FAIRFAX INDIA
HOLDINGS CORPORATION

1

INTERIM REPORT

For the three months ended
March 31, 2022

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

	Notes	March 31, 2022	December 31, 2021
Assets			
Cash and cash equivalents	6	23,941	30,376
Short term investments	6	—	6,151
Bonds	5, 6	154,567	214,468
Common stocks	5, 6	3,362,282	3,325,713
Total cash and investments		3,540,790	3,576,708
Interest and dividends receivable		6,992	5,339
Income taxes refundable		1,036	1,056
Other assets		1,149	1,243
Total assets		3,549,967	3,584,346
Liabilities			
Accounts payable and accrued liabilities		1,057	866
Accrued interest expense	7, 11	2,361	8,611
Income taxes payable		168	—
Payable to related parties	11	90,158	95,002
Deferred income taxes		80,240	80,648
Borrowings	7, 11	496,915	496,785
Total liabilities		670,899	681,912
Equity	8		
Common shareholders' equity		2,754,028	2,774,792
Non-controlling interests		125,040	127,642
Total equity		2,879,068	2,902,434
		3,549,967	3,584,346

See accompanying notes.

Consolidated Statements of Earnings
for the three months ended March 31, 2022 and 2021
(unaudited - US$ thousands except per share amounts)

	Notes	2022	2021
Income			
Interest	6	2,322	636
Dividends	6	10,281	12,133
Net realized losses on investments	6	(174)	—
Net change in unrealized gains on investments	6	69,852	327,647
Net foreign exchange losses	6	(9,202)	(315)
		73,079	340,101
Expenses			
Investment and advisory fees	11	10,080	9,783
Performance fee (recovery)	11	(3,094)	56,123
General and administration expenses	12	1,862	1,473
Interest expense	7	6,380	9,014
		15,228	76,393
Earnings before income taxes		57,851	263,708
Provision for income taxes	9	2,068	8,282
Net earnings		55,783	255,426
Attributable to:			
Shareholders of Fairfax India		55,962	255,426
Non-controlling interests		(179)	—
		55,783	255,426
Net earnings per share		$ 0.40	$ 1.71
Net earnings per diluted share		$ 0.38	$ 1.66
Shares outstanding (weighted average)		139,675,565	149,373,155

See accompanying notes.

Consolidated Statements of Comprehensive Income
for the three months ended March 31, 2022 and 2021
(unaudited - US$ thousands)

	2022	2021
Net earnings	55,783	255,426
Other comprehensive loss, net of income taxes		
Item that may be subsequently reclassified to net earnings		
Unrealized foreign currency translation losses, net of income taxes of nil (2021 - nil)	(55,151)	(2,329)
Other comprehensive loss, net of income taxes	(55,151)	(2,329)
Comprehensive income	632	253,097
Attributable to:		
Shareholders of Fairfax India	3,234	253,097
Non-controlling interests	(2,602)	—
	632	253,097

See accompanying notes.

Consolidated Statements of Changes in Equity
for the three months ended March 31, 2022 and 2021
(unaudited - US$ thousands)

	Subordinate voting shares	Multiple voting shares	Share-based payments, net	Retained earnings	Accumulated other comprehensive loss	Common shareholders' equity	Non-controlling interests	Total equity
Balance as of January 1, 2022	1,174,558	300,000	(319)	1,623,676	(323,123)	2,774,792	127,642	2,902,434
Net earnings (loss) for the period	—	—	—	55,962	—	55,962	(179)	55,783
Other comprehensive loss:								
Unrealized foreign currency translation losses	—	—	—	—	(52,728)	(52,728)	(2,423)	(55,151)
Purchases for cancellation (note 8)	(19,964)	—	—	(4,046)	—	(24,010)	—	(24,010)
Amortization	—	—	12	—	—	12	—	12
Balance as of March 31, 2022	1,154,594	300,000	(307)	1,675,592	(375,851)	2,754,028	125,040	2,879,068
Balance as of January 1, 2021	1,261,734	300,000	(12)	1,163,493	(278,281)	2,446,934	—	2,446,934
Net earnings for the period	—	—	—	255,426	—	255,426	—	255,426
Other comprehensive loss:								
Unrealized foreign currency translation losses	—	—	—	—	(2,329)	(2,329)	—	(2,329)
Issuance of shares (note 8)	5,217	—	—	—	—	5,217	—	5,217
Purchases for cancellation (note 8)	(3,950)	—	—	(156)	—	(4,106)	—	(4,106)
Automatic share purchase plan commitment	(8,495)	—	—	(1,505)	—	(10,000)	—	(10,000)
Amortization	—	—	12	—	—	12	—	12
Balance as of March 31, 2021	1,254,506	300,000	—	1,417,258	(280,610)	2,691,154	—	2,691,154

See accompanying notes.

Consolidated Statements of Cash Flows
for the three months ended March 31, 2022 and 2021
(unaudited - US$ thousands)

	Notes	2022	2021
Operating activities			
Net earnings		55,783	255,426
Items not affecting cash and cash equivalents:			
Net bond premium amortization		874	81
Performance fee (recovery)	11	(3,094)	56,123
Deferred income taxes	9	1,132	7,433
Amortization of share-based payment awards		12	12
Net realized losses on investments	6	174	—
Net change in unrealized gains on investments	6	(69,852)	(327,647)
Net foreign exchange losses	6	9,202	315
Decrease in restricted cash in support of borrowings		—	16,051
Sales of short term investments		6,047	—
Purchases of investments		(32,504)	(2)
Sales of investments		57,533	183
Changes in operating assets and liabilities:			
Interest and dividends receivable		(1,766)	(1,356)
Accrued interest expense		(6,128)	2,419
Income taxes payable		169	(204)
Payable to related parties		28	633
Other		(62)	5,269
Cash provided by operating activities		17,548	14,736
Financing activities			
Borrowings:			
Proceeds	7	—	500,000
Issuance costs	7	—	(3,650)
Repayments	7	—	(500,000)
Subordinate voting shares:			
Purchases for cancellation	8	(24,010)	(4,106)
Cash used in financing activities		(24,010)	(7,756)
Increase (decrease) in cash and cash equivalents		(6,462)	6,980
Cash and cash equivalents - beginning of period		30,376	22,057
Foreign currency translation		27	56
Cash and cash equivalents - end of period		23,941	29,093

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 consolidated subsidiaries based in Mauritius, FIH Mauritius Investments Ltd ("FIH Mauritius") and FIH Private Investments Ltd ("FIH Private"). In 2019 the company formed Anchorage Infrastructure Investments Holdings Limited ("Anchorage"), a consolidated subsidiary of FIH Mauritius based in India.

Fairfax Financial Holdings Limited ("Fairfax") is Fairfax India's ultimate parent and acts as its administrator. Fairfax is a holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and the associated investment management. Hamblin Watsa Investment Counsel Ltd. (the "Portfolio Advisor"), a wholly-owned subsidiary of Fairfax and registered portfolio manager in the province of Ontario, is the portfolio advisor of the company and its consolidated subsidiaries, responsible to source and advise with respect to all investments. Refer to note 11 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, 2022 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, 2021, which have been prepared in accordance with IFRS as issued by the IASB.

These interim consolidated financial statements were approved for issue by the company's Board of Directors on April 28, 2022.

3. Summary of Significant Accounting Policies

The principal accounting policies applied to the preparation of these interim consolidated financial statements are as set out in the company's annual consolidated financial statements for the year ended December 31, 2021, 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 2022

On January 1, 2022 the company adopted the following amendments, which did not have a significant impact on the company’s consolidated financial statements: *Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)* and *Annual Improvements to IFRS Standards 2018–2020*.

