11,546**	**6,498**	**—**	**1,734**	**4,209**	**—**	**115,726**
Purchases	**—**	**—**	**—**	**—**	**2,792**	**4,972**	**—**	**—**	**437**	**8,201**
Net change in unrealized gains (losses) on investments	**839**	**410**	**24**	**(4)**	**—**	**—**	**78**	**—**	**(8)**	**1,339**
Balance as of March 31, 2019	**28,261**	**49,565**	**15,186**	**11,542**	**9,290**	**4,972**	**1,812**	**4,209**	**429**	**125,266**
Balance as of January 1, 2018	21,266	38,825	36	11,429	—	—	1,787	2,582	—	75,925
Net change in unrealized gains (losses) on investments	272	173	(8)	109	—	—	(41)	1,796	—	2,301
Balance as of March 31, 2018	21,538	38,998	28	11,538	—	—	1,746	4,378	—	78,226

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

The table that follows illustrates the potential impact on net earnings (loss) of various combinations of changes in unobservable inputs in the company's internal valuation models for its Private Indian Investments classified as Level 3 in the fair value hierarchy at March 31, 2019. The analysis assumes variations within a reasonably possible range determined by the company based on an analysis of the return on various equity indexes, management's knowledge of the Indian equity markets and the potential impact of changes in interest rates. This sensitivity analysis excludes the company's investment in CSB, Seven Islands, NSE and IH Fund as the company determined that there were no significant unobservable inputs suited for a sensitivity analysis.

Investments	Fair value of 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)]
Bonds: Sanmar	$407,948	Discounted cash flow and option pricing model	Credit spread	6.0%	(15,382) / 15,902	(13,344) / 13,795
Common stocks:						
BIAL	$715,483	Discounted cash flow	After-tax discount rate	11.2% to 12.8%	(86,603) / 128,786	(75,128) / 111,722
			Long term growth rate	3.5%	11,498 / (10,773)	9,975 / (9,346)
Sanmar	$219,208	Discounted cash flow	After-tax discount rate	13.4% to 16.6%	(33,017) / 36,210	(28,642) / 31,412
			Long term growth rate	3.0% to 4.0%	9,040 / (8,636)	7,842 / (7,492)
NCML	$166,606	Discounted cash flow	After-tax discount rate	12.8% to 21.8%	(23,625) / 27,170	(20,495) / 23,570
			Long term growth rate	2.4% to 6.0%	9,045 / (8,428)	7,847 / (7,311)
Saurashtra	$26,168	Discounted cash flow	After-tax discount rate	15.6% to 16.0%	(715) / 779	(620) / 676
			Long term growth rate	4.0% to 5.0%	387 / (248)	336 / (215)

(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 (50 basis points), long term growth rates (25 basis points), and credit spreads (100 basis points), 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 or credit spreads, would result in a higher (lower) fair value of the company's Private Indian Investments classified as Level 3 in the fair value hierarchy.

Fixed Income Maturity Profile

Bonds are summarized by their earliest contractual maturity date in the table that follows. Actual maturities may differ from maturities shown below due to the existence of call and put features. At March 31, 2019 bonds containing call features represented $407,948 (December 31, 2018 - $392,776) of the total fair value of bonds. At March 31, 2019 and December 31, 2018 there were no bonds containing put features.

	March 31, 2019		December 31, 2018	
	Amortized cost	**Fair value**	Amortized cost	Fair value
Due in 1 year or less	**286,329**	**407,948**	284,114	392,776
Due after 1 year through 5 years	**—**	**—**	2,830	2,803
Due after 5 years through 10 years	**20,920**	**20,941**	155,035	156,262
Due after 10 years	**1,519**	**1,529**	25,965	24,545
	308,768	**430,418**	467,944	576,386

Investment Income

An analysis of investment income for the three months ended March 31 is summarized in the table that follows:

Interest and dividends

	First quarter	
	2019	2018
Interest:		
Cash and cash equivalents	**191**	3
Short term investments	**—**	61
Bonds[(1)]	**2,848**	6,699
	3,039	6,763
Dividends: Common stocks	**6,006**	6,575

(1) Excludes Sanmar bonds as the estimated interest income is included in its fair value measurement.

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

	First quarter					
	2019			2018		
	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:						
Bonds	**(1,321)**	**12,153** [(1)]	**10,832**	15	2,804 [(1)]	2,819
Common stocks	**19**	**(51,637)** [(2)]	**(51,618)**	—	38,545 [(2)]	38,545
	(1,302)	**(39,484)**	**(40,786)**	15	41,349	41,364
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	**(682)**	**—**	**(682)**	234	—	234
Investments	**—**	**—**	**—**	(529)	909	380
Term loans	**—**	**4,193**	**4,193**	—	(8,664)	(8,664)
Other	**(257)**	**—**	**(257)**	(2,527)	—	(2,527)
	(939)	**4,193**	**3,254**	(2,822)	(7,755)	(10,577)

(1) In the first quarter of 2019, comprised of unrealized gains from Sanmar bonds ($11,906) and Indian corporate bonds ($609), partially offset by unrealized losses from Government of India bonds ($362). In the first quarter of 2018, comprised of unrealized gains from Sanmar bonds ($4,231) and Indian corporate bonds ($135), partially offset by unrealized losses from Government of India bonds ($1,562).

(2) Refer to note 5 for a summary of changes in the fair value of the company's Public and Private Indian Investments during the first quarters of 2019 and 2018.

7. Term Loan

	March 31, 2019			December 31, 2018		
	Principal	**Carrying value[(1)]**	**Fair value[(2)]**	Principal	Carrying value[(1)]	Fair value[(2)]
1 Year Secured Term Loan, floating rate due June 28, 2019	**550,000**	**548,614**	**550,000**	550,000	547,228	550,000

(1) Principal net of unamortized issue costs.

(2) Principal approximated fair value at March 31, 2019 and December 31, 2018.

On June 28, 2018 the company completed a $550,000 principal amount, 1 year secured term loan, with an option to extend for an additional year ("$550.0 million term loan"), with a syndicate led by a Canadian bank, which amended and restated the existing 1 year secured term loan with a principal amount of $400,000 ("$400.0 million term loan"). The $550.0 million term loan bears interest at a rate of LIBOR plus 350 basis points. At March 31, 2019 the $550.0 million term loan was recognized net of unamortized issuance costs of $1,386 (issuance costs of $5,545 less amortization of $4,159) (December 31, 2018 - $2,772) and recorded in term loan on the consolidated balance sheet. The issuance costs are amortized over one year and recorded in interest expense in the consolidated statement of earnings.

Under the terms of the $550.0 million term loan, the company is required to maintain a debt service reserve account to fund the term loan interest payments. The cash held in the debt service reserve account is classified as restricted cash on the consolidated balance sheets. The $550.0 million term loan includes a financial covenant that requires the company to maintain common shareholders' equity of not less than $1.5 billion. At March 31, 2019 the company was in compliance with the $550.0 million term loan financial covenant.

Interest Expense

In the first quarter of 2019 interest expense of $10,069 was comprised of interest expense of $8,683 and the amortization of the issuance costs of $1,386 on the $550.0 million term loan. In the first quarter of 2018 interest expense of $5,562 related to the $400.0 million term loan.

8. Common Shareholders' Equity

Common stock

The number of shares outstanding was as follows:

	First quarter	
	2019	2018
Subordinate voting shares - January 1	**122,861,534**	117,432,631
Issuances of shares	**—**	7,663,685
Purchases for cancellation	**(230,053)**	—
Subordinate voting shares - March 31	**122,631,481**	125,096,316
Multiple voting shares - beginning and end of period	**30,000,000**	30,000,000
Common shares effectively outstanding - March 31	**152,631,481**	155,096,316

Purchase of Shares

During the first quarter of 2019, under the terms of the normal course issuer bid, the company purchased for cancellation 230,053 subordinate voting shares (2018 - nil) for a net cost of $2,998 (2018 - nil), of which $577 was charged to retained earnings (2018 - nil).

9. Net Earnings per Share

Net earnings (loss) per share is calculated in the following table based on the weighted average common shares outstanding:

	First quarter	
	2019	2018
Net earnings (loss) – basic and diluted	**(52,585)**	28,825
Weighted average common shares outstanding – basic and diluted	**152,726,355**	149,391,128
Net earnings (loss) per common share – basic and diluted	**$ (0.34)**	$ 0.19

At March 31, 2019 and 2018 there were no instruments outstanding that could potentially dilute earnings per share.

10. Income Taxes

The company's provision for income taxes for the three months ended March 31 are summarized in the following table:

	First quarter	
	2019	2018
Current income tax:		
Current year expense	**488**	402
Deferred income tax:		
Origination and reversal of temporary differences	**3,843**	—
Provision for income taxes	**4,331**	402

A significant portion of the company's earnings (loss) before income taxes maybe 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 March 31, 2019 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 and FIH Private and recorded deferred income tax of $1,035 in the first quarter of 2019 (2018 - nil) primarily related to unrealized gains in Other Public Indian Investments acquired during 2018. The company will continue to evaluate the potential impact of the Indian capital gains tax as it relates to any future dispositions of investments in equity shares of its Indian Investments.

On April 2, 2019 FIH Mauritius received a ruling from the Mauritius Revenue Authority which concluded that the redemption premium feature in the Sanmar bonds represented taxable income and therefore was subject to tax in Mauritius. As as result the company recorded deferred income tax of $2,808 in the first quarter of 2019 (2018 - nil) related to the Sanmar bonds.

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

	First quarter					
	2019			2018		
	Canada	**Mauritius**	**Total**	Canada	Mauritius	Total
Earnings (loss) before income taxes	**(4,846)**	**(43,408)**	**(48,254)**	(14,159)	43,386	29,227
Provision for income taxes	**—**	**4,331**	**4,331**	—	402	402
Net earnings (loss)	**(4,846)**	**(47,739)**	**(52,585)**	(14,159)	42,984	28,825

The decrease in pre-tax losses in Canada in the first quarter of 2019 compared to the first quarter of 2018 primarily related to unrealized foreign exchange gains related to the $550.0 million term loan during the first quarter of 2019 compared to unrealized foreign exchange losses related to the $400.0 million term loan during the first quarter of 2018, partially offset by increased interest expense. The decrease in pre-tax profitability in Mauritius in the first quarter of 2019 compared to the first quarter of 2018 primarily reflected decreased net change in unrealized gains on investments (principally related to unrealized losses during the first quarter of 2019 compared to unrealized gains during the first quarter of 2018 from the company's Public Indian Investments and lower unrealized gains on the Private Indian Investments), and decreased interest income on bonds.

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 interim consolidated financial statements for the three months ended March 31 are summarized in the following table:

	First quarter	
	2019	2018
Canadian statutory income tax rate	**26.5%**	26.5%
Provision for (recovery of) income taxes at the Canadian statutory income tax rate	**(12,787)**	7,745
Tax rate differential on losses incurred (income earned) outside of Canada	**16,042**	(3,694)
Change in unrecorded tax benefit of losses and temporary differences	**2,422**	(5,932)
Foreign exchange effect	**(1,350)**	2,283
Other including permanent differences	**4**	—
Provision for income taxes	**4,331**	402

The tax rate differential on losses incurred outside of Canada of $16,042 in the first quarter of 2019 (2018 - income earned of $3,694) principally reflected the impact of net investment losses taxed in India and Mauritius at lower rates and deferred income tax of $2,808 related to the Sanmar bonds.

The change in unrecorded tax benefit of losses and temporary differences of $2,422 in the first quarter of 2019 principally reflected changes in unrecorded deferred tax assets incurred related to net operating loss carryforward in Canada of $2,630 that were not recorded by the company as the related pre-tax losses did not meet the recognition criteria under IFRS, partially offset by net foreign accrual property losses utilized of $208 with respect to the company's wholly-owned subsidiaries. The change in unrecorded tax benefit of losses and temporary differences of $5,932 in the first quarter of 2018 principally reflected changes in unrecorded deferred tax assets incurred related to foreign accrual property losses utilized of $7,402 with respect to the company's wholly-owned subsidiaries, partially offset by net operating loss carryforward in Canada of $1,470 that were not recorded by the company as the related pre-tax losses did not meet the recognition criteria under IFRS. At March 31, 2019 deferred tax assets in Canada of $48,042 (December 31, 2018 - $45,620) were not recorded as it was considered not probable that those losses could be utilized by the company.

Foreign exchange effect of $1,350 in the first quarter of 2019 (2018 - $2,283) 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.

11. Financial Risk Management

Overview

There were no significant changes in the types of the company's risk exposures or the processes used by the company for managing those risk exposures at March 31, 2019 compared to those identified at December 31, 2018, and disclosed in the company's annual consolidated financial statements for the year ended December 31, 2018.

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 because of changes in exchange rates and as a result, could produce an adverse effect on net earnings and common shareholders' equity when measured in Indian rupees, the company's functional currency. The company's net earnings and common shareholders' 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 March 31, 2019 compared to December 31, 2018.

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 common shareholders' equity and net earnings. 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 March 31, 2019 compared to December 31, 2018.

The company's exposure to interest rate risk decreased in the first quarter of 2019 primarily reflecting the partial sale of Government of India and Indian corporate bonds to finance the company's investments in Seven Islands, Tranche 2 of the investment in CSB and IH Fund, partially offset by unrealized gains on the Sanmar bonds. 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. This analysis was performed on each individual security, with the hypothetical effect on net earnings (loss).

	March 31, 2019			December 31, 2018		
	Fair value of fixed income portfolio	**Hypothetical $ change effect on net earnings**	**Hypothetical % change in fair value**	Fair value of fixed income portfolio	Hypothetical $ change effect on net earnings	Hypothetical % change in fair value
Change in interest rates						
200 basis point increase	**398,508**	**(27,427)**	**(7.4)%**	527,897	(39,695)	(8.4)%
100 basis point increase	**414,181**	**(13,963)**	**(3.8)%**	551,843	(20,112)	(4.3)%
No change	**430,418**	**—**	**—**	576,386	—	—
100 basis point decrease	**447,712**	**14,829**	**4.0 %**	603,940	22,421	4.8 %
200 basis point decrease	**465,654**	**30,226**	**8.2 %**	632,299	45,534	9.7 %

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 due to changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual investment or its issuer, or other factors affecting all similar investments in the market. The company's exposure to equity price risk through its equity investments at March 31, 2019 compared to December 31, 2018 are described below.

The company holds significant equity investments. The market value and the liquidity of these investments are volatile and may vary dramatically either up or down in short periods, and their ultimate value will therefore only be known over a period of time or on disposition.

The company's exposure to market price risk increased from $2,084,961 at December 31, 2018 to $2,167,058 at March 31, 2019 primarily as a result of the company's investments in Seven Islands, Tranche 2 of the investment in CSB and IH Fund (Level 3 investments in the fair value hierarchy), unrealized gains on the Private Indian Investments (principally BIAL, Level 3 investment in the fair value hierarchy), and unrealized gains on the investments Fairchem and Other Public Indian Investments (Level 1 investments in the fair value hierarchy), partially offset by unrealized losses on the investment IIFL (Level 1 investment in the fair value hierarchy). Refer to note 6 for the potential impact on net earnings (loss) 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.

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 with respect to cash and cash equivalents 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 March 31, 2019 compared to December 31, 2018.

Cash and Cash Equivalents

At March 31, 2019 the company's cash and cash equivalents of $58,031 (December 31, 2018 - $21,240) were primarily held at the holding company in major financial institutions (principally in high credit-quality Canadian 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.

Investments in Debt Instruments

The company's risk management strategy for debt instruments is to invest primarily in high credit quality issuers and to limit the amount of credit exposure with respect to any one corporate issuer. 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 March 31, 2019 the company's debt instruments were all considered to be subject to credit risk with a fair value of $430,418 (December 31, 2018 - $576,386), representing 16.2% (December 31, 2018 - 21.4%) of the total cash and investments portfolio. There were no changes to the credit ratings of the company's fixed income portfolio at March 31, 2019 compared to December 31, 2018.

The company's exposure to credit risk from its investment in fixed income securities decreased at March 31, 2019 compared to December 31, 2018 primarily reflecting the partial sale of Government of India and Indian corporate bonds to finance the company's investments in Seven Islands, Tranche 2 of the investment in CSB and IH Fund, partially offset by unrealized gains on the Sanmar bonds. Except as described above, there were no other significant changes to the composition of the company’s fixed income portfolio classified according to each security’s respective issuer credit rating at March 31, 2019 compared to December 31, 2018.

Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The company manages liquidity risk by maintaining sufficient liquid assets to enable settlement of financial commitments on their respective due dates. All accounts payable and accrued liabilities are due within three months, and income taxes payable, if any, must be remitted to the respective tax jurisdictions as they are due. There were no significant changes to the company's exposure to liquidity risk (except as set out in the discussion below) or the framework used to monitor, evaluate and manage liquidity risk at March 31, 2019 compared to December 31, 2018.

The undeployed cash and investments at March 31, 2019 along with the company's ability to sell a portion of its Public Indian Investments provides adequate liquidity to meet the company's remaining known significant commitments in 2019, which are principally comprised of the remaining investment in securities of CSB (inclusive of the payable for partly paid shares), the remaining committed investment amount in IH Fund, investment and advisory fees, general and administration expenses and potentially corporate income taxes. The company has a principal repayment of $550.0 million on the term loan coming due in June 2019 that can be extended for an additional year, or settled through a combination of refinancing and cash flows from the disposition of investments. 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. Accordingly, the company has adequate working capital to support its operations.

Concentration Risk

The company's cash and investments are primarily concentrated in India and in Indian businesses or businesses with customers, suppliers or business primarily conducted in, or dependent on, India. The market value of the company's investments, the income generated by the company and the company's performance will be particularly sensitive to changes in the economic condition, interest rates, and regulatory environment in India. Adverse changes to the economic condition, interest rates or regulatory environment in India may have a material adverse effect on the company's business, cash flows, financial condition and net earnings. At March 31, 2019 and December 31, 2018 the company's total cash and investments composition by the issuer's country of domicile was primarily in India, and at March 31, 2019 represents 98.2% (December 31, 2018 - 98.7%) of the total cash and investments portfolio.

The company's holdings of Public and Private Indian Investments (see note 5) at March 31, 2019 and December 31, 2018 are summarized by the issuer's primary industry sector in the table below:

	March 31, 2019	December 31, 2018
Commercial and industrial	**919,159**	871,900
Financial services	**842,429**	876,917
Infrastructure	**715,483**	704,077
Ports and shipping	**97,935**	24,843
	2,575,006	2,477,737

During the first quarter of 2019 the company's concentration risk in the commercial and industrial sector increased primarily due to unrealized gains on the investments in Fairchem and Sanmar (both common shares and bonds), while the company's concentration risk in the financial services sector decreased primarily due to unrealized losses on IIFL, partially offset by the investment in Tranche 2 of the investment in CSB and IH Fund, and unrealized gains on the investments in Other Public Indian Investments. The company's concentration risk in the infrastructure sector increased primarily due to unrealized gains on the investment in BIAL, and the company's concentration risk in the ports and shipping sector increased primarily due to the investment in Seven Islands.

The company will not make an Indian Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20.0% of the company's total assets at the time of the investment; provided, however, that the company is permitted to complete up to two Indian Investments where, after giving effect to each such investment, the total invested amount of each such investment would be less than or equal to 25.0% of the company's total assets (the "Investment Concentration Restriction"). The company's investment limit for an Indian Investment in accordance with the Investment Concentration Restriction decreased at March 31, 2019 from December 31, 2018 principally as a result of net unrealized losses on investments and interest expense, partially offset by dividends, interest income, and net foreign exchange gains. 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 March 31, 2019 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 the term loan and common shareholders' equity) decreased to $2,626,515 at March 31, 2019 from $2,665,173 at December 31, 2018, principally reflecting a decrease in common shareholders' equity, as described below.

Common shareholders' equity decreased to $2,077,901 at March 31, 2019 from $2,117,945 at December 31, 2018 primarily reflecting a net loss of $52,585, partially offset by unrealized foreign currency gains of $15,523 in the first quarter of 2019.

12. Related Party Transactions

Payable to Related Parties

The company's payable to related parties was comprised as follows:

	March 31, 2019	December 31, 2018
Investment and advisory fees	**8,689**	8,796
Other	**43**	31
	8,732	8,827

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 pays 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

Second Calculation Period

The period from January 1, 2018 to December 31, 2020 (the "second calculation period") is the next consecutive three-year period after December 31, 2017 for which a performance fee, if applicable, will be accrued. The performance fee for the second calculation period will be calculated as 20% of any increase in the book value per share at the end of period (before factoring in the impact of the performance fee for the second calculation period) over the higher of: (i) the hurdle per share, which is the amount of common shareholders' equity per share at any time which must be achieved before any performance fee would be payable; or, (ii) the then book value per share at the end of the first calculation period (December 31, 2017), adjusted to reflect the issuance of subordinate voting shares on March 9, 2018 to settle the first calculation period performance fee, referred to as the "high water mark per share". Under the Investment Advisory Agreement, the performance fee, if applicable, will be paid within 30 days after the company issues its annual audited consolidated financial statements for the year ended December 31, 2020, in subordinate voting shares of the company unless the market price per share of those shares is more than two times the then book value per share, in which event Fairfax may elect to receive that fee in cash. The number of subordinate voting shares to be issued will be calculated 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 calculation period in respect of which the performance fee is paid.

At March 31, 2019 the company determined that there was no performance fee accrual, related to the second calculation period (December 31, 2018 - nil) as the book value per share of $13.61 at March 31, 2019 was lower than the high water mark per share at that date of $14.49. At March 31, 2019 and December 31, 2018 there were no contingently issuable subordinate voting shares relating to the second calculation period performance fee payable to Fairfax.

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. For the first quarter of 2019 the company determined that the majority of its assets were invested in Indian Investments, which are considered deployed capital. The investment and advisory fees recorded in the consolidated statements of earnings in the first quarter of 2019 was $8,289 (2018 - $8,221).

Fairfax's Voting Rights and Equity Interest

At March 31, 2019 and December 31, 2018 Fairfax, through its subsidiaries, owned 30,000,000 multiple voting shares and 21,558,422 subordinate voting shares of Fairfax India. At March 31, 2019 Fairfax's holdings of multiple and subordinate voting share represented 93.8% of the voting rights and 33.8% of the equity interest in Fairfax India (December 31, 2018 - 93.8% and 33.7%).

13. General and Administration Expenses

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

	First quarter	
	2019	2018
Audit, legal and tax professional fees	**844**	539
Salaries and employee benefit expenses	**352**	359
Administrative expenses	**157**	123
Other	**56**	94
	1,409	1,115

14. Supplementary Cash Flow Information

Cash and cash equivalents were included in the consolidated balance sheets and statements of cash flows as follows:

	March 31, 2019	December 31, 2018
Cash and term deposits with banks	**25,609**	21,240
U.S. treasury bills	**32,422**	—
	58,031	21,240

Details of certain cash flows included in the consolidated statements of cash flows for the three months ended March 31 were as follows:

	First quarter	
	2019	2018
(a) Purchases of investments		
Bonds	—	(3,022)
Common stocks	**(118,586)**	(20,977)
	(118,586)	(23,999)
(b) Sales of investments		
Bonds	**160,051**	5,454
(c) Net interest and dividends received		
Interest received	**8,619**	7,433
Dividends received	**6,006**	6,575
Interest paid on term loans	**(8,683)**	(5,562)
	5,942	8,446
(d) Income taxes paid	**269**	402

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 three months ended March 31, 2019, and the company's 2018 Annual Report.

(2) Unless otherwise noted, consolidated financial information of the company within this MD&A is derived from the consolidated financial statements of the company prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard 34 *Interim Financial Reporting*, and is presented in U.S. dollars with the Indian rupee as the functional currency of the company and its consolidated subsidiaries.

(3) The MD&A contains references to book value per share. On any date, book value per share is calculated as common shareholders' equity at the end of the reporting period, determined in accordance with IFRS, divided by the total number of common shares of the company effectively outstanding on that date. Book value per share is a key performance measure of the company and is closely monitored as it is used to calculate the performance fee, if any, to Fairfax Financial Holdings Limited ("Fairfax").

(4) 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 interim consolidated financial statements for the three months ended March 31, 2019.

Business Developments

Overview

Fairfax is Fairfax India's ultimate parent and acts as its administrator. Fairfax is a holding company which, through its subsidiaries, is principally 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 March 31, 2019 was $13.61 compared to $13.86 at December 31, 2018 representing a decrease in the first quarter of 2019 of 1.8%, primarily reflecting a net loss of $52,585 (principally related to net change in unrealized losses on investments (primarily the company's investment in IIFL) and interest expense, partially offset by dividends, interest income, and net foreign exchange gains), partially offset by unrealized foreign currency translation gains of $15,523.