New accounting pronouncements issued but not yet effective

The IASB issued the following amendments in 2020 and 2021 which the company does not expect to adopt in advance of their effective date of January 1, 2023: *Classification of Liabilities as Current or Non-current (Amendments to IAS 1), Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12), Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* and *Definition of Accounting Estimates (Amendments to IAS 8)*. The company is currently evaluating the expected impact of these amendments on its consolidated financial statements.

4. Critical Accounting Estimates and Judgments

In the preparation of the company's interim consolidated financial statements, management has made a number of critical estimates and judgments in determining the valuation of Private Indian Investments, the provision for income taxes and the consolidation of Anchorage in a manner consistent with those as described in the company's annual consolidated financial statements for the year ended December 31, 2021. The broad effects of the COVID-19 pandemic and the conflict in Ukraine on the company are described in note 10 and the effects on the company's development of critical estimates during the first quarter of 2022 are described below.

Valuation of Private Indian Investments

While the company's valuation techniques for Private Indian Investments remained primarily unchanged during the first quarter of 2022, the development of unobservable inputs considered the uncertainty related to the global economic disruption caused by the ongoing COVID-19 pandemic as well as recent developments regarding Russia's invasion of Ukraine in February 2022, including the impact of economic sanctions imposed against Russia, primarily led by western nations ("the conflict in Ukraine"). Estimates of the amount and timing of future cash flows, discount rates, growth rates and other inputs incorporated into fair value measurements of Private Indian Investments are inherently more difficult to determine due to the unpredictable duration and impacts of the COVID-19 pandemic and the conflict in Ukraine. The company has assessed assumptions related to the COVID-19 pandemic and the conflict in Ukraine which were included in the estimates of the amount and timing of future cash flows prepared by investees' management, and the uncertainty in those assumptions has been considered in the determination of risk premiums incorporated in the company's valuations of Private Indian Investments. Additional volatility in the fair values of Private Indian Investments may arise in future periods if actual results differ materially from the company's estimates. Refer to notes 5 and 6 for details on the valuation of company's Private Indian Investments at March 31, 2022.

5. Indian Investments

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

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

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

	First quarter							
	2022							
	Balance as of January 1	Purchases	Sales	Amortization	Net realized gains on investments	Net change in unrealized gains (losses) on investments [(1)]	Net unrealized foreign currency translation losses	Balance as of March 31
Public Indian Investments:								
Common stocks:								
IIFL Finance	318,136	—	—	—	—	5,398	(6,080)	317,454
IIFL Wealth [(2)]	230,111	—	—	—	—	39,759	(4,642)	265,228
IIFL Securities	103,217	—	—	—	—	(2,081)	(1,945)	99,191
CSB Bank	227,649	—	—	—	—	(21,978)	(4,175)	201,496
Fairchem Organics	155,020	—	(25)	—	20	(16,352)	(2,833)	135,830
5paisa	41,232	—	—	—	—	(6,086)	(742)	34,404
Privi Speciality	79	—	(83)	—	79	(74)	(1)	—
Other	69,612	—	—	—	—	1,580	(1,333)	69,859
Total Public Indian Investments	1,145,056	—	(108)	—	99	166	(21,751)	1,123,462
Private Indian Investments:								
Common stocks:								
BIAL	1,372,170	—	—	—	—	(1,741)	(26,052)	1,344,377
Sanmar	421,153	—	—	—	—	49,040	(8,334)	461,859
Seven Islands	105,926	—	—	—	—	301	(2,013)	104,214
NCML	69,578	—	—	—	—	1,654	(1,333)	69,899
Saurashtra	47,157	—	—	—	—	1,402	(906)	47,653
Jaynix	—	32,504	—	—	—	—	(170)	32,334
Maxop	29,844	—	—	—	—	—	(567)	29,277
NSE	111,216	—	—	—	—	18,029	(2,235)	127,010
IH Fund	23,613	—	(1,554)	—	—	574	(436)	22,197
Other Indian Fixed Income	22,083	—	—	93	—	—	(420)	21,756
Total Private Indian Investments	2,202,740	32,504	(1,554)	93	—	69,259	(42,466)	2,260,576
Total Indian Investments	3,347,796	32,504	(1,662)	93	99	69,425	(64,217)	3,384,038

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

(2) On March 30, 2022 the company entered into an agreement to sell 8,722,886 equity shares of IIFL Wealth (representing 9.8% of its 13.6% equity interest) for total consideration of approximately $191 million based on period end exchange rates (approximately 14.5 billion Indian rupees). The transaction is subject to customary closing conditions and approvals and is expected to close in the third quarter of 2022. The agreement resulted in the recognition of an equity forward sale derivative ("IIFL Wealth forward sale derivative"). At March 31, 2022 the company's investment in IIFL Wealth common stock is presented net of the IIFL Wealth forward sale derivative obligation of $461, and for the equity shares to be sold, reflects the selling price.

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

	First quarter 2021					
	Balance as of January 1	Purchases	Sales	Net change in unrealized gains (losses) on investments (1)	Net unrealized foreign currency translation gains (losses)	Balance as of March 31
Public Indian Investments:						
Common stocks:						
IIFL Finance	131,478	—	—	196,647	(679)	327,446
IIFL Wealth	166,702	—	—	36,436	(215)	202,923
IIFL Securities	55,603	—	—	(1,626)	(30)	53,947
CSB Bank	214,341	—	—	15,393	(183)	229,551
Privi Speciality	138,413	—	—	85,900	(349)	223,964
Fairchem Organics	54,566	2	—	10,209	(66)	64,711
5paisa	27,788	—	—	(4,631)	(4)	23,153
Other	147,604	—	—	12,623	(132)	160,095
Derivatives:						
Fairchem Organics forward purchase derivative (2)	—	—	—	5,425	(16)	5,409
Privi Speciality written call option (3)	—	—	—	(26,762)	81	(26,681)
Total Public Indian Investments	936,495	2	—	329,614	(1,593)	1,264,518
Private Indian Investments:						
Common stocks:						
BIAL	1,396,117	—	—	36	(883)	1,395,270
Sanmar	338,621	—	—	(132)	(214)	338,275
Seven Islands	103,543	—	—	3,987	(77)	107,453
NCML	86,216	—	—	(6,408)	(35)	79,773
Saurashtra	32,812	—	—	240	(21)	33,031
NSE	72,617	—	—	—	(46)	72,571
IH Fund	25,354	—	(183)	391	(16)	25,546
Other Indian Fixed Income	14,884	—	—	—	(9)	14,875
Total Private Indian Investments	2,070,164	—	(183)	(1,886)	(1,301)	2,066,794
Total Indian Investments	3,006,659	2	(183)	327,728	(2,894)	3,331,312

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

(2) On March 31, 2021 the company recorded the Fairchem Organics forward purchase derivative at its estimated fair value of $5,409 as a result of the significant conditions precedent being met in connection with an agreement to purchase 2,330,758 equity shares of Fairchem Organics (representing a 17.9% equity interest) at 575.53 Indian rupees per share. At March 31, 2021 the estimated fair value was calculated as the difference between the bid price of Fairchem Organics shares and the agreed upon purchase price.

(3) On March 31, 2021 the company recorded the Privi Speciality written call option derivative at its estimated fair value of $26,681 as a result of significant conditions precedent being met in connection with a call option agreement to sell 3,841,908 of its equity shares of Privi Speciality (representing a 9.8% equity interest) for an amount equal to the amount to be paid by the company to acquire 2,330,758 equity shares of Fairchem Organics as described above. At March 31, 2021 the estimated fair value was based on an option pricing model.

Public Indian Investments

The fair values of Fairfax India's Public Indian Investments with shares listed on both the BSE (formerly known as Bombay Stock Exchange Limited) and the National Stock Exchange of India ("NSE of India"), are determined using the bid prices of those investments (without adjustments or discounts) at the balance sheet date, with the exception of certain common shares of CSB Bank and 5paisa subject to selling restrictions.