Indian Investments

Full descriptions of the Indian Investments committed to and acquired in the first quarter of 2019 are provided in the Indian Investments section of this MD&A.

Operating Environment

India has emerged as the fastest growing major economy in the world according to the Central Statistics Organization ("CSO") and the International Monetary Fund ("IMF"), recovering from the impacts of demonetization and implementation of the Goods and Services Tax. According to the CSO and IMF, the Indian economy will continue to grow at 7.0% in the financial year 2018-19 and 7.5% in the financial year 2019-20. The improvement in India's economic fundamentals has accelerated in the recent years with the combined impact of strong government reforms, higher government spending on infrastructure development and Reserve Bank of India's ("RBI") inflation focus supported by favourable global commodity prices.

Business Objectives

Investment Objective

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

Investment Restrictions

The company will not make an Indian Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20.0% of the company's total assets at the time of the investment; provided, however, that the company is permitted to complete up to two Indian Investments where, after giving effect to each such investment, the total invested amount of each such investment would be less than or equal to 25.0% of the company's total assets (the "Investment Concentration Restriction"). The company's investment limit for an Indian Investment in accordance with the Investment Concentration Restriction decreased at March 31, 2019 from December 31, 2018 principally as a result of net unrealized losses on investments and interest expense, partially offset by dividends, interest income, and net foreign exchange gains.

The company intends to continue 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 March 31, 2019 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 IFRS for all of its Indian Investments for which it had previously filed a business acquisition report in accordance with section 8.2 of *National Instrument 51-102 Continuous Disclosure Obligations.* National Collateral Management Services Limited, IIFL Holdings Limited, Sanmar Chemicals Group, Bangalore International Airport Limited and The Catholic Syrian Bank Limited (collectively, "Significant Indian Investments"), for which the company had previously filed business acquisition reports, prepare their financial statements in accordance with Indian Accounting Standards ("Ind AS"), with the exception of the financial statements of The Catholic Syrian Bank Limited prepared in accordance with Indian Generally Accepted Accounting Principles ("Indian GAAP") as a result of the RBI's decision to defer implementation of Ind AS for scheduled commercial banks until further notice. Ind AS are based on and substantially converged with IFRS as issued by the IASB. Fairfax India is limited with respect to the amount of independent verification it is able to perform on the Significant Indian Investments' financial statements. The unaudited summarized financial information contained in this MD&A was prepared exclusively for Fairfax India. Such unaudited financial information is the responsibility of the respective managements and has been prepared by them using recognition, measurement and presentation principles consistent with IFRS as issued by the IASB, and provided to the company in Indian rupees.

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

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

Summary of Indian Investments

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

		March 31, 2019				December 31, 2018			
	Date Acquired	**Ownership %**	**Cost**	**Fair value**	**Net change**	Ownership %	Cost	Fair value	Net change
Public Indian Investments:									
IIFL	December 2015 and February 2017	26.5%	256,976	520,617	263,641	26.5%	256,976	613,458	356,482
Fairchem	February and August 2016	48.8%	74,384	125,397	51,013	48.8%	74,384	96,574	22,190
5paisa	October 2017	26.6%	19,758	11,583	(8,175)	26.6%	19,758	11,913	(7,845)
Other	March 2018 and August 2018	< 1.0%	94,090	109,174	15,084	< 1.0%	94,090	98,180	4,090
			445,208	766,771	321,563		445,208	820,125	374,917
Private Indian Investments:									
Sanmar bonds	April and September 2016	—	299,000	407,948	108,948	—	299,000	392,776	93,776
Common stocks:									
BIAL (1)	March 2017, July 2017 and May 2018	54.0%	652,982	715,483	62,501	54.0%	652,982	704,077	51,095
Sanmar	April 2016	30.0%	1,000	219,208	218,208	30.0%	1,000	217,170	216,170
NCML	August 2015 and August 2017	89.5%	174,318	166,606	(7,712)	89.5%	174,318	165,380	(8,938)
CSB (2)	October 2018 and March 2019	45.0%	129,071	134,102	5,031	36.4%	88,524	93,081	4,557
Seven Islands	March 2019	41.4%	71,767	71,767	—	—	—	—	—
Saurashtra	February 2017	51.0%	30,018	26,168	(3,850)	51.0%	30,018	24,843	(5,175)
NSE	July 2016	1.0%	26,783	60,755	33,972	1.0%	26,783	60,285	33,502
IH Fund	January 2019	—	6,272	6,198	(74)	—	—	—	—
			1,391,211	1,808,235	417,024		1,272,625	1,657,612	384,987
Total Indian Investments			1,836,419	2,575,006	738,587		1,717,833	2,477,737	759,904

(1) Cost and net change includes $74,202 (approximately 4.8 billion Indian rupees) of cash consideration paid attributable to the costs incurred to acquire the additional 10.0% equity interest in BIAL in July 2017.

(2) Comprised of: (i) 100.0% of the partly paid shares ($37,823); and (ii) 70.0% of the warrants that have been paid for as they had features of in-substance equity ($91,248). Excluded from the table is the Payable for partly paid shares of CSB of $30,060 reported on the consolidated balance sheet in the interim consolidated financial statements for the three months ended March 31, 2019 which represents the 75.0% remaining consideration to be paid on the partly paid shares.

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 for the first quarters of 2019 and 2018 were as follows:

	First quarter				
	Balance as of January 1, 2019	**Purchases**	**Net change in unrealized gains (losses) on investments**	**Net unrealized foreign currency translation gains**	**Balance as of March 31, 2019**
Public Indian Investments:					
Common stocks:					
IIFL	**613,458**	**—**	**(95,972)**	**3,131**	**520,617**
Fairchem	**96,574**	**—**	**27,597**	**1,226**	**125,397**
5paisa	**11,913**	**—**	**(416)**	**86**	**11,583**
Other	**98,180**	**—**	**10,055**	**939**	**109,174**
Total Public Indian Investments	**820,125**	**—**	**(58,736)**	**5,382**	**766,771**
Private Indian Investments:					
Sanmar bonds	**392,776**	**—**	**11,906**	**3,266**	**407,948**
Common stocks:					
BIAL	**704,077**	**—**	**5,818**	**5,588**	**715,483**
Sanmar	**217,170**	**—**	**339**	**1,699**	**219,208**
NCML	**165,380**	**—**	**(62)**	**1,288**	**166,606**
CSB	**93,081**	**40,547** (1)	**—**	**474**	**134,102**
Seven Islands	**—**	**71,767**	**—**	**—**	**71,767**
Saurashtra	**24,843**	**—**	**1,113**	**212**	**26,168**
NSE	**60,285**	**—**	**—**	**470**	**60,755**
IH Fund	**—**	**6,272**	**(109)**	**35**	**6,198**
Total Private Indian Investments	**1,657,612**	**118,586**	**19,005**	**13,032**	**1,808,235**
Total Indian Investments	**2,477,737**	**118,586**	**(39,731)**	**18,414**	**2,575,006**

	First quarter				
	Balance as of January 1, 2018	Purchases	Net change in unrealized gains (losses) on investments	Net unrealized foreign currency translation losses	Balance as of March 31, 2018
Public Indian Investments:					
Common stocks:					
IIFL	888,485	—	47,338	(19,612)	916,211
Fairchem	149,200	—	(38,096)	(2,691)	108,413
5paisa	19,958	—	(2,219)	(398)	17,341
Other	—	4,976	—	(1)	4,975
Total Public Indian Investments	1,057,643	4,976	7,023	(22,702)	1,046,940
Private Indian Investments:					
Sanmar bonds	333,172	—	4,231	(7,177)	330,226
Common stocks:					
BIAL	608,288	—	2,674	(13,038)	597,924
Sanmar	556	—	(120)	(10)	426
NCML	179,054	—	1,704	(3,850)	176,908
Saurashtra	28,000	—	(636)	(590)	26,774
NSE	40,452	—	27,900	(1,229)	67,123
Total Private Indian Investments	1,189,522	—	35,753	(25,894)	1,199,381
Total Indian Investments	2,247,165	4,976	42,776	(48,596)	2,246,321

(1) Comprised of an additional 30.0% of the warrants that have been paid for as they had features of in-substance equity. Excluded from this table is the payable for partly paid shares of CSB of $30,060 on the consolidated balance sheet in the interim consolidated financial statements for the three months ended March 31, 2019 which represents the 75.0% remaining consideration to be paid on the partly paid shares.

Public Indian Investments

The fair values of Fairfax India's Public Indian Investments, whose shares are listed on both the BSE 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.

Investment in IIFL Holdings Limited

Business Overview

IIFL Holdings Limited ("IIFL") is a publicly traded, leading financial services provider in India, providing a broad range of products and services to a diversified client base. IIFL was incorporated in 1995 and headquartered in Mumbai, India with principal lines of business as described below. Over the past two decades, IIFL has created a brand that is known for its informed research and cutting-edge technology, extensive global footprint and high service standards. IIFL serves over 4 million customers from 1,400 service locations and over 1,900 branches across India. It also has an international presence, with offices in Toronto, New York, London, Geneva, Singapore, Dubai and Mauritius.

On January 31, 2018 IIFL's board of directors approved a draft plan to reorganize IIFL into three listed entities (the "reorganization") consisting of IIFL Finance (comprised of the loans and mortgages businesses), IIFL Wealth (comprised of the wealth, asset management and alternative investment fund businesses) and IIFL Securities (comprised of all other IIFL businesses including investment brokerage, distribution and investment banking). Shareholders of IIFL will receive seven common shares of IIFL Securities and one common share of IIFL Wealth for every seven IIFL shares held. IIFL Holdings Limited will be renamed IIFL Finance, and shares of IIFL Finance, IIFL Wealth and IIFL Securities will be listed on the BSE and NSE of India. The reorganization is anticipated to be completed in the second quarter of 2019, subject to customary closing conditions and applicable regulatory approvals.

Transaction Description

In February 2017 and December 2015 the company acquired 84,641,445 common shares of IIFL (representing a 26.9% equity interest) for aggregate cash consideration of $276,734 (approximately 18.5 billion Indian rupees). In October 2017 IIFL spun-off its wholly-owned subsidiary 5paisa Capital Limited (‘‘5paisa’’) which resulted in a reduction to the company's cost of its investment in IIFL by $19,758. Upon completion of this transaction the company had invested $256,976 for a 26.9% equity interest in IIFL.

At March 31, 2019 the company held an aggregate of 84,641,445 common shares of IIFL representing a 26.5% equity interest (December 31, 2018 - 26.5%).

Key Business Drivers, Events and Risks

IIFL's key business drivers relate to its ability to grow and penetrate the financial services industry in India, particularly in the areas of lending and wealth management and the successful completion of the reorganization.

IIFL Finance

IIFL Finance continues to achieve volume and profit growth, driven primarily by small-ticket home loans, SME loans and microfinance loans. Despite the pressures from increased funding costs in the current interest rate environment, net interest margin has been protected through achieving increased yields from the NBFC's assets under management by repricing current outstanding loans and raising interest rates on new loans. Asset quality remains stable with gross and net non-performing assets maintaining its historical low levels compared to the overall loan portfolio.

IIFL Wealth

In the fourth quarter of 2018 IIFL launched IIFL One and will follow more of an advisory model as opposed to operating a broker dealer/distribution model, whereby commissions are earned on the whole portfolio as opposed to on a transaction by transaction basis. As IIFL Wealth's clients change how they want their portfolios managed, the revenue mix from commissions and increased costs to support the technology will impact the divisions' financial results in the short term.

IIFL Securities

IIFL Securities has benefited from digitization with the IIFL Markets mobile applications reaching approximately 2.4 million downloads at December 31, 2018 (approximately 48% of brokerage services are provided through the mobile platform). The investment banking business has continued its strong performance, closing twelve transactions within the nine months ended December 31, 2018 with a number of transactions in the pipeline.

Impact of Operating Environment

The market price decline of the NBFC sector in India during 2018 was a more prevalent impact to the NBFC sector than in other sectors due to the default on debt obligations by a large NBFC, Infrastructure Leasing & Financial Services Limited, which owed significant amounts owed to banks and mutual funds. As a result of this default, banks and mutual funds have been resistant to lend to other NBFCs, causing an asset-liability mismatch for companies and tighter liquidity throughout the sector.