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 2068, has the exclusive rights to carry out the development, design, financing, construction, commissioning, maintenance, operation and management of the Kempegowda International Airport Bengaluru ("KIAB") through a public-private partnership. KIAB is the first greenfield airport in India built through a public-private partnership.

The COVID-19 pandemic has significantly impacted BIAL's airport business which faced reduced passenger traffic starting in February 2020. Effective March 23, 2020 and March 25, 2020 all scheduled international and domestic commercial airlines ceased operations as a result of government mandated lockdown restrictions. Domestic flights resumed on May 25, 2020 and international flights resumed on March 27, 2022. Cargo flights and flights catering to medical emergencies and other essential requirements remained operational throughout the lockdown restrictions. Construction activities for BIAL's capital projects and real estate development were slowed down and have since resumed as lockdown restrictions were gradually lifted. Domestic and international passenger traffic is expected to gradually recover to levels witnessed before the pandemic by BIAL's fiscal year 2024.

At March 31, 2022 the company estimated the fair value of its investment in BIAL using a discounted cash flow analysis for its three business units based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 12.3% to 16.3% and a long term growth rate of 3.5% (December 31, 2021 - 12.1% to 16.0%, and 3.5%, respectively). At March 31, 2022 free cash flow forecasts were based on EBITDA estimates derived from financial information for BIAL's three business units prepared in the third quarter of 2021 (December 31, 2021 - third quarter of 2021) by BIAL's management.

Free Cash Flow Forecast Inputs

The primary drivers of free cash flow estimates are future domestic and international passenger traffic, airport tariff assumptions for future control periods and plans to monetize and develop leasehold land. In the event that forecasted passenger traffic or expected airport tariff levels are not met in future periods, this may result in a negative impact on the fair value of the company's investment in BIAL.

Current Model Assumptions

As a result of the continued business disruptions caused by the COVID-19 pandemic free cash flow forecasts were revised by BIAL's management in 2021 to primarily reflect (i) a temporary reduction in passenger traffic as a result of travel restrictions imposed by the Indian government; (ii) a gradual recovery in passenger traffic over two years to levels expected before the pandemic; (iii) lower airport tariff rates for the third control period commencing in BIAL's fiscal year 2022; and (iv) delays in BIAL's capital projects and real estate development plans.

The COVID-19 pandemic did not have a significant impact on BIAL's fair value at March 31, 2022 as BIAL is an infrastructure investment that is currently in a period of capital expansion and as a result a significant amount of its fair value is driven by expected growth in passenger traffic in the later years of the forecasting period once various capital projects are complete. As a result of the resurgence of COVID-19 cases in India during the second wave, BIAL's forecast reflected reduced domestic and international passenger traffic forecasts for its fiscal year 2022, a delay in expected discretionary capital expenditures, an increase in the expected total cost for Terminal 2 and a revised timeline for its real estate development plans. Additionally, BIAL's aeronautical revenues are primarily driven by user development fees ("UDF") charged to airlines and passengers, which are set by the Airports Economic Regulatory Authority of India ("AERA") in five-year control periods and are fixed in a manner to generate a 16.0% per annum return on invested equity for the airport operator. As the tariff setting mechanism adjusts for periods of underperformance, it is expected that underachievement in aeronautical revenues due to the COVID-19 pandemic in the second control period, which ended on March 31, 2021, will be substantially recovered through, among other factors, higher UDFs in future control periods. It should be noted that

UDFs set by AERA for the third control period are not sufficient to recover losses sustained in the second control period due to the lockdown restrictions.

A gradual recovery in passenger traffic over a two year time horizon to levels expected before the pandemic is supported by significant efforts by BIAL's management and the Indian government to support a return to normal patterns of travel and the recovery of airport operations, including the implementation of contactless passenger experiences and the resumption of domestic and international flights.

Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which BIAL operates. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which BIAL operates and were not adjusted downward for the short term impacts of COVID-19.

At March 31, 2022 the company's internal valuation model indicated that the fair value of the company's investment in BIAL was $1,344,377 (December 31, 2021 - $1,372,170). The changes in fair value of the company's investment in BIAL for the first quarters of 2022 and 2021 are presented in the tables disclosed earlier in note 5.

Investment in Sanmar Chemicals Group

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

On August 24, 2021 Chemplast Sanmar Limited ("Chemplast"), a subsidiary of the Sanmar group completed an IPO, issuing 24,029,574 common shares to the public for proceeds of approximately $175 million (13.0 billion Indian rupees). The IPO also included a secondary offering, whereby Sanmar sold 47,134,935 common shares of Chemplast to the public for proceeds of approximately $344 million (25.5 billion Indian rupees). As a result of the IPO, Sanmar's ownership interest in Chemplast was diluted from 100.0% to 55.0%. The proceeds from the IPO were used to repay Chemplast's debt and Sanmar's holding company debt. Chemplast is engaged in specialty PVC manufacturing, suspension PVC manufacturing and the production of specialty chemicals for pharmaceutical, agro-chemical and fine chemical sectors, in India. Chemplast is listed on both the BSE and NSE of India.

At March 31, 2022 the company estimated the fair value of its investment in Sanmar common shares using: (i) a discounted cash flow analysis for Sanmar Egypt, based on multi-year free cash flow forecasts with an assumed after-tax discount rate of 15.5% and a long term growth rate of 3.0% (December 31, 2021 - 14.6% and 3.0%, respectively); and (ii) the unadjusted bid price of Chemplast's common shares. At March 31, 2022 free cash flow forecasts were based on EBITDA estimates derived from financial information for Sanmar Egypt prepared in the fourth quarter of 2021 (December 31, 2021 - fourth quarter of 2021) by Sanmar's management.

Free Cash Flow Forecast Inputs

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

Current Model Assumptions

Free cash flow forecasts for Sanmar Egypt were revised by Sanmar's management in 2021 primarily to reflect lower sales volume for certain product lines, higher input costs due to supply shortages and higher power costs, resulting in lower forecasted margins.

Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Sanmar operates. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Sanmar operates and were not adjusted downward for the short term impacts of COVID-19.

At March 31, 2022 the company's internal valuation model indicated that the fair value of the company's investment in Sanmar was $461,859 (December 31, 2021 - $421,153) with the changes in fair value for the first quarters of 2022 and 2021 presented in the tables disclosed earlier in note 5.

Investment in Seven Islands Shipping Limited

Seven Islands Shipping Limited ("Seven Islands"), a private company located in Mumbai, India, is the second largest private sector tanker shipping company in India and transports liquid and gas cargo along the Indian coast as well as in international waters. At March 31, 2022 Seven Islands owned 22 vessels, including 2 gas carriers, with a total deadweight capacity of approximately 1.3 million metric tons. Its vessels are registered in India and operate as Indian owned and flagged vessels.

At March 31, 2022 the company estimated the fair value of its investment in Seven Islands using a discounted cash flow analysis based on multi-year free cash flow forecasts with an assumed after-tax discount rate of 11.3% and a long term growth rate of 3.0% (December 31, 2021 - 11.0% and 3.0%, respectively). At March 31, 2022 free cash flow forecasts were based on EBITDA estimates derived from financial information for Seven Islands prepared in the fourth quarter of 2021 (December 31, 2021 - fourth quarter of 2021) by Seven Islands' management.

Free Cash Flow Forecast Inputs

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

Current Model Assumptions

Free cash flows were revised by Seven Islands' management in the fourth quarter of 2021 primarily to reflect market conditions of the shipping industry in the near term, including the timing and composition of its planned vessel acquisitions and a shift to more revenues earned on time charters relative to voyage charters in the near term, based on expected shipping demand. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Seven Islands operates. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Seven Islands operates.