On October 4, 2018 IIFL provided an update on the liquidity status of India Infoline Finance Limited, the NBFC subsidiary of IIFL. The update described how the liquidity and risk management best practices used by IIFL have protected its core operations, especially during times of tightening liquidity in the operating environment. Despite the tightening liquidity in the operating environment, IIFL's NBFC continued to demonstrate its ability to raise funds during the fiscal year.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2019 the fair value of the company's investment in IIFL was $520,617 (December 31, 2018 - $613,458) with the changes in fair value for the first quarters of 2019 and 2018 presented in the tables at the outset of the Indian Investments section of this MD&A. IIFL's share price decreased by 15.8% from 506.00 Indian rupees per share at December 31, 2018 to 426.10 Indian rupees per share at March 31, 2019.

The first quarter of 2019 consolidated statements of earnings included dividend income earned from the company's investment in IIFL of $6,006 (2018 - $6,575).

IIFL's Summarized Financial Information

The company's fiscal year ends on December 31 and IIFL's fiscal year ends on March 31. Summarized below are IIFL's balance sheets at December 31, 2018 and March 31, 2018.

Balance Sheets
(**unaudited - US$ thousands**)

	December 31, 2018[1]	**March 31, 2018[1][2]**
Financial assets	**5,853,510**	6,569,068
Non-financial assets	**293,737**	249,213
Financial liabilities	**5,011,901**	5,855,226
Non-financial liabilities	**29,079**	21,003
Shareholders' equity	**1,106,267**	942,052

(1) The net assets of IIFL were translated at December 31, 2018 at $1 U.S dollar = 69.82 and at March 31, 2018 at $1 U.S. dollar = 65.22 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.
(2) Certain prior year comparative figures have been reclassified to be consistent with current year's presentation.

Financial assets decreased primarily as a result of the weakening of the Indian rupee relative to the U.S. dollar during the nine months ended December 31, 2018, partially offset by the continued growth in IIFL Finance reflecting increased small-ticket home loans, SME loans, and microfinance loans as discussed earlier in the Key Business Drivers, Events and Risks section. IIFL Finance's asset quality remains stable with gross and net non-performing assets at 3.7% and 1.5% of IIFL Finance's loans at December 31, 2018. Non-financial assets increased primarily as a result of increased investment properties. Financial liabilities decreased primarily as a result of the weakening of the Indian rupee relative to the U.S. dollar during the nine months ended December 31, 2018, partially offset by debt issued by IIFL Finance. Non-financial liabilities increased primarily due to current tax liabilities.

Summarized below are IIFL's statements of earnings for the nine months ended December 31, 2018 and 2017.

Statements of Earnings
(**unaudited - US$ thousands**)

	Nine months ended December 31, 2018 [1]	Nine months ended December 31, 2017 [1]
Revenue	**788,883**	763,301
Earnings before income taxes	**185,216**	185,754
Net earnings	**125,143**	128,408

(1) Amounts for the nine months ended December 31, 2018 and 2017 were translated into US$ using the average exchange rates of $1 U.S. dollar = 69.68 Indian rupees and $1 U.S. dollar = 64.50 Indian rupees prevailing during those periods.

IIFL's revenue increased primarily due to growth in IIFL Finance reflecting growth in volume and profit margins from high quality assets. Earnings before income taxes and net earnings decreased primarily as a result of the weakening of the Indian rupee relative to the U.S. dollar during the nine months ended December 31, 2018, partially offset by growth in IIFL Finance as noted above. IIFL Wealth also contributed to the net earnings through its growth in its assets under management, while IIFL Securities' contributed to net earnings as a result of increased daily market turnover in its brokerage business.

Investment in Fairchem Speciality Limited

Business Overview

In March 2017 Fairchem Speciality Limited ("Fairchem") and Privi Organics Limited ("Privi") were merged with the surviving entity continuing as Fairchem and with no changes to management of the underlying companies.

Fairchem

Fairchem was incorporated in 1985 and publicly listed its shares on the BSE in 1995 and NSE of India in 2015. Fairchem is a specialty chemical manufacturer located in Ahmedabad, India. Fairchem manufactures oleochemicals 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 designed and manufactured by leading European companies to physically separate and convert waste generated during the production of soya, sunflower, corn and cotton oils into valuable nutraceutical and fatty acids.

Privi

Privi, a wholly-owned subsidiary of Fairchem, was founded in 1992 and is a supplier of aroma chemicals to the fragrance industry and is located in Mumbai, India. Privi's world-class products are the result of its very strong research and development team that has proven expertise in developing new products, customizing aromas per customer specifications, scaling up products from basic research to commercial scale, and designing process improvements to drive quality and cost optimization. Privi has four manufacturing facilities located in Mahad, Maharashtra and a manufacturing facility located in Jhagadia, Gujarat.

Transaction Description

In March 2017, upon completion of the merger of Fairchem and Privi, the company had acquired a 48.8% equity interest in Fairchem for aggregate cash consideration of $74,384 (approximately 5.0 billion Indian rupees).

At March 31, 2019 the company held 19,046,078 common shares, representing a 48.8% equity interest in Fairchem (December 31, 2018 - 48.8%).

Key Business Drivers, Events and Risks

Fairchem's 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 increase, the demand for sustainable and biodegradable oleochemicals used in lubricants, paper printing, paints and coatings, and animals feed industries has been experiencing strong growth in recent years.

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

Privi's key business drivers relate to its ability to: (i) develop, manufacture and supply additional (newer) aroma chemicals to existing customers; (ii) create value added products from the by-products of manufacturing aroma chemicals; (iii) strengthen margins by increasing vertical integration capacities; and (iv) offer a variety of aroma chemical products to sustain being recognized as a preferred supplier to the global fragrance market.

At March 31, 2019 Privi had received partial settlement on their insurance claim of approximately $12 million (818 million Indian rupees) in relation to its April 2018 manufacturing facilities fire. Privi continues to work with its insurance company as they undertake an assessment of the damages and work on finalizing the insurance claim that is in progress. Privi anticipates to reach full manufacturing capacity by the third quarter of 2019.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2019 the fair value of the company's investment in Fairchem was $125,397 (December 31, 2018 - $96,574) with the changes in fair value for the first quarters of 2019 and 2018 presented in the tables at the outset of the Indian Investments section of this MD&A. Fairchem's share price increased by 28.8% to 456.10 Indian rupees per share at March 31, 2019 from 354.00 Indian rupees per share at December 31, 2018.

Investment in 5paisa Capital Limited

Business Overview

5paisa Capital Limited ("5paisa"), located in Mumbai, India, is a publicly traded online financial services provider with a do-it-yourself based investment brokerage model where the customer can execute investment transactions for a low brokerage fee. 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.

Transaction Description

In October 2017 IIFL spun-off its wholly-owned subsidiary 5Paisa Digital Undertaking through the formation of a new public company, 5paisa Capital Limited, listed on the BSE and the NSE of India. This non-cash transaction resulted in Fairfax India receiving one new common share of 5paisa for every 25 common shares of IIFL held for a total of 3,385,657 common shares of 5paisa with a fair value of $19,758.

At March 31, 2019 the company held an aggregate of 3,385,657 common shares of 5paisa representing a 26.6% equity interest (December 31, 2018 - 26.6%).

Key Business Drivers, Events and Risks

5paisa's key business driver relates to its ability to provide a digital method of trading in securities, which is emerging as a new segment with the potential to achieve critical mass and grow in the near future with the spread of the Internet, mobile penetration, telecommunication and data services throughout India. 5paisa's ability to acquire, service and grow the new emerging do-it-yourself customer segment provides its customers with lower costs for various financial products, enabling investors to invest seamlessly, on their own, from anywhere in the world. As the only publicly listed broker in India to offer low cost flat fee trades (operating under a flat fee of 10 Indian rupees per transaction model) within the last two years 5paisa has become the second largest discount broker in India in terms of active client base.

At March 31, 2019 the 5paisa Mobile Application had reached over 2.7 million downloads with a sustained 4 star rating on Google Playstore (December 31, 2018 - over 2 million downloads).

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2019 the fair value of the company's investment in 5paisa was $11,583 (December 31, 2018 - $11,913) with the changes in fair value for the first quarters of 2019 and 2018 presented in the tables at the outset of the Indian Investments section of this MD&A. 5paisa's share price decreased by 3.5% from 245.65 Indian rupees per share at December 31, 2018 to 237.00 Indian rupees per share at March 31, 2019.

Investment in Other Public Indian Investments

During 2018 the company acquired common shares of public companies in the financial services sector of India, listed on both the BSE and the NSE of India (investment in "Other Public Indian Investments") for aggregate cash consideration of $94,090. At March 31, 2019 the fair value of the company's investment in Other Public Indian Investments was $109,174 (December 31, 2018 - $98,180) and represents less than 1.0% equity interest in each of the public Indian companies. The changes in fair value of the company's investment in Other Public Indian Investments for the first quarters of 2019 and 2018 are presented in the tables at the outset of the Indian Investments section of this MD&A.

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.

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 2038 (with the right to extend the agreement for an additional 30 years), 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 aeronautical and non-aeronautical revenue from the airport, and other non-airport related revenue which includes the five-star hotel operated under the Taj brand and real estate monetization.

Transaction Description

During 2017 and 2018 Fairfax India had invested aggregate cash consideration of $652,982 (approximately 42.7 billion Indian rupees) (inclusive of $74,202 of costs incurred, approximately 4.8 billion Indian rupees) for a 54.0% equity interest in BIAL through the following transactions: (i) March 2017 the company acquired a 38.0% equity interest in BIAL for cash consideration of $385,498 (approximately 25.2 billion Indian rupees); (ii) July 2017 acquired an additional 10.0% equity interest in BIAL for cash consideration of $200,093 (12.9 billion Indian rupees) which the company determined included $74,202 of consideration in excess of the fair value of those additional shares acquired; and, (iii) May 2018 the company acquired an additional 6.0% equity interest in BIAL for cash consideration of $67,391 (approximately 4.6 billion Indian rupees).

Key Business Drivers, Events and Risks

KIAB is the busiest airport in South India, the third largest in the country, and was awarded the 'Best Regional Airport in India and Central Asia' during 2018 by Skytrax, a UK-based consultancy who conducts a global airport customer satisfaction survey. The airport handled approximately 8.5 million passengers during the quarter ended March 31, 2019 representing growth in overall traffic of 13.0% compared to the quarter ended March 31, 2018.

Plans are under execution to expand the capacity of the airport, which include constructing a second runway and an additional terminal building, and expanding the related infrastructure. Land preparation and construction for the second runway are underway, with an estimated completion date by September 2019. In 2017 design approvals for the additional terminal building commenced and it will be constructed in two phases; the first phase will have the capacity to handle 25 million passengers per annum (estimated to be operational by March 31, 2021), while the second phase of the project will add capacity for another 20 million passengers per annum. The combined capacity of the existing and additional terminal will be approximately 65 million passengers per annum. On September 29, 2018 BIAL awarded the construction contract for the first phase of the additional terminal building to Larsen & Toubro Limited, a company involved in the construction of BIAL's existing airport infrastructure.

On February 19, 2019 BIAL launched The Quad, an innovative retail, food and beverage plaza with an aim to deliver an international dining and retail experience to visitors, travelers and for the people of Bengaluru.

On March 6, 2019 BIAL became the first airport in the world to win both a departures and an arrivals Airport Service Quality ("ASQ") award from Airports Council International ("ACI"). The ASQ recognizes those airports around the world that deliver the best customer experience in the opinion of their own passengers. The annual ASQ awards recognize and reward the best airports globally according to ACI's ASQ Passenger Satisfaction Survey, the world's benchmark that measures airport excellence, representing the highest possible accolade for an airport operator. ACI is the only global trade representative of international airports.

On April 4, 2019 the Final Tariff order for the 2nd Control Period was amended to provide an interim relief allowing BIAL to collect increased user development fees ("UDF") for a limited period of four months (April 16, 2019 to August 15, 2019). The additional UDF collected will be used for capital expenditure of the expansion projects as noted above, providing BIAL with the required cash flows for the implementation of those projects.