At March 31, 2022 the company's internal valuation model indicated that the fair value of the company's investment in Seven Islands was $104,214 (December 31, 2021 - $105,926) with the changes in fair value for the first quarters of 2022 and 2021 presented in the tables disclosed earlier in note 5.

Investment in National Commodities Management Services Limited

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

NCML Common Shares

At March 31, 2022 the company estimated the fair value of its investment in NCML common shares using a discounted cash flow analysis based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 11.3% to 11.9% and long term growth rates ranging from 2.4% to 6.0% for two business units, and an adjusted net book value approach for its NBFC business unit (December 31, 2021 - 11.0% to 11.7%, 2.4% to 6.0%, respectively and an adjusted net book value approach for its NBFC business unit). At March 31, 2022 free cash flow forecasts were based on EBITDA estimates derived from financial information for two business units prepared in the first quarter of 2022 (December 31, 2021 - third quarter of 2021) by NCML's management.

Free Cash Flow Forecast Inputs

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

Current Model Assumptions

Free cash flow forecasts were revised by NCML's management in the first quarter of 2022 to reflect changes in the timing of forecasted capital expenditures and to adjust EBITDA growth in the near term based on expected business volumes. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which NCML operates. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which NCML operates and were not adjusted downward for the short term impacts of COVID-19.

At March 31, 2022 the company's internal valuation model indicated that the fair value of the company's equity investment in NCML was $69,899 (December 31, 2021 - $69,578) with the changes in fair value for the first quarters of 2022 and 2021 presented in the tables disclosed earlier in note 5.

NCML Compulsorily Convertible Debentures

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

At March 31, 2022 the company's interest and dividends receivable included $3,184 (December 31, 2021 - $2,830) related to interest accrued on the NCML CCD since April 1, 2020. Due to tightened liquidity as a result of COVID-19 the company allowed NCML to defer interest payments on the NCML CCD due April 30, 2021 and 2022 to April 30, 2023.

At March 31, 2022 the fair value of the company's investment in NCML CCD was $14,352 (December 31, 2021 - $14,630) with the changes in fair value for the first quarters of 2022 and 2021 presented within Other Indian Fixed Income in the tables disclosed earlier in note 5.

Investment in Saurashtra Freight Private Limited

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

At March 31, 2022 the company estimated the fair value of its investment in Saurashtra using a discounted cash flow analysis based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 18.0% to 19.9% and long term growth rates ranging from 4.0% to 5.0% (December 31, 2021 - 17.2% to 19.8%, and 4.0% to 5.0%, respectively). At March 31, 2022 free cash flow forecasts were based on EBITDA estimates derived from financial information for Saurashtra's two business units prepared in the first quarter of 2022 (December 31, 2021 - fourth quarter of 2021) by Saurashtra's management.

Free Cash Flow Forecast Inputs

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

Current Model Assumptions

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

At March 31, 2022 the company's internal valuation model indicated that the fair value of the company's investment in Saurashtra was $47,653 (December 31, 2021 - $47,157) with the changes in fair value for the first quarters of 2022 and 2021 presented in the tables disclosed earlier in note 5.

Investment in Jaynix Engineering Private Limited

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

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

It was determined the initial transaction price for the company's investment in Jaynix approximated fair value at March 31, 2022 as there have been no significant changes to Jaynix's business, capital structure or operating environment, and the key assumptions in the company's acquisition valuation model continued to be valid. At March 31, 2022 the fair value of the company's investment in Jaynix was $32,334 with the changes in fair value for the first quarter of 2022 related to unrealized foreign currency translation losses presented in the table disclosed earlier in note 5.

Investment in Maxop Engineering Company Private Limited

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

On September 16, 2021 Fairfax India entered into an agreement to acquire, in aggregate, a 67.0% equity interest in Maxop in two transactions. On November 30, 2021 the company invested cash consideration of $29,520 (approximately 2.2 billion Indian rupees) for a 51.0% equity interest in Maxop under the initial transaction.

In the second transaction, the company shall invest an amount between approximately $9 million and $35 million based on period end exchange rates (700 million Indian rupees and approximately 2.7 billion Indian rupees, respectively) for an additional 16.0% equity interest. The final purchase price for the second transaction will be determined based on the achievement of certain financial-based performance targets by Maxop. The second transaction is expected to close in the second half of 2022, subject to customary closing conditions.

It was determined that the initial transaction price for the company's investment in Maxop approximated fair value at March 31, 2022 as there have been no significant changes to Maxop's business, capital structure or operating environment, and the key assumptions in the company's acquisition valuation model continued to be valid. Based on the financial performance data of Maxop available at March 31, 2022 the company determined the fair value of the forward commitment for the purchase of the remaining 16.0% equity interest in Maxop continued to be insignificant. At March 31, 2022 the fair value of the company's investment in Maxop was $29,277 (December 31, 2021 - $29,844) with the changes in fair value for the first quarter of 2022 related to unrealized foreign currency translation losses presented in the table disclosed earlier in note 5.

Investment in National Stock Exchange of India Limited

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

At March 31, 2022 the company estimated the fair value of its investment in NSE of $127,010 (December 31, 2021 - $111,216) based on recent third party transactions completed in the first quarter of 2022 (December 31, 2021 - fourth quarter of 2021). The changes in fair value of the company's investment in NSE for the first quarters of 2022 and 2021 are presented in the tables disclosed earlier in note 5.

Investment in India Housing Fund

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

At March 31, 2022 the company estimated the fair value of its investment in IH Fund of $22,197 (December 31, 2021 - $23,613) based on the net asset value provided by the third party fund manager. The fair values of the underlying assets are determined using quoted prices for short term investments, and industry accepted valuation models for debt and equity instruments. The changes in fair value of the company's investment in IH Fund for the first quarters of 2022 and 2021 are presented in the tables 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, 2022					December 31, 2021				
	Quoted prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value of assets	Total fair value of assets in Indian rupees (in millions)	Quoted prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value of assets	Total fair value of assets in Indian rupees (in millions)
Cash and cash equivalents	23,941	—	—	23,941	1,814	30,376	—	—	30,376	2,258
Short term investments:										
Government of India [(1)]	—	—	—	—	—	—	6,151	—	6,151	457
Bonds:										
Government of India [(1)]	—	132,811	—	132,811	10,064	—	192,385	—	192,385	14,301
Other Indian Fixed Income	—	—	21,756	21,756	1,649	—	—	22,083	22,083	1,642
	—	132,811	21,756	154,567	11,713	—	192,385	22,083	214,468	15,943
Common stocks:										
IIFL Finance	317,454	—	—	317,454	24,055	318,136	—	—	318,136	23,649
IIFL Wealth	265,228	—	—	265,228	20,098	230,111	—	—	230,111	17,105
IIFL Securities	99,191	—	—	99,191	7,516	103,217	—	—	103,217	7,673
CSB Bank [(2)]	47,017	—	154,479	201,496	15,268	53,282	—	174,367	227,649	16,922
Fairchem Organics	135,830	—	—	135,830	10,293	155,020	—	—	155,020	11,524
5paisa [(3)]	30,745	—	3,659	34,404	2,607	36,824	—	4,408	41,232	3,065
Privi Speciality	—	—	—	—	—	79	—	—	79	6
Other	69,859	—	—	69,859	5,294	69,612	—	—	69,612	5,175
BIAL	—	—	1,344,377	1,344,377	101,870	—	—	1,372,170	1,372,170	102,001
Sanmar	—	—	461,859	461,859	34,997	—	—	421,153	421,153	31,307
Seven Islands	—	—	104,214	104,214	7,897	—	—	105,926	105,926	7,874
NCML	—	—	69,899	69,899	5,297	—	—	69,578	69,578	5,172
Saurashtra	—	—	47,653	47,653	3,611	—	—	47,157	47,157	3,506
Jaynix	—	—	32,334	32,334	2,450	—	—	—	—	—
Maxop	—	—	29,277	29,277	2,218	—	—	29,844	29,844	2,218
NSE	—	—	127,010	127,010	9,624	—	—	111,216	111,216	8,267
IH Fund	—	—	22,197	22,197	1,682	—	—	23,613	23,613	1,755
	965,324	—	2,396,958	3,362,282	254,777	966,281	—	2,359,432	3,325,713	247,219
Total cash and investments	989,265	132,811	2,418,714	3,540,790	268,304	996,657	198,536	2,381,515	3,576,708	265,877
	27.9 %	3.8 %	68.3 %	100.0 %	100.0 %	27.9 %	5.6 %	66.5 %	100.0 %	100.0 %