On April 17, 2019 Jet Airways, one of India's leading airlines based in Mumbai, temporarily suspended all flight operations for domestic and international flights as a result of the airline facing liquidity concerns pending potential investments from shareholders or debtors. Jet Airways was previously the second largest airline in India in terms of passenger market share. The suspension, along with recent Boeing 737 Max groundings, resulted in a significant capacity shortfall in the domestic Indian market in terms of available seats. The Ministry of Civil Aviation decided to allocate Jet Airways' domestic flight slots to other airlines effective May 1, 2019 to July 31, 2019 and over 40 domestic flight slots of the previously 66 slots operated daily by Jet Airways have already been reallocated to other Indian domestic carriers. Additional domestic flight slot requests have been made by other airlines and are expected to be operational over the next one to three months depending on their aircraft availability.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2019 the company estimated the fair value of its investment in BIAL using a discounted cash flow analysis for its two business units based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 11.2% to 12.8% and a long term growth rate of 3.5% (December 31, 2018 - 11.3% to 12.8%, and 3.5%, respectively), and the estimated fair value of the monetizable leasehold land (approximately 460 acres) based on third party valuations with an assumed 20.0% discount factor (December 31, 2018 - 20.0%) for the leasehold nature of the asset. At March 31, 2019 free cash flow projections were based on EBITDA estimates derived from financial information for BIAL's two business units prepared in the third quarter of 2018 (December 31, 2018 - third quarter of 2018) by BIAL's management. 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. At March 31, 2019 the company's internal valuation model indicated that the fair value of the company's investment in BIAL was $715,483 (December 31, 2018 - $704,077) with the changes in fair value of the company's investment in BIAL for the first quarters of 2019 and 2018 presented in the tables at the outset of the Indian Investments section of this MD&A.

BIAL's Summarized Financial Information

The company's fiscal year ends on December 31 and BIAL's fiscal year ends on March 31. Summarized below are BIAL's balance sheets at December 31, 2018 and March 31, 2018.

Balance Sheets
(unaudited - US$ thousands)

	December 31, 2018[(1)]	March 31, 2018[(1)]
Current assets	**152,088**	147,942
Non-current assets	**744,152**	718,517
Current liabilities	**55,332**	73,195
Non-current liabilities	**433,932**	417,315
Shareholders' equity	**406,976**	375,949

(1) The net assets of BIAL were translated at December 31, 2018 at $1 U.S dollar = 69.82 and at March 31, 2018 at $1 U.S. dollar = 65.22 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Current assets increased primarily due to increased cash and cash equivalents and bank deposits with original maturity greater than three months primarily as a result of net proceeds received from increased bank loans that are required to expand the capacity of the airport as described in the Key Business Drivers, Events and Risks section. Non-current assets increased principally as a result ongoing capital expenditure for BIAL's expansion projects. Current liabilities decreased and non-current liabilities increased primarily due to reclassification as a result of the deferral of the repayment to the Government of Karnataka on an interest free loan.

Summarized below are BIAL's statements of earnings for the nine months ended December 31, 2018 and 2017.

Statements of Earnings
(unaudited - US$ thousands)

	Nine months ended December 31, 2018[(1)]	Nine months ended December 31, 2017[(1)]
Revenue	**170,783**	178,346
Earnings before income taxes	**55,167**	78,142
Net earnings	**56,000**	79,382

(1) Amounts for the nine months ended December 31, 2018 and 2017 were translated into US$ using the average exchange rates of $1 U.S. dollar = 69.68 Indian rupees and $1 U.S. dollar = 64.50 Indian rupees prevailing during those periods.

The decrease in revenue primarily as a result of the weakening of the Indian rupee relative to the U.S. dollar during the nine months ended December 31, 2018, partially offset by the increased aeronautical and non-aeronautical revenue as a result of growth in domestic and international passenger traffic. Earnings before income taxes and net earnings decreased primarily driven by the decrease in revenue as noted above, and the revision of the useful lives on property, plant, and equipment, which was effective on April 1, 2018 resulting in a one-time depreciation expense of approximately $22.2 million (1.5 billion Indian rupees) recorded during the nine months ended December 31, 2018, partially offset by lower interest expense.

Investment in Sanmar Chemicals Group

Business Overview

Sanmar Chemicals Group ("Sanmar"), a private company, is one of the largest suspension polyvinyl chloride ("PVC") manufacturers in India, headquartered in Chennai, India with an operational presence in India and Egypt. Sanmar has an aggregate installed capacity of over 766,000 metric tons per annum, comprised of approximately 366,000 metric tons per annum in India and 400,000 metric tons per annum in Egypt (September 2018 completed its expansion of its PVC capacity in Egypt, resulting in increased capacity from 200,000 metric tons per annum to 400,000 metric tons per annum). As part of its expansion project in Egypt, a calcium chloride facility with capacity of approximately 130,000 metric tonnes per annum was also commissioned.

Sanmar's principal lines of business consist of: (i) Chemplast, the second largest suspension PVC manufacturer and the largest specialty PVC manufacturer in India; (ii) Sanmar Egypt*,* the largest Indian investor in Egypt’s chemical business and the largest caustic soda, calcium chloride and PVC manufacturer in Egypt; (iii) Specialty Chemicals*,* a business engaged primarily in the manufacturing and marketing of organic chemicals; and (iv) Kem One Chemplast, a partnership that will manufacture chlorinated polyvinyl chloride ("CPVC") in India.

Transaction Description

In April 2016 Fairfax India invested $250,000 in Sanmar comprised of $1,000 in common shares (representing a 30.0% equity interest) and $249,000 in bonds, and in September 2016 invested an additional $50,000 in Sanmar bonds. Both tranches of Sanmar bonds mature on April 22, 2023 (7 years from the date of issuance of the first tranche), subject to earlier redemption at the option of Sanmar under certain circumstances. In lieu of cash, the coupon payment on the bond is payable in kind in the form of additional Sanmar bonds over the life of the financial instrument. A redemption premium may also be payable in kind to the company resulting in an effective annual interest rate of 13.0%.

On September 17, 2018 the company announced that it had entered into an agreement with Sanmar pursuant to which the $299,000 in Sanmar bonds will be settled for proceeds equal to, at the date of cancellation, the bonds' principal amount plus an effective annual interest rate of 13.0%. The company will invest $203,306 at period end exchange rates (approximately 14.1 billion Indian rupees) of the net proceeds received from the settlement of the Sanmar bonds into 171,710 newly issued common shares of Sanmar, increasing the company's equity interest in Sanmar to 42.9% from 30.0% at March 31, 2019. The company will receive the remaining net proceeds in cash that had a value of approximately $205 million at March 31, 2019 based on the fair value of the Sanmar bonds at that date of $407,948. This transaction is subject to customary closing conditions and third party consents, and is expected to be completed in the second quarter of 2019.

Key Business Drivers, Events and Risks

India continues to be a PVC deficit market with approximately 50% of the demand being met through imports. Egypt and Turkey, which are manufacturing hubs for exports to Europe, currently have a demand gap for PVC of approximately 1,000 kilotons per annum which is being met by imports from the U.S. and Asia. Global PVC demand is projected to grow at a compound annual growth rate between 3.5% to 4.0% outpacing the growth of supply over the next 10 years and India is expected to become a bigger market than North America by 2025. In addition due to environmental regulations, China is expected to decrease production capacity of PVC thereby increasing demand and improving prices globally.

On May 2, 2017 approval from the Government of India's Ministry of Environment, Forest and Climate Change was received, allowing the Kem One Chemplast joint venture to commence construction of the new facility. The new facility is projected to be operational by 2022 and it is anticipated that it will reach full operational capacity in 2024.

CPVC is a raw material used to produce pipes and fittings for water supply systems that are required to have a high resistance to heat, pressure and chemicals. Overall there has been an increase in demand for CPVC pipes from the growth in the construction sector in India and also more recently in India by the switch from metal to CPVC pipes in the building construction process. The Kem One Chemplast joint venture is well positioned to benefit from the rapidly growing demand for CPVC in India that is currently being met through imports.

Sanmar's key business drivers related to its ability to execute its plan to increase PVC manufacturing capacity in Egypt and India that should align with the growing demand for PVC in North Africa, Middle East and India, and to improve the overall capacity utilization at all of its PVC production facilities. With the successful implementation and commissioning of Sanmar's expansion projects at Sanmar Egypt in September 2018, the implementation risk associated with those projects has significantly decreased. Profitability is expected to improve significantly with the commissioning of the new capacity at Sanmar Egypt. With the ability to refinance its existing debt and to realize increased demand for its products, Sanmar has plans to add several new expansion capital projects in Chemplast which will result in additional capacity for various products of approximately 420,000 tonnes per annum, with commissioning dates projected prior to 2024.

Valuation and Interim Consolidated Financial Statement Impact

Sanmar Bonds

At March 31, 2019 the company estimated the fair value of its investment in Sanmar bonds using an industry accepted discounted cash flow and option pricing model that incorporated Sanmar's estimated credit spread of 6.0% (December 31, 2018 - 5.6%) and assumptions related to certain redemption options embedded in the bonds. The estimated credit spread was based on the credit spreads of a peer group of comparable companies adjusted for credit risk specific to Sanmar. At March 31, 2019 the company's internal valuation model indicated that the fair value of the company's investment in Sanmar bonds was $407,948 (December 31, 2018 - $392,776) with the changes in fair value for the first quarters of 2019 and 2018 presented in the tables at the outset of the Indian Investments section of this MD&A. At March 31, 2019 and December 31, 2018 Sanmar bonds were rated BBB- with a stable outlook by Brickwork Ratings, an Indian rating agency. The net change in unrealized gains on investments of $11,906 from the company's investment in Sanmar bonds in the first quarter of 2019 approximated a 13.0% yield in the fair value of the bonds.

Sanmar Common Shares

At March 31, 2019 the company estimated the fair value of its investment in Sanmar common shares using a discounted cash flow analysis for its four business units based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 13.4% to 16.6% and long term growth rates ranging from 3.0% to 4.0% (December 31, 2018 - 13.5% to 16.6%, and 3.0% to 4.0%, respectively). At March 31, 2019 free cash flow projections were based on EBITDA estimates derived from financial information for Sanmar's four business units (with additional financial information and analysis completed for Chemplast's underlying business units involved in new capital projects) prepared in the third quarter of 2018 (December 31, 2018 - third quarter of 2018) by Sanmar's management. 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. At March 31, 2019 the company's internal valuation model indicated that the fair value of the company's investment in Sanmar common shares was $219,208 (December 31, 2018 - $217,170) with the changes in fair value for the first quarters of 2019 and 2018 presented in the tables at the outset of the Indian Investments section of this MD&A.

Sanmar's Summarized Financial Information

The company's fiscal year ends on December 31 and Sanmar's fiscal year ends on March 31. Summarized below are Sanmar's balance sheets at December 31, 2018 and March 31, 2018.

Balance Sheets
(**unaudited - US$ thousands**)

	December 31, 2018[(1)]	March 31, 2018[(1)]
Current assets	**274,123**	247,396
Non-current assets	**1,410,886**	1,386,776
Current liabilities	**652,768**	516,316
Non-current liabilities	**1,366,768**	1,386,152
Shareholders' equity (deficit)	**(334,527)**	(268,296)

(1) The net assets of Sanmar were translated at December 31, 2018 at $1 U.S dollar = 69.82 and at March 31, 2018 at $1 U.S. dollar = 65.22 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Current assets increased primarily reflecting increases in inventory levels at Chemplast. Non-current assets increased primarily attributable to the capital expenditures made in connection with the Phase 2 expansion at Sanmar Egypt. Current liabilities increased primarily reflecting higher funding of working capital. Non-current liabilities decreased primarily as a result of the weakening of the Indian rupee relative to the U.S. dollar during the nine months ended December 31, 2018, partially offset by increased long term loans and borrowings that were used to fund the Phase 2 expansion at Sanmar Egypt.

Summarized below are Sanmar's statements of earnings for the nine months ended December 31, 2018 and 2017.

Statements of Earnings
(**unaudited - US$ thousands**)

	Nine months ended December 31, 2018[(1)]	Nine months ended December 31, 2017[(1)]
Revenue	**508,775**	492,974
Loss before income taxes	**(69,748)**	(39,241)
Net loss	**(96,399)**	(61,723)

(1) Amounts for the nine months ended December 31, 2018 and 2017 were translated into US$ using the average exchange rates of $1 U.S. dollar = 69.68 Indian rupees and $1 U.S. dollar = 64.50 Indian rupees prevailing during those periods.

Revenue increased primarily reflecting increased sales volumes at Chemplast as a result of improved demand for PVC favourably impacting prices. Loss before income taxes and net loss increased primarily reflecting increases in key raw material prices (Ethylene Dichloride), tariffs on power in Egypt, and higher interest expense as a result of increased borrowings at Sanmar Egypt, partially offset by increased sales volumes at Chemplast as noted above.

Investment in National Collateral Management Services Limited

Business Overview

National Collateral Management Services Limited ("NCML"), a private company, is a leading private agricultural commodities company located in Gurugram, India operating for over 15 years in the agriculture value chain and offering end-to-end solutions in grain procurement, testing, storage and collateral management. NCML was promoted by a consortium of banks, cooperatives and the National Commodity and Derivatives Exchange Limited ("NCDEX") in 2004 as a warehousing and collateral management company to support commodity trading on NCDEX and has since evolved into a significant player in India. NCML's principal lines of business are warehousing and collateral management, supply chain management, non-banking finance company ("NBFC"), and the silo projects.

Transaction Description

In the third quarter of 2015 and August 2017 Fairfax India acquired an 89.5% equity interest in NCML for cash consideration of $174,318 (approximately 11.3 billion Indian rupees).

At March 31, 2019 the company held an aggregate of 131,941,286 common shares of NCML representing an 89.5% equity interest (December 31, 2018 - 89.5%).

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 development of its NBFC, the expansion of its supply chain management line of business, and the successful construction of the silos under the concession agreement with the Food Corporation of India ("FCI").

The silo projects are comprised of 14 silos that will be constructed under a design, build, finance, own and operate model and 2 silos that will be constructed under a design, build, finance, operate and transfer model, with all 16 silos being constructed for the exclusive use by the FCI. The silo projects are expected to be substantially completed by early 2020.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2019 the company estimated the fair value of its investment in NCML using a discounted cash flow analysis based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 12.8% to 21.8% and long term growth rates ranging from 2.4% to 6.0% (December 31, 2018 - 12.0% to 21.8%, and 2.4% to 6.0%, respectively). At March 31, 2019 free cash flow projections were based on EBITDA estimates derived from financial information for NCML's business units prepared in the third quarter of 2018 (December 31, 2018 - third quarter of 2018) by NCML's management. 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. At March 31, 2019 the company's internal valuation model indicated that the fair value of the company's investment in NCML was $166,606 (December 31, 2018 - $165,380) with the changes in fair value of the company's investment in NCML for the first quarters of 2019 and 2018 presented in the tables at the outset of the Indian Investments section of this MD&A.

NCML's Summarized Financial Information

The company's fiscal year ends on December 31 and NCML's fiscal year ends on March 31. Summarized below are NCML's balance sheets at March 31, 2019 and March 31, 2018.

Balance Sheets
(unaudited - US$ thousands)

	March 31, 2019 (1)	March 31, 2018(1)(2)
Current assets	**145,965**	199,657
Non-current assets	**110,789**	93,057
Current liabilities	**124,477**	149,840
Non-current liabilities	**22,636**	29,845
Shareholders' equity	**109,641**	113,029

(1) The net assets of NCML were translated at March 31, 2019 at $1 U.S. dollar = 69.28 Indian rupees and March 31, 2018 at $1 U.S. dollar = 65.22 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

(2) Certain prior year comparative figures have been reclassified to be consistent with current year's presentation.

Current assets decreased primarily reflecting lower advances at NCML's NBFC and decreased trade receivables as a result of improved collection processes. Non-current assets increased principally related to land acquisitions for the silo projects. Current liabilities decreased primarily reflecting decreases in short term loans and borrowings at NCML's NBFC as a result of the market liquidity tightening that occurred in the third quarter of 2018. Non-current liabilities decreased as a result of scheduled repayments on loans and borrowings.

Summarized below are NCML's statements of earnings for the years ended March 31, 2019 and 2018.

Statements of Earnings
(unaudited - US$ thousands)

	Year ended March 31, 2019(1)	Year ended March 31, 2018(1)
Revenue	**204,436**	183,990
Earnings before income taxes	**4,091**	4,523
Net earnings	**3,007**	5,408

(1) Amounts for the year ended March 31, 2019 and 2018 were translated into US$ using the average exchange rates of $1 U.S. dollar = 69.87 Indian rupees and $1 U.S. dollar = 64.47 Indian rupees prevailing during those periods.

Revenue increased primarily reflecting growth in the supply chain management and warehousing lines of business as a result of a strong monsoon season, partially offset by a decrease in the collateral management line of business due to NCML's management risk reduction strategy implemented in late 2018. Earnings before income taxes and net earnings decreased principally as a result of increased interest expense from short-term borrowings at NCML's NBFC as a result of the market liquidity tightening and the decrease in the collateral management line of business as noted above.

Investment in The Catholic Syrian Bank Limited

Business Overview

The Catholic Syrian Bank Limited ("CSB"), a private company headquartered in Thrissur, India, was 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 419 branches and 281 automated teller machines across India.

Transaction Description

On February 20, 2018 the company entered into an agreement to acquire a 51.0% equity interest, on a fully diluted basis, in CSB for $171,059 at period end exchange rates (approximately 12.1 billion Indian rupees). The company's investment in securities of CSB comprised of common shares and warrants (to purchase approximately 66.5 million common shares), were payable as follows: (i) consideration payable on initial closing for 25.0% of the common shares and 40.0% of the warrants; and, (ii) remaining 75.0% of the common shares payable within 12 months of the initial closing, upon request by CSB, and 60.0% of the warrants payable within 18 months of the initial closing, in one or more tranches, either upon request by CSB or at the option of Fairfax India.

On October 19, 2018 the company completed the initial investment in CSB and recorded $88,524 (approximately 6.5 billion Indian rupees) and $28,367 (approximately 2.1 billion Indian rupees) within common stocks and payable for partly paid shares on the consolidated balance sheet ("Tranche 1").

On March 20, 2019 the company invested in an additional 30.0% of the warrants and recorded $40,547 (approximately 2.8 billion Indian rupees) within common stocks ("Tranche 2").

The cash consideration paid by the company upon closing Tranche 1 and Tranche 2 of $100,704 (approximately 7.2 billion Indian rupees) represented 25.0% of the consideration payable for the common shares for $9,456 ($37,823 net of the payable for partly paid shares of $28,367) and 70.0% of the warrants for $91,248.

Key Business Drivers, Events and Risks

According to RBI, India's banking sector is sufficiently capitalized and well-regulated. The increase in India's working population and growth in disposable income is anticipated to increase the demand for banking related services, particularly in rural banking locations. In addition, the Indian banking industry has evolved through technology innovations in digital payments systems, mobile and online banking. Despite this, during fiscal 2017 to 2018 the banking system in India as a whole has seen balance sheet stress, with deterioration in asset quality. RBI has implemented asset quality reviews ensuring adequate provisioning of stressed assets and implemented a new framework for resolution of stressed assets. As a result, asset quality of the banking sector in India began to show marginal improvements in first half of financial year 2018-19.

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

Valuation and Interim Consolidated Financial Statement Impact

CSB Common Shares

At March 31, 2019 the company's investment in CSB common shares cost of $129,071 were comprised of: (i) 19.8 million common shares that represented 100.0% of the common shares received for $37,823 (approximately 2.8 billion Indian rupees) representing a 19.7% equity interest; and, (ii) 70.0% of the warrants to purchase 46.5 million common shares for $91,248 (approximately 6.5 billion Indian rupees) reflected as common shares as they had features of in-substance equity.

The initial transaction price for Tranche 1 and Tranche 2 were considered to approximate fair value at March 31, 2019 as there has been no significant changes to CSB's business, capital structure and operating environment and the key assumptions in the company's acquisition valuation model continued to be valid. At March 31, 2019 the fair value of the company's investment in CSB (comprised of 100.0% of the common shares and 70.0% of the warrants (December 31, 2018 - 100.0% and 40%, respectively)) was $134,102 (December 31, 2018 - $93,081) representing a 45.0% effective equity interest (December 31, 2018 - 36.4%) on a diluted basis in CSB which included the warrants that are in-substance equity. In the first quarter of 2019 the change in fair value of the company's investment in CSB related to unrealized foreign currency translation gains as presented in the table at the outset of the Indian Investments section of this MD&A.

Payable for partly paid shares of CSB

The remaining consideration payable for 75.0% of the common shares of $30,060 at period end exchange rates (approximately 2.1 billion Indian rupees) is payable within 12 months of Tranche 1, upon request by CSB, and recorded within payable for partly paid shares on the consolidated balance sheet at March 31, 2019.

CSB Warrants - Derivative

The remaining consideration payable for 30.0% of the warrants of $40,295 at period end exchange rates (approximately 2.8 billion Indian rupees) is payable within 18 months of Tranche 1, in one or more tranches, either upon request by CSB or at the option of Fairfax India, and represents a derivative instrument. At March 31, 2019 the company estimated the fair value of the derivative to be nil (December 31, 2018 - nil) calculated as the difference between the CSB common shares' fair value (transaction price of 140 Indian rupees per share) and the effective exercise price of the CSB warrants (140 Indian rupees).

CSB's Summarized Financial Information

The company's fiscal year ends on December 31 and CSB's fiscal year ends on March 31. Summarized below are CSB's balance sheets at December 31, 2018 and March 31, 2018.

Balance Sheets
(*unaudited - US$ thousands****)***

	December 31, 2018[(1)]	March 31, 2018[(1)]
Financial assets	**2,361,615**	2,238,653
Non-financial assets	**168,268**	178,067
Financial liabilities	**2,330,164**	2,269,308
Non-financial liabilities	**28,691**	29,281
Shareholders' equity	**171,028**	118,131

(1) The net assets of CSB were translated at December 31, 2018 at $1 U.S dollar = 69.82 and at March 31, 2018 at $1 U.S. dollar = 65.22 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Financial assets increased primarily as a result of increased investment securities. Non-financial assets decreased primarily as a result of the weakening of the Indian rupee relative to the U.S. dollar during the nine months ended December 31, 2018. Financial liabilities increased primarily as a result of increased borrowings from RBI and other financial institutions to fund the investment securities as noted above for net interest income. Non-financial liabilities decreased primarily as a result of the weakening of the Indian rupee relative to the U.S. dollar during the nine months ended December 31, 2018.

Summarized below are CSB's statements of earnings for the nine months ended December 31, 2018 and 2017.

Statements of Earnings
(*unaudited - US$ thousands****)***

	Nine months ended December 31, 2018[(1)]	Nine months ended December 31, 2017[(1)]
Revenue	**67,502**	69,213
Loss before income taxes	**(2,083)**	(6,396)
Net loss	**(1,392)**	(4,183)

(1) Amounts for the nine months ended December 31, 2018 and 2017 were translated into US$ using the average exchange rates of $1 U.S. dollar = 69.68 Indian rupees and $1 U.S. dollar = 64.50 Indian rupees prevailing during those periods.

Revenue decreased primarily as a result of the weakening of the Indian rupee relative to the U.S. dollar during the nine months ended December 31, 2018. Loss before income taxes and net loss decreased primarily as a result of increased interest income and net interest margins as a result of improved yields on investments and interest on Fairfax India's equity infusion.

Investment in Seven Islands Shipping Limited

Business Overview

Seven Islands Shipping Limited ("Seven Islands"), a private company headquartered in Mumbai, Maharashtra, is the second largest tanker private shipping company in India and transports products along the Indian coast as well as in international waters. Seven Islands owns 14 vessels with a total deadweight capacity of approximately 1 million tonnes, and its vessels are registered in India and operate as Indian owned and flagged vessels.

Transaction Description

On March 29, 2019 the company invested cash consideration of $71,767 (approximately 5.0 billion Indian rupees) for a 41.4% equity interest in Seven Islands. The company's investment was completed through a direct subscription for newly issued shares of Seven Islands and a secondary acquisition of Seven Islands common shares from existing shareholders.

At March 31, 2019 the company had appointed one of the eight Seven Islands board members.

Key Business Drivers, Events and Risks

India has experienced rising demand for crude oil as a result of increased energy consumption that is required to sustain its growth. According to a study conducted by S&P Global Platts, India's crude oil demand is expected to grow at 5% every year until 2020. The growth in demand for petroleum products is expected to increase at 6% per annum.

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 only in the crude oil and oil products segment wherein, India currently has only approximately

30 days of reserves. Seven Islands' key business driver relate to its ability to acquire vessels from reputable vessel owners within the international market and to quickly deploy those vessels through charter contracts with India's largest oil companies. Since India has one of the fastest growing oil consumption rates, the demand for oil tanker vessels to import and transport crude oil and oil products has been steadily increasing, mitigating business deployment risk for oil tankers in India in comparison with other countries.

Seven Islands' revenues are denominated in the U.S. dollar, whereas largely all expenses incurred are denominated in the Indian rupee. Seven Islands is also exposed to the fluctuations in the Indian rupee to the extent they acquire new vessels as the asset purchases are negotiated and settled in the U.S. dollars.

Seven Islands will use the proceeds received from Fairfax India in the direct subscription transaction to expand its ocean-going fleet by acquiring additional vessels and for general corporate purposes.