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

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

(3) The company is restricted from selling common shares of 5paisa acquired in May 2021 until May 28, 2022 and has applied a discount for lack of marketability (a significant unobservable valuation input) to the quoted price for the restricted common shares of 5paisa held by the company at March 31, 2022 and December 31, 2021.

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 2022 and 2021 there were no transfers of financial instruments between fair value hierarchy levels.

A summary of changes in the fair value of the company's Indian Investments classified as Level 3 in the fair value hierarchy, denominated in the company's functional currency of the Indian rupee for the first quarters of 2022 and 2021 was as follows:

	First quarter									
	2022						2021			
Indian rupees *(in millions)*	Balance as of January 1	Purchases	Sales	Amortization	Net change in unrealized gains (losses) on investments	Balance as of March 31	Balance as of January 1	Sales	Net change in unrealized gains (losses) on investments	Balance as of March 31
Common stocks:										
BIAL	102,001	—	—	—	(131)	101,870	102,011	—	2	102,013
Sanmar	31,307	—	—	—	3,690	34,997	24,742	—	(9)	24,733
CSB Bank	12,962	—	—	—	(1,256)	11,706	11,978	—	872	12,850
Seven Islands	7,874	—	—	—	23	7,897	7,566	—	290	7,856
NCML	5,172	—	—	—	125	5,297	6,300	—	(467)	5,833
Saurashtra	3,506	—	—	—	105	3,611	2,398	—	17	2,415
Jaynix	—	2,450	—	—	—	2,450	—	—	—	—
Maxop	2,218	—	—	—	—	2,218	—	—	—	—
NSE	8,267	—	—	—	1,357	9,624	5,306	—	—	5,306
IH Fund	1,755	—	(117)	—	44	1,682	1,853	(13)	28	1,868
5paisa	328	—	—	—	(51)	277	—	—	—	—
Other Indian Fixed Income	1,642	—	—	7	—	1,649	1,088	—	—	1,088
Total	177,032	2,450	(117)	7	3,906	183,278	163,242	(13)	733	163,962

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

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

Investments	Fair value of Level 3 investment	Valuation technique	Significant unobservable inputs	Significant unobservable inputs used in the internal valuation models	Hypothetical $ change effect on fair value measurement [1]	Hypothetical $ change effect on net earnings [1][2]
Common stocks:						
BIAL	1,344,377	Discounted cash flow	After-tax discount rate	12.3% to 16.3%	(337,095) / 438,822	(292,430) / 380,678
			Long term growth rate	3.5%	23,110 / (21,848)	20,048 / (18,953)
Sanmar [3]	461,859	Discounted cash flow	After-tax discount rate	15.5%	(33,144) / 38,708	(28,752) / 33,580
			Long term growth rate	3.0%	4,505 / (4,328)	3,908 / (3,754)
CSB Bank [4]	154,479	Bid price, net of discount	Discount for lack of marketability	20.1%	(2,576) / 2,589	(2,235) / 2,246
Seven Islands	104,214	Discounted cash flow	After-tax discount rate	11.3%	(19,700) / 25,162	(17,090) / 21,828
			Long term growth rate	3.0%	4,636 / (4,364)	4,022 / (3,786)
NCML [5]	69,899	Discounted cash flow	After-tax discount rate	11.3% to 11.9%	(18,981) / 26,006	(16,466) / 22,560
			Long term growth rate	2.4% to 6.0%	3,221 / (2,952)	2,794 / (2,561)
Saurashtra	47,653	Discounted cash flow	After-tax discount rate	18.0% to 19.9%	(2,600) / 2,994	(2,256) / 2,597
			Long term growth rate	4.0% to 5.0%	458 / (443)	398 / (384)
5paisa [4]	3,659	Bid price, net of discount	Discount for lack of marketability	10.3%	(16) / 16	(14) / 14

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

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

(3) Significant unobservable inputs relate only to the Sanmar Egypt business unit as Chemplast became publicly traded on the BSE and NSE of India during the third quarter of 2021. The hypothetical $ change effect from a 10% increase or decrease in Chemplast's traded share price would be an increase or decrease in fair value of Sanmar of $32,740, and an increase or decrease in net earnings of $28,402.

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

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

Fixed Income Maturity Profile

Bonds are summarized by their earliest contractual maturity date in the table that follows. Actual maturities may differ from maturities shown below due to the existence of call and put features. At March 31, 2022 and December 31, 2021 there were no bonds containing call or put features. The decrease in bonds due in 1 year or less primarily reflects the sale of Government of India bonds to fund the company's investment in Jaynix and interest payment on Unsecured Senior Notes during the first quarter of 2022.

	March 31, 2022		**December 31, 2021**	
	Amortized cost	**Fair value**	**Amortized cost**	**Fair value**
Due in 1 year or less	—	—	53,147	52,944
Due after 1 year through 5 years	140,827	140,215	147,742	146,894
Due after 5 years through 10 years	13,233	14,352	13,489	14,630
	154,060	154,567	214,378	214,468

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 2022	First quarter 2021
Interest:		
Cash and cash equivalents	2	5
Short term investments	24	—
Bonds	2,296	631
	2,322	636
Dividends: Common stocks	10,281	12,133

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

	First quarter					
	2022			2021		
	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:						
Short term investments	(4)	5	1	—	—	—
Bonds	(269)	422	153	—	(81)	(81)
Common stocks	99 (1)	69,889 (1)	69,988	—	349,065 (1)	349,065
Derivatives	—	(464) (1)	(464)	—	(21,337) (1)	(21,337)
	(174)	69,852	69,678	—	327,647	327,647
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	422	—	422	599	—	599
Borrowings	—	(9,501) (2)	(9,501)	(33,080) (2)	32,224 (2)	(856)
Other	(123)	—	(123)	(58)	—	(58)
	299	(9,501)	(9,202)	(32,539)	32,224	(315)

(1) 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 2022 and 2021.

(2) In the first quarter of 2022 net change in unrealized loss on borrowings of $9,501 related to the Unsecured Senior Notes. In the first quarter of 2021 net realized foreign exchange loss of $33,080 related to the repayment of $500,000 of the $550,000 secured term loan. The net change in unrealized gain of $32,224 was primarily comprised of the reversal of unrealized foreign exchange losses in prior years of $29,761 on the repaid portion of the $550,000 secured term loan, and unrealized foreign exchange gains of $2,463 primarily related to the Unsecured Senior Notes.

7. Borrowings

	March 31, 2022			December 31, 2021		
	Principal	Carrying value (1)	Fair value (2)	Principal	Carrying value (1)	Fair value (2)
Unsecured Senior Notes:						
5.0% Unsecured Senior Notes due February 26, 2028	500,000	496,915	500,100	500,000	496,785	498,450

(1) Principal net of unamortized issue costs.

(2) Fair value of the Unsecured Senior Notes at March 31, 2022 and December 31, 2021 was based principally on information provided by independent pricing service providers (Level 2 in the fair value hierarchy).

Unsecured Senior Notes

On February 26, 2021 the company completed an offering of $500,000 principal amount of 5.0% unsecured senior notes due February 26, 2028 ("Unsecured Senior Notes") at par. Net proceeds after commissions and expenses of $3,650 were $496,350, and were primarily used during the first quarter of 2021 towards the repayment of $500,000 of the company's $550,000 secured term loan due June 28, 2021. Fairfax, through its subsidiaries, holds $58,400 of the $500,000 principal amount under the same terms as the other participants. Refer to note 11 for further details of amounts due to related parties.

At March 31, 2022 the Unsecured Senior Notes were recognized net of unamortized issuance costs of $3,085 (issuance costs of $3,650 less amortization of $565) (December 31, 2021 - unamortized issuance costs of $3,215). and recorded in borrowings within the consolidated balance sheets. The issuance costs are amortized over the remaining life of the Unsecured Senior Notes and recorded in interest expense in the consolidated statements of earnings.

Revolving Credit Facility

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

Interest Expense

In the first quarter of 2022 interest expense of $6,380 (2021 - $9,014) was comprised of interest expense related to stated interest of $6,250 (2021 - $6,325) and the amortization of issuance costs of $130 (2021 - $1,009), and in the first quarter of 2021, also included the release of unamortized issuance costs of $1,680 upon the partial repayment of $500,000 on the $550,000 secured term loan. During the first quarter of 2022 the company paid interest of $12,500 (2021 - $1,886) on its borrowings.

At March 31, 2022 the company recognized accrued interest expense of $2,361 (December 31, 2021 - $8,611) within the consolidated balance sheets.

8. Total Equity

Common shareholders' equity

Common Stock

The number of shares outstanding was as follows:

	First quarter	
	2022	**2021**
Subordinate voting shares - January 1	111,235,352	119,470,571
Issuances of shares	—	546,263
Purchases for cancellation	(1,897,532)	(375,337)
Subordinate voting shares - March 31	109,337,820	119,641,497
Multiple voting shares - beginning and end of period	30,000,000	30,000,000
Common shares effectively outstanding - March 31	139,337,820	149,641,497

Issuance of Shares

On March 5, 2021 the company issued 546,263 subordinate voting shares to Fairfax to settle the performance fee payable of $5,217 for the second calculation period (three-year period ending on December 31, 2020). Under the terms of the Investment Advisory Agreement (defined in note 11), settlement of the performance fee was through the issuance of subordinate voting shares, calculated based on the performance fee payable at December 31, 2020 of $5,217 divided by 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 ("VWAP") of $9.55.

Purchase of Shares

The company has the ability to purchase for cancellation subordinate voting shares at prevailing market prices under the terms of its normal course issuer bid and in accordance with the rules and policies of the TSX. During the first quarter of 2022, under the terms of its normal course issuer bid, the company purchased for cancellation 1,897,532 subordinate voting shares (2021 - 375,337) for a net cost of $24,010 (2021 - $4,106), of which $4,046 was charged to retained earnings (2021 - $156).

In connection with the normal course issuer bid, the company also entered into an automatic share purchase plan with its designated broker to allow for the purchase of subordinate voting shares during times when the company normally would not be active in the market. Such purchases are determined by the broker in its sole discretion based on the parameters established by the company prior to commencement of the applicable trading black-out period. Subsequent to March 31, 2022, there have been no subordinate voting shares purchased for cancellation under the terms of the automatic share purchase plan.

Non-controlling interests

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

The company shall use commercially reasonable efforts to list Anchorage by way of an IPO in India, subject to regulatory approvals and market conditions on or before September 2025. If the valuation of Anchorage upon closing of the IPO is below approximately $1.2 billion (91.6 billion Indian rupees), then OMERS' ownership in Anchorage will increase to a maximum of 15.0% and the company's ownership in Anchorage will decrease to a minimum of 85.0% (effective ownership interest in BIAL will decrease to a minimum of 47.5%). If Anchorage does not list by way of an IPO in India by September 2025, then OMERS' ownership in Anchorage will be 11.5%.

9. Income Taxes

The company's provision for income taxes for the quarters ended March 31 were comprised as follows:

	First quarter	
	2022	**2021**
Current income tax:		
Current year expense	936	938
Adjustment to prior years' income taxes	—	(89)
	936	849
Deferred income tax:		
Origination and reversal of temporary differences	1,132	7,433
Provision for income taxes	2,068	8,282

Reconciliation of the provision for income taxes calculated at the Canadian statutory income tax rate to the provision for income taxes at the effective tax rate for the quarters ended March 31 are presented in the following table:

	First quarter	
	2022	**2021**
Canadian statutory income tax rate	26.5 %	26.5 %
Provision for income taxes at the Canadian statutory income tax rate	15,331	69,883
Tax rate differential on income earned outside of Canada	(15,272)	(78,265)
Recovery relating to prior years	—	(89)
Change in unrecorded tax benefit of losses and temporary differences	1,784	17,234
Foreign exchange effect	225	(483)
Other including permanent differences	—	2
Provision for income taxes	2,068	8,282

The tax rate differential on income earned outside of Canada of $15,272 in the first quarter of 2022 (2021 - $78,265) principally reflected the impact of net investment income taxed in India and Mauritius at lower rates.

The change in unrecorded tax benefit of losses and temporary differences of $1,784 in the first quarter of 2022 principally reflected changes in unrecorded deferred tax assets related to the impact of foreign exchange of $2,972 and net operating loss carryforwards in Canada of $2,915, partially offset by temporary timing differences on performance and professional fees of $1,502, the utilization of foreign accrual property losses of $1,137 with respect to the company’s wholly-owned subsidiaries, temporary timing differences on debt and equity issuance costs of $954, and the potential impact of the application of capital loss benefit in India on future dispositions of investments in equity shares of $510 that were not recorded by the company as the related pre-tax losses did not meet the recognition criteria under IFRS. The change in unrecorded tax benefit of losses and temporary differences of $17,234 in the first quarter of 2021 principally reflected changes in unrecorded deferred tax assets related to the temporary timing differences on performance and professional fees of $14,589, temporary timing differences on debt and equity issuance costs of $2,802, foreign accrual property losses of $2,787 with respect to the company's wholly-owned subsidiaries, and the impact of foreign exchange of $1,195, partially offset by the utilization of net operating loss carryforwards in Canada of $3,383 and the potential impact of the application of capital loss benefit in India on future dispositions of investments in equity shares of $756 that were not recorded by the company as the related pre-tax losses did not meet the recognition criteria under IFRS. At March 31, 2022 deferred tax assets of $98,364 in Canada and $1,964 in India (December 31, 2021 - $97,945 in Canada and $2,519 in India) were not recorded as it was considered not probable that those losses could be utilized by the company.

10. Financial Risk Management

Overview

There were no significant changes to the types of the company's risk exposures or the processes used by the company for managing those risk exposures at March 31, 2022 compared to those identified and disclosed in the company's annual consolidated financial statements for the year ended December 31, 2021, except as described below.

Conflict in Ukraine

The company evaluated the effects, or possible effects, on the company and its Indian Investments arising from the conflict in Ukraine and concluded that there was no significant impact to its risk exposures. While the company and its investments do not have direct exposure to either Russia or Ukraine, the impact to the global economy has introduced new uncertainty and increased volatility within global financial markets.

COVID-19

During the first quarter of 2022 the Indian government announced the end of containment measures related to COVID-19 with effect from March 31, 2022. However, given the ongoing and dynamic nature of the circumstances surrounding COVID-19, including subsequent waves in various parts of the world caused by variants which have prolonged the recovery process, the ongoing pandemic continues to impact the global economy.