Valuation and Interim Consolidated Financial Statement Impact

The initial transaction price for the company's investment in Seven Islands was considered to approximate fair value at March 31, 2019 as there has been no significant changes to Seven Islands' business, capital structure and operating environment and the key assumptions in the company's acquisition valuation model continued to be valid.

Investment in Saurashtra Freight Private Limited

Business Overview

Saurashtra Freight Private Limited ("Saurashtra"), a private company headquartered in Mumbai, India, runs one of the largest container freight stations ("CFS") at Mundra port (Gujarat). Services provided by Saurashtra's CFS includes transportation of containers to and from the port, stuffing/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 new services for container shipping, offering integrated logistic solutions to its customers by providing containers, which are leased by Saurashtra, to importers and exporters to transport cargo.

Transaction Description

In February 2017 Fairfax India acquired a 51.0% equity interest in Saurashtra for cash consideration of $30,018 (approximately 2.0 billion Indian rupees).

Key Business Drivers, Events and Risks

Saurashtra has the annual capacity to handle 180,000 standard twenty-foot (shipping container) equivalent units ("TEUs") and in the first quarter of 2019 handled 21,752 TEUs implying an annualized capacity utilization of approximately 48% (first quarter of 2018 - 26,616 TEUs implying an annualized capacity utilization of approximately 59%). Saurashtra had the third largest market share for imports at approximately 12% (December 31, 2018 - highest market share at approximately 15%), was fourth in exports at approximately 12% (December 31, 2018 - approximately 12%) at Mundra port in India, and remains as the largest container freight stations at that port in terms of total throughput achieved for their fiscal year ended March 31, 2019.

The CFS industry is highly fragmented with 12 CFS at Mundra port. Many of these CFS are inefficient and operating below capacity providing Saurashtra with the opportunity to benefit from industry consolidation.

Saurashtra's operating margins during the first quarter of 2019 were positively impacted by management's rationalization of expenses as well as an increase in container inventory at Fairfreight Lines.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2019 the company estimated the fair value of its investment in Saurashtra using a discounted cash flow analysis based on multi-year free cash flow projections with assumed after-tax discount rates ranging from 15.6% to 16.0% and long term growth rates ranging from 4.0% to 5.0% (December 31, 2018 - 15.6% to 16.0%, and 4.0% to 5.0%, respectively). At March 31, 2019 free cash flow projections were based on EBITDA estimates derived from financial information for Saurashtra's two business units prepared in the fourth quarter of 2018 (December 31, 2018 - fourth quarter of 2018) by Saurashtra's management. The 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. At March 31, 2019 the company's internal valuation model indicated that the fair value of the company's investment in Saurashtra was $26,168 (December 31, 2018 -$24,843) with the changes in fair value for the first quarters of 2019 and 2018 presented in the tables at the outset of the Indian Investments section of this MD&A.

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.

Transaction Description

In the third quarter of 2016 Fairfax India acquired a 1.0% equity interest in NSE for cash consideration of $26,783 (approximately 1.8 billion Indian rupees).

Key Business Drivers, Events and Risks

India has two main stock exchanges where the majority of its trading takes place, the BSE and the NSE of India. Although most significant firms in India are listed on both the BSE and the NSE of India, NSE enjoys a dominant market share position including an 91% market share in the equity trading segment, a 100% market share in the equity derivatives trading segment and a 58% and 46% market share in the foreign exchange futures and options markets, respectively.

On December 28, 2016 NSE filed a draft prospectus with SEBI in connection with its proposed initial public offering ("IPO"). Certain matters requiring resolution have delayed the IPO process, and as a result completion of the IPO is anticipated in late 2019. NSE will also seek to file for an overseas listing subsequent to closing of the IPO. NSE has appointed Citibank, JM Financial, Kotak Mahindra and Morgan Stanley as lead investment banks to manage the IPO.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2019 the company's estimated fair value of its investment in NSE of $60,755 (December 31, 2018 - $60,285) was based on recent third party transactions completed in the fourth quarter of 2018 (December 31, 2018 - fourth quarter of 2018). The changes in fair value of the company's investment in NSE for the first quarters of 2019 and 2018 are presented in the tables at the outset of the Indian Investments section of this MD&A.

Investment in India Housing Fund

Business Overview

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

IH Fund has raised capital commitments of more than $300 million and has invested approximately $30 million in two real estate sector investments.

Transaction Description

The company entered into an agreement on December 24, 2018 whereby it committed to invest $25 million in IH Fund. The investment in IH Fund will be denominated in the Indian rupee, and as such, the amounts to be paid will be converted from U.S. dollars to Indian rupees on each investment date. On January 7, 2019 the company invested 25.0% or $6,272 (approximately 437 million Indian rupees) of the committed investment amount in IH Fund, with the remaining 75.0% or $18.7 million to be drawn down within a 2 year period.

At March 31, 2019 the company had appointed one of the seven members of IH Fund's Investment Committee.

Key Business Drivers, Events and Risks

The Indian real estate industry a key growth driver of the country's economy, with an expected value of approximately $180 billion by 2020. The industry is growing steadily and encompasses growth in both commercial and residential markets, contributing approximately 5% to 6% to India's GDP. It is estimated that the current state of the housing shortage is approximately 60 million housing units, and by 2022 India will need to develop approximately 110 million housing units. Cumulative investment of over $2 trillion (approximately 139 trillion Indian rupees) is required until 2022 to meet this growth.

The Government of India has come up with a host of initiatives to boost the housing sector and they continue to undertake various reforms to highlight its focus on affordable housing, such as: (i) interest 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.

The inherent demand and structural reforms initiated by the Government of India have laid the foundation for a healthier, growing industry. As real estate is a state subject in India's federal structure, regulations and approval regimes in place can be very dynamic and may impact the Indian real estate industry. The outcome of the 2019 Indian general elections currently being held may impact the macro-economic environment and consequently the real estate industry. Recently, the tightening liquidity in the operating environment constrained capital flows to the real estate industry of which the full impact has yet to be observed.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2019 the company estimated the fair value of its investment in IH Fund of $6,198 (December 31, 2018 - nil) based on the net asset value at March 31, 2019 provided by the third party fund manager. The fair values are determined using quoted prices of the underlying assets for short term investments, and industry accepted valuation models for debt and equity instruments. The changes in fair value of the company's investment in IH Fund for the first quarter of 2019 are presented in the table at the outset of the Indian Investments section of this MD&A.

Results of Operations

Fairfax India's consolidated statements of earnings for the three months ended March 31 are shown in the following table:

	First quarter	
	2019	2018
Income		
Interest	**3,039**	6,763
Dividends	**6,006**	6,575
Net realized gains (losses) on investments	**(1,302)**	15
Net change in unrealized gains (losses) on investments	**(39,484)**	41,349
Net foreign exchange gains (losses)	**3,254**	(10,577)
	(28,487)	44,125
Expenses		
Investment and advisory fees	**8,289**	8,221
General and administration expenses	**1,409**	1,115
Interest expense	**10,069**	5,562
	19,767	14,898
Earnings (loss) before income taxes	**(48,254)**	29,227
Provision for income taxes	**4,331**	402
Net earnings (loss)	**(52,585)**	28,825
Net earnings (loss) per share (basic and diluted)	**$ (0.34)**	$ 0.19

Total income of $44,125 in the first quarter of 2018 decreased to a total loss from income of $28,487 in the first quarter of 2019 principally as a result of decreased net change in unrealized gains on investments (discussed below), partially offset by an increase in net foreign exchange gains (primarily as a result of the appreciation of the Indian rupee relative to the U.S. dollar during the first quarter of 2019). The net change in unrealized losses on investments of $39,484 in the first quarter of 2019 was principally comprised of unrealized losses in the company's investment in IIFL ($95,972), partially offset by unrealized gains in the company's investments in Fairchem ($27,597), Sanmar bonds ($11,906), Other Public Indian Investments ($10,055) and BIAL ($5,818). The net change in unrealized gains on investments of $41,349 in the first quarter of 2018 was principally comprised of unrealized gains in the company's investments in IIFL ($47,338), NSE ($27,900) and Sanmar bonds ($4,231), partially offset by unrealized losses in the company's investment in Fairchem ($38,096). Interest income of $3,039 in the first quarter of 2019 decreased from $6,763 in the first quarter of 2018 principally as a result of the partial sale of Government of India and Indian corporate bonds where the net proceeds were used to finance the company's investments in Seven Islands, Tranche 2 of the investment in CSB and IH Fund. Dividend income in the first quarters of 2019 and 2018 of $6,006 and $6,575 related to dividends received from the company's investment in IIFL.

Net gains (losses) on investments and net foreign exchange gains (losses) for the first quarters of 2019 and 2018 were comprised as follows:

	First quarter					
	2019			2018		
	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:						
Bonds	**(1,321)**	**12,153** (1)	**10,832**	15	2,804 (1)	2,819
Common stocks	**19**	**(51,637)** (2)	**(51,618)**	—	38,545 (2)	38,545
	(1,302)	**(39,484)**	**(40,786)**	15	41,349	41,364
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	**(682)**	—	**(682)**	234	—	234
Investments	—	—	—	(529)	909	380
Term loans	—	**4,193**	**4,193**	—	(8,664)	(8,664)
Other	**(257)**	—	**(257)**	(2,527)	—	(2,527)
	(939)	**4,193**	**3,254**	(2,822)	(7,755)	(10,577)

(1) In the first quarter of 2019, comprised of unrealized gains from Sanmar bonds ($11,906) and Indian corporate bonds ($609), partially offset by unrealized losses from Government of India bonds ($362). In the first quarter of 2018, comprised of unrealized gains from Sanmar bonds ($4,231) and Indian corporate bonds ($135), partially offset by unrealized losses from Government of India bonds ($1,562).

(2) Refer to the Indian Investments section of this MD&A for a summary of changes in the fair value of the company's Public and Private Indian Investments during the first quarters of 2019 and 2018.

Total expenses increased from $14,898 in the first quarter of 2018 to total expenses of $19,767 in the first quarter of 2019 primarily related to increased interest expense (including amortization of issue costs) related to the $550.0 million term loan entered into on June 28, 2018.

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. For the first three months of 2019 the company determined that the majority of its assets were invested in Indian Investments, which are considered deployed capital. For the first quarter of 2019 the investment and advisory fees recorded in the consolidated statements of earnings were $8,289 (2018 - $8,221).

The provision for income taxes of $4,331 in the first quarter of 2019 differed from the recovery for income taxes that would be determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's losses before income taxes primarily as a result of the tax rate differential on losses incurred outside of Canada and change in unrecorded tax benefit of losses and temporary differences, partially offset by foreign exchange fluctuations.

The provision for income taxes of $402 in the first quarter of 2018 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 change in unrecorded tax benefit of losses and temporary differences, partially offset by foreign exchange fluctuations.

The company reported a net loss of $52,585 (a net loss of $0.34 per basic and diluted share) in the first quarter of 2019 compared to net earnings of $28,825 (net earnings of $0.19 per basic share and diluted share) in the first quarter of 2018. The quarter-over-quarter decrease in profitability primarily reflected decreased net change in unrealized gains on investments and increased interest expense, partially offset by increased net foreign exchange gains.

Consolidated Balance Sheet Summary

The assets and liabilities reflected on the company's consolidated balance sheet at March 31, 2019 were impacted by the partial sale of Government of India and Indian corporate bonds to finance the company's investments in Seven Islands, Tranche 2 of the investment in CSB and IH Fund.