The extent of impact to the company and its Indian Investments will depend on future developments and new information that may emerge from the conflict in Ukraine and the ongoing COVID-19 pandemic, and the resulting prolonged disruptions to the global supply chain. Further developments could have a material adverse effect on the company's business, financial condition, results of operations and cash flows.

Market Risk

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

Foreign Currency Risk

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

Interest Rate Risk

Interest rate risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Typically, as interest rates rise, the fair value of fixed income investments decline and, conversely, as interest rates decline, the fair value of fixed income investments rise. In each case, the longer the maturity of the financial instrument, the greater the consequence of a change in interest rates. The company's interest rate risk management strategy is to position its fixed income portfolio based on its view of future interest rates and the yield curve, balanced with liquidity requirements. General economic conditions, political conditions and many other factors can also adversely affect the bond markets and, consequently, the value of fixed income securities held. Interest rate movements in India may affect the company's equity and net earnings. 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, 2022 compared to December 31, 2021.

The company's exposure to interest rate risk decreased in the first quarter of 2022, primarily reflecting the sale of Government of India bonds to fund the company's investment in Jaynix and interest payment on Unsecured Senior Notes. The table that follows displays the potential impact of changes in interest rates on the company's fixed income portfolio based on parallel 200 basis point shifts up and down, in 100 basis point increments which the company believes to be reasonably possible in the current economic environment. This analysis was performed on each individual security, with the hypothetical effect on net earnings (loss).

	March 31, 2022			**December 31, 2021**		
	Fair value of fixed income portfolio	**Hypothetical $ change effect on net earnings [(1)]**	**Hypothetical % change in fair value**	**Fair value of fixed income portfolio**	**Hypothetical $ change effect on net earnings [(1)]**	**Hypothetical % change in fair value**
Change in interest rates						
200 basis point increase	151,531	(2,231)	(2.0)%	209,670	(3,526)	(2.2)%
100 basis point increase	153,039	(1,123)	(1.0)%	212,051	(1,776)	(1.1)%
No change	154,567	—	—	214,468	—	—
100 basis point decrease	156,132	1,150	1.0 %	216,946	1,822	1.2 %
200 basis point decrease	157,719	2,317	2.0 %	219,462	3,671	2.3 %

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

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

Market Price Fluctuations

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

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

The company's exposure to market price risk increased to $3,362,282 at March 31, 2022 from $3,325,713 at December 31, 2021 primarily as a result of unrealized gains on the Private Indian Investments (principally Sanmar and NSE), a new investment in Jaynix and unrealized gains on Public Indian Investments (principally IIFL Wealth), partially offset by unrealized losses on Public Indian Investments (principally CSB Bank and Fairchem Organics). 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.

The company estimates the potential impact on net earnings (loss) from a 20% increase or decrease in the fair value of its Public Indian Investments at March 31, 2022 to be a hypothetical increase or decrease in net earnings (loss) of $159,894 (December 31, 2021 - increase or decrease in net earnings (loss) of $196,820). For the purpose of this sensitivity analysis, the hypothetical $ change effect on net earnings includes an income tax impact that is calculated using the company's marginal tax rate. Actual income tax expense (recovery) may differ significantly when earnings (losses) are realized.

Credit Risk

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

Cash and Cash Equivalents

At March 31, 2022 the company's cash and cash equivalents of $23,941 (December 31, 2021 - $30,376) were primarily held in major financial institutions. The company monitors risks associated with cash and cash equivalents by regularly reviewing the financial strength and creditworthiness of these financial institutions. From these reviews, the company may transfer balances from financial institutions where it perceives heightened credit risk to others considered to be more stable.

Investments in Debt Instruments

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

At March 31, 2022 the company's debt instruments were all considered to be subject to credit risk with a fair value of $154,567 (December 31, 2021 - $214,468), representing 4.4% (December 31, 2021 - 6.0%) of the total cash and investments portfolio.

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

	March 31, 2022		**December 31, 2021**	
	Fair value	**Rating**	**Fair value**	**Rating**
Government of India bonds [1]	132,811	Baa3/BBB-	192,385	Baa3/BBB-
Other Indian Fixed Income	21,756	Not rated	22,083	Not rated
Total bonds	154,567		214,468	

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

The company's exposure to credit risk from its investments in fixed income securities decreased at March 31, 2022 compared to December 31, 2021, primarily reflecting the sale of Government of India bonds to fund the company's investment in Jaynix and interest payment on Unsecured Senior Notes. 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, 2022 compared to December 31, 2021.

Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The company manages liquidity risk by maintaining sufficient liquid assets to enable settlement of financial commitments on their respective due dates. All accounts payable and accrued liabilities are due within three months, accrued interest due in semi-annual installments, 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, 2022 compared to December 31, 2021.

The undeployed cash and investments at March 31, 2022 provide adequate liquidity to meet the company's known significant commitments over the next twelve months, which are principally comprised of an additional investment in Maxop, a commitment under the automatic share purchase plan, interest expense, investment and advisory fees, and general and administration expenses.

At March 31, 2022 the company's payment obligations which are due beyond one year primarily relate to the recurring nature of expenses described above and a principal repayment on the Unsecured Senior Notes due in February 2028, which bear interest at a fixed rate of 5.0% per annum, payable in semi-annual installments. In addition, under the Investment Advisory Agreement (defined in note 11), if a performance fee is payable for the period ending on December 31, 2023, the performance fee will be payable in cash, or at Fairfax's option, in subordinate voting shares.

The company has the ability to sell a portion of its Indian Investments to supplement its liquidity requirements, by way of private placements or in public markets for its Public Indian Investments, or through private sales or IPOs for its Private Indian Investments. At March 31, 2022 the company held common shares of Public Indian Investments which carry no selling restrictions with a fair value of $700,096 and Government of India bonds with a fair value of $132,811. The company expects to continue to receive investment income on its holdings of fixed income securities and dividends from its equity investments to supplement its cash and cash equivalents. To further augment its liquidity, the company can draw upon its Revolving Credit Facility. Accordingly, the company has adequate working capital to support its 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, 2022 and December 31, 2021 the company's total cash and investments composition by the issuer's country of domicile was primarily India, and at March 31, 2022 represented 99.4% (December 31, 2021 - 99.3%) of the total cash and investments portfolio.

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

	March 31, 2022	December 31, 2021
Infrastructure	1,344,377	1,372,170
Financial services	1,074,384	1,062,627
Commercial and industrial	743,551	690,304
Ports and shipping	151,867	153,083
Utilities	69,859	69,612
	3,384,038	3,347,796

During the first quarter of 2022 the company's concentration risk in the infrastructure sector decreased primarily due to unrealized foreign currency translation losses on the company's investment in BIAL. The company's concentration risk in the financial services sector increased primarily due to unrealized gains on the company's investments in IIFL Wealth and NSE, partially offset by unrealized losses on the company's investment in CSB Bank and unrealized foreign currency translation losses. The company's concentration risk in the commercial and industrial sector increased primarily due to unrealized gains on the company's investment in Sanmar and a new investment in Jaynix, partially offset by unrealized losses on the company's investment in Fairchem Organics. The company's concentration risk in the ports and shipping sector decreased primarily due to unrealized foreign currency translation losses on the company's investments in Seven Islands and Saurashtra. The company's concentration risk in the utilities sector increased slightly primarily due to unrealized gains on the company's investments in common stocks of utility companies within Other Public Indian Investments.