Total Assets

Total assets at March 31, 2019 of $2,670,994 (December 31, 2018 - $2,705,550) were principally comprised as follows:

Total cash and investments decreased to $2,660,705 at March 31, 2019 from $2,696,420 at December 31, 2018. The company's cash and investments composition by the issuer's country of domicile was as follows:

	March 31, 2019					December 31, 2018			
	India	**U.S.**	**Canada**	**Other**	**Total**	India	Canada	Other	Total
Cash and cash equivalents	**16,413**	**32,422**	**3,382**	**5,814**	**58,031**	149	18,766	2,325	21,240
Restricted cash	**—**	**—**	**5,198**	**—**	**5,198**	—	13,833	—	13,833
Bonds:									
Government of India	**1,529**	**—**	**—**	**—**	**1,529**	88,997	—	—	88,997
Indian corporate	**20,941**	**—**	**—**	**—**	**20,941**	94,613	—	—	94,613
Sanmar	**407,948**	**—**	**—**	**—**	**407,948**	392,776	—	—	392,776
	430,418	**—**	**—**	**—**	**430,418**	576,386	—	—	576,386
Common stocks:									
IIFL	**520,617**	**—**	**—**	**—**	**520,617**	613,458	—	—	613,458
Fairchem	**125,397**	**—**	**—**	**—**	**125,397**	96,574	—	—	96,574
5paisa	**11,583**	**—**	**—**	**—**	**11,583**	11,913	—	—	11,913
Other	**109,174**	**—**	**—**	**—**	**109,174**	98,180	—	—	98,180
BIAL	**715,483**	**—**	**—**	**—**	**715,483**	704,077	—	—	704,077
Sanmar	**219,208**	**—**	**—**	**—**	**219,208**	217,170	—	—	217,170
NCML	**166,606**	**—**	**—**	**—**	**166,606**	165,380	—	—	165,380
CSB	**134,102**	**—**	**—**	**—**	**134,102**	93,081	—	—	93,081
Seven Islands	**71,767**	**—**	**—**	**—**	**71,767**	—	—	—	—
Saurashtra	**26,168**	**—**	**—**	**—**	**26,168**	24,843	—	—	24,843
NSE	**60,755**	**—**	**—**	**—**	**60,755**	60,285	—	—	60,285
IH Fund	**6,198**	**—**	**—**	**—**	**6,198**	—	—	—	—
	2,167,058	**—**	**—**	**—**	**2,167,058**	2,084,961	—	—	2,084,961
Total cash and investments	**2,613,889**	**32,422**	**8,580**	**5,814**	**2,660,705**	2,661,496	32,599	2,325	2,696,420

Cash and cash equivalents increased to $58,031 at March 31, 2019 from $21,240 at December 31, 2018 principally reflecting net proceeds from the partial sale of Government of India and Indian corporate bonds that were not deployed into Indian Investments.

Restricted cash of $5,198 at March 31, 2019 and $13,833 at December 31, 2018 related to requirements under the $550.0 million term loan for the company to set aside cash to fund interest payments.

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, and bond portfolio 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 investment holdings of $2,660,705 at March 31, 2019 (December 31, 2018 - $2,696,420) see note 6 (Cash and Investments) to the interim consolidated financial statements for the three months ended March 31, 2019.

Interest receivable decreased to $1,463 at March 31, 2019 from $7,039 at December 31, 2018 primarily reflecting decreased interest receivable from Indian corporate bonds and Government of India bonds as a result of the partial sale of Government of India and Indian corporate bonds noted above.

Other assets increased to $7,615 at March 31, 2019 from $668 at December 31, 2018 primarily reflecting refundable bid security that was required to be paid to the Airports Authority of India to participate in the greenfield airport bid process that occurred in the first quarter of 2019. The company was unsuccessful in the airport bid process and as a result the bid security will be returned to the company in the second quarter of 2019.

Total Liabilities

Total liabilities at March 31, 2019 of $593,093 (December 31, 2018 - $587,605) were principally comprised as follows:

Payable for partly paid shares of $30,060 at March 31, 2019 (December 31, 2018 - $29,827) represents the 75.0% remaining consideration to be paid on the partly paid shares of CSB.

Payable to related parties of $8,732 at March 31, 2019 (December 31, 2018 - $8,827) primarily related to investment and advisory fees payable to Fairfax.

Deferred income taxes of $4,604 at March 31, 2019 (December 31, 2018 - $689) primarily related to deferred tax liabilities recorded on the increase in the fair value of company's investment in an Other Public Indian Investment.

Term loan modestly increased to $548,614 at March 31, 2019 from $547,228 at December 31, 2018 related to the amortization of issue costs in the first quarter of 2019. Refer to note 7 (Term Loan) to the interim consolidated financial statements for the three months ended March 31, 2019 for further discussion on the $550.0 million term loan.

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 processes used by the company for managing those risk exposures at March 31, 2019 compared to those identified at December 31, 2018 and disclosed in the company’s 2018 Annual Report, other than as outlined in note 11 (Financial Risk Management) to the interim consolidated financial statements for the three months ended March 31, 2019.

Capital Resources and Management

For a detailed analysis, refer to note 11 (Financial Risk Management, under the heading Capital Management) to the interim consolidated financial statements for the three months ended March 31, 2019.

Book Value per Share

Common shareholders' equity at March 31, 2019 was $2,077,901 (December 31, 2018 - $2,117,945). The book value per share at March 31, 2019 was $13.61 compared to $13.86 at December 31, 2018 representing a decrease in the first three months of 2019 of 1.8%, primarily reflecting a net loss of $52,585 (principally related to net change in unrealized losses on investments (primarily the company's investment in IIFL) and interest expense, partially offset by dividends, interest income, and net foreign exchange gains), partially offset by unrealized foreign currency translation gains of $15,523.

	March 31, 2019	December 31, 2018
Common shareholders' equity	**2,077,901**	2,117,945
Number of common shares effectively outstanding	**152,631,481**	152,861,534
Book value per share	**$13.61**	$13.86

During the first quarter of 2019, under the terms of the normal course issuer bid, the company purchased for cancellation 230,053 subordinate voting shares (2018 - nil) for a net cost of $2,998 (2018 - nil), of which $577 was charged to retained earnings (2018 - nil).

Liquidity

The undeployed cash and investments at March 31, 2019 along with the company's ability to sell a portion of its Public Indian Investments provides adequate liquidity to meet the company's remaining known significant commitments in 2019, which are principally comprised of the remaining investment in securities of CSB (inclusive of the payable for partly paid shares), the remaining committed investment amount in IH Fund, investment and advisory fee, general and administration expenses and potentially corporate income taxes. The company has a principal repayment of $550.0 million on the term loan coming due in June 2019 that can be extended for an additional year, or settled through a combination of refinancing and cash flows from the disposition of investments. 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. Accordingly, the company has adequate working capital to support its operations.

Highlights in the first quarter of 2019 (with comparisons to the first quarter of 2018) of major components of the statements of cash flows are presented in the following table:

	First quarter	
	2019	2018
Operating activities		
Cash used in operating activities before the undernoted	**(12,539)**	(2,487)
Decrease in restricted cash in support of term loans	**8,635**	5,562
Net sales of short term investments	**—**	11,620
Purchases of bonds and common stocks	**(118,586)**	(23,999)
Sales of bonds	**160,051**	5,454
Financing activities		
Purchases of subordinate voting shares for cancellation	**(2,998)**	—
Increase (decrease) in cash and cash equivalents during the period	**34,563**	(3,850)

Cash used in operating activities before the undernoted is comprised of net earnings (loss) adjusted for items not affecting cash and cash equivalents and changes in operating assets and liabilities. Cash used in operating activities before the undernoted of $12,539 in the first quarter of 2019 increased from cash used in operating activities before the undernoted of $2,487 in the first quarter of 2018, with the change principally reflecting increased interest paid on the $550.0 million term loan, cash used to participate in the greenfield airport bid process and decreased dividend income.

Decrease in restricted cash in support of term loans of $8,635 and $5,562 in the first quarters of 2019 and 2018 related to the changes in the restricted cash accounts required to be maintained to fund interest payments on term loans. Refer to note 7 (Term Loan) to the interim consolidated financial statements for the three months ended March 31, 2019 for additional details. Net sales of short term investments of $11,620 in the first quarter of 2018 primarily related to net sales of U.S. treasury bills where the net proceeds were used to settle the remaining payable on NCML's rights issue in January 2018. Purchases of bonds and common stocks of $118,586 in the first quarter of 2019 primarily related to the company's investments in Seven Islands, Tranche 2 of the investment in CSB and IH Fund. Purchases of bonds and common stocks of $23,999 in the first quarter of 2018 primarily related to purchases of Indian corporate bonds and investment in an Other Public Indian Investment. Sales of bonds of $160,051 and $5,454 in the first quarter of 2019 and 2018 related to the partial sales of Government of India bonds to partially finance the investments in the Indian Investments noted above, and in the first quarter of 2019 included partial sales of Indian corporate bonds. Refer to note 14 (Supplementary Cash Flow Information) to the interim consolidated financial statements for the three months ended March 31, 2019 for details of purchases and sales of investments.

Purchases of subordinate voting shares for cancellation of $2,998 in the first quarter of 2019 related to the company's purchases of 230,053 subordinate voting shares under the terms of the normal course issuer bid.

Contractual Obligations

The $550.0 million term loan matures on June 28, 2019 and includes an option for the company to extend the term loan for an additional year.

The remaining consideration payable for 75.0% of the CSB common shares of $30,060 at period end exchange rates (approximately 2.1 billion Indian rupees) is payable within 12 months of Tranche 1, upon request by CSB, and recorded within payable for partly paid shares on the consolidated balance sheet at March 31, 2019. The remaining consideration payable for 30.0% of the CBS warrants of $40,295 at period end exchange rates (approximately 2.8 billion Indian rupees) is payable within 18 months of Tranche 1, in one or more tranches, either upon request by CSB or at the option of Fairfax India, and represents a derivative instrument.

The company entered into an agreement on December 24, 2018 whereby it committed to invest $25 million in IH Fund. On January 7, 2019 the company invested 25.0% or $6,272 (approximately 437 million Indian rupees) of the committed investment amount in IH Fund, with the remaining 75.0% or $18.7 million to be drawn down within a 2 year period.

Under the terms of the Investment Advisory Agreement (defined in note 12 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2019), the company and its subsidiaries are contractually obligated to pay Fairfax an investment and advisory fee and, if applicable, a performance fee. These fees will vary based on the company's common shareholders' equity and book value per share.

The investment and advisory fees recorded in the consolidated statements of earnings in the first quarter of 2019 was $8,289 (2018 - $8,221).

At March 31, 2019 the company determined that there was no performance fee accrual (December 31, 2018 – nil) as the book value per share of $13.61 at March 31, 2019 was lower than the high water mark per share at that date of $14.49. Refer to note 12 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2019 for discussion on the performance fee.

Related Party Transactions

For details on the company's related party transactions, see note 12 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2019.

Other

Quarterly Data (unaudited)

US$ thousands, except per share amounts	**March 31, 2019**	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Income (loss)	**(28,487)**	60,930	117,052	(55,589)	44,125	130,037	(66,455)	337,980
Expenses (recovery)	**19,767**	18,972	19,368	13,647	14,898	41,585	(9,190)	73,067
Provision for (recovery of) income taxes	**4,331**	(1,116)	3,504	411	402	387	(4,111)	(3,682)
Net earnings (loss)	**(52,585)**	43,074	94,180	(69,647)	28,825	88,065	(53,154)	268,595
Net earnings (loss) per share (basic)	**$ (0.34)**	$ 0.28	$ 0.61	$ (0.45)	$ 0.19	$ 0.60	$ (0.36)	$ 1.82
Net earnings (loss) per share (diluted)	**$ (0.34)**	$ 0.28	$ 0.61	$ (0.45)	$ 0.19	$ 0.57	$ (0.36)	$ 1.74

Indian rupees and in millions, except per share amounts [(1)]	**March 31, 2019**	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Income (loss)	**(2,007)**	4,289	7,838	(3,593)	2,840	8,416	(4,599)	21,937
Expenses (recovery)	**1,393**	1,354	1,340	916	959	2,695	(661)	4,731
Provision for (recovery of) income taxes	**305**	(71)	236	27	26	25	(269)	(248)
Net earnings (loss)	**(3,705)**	3,006	6,262	(4,536)	1,855	5,696	(3,669)	17,454
Net earnings (loss) per share (basic)	**(24.27)**	19.61	40.50	(29.25)	12.42	38.63	(24.89)	118.38
Net earnings (loss) per share (diluted)	**(24.27)**	19.61	40.50	(29.25)	12.42	36.73	(24.89)	113.21

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

Income continues to be primarily comprised of net change in unrealized gains (losses) on investments, and interest and dividend income. Income was significantly impacted in the first quarter of 2019 by the net change in unrealized losses on the company's Indian Investments (principally unrealized losses in the company's investment in IIFL, partially offset by unrealized gains in the company's investments in Fairchem, Sanmar bonds, and Other Public Indian Investments), the timing of which are 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.

Forward-Looking Statements

This interim 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 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: oil price risk; geographic concentration of investments; foreign currency fluctuation; volatility of the Indian securities markets; investments may be made in foreign private businesses where information is unreliable or unavailable; valuation methodologies involve subjective judgments; financial market fluctuations; pace of completing investments; minority investments; reliance on key personnel and risks associated with the Investment Advisory Agreement; lawsuits; use of leverage; significant ownership by Fairfax may adversely affect the market price of the subordinate voting shares; weather risk; taxation risks; emerging markets; economic risk; and trading price of common shares relative to book value per share risk. Additional risks and uncertainties are described in the company's annual information form dated March 8, 2019 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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