The company will not make an Indian Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20.0% of the company's total assets at the time of the investment; provided, however, that the company is permitted to complete up to two Indian Investments where, after giving effect to each such investment, the total invested amount of each such investment would be less than or equal to 25.0% of the company's total assets (the "Investment Concentration Restriction"). The company's investment limit for an Indian Investment in accordance with the Investment Concentration Restriction decreased at March 31, 2022 from December 31, 2021 principally as a result of unrealized foreign currency translation losses, purchases of subordinate voting shares for cancellation, interest payments, and investment and advisory fees, partially offset by net unrealized gains on investments and dividend income. 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, 2022 the company determined that it was in compliance with the Investment Concentration Restriction.

Capital Management

The company's objectives when managing capital are to protect its lenders, to safeguard its ability to continue as a going concern, and to maintain an optimal capital structure to reduce the cost of capital in order to optimize returns for common shareholders. The company will seek attractive risk-adjusted returns, but will at all times seek downside protection and attempt to minimize the loss of capital. Total capital (comprised of borrowings, common shareholders' equity and non-controlling interests) decreased to $3,375,983 at March 31, 2022 from $3,399,219 at December 31, 2021, principally reflecting a decrease in common shareholders' equity and non-controlling interests as described below.

Common shareholders' equity decreased to $2,754,028 at March 31, 2022 from $2,774,792 at December 31, 2021 primarily reflecting unrealized foreign currency translation losses attributable to shareholders of $52,728 and purchases of subordinate voting shares for cancellation of $24,010, partially offset by net earnings attributable to shareholders of $55,962 during the first quarter of 2022.

Non-controlling interests decreased to $125,040 at March 31, 2022 from $127,642 at December 31, 2021 primarily reflecting unrealized foreign currency translation losses attributable to non-controlling interests of $2,423 during the first quarter of 2022.

11. Related Party Transactions

Payable to Related Parties

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

	March 31, 2022	December 31, 2021
Performance fee	80,034	84,716
Investment and advisory fee	9,806	9,942
Other	318	344
	90,158	95,002

Investment Advisory Agreement

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

Performance Fee

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

Third Calculation Period

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

At March 31, 2022 the company determined that there was a performance fee accrual of $80,034 related to the third calculation period (December 31, 2021 - $84,716). A performance fee recovery of $3,094 was recorded in the consolidated statements of earnings in the first quarter of 2022, representing the partial reversal of the performance fee accrual at December 31, 2021 (2021 - a performance fee of $56,123).

At March 31, 2022 there were an estimated 6,834,348 contingently issuable subordinate voting shares to Fairfax relating to the performance fee accrual for the third calculation period (March 31, 2021 - 4,532,010).

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. The investment and advisory fees recorded in the consolidated statements of earnings for the first quarter of 2022 was $10,080 (2021 - $9,783).

Unsecured Senior Notes

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

	March 31, 2022	December 31, 2021
Principal portion, presented within borrowings on the consolidated balance sheet	58,400	58,400
Interest portion, presented within accrued interest expense on the consolidated balance sheet	276	1,006
	58,676	59,406

Interest expense recorded in the consolidated statements of earnings for the first quarter of 2022 included $730 related to amounts due to related parties (2021 - $276). Refer to note 7 for further details on the Unsecured Senior Notes.

Fairfax's Voting Rights and Equity Interest

On February 15, 2022 Fairfax acquired an aggregate of 5,416,000 subordinate voting shares from existing shareholders. At March 31, 2022 Fairfax, through its subsidiaries, owned 30,000,000 multiple voting shares (December 31, 2021 - 30,000,000) and owned and/or exercised control or direction over 28,446,285 subordinate voting shares (December 31, 2021 - 23,030,285) of Fairfax India. At March 31, 2022 Fairfax's aggregate ownership, control and/or direction of the subordinate voting shares and multiple voting shares represented a 95.0% voting interest and a 41.9% equity interest (December 31, 2021 - 94.5% and 37.5%) in Fairfax India.

12. General and Administration Expenses

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

	First quarter	
	2022	**2021**
Audit, legal and tax professional fees	808	738
Salaries and employee benefit expenses	495	457
Administrative expenses	484	210
Other	75	68
	1,862	1,473

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

Management's Discussion and Analysis of Financial Condition and Results of Operations
(as of April 28, 2022)
(Figures and amounts are in US$ and $ thousands except share and per share amounts and as otherwise indicated. Figures may not add due to rounding.)

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

(1) Readers of the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should review the notes to the interim consolidated financial statements for the three months ended March 31, 2022 and the company's 2021 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) Management analyzes and assesses the financial position of the consolidated company in various ways. Certain of the measures included in this interim report, which have been used consistently and disclosed regularly in the company's Annual Reports and interim financial reporting, do not have a prescribed meaning under IFRS as issued by the IASB and may not be comparable to similar measures presented by other companies. Please refer to the Glossary of Non-GAAP and Other Financial Measures located at the end of this MD&A for details of the company's measures.

Business Developments

Overview

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

The book value per share at March 31, 2022 was $19.77 compared to $19.65 at December 31, 2021 representing an increase in the first quarter of 2022 of 0.6%, primarily reflecting net earnings attributable to shareholders of Fairfax India of $55,962 (primarily related to net change in unrealized gains on investments and dividend income, partially offset by investment and advisory fees, net foreign exchange losses and interest expense), partially offset by unrealized foreign currency translation losses attributable to shareholders of Fairfax India of $52,728. In addition, the company purchased for cancellation 1,897,532 subordinate voting shares during the first quarter of 2022 for a net cost of $24,010 ($12.65 per subordinate voting share) through its normal course issuer bid which resulted in a further increase in book value per share.

The following narrative sets out the company's key business developments in the first quarter of 2022.

Capital Transactions

During the first quarter of 2022, under the terms of its normal course issuer bid, the company purchased for cancellation 1,897,532 subordinate voting shares (2021 - 375,337) for a net cost of $24,010 (2021 - $4,106), of which $4,046 was charged to retained earnings (2021 - $156).

Indian Investments

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

Operating Environment

COVID-19 Pandemic

Global recovery from the COVID-19 pandemic continued to progress during the first quarter of 2022, although its momentum has been continuously impacted by the introduction of new variants and as a result, prolonged disruptions to global supply chains (further impacted by recent developments relating to the conflict in Ukraine, discussed below).

During the first quarter of 2022 the Indian government announced the end of containment measures arising from the COVID-19 pandemic with effect from March 31, 2022 with exception of advisories to continue practicing social distancing norms and adherence to state-imposed guidelines as deemed applicable locally.

Conflict in Ukraine

On February 24, 2022 Russia invaded Ukraine, causing a major humanitarian crisis. As a result, countries around the world, largely led by western nations, have imposed economic sanctions against Russia ("the conflict in Ukraine"), including bans on the import of Russian oil and natural gas by certain countries including Canada and the United States. As a result of these sanctions, oil and other commodity prices increased sharply and were volatile throughout March 2022.

According to the World Economic Outlook (April 2022) published by the International Monetary Fund ("IMF"), the conflict in Ukraine is expected to set back the pace of global recovery, slowing growth and increasing inflation further. Global GDP growth was estimated at 3.6% in 2022 and 2023, respectively (both revised downward from the IMF's January 2022 forecast). The decline largely reflected the cascading impacts of the conflict in Ukraine, such as anticipated decline in supply for Russia and Ukraine's key exports of oil, gas, metals, wheat and corn, resulting in increased food and fuel prices, adding to the supply chain disruptions already created by the COVID-19 pandemic. Oil prices soared to a 13-year high during the first quarter of 2022 and volatility increased as global markets reacted to the news of the conflict in Ukraine.

Indian Economy

In its April 2022 report, the IMF estimated India's GDP to expand by 8.9% and 8.2% for the country's fiscal years 2021-22 and 2022-23, respectively (revised downward from January 2022 estimates of 9.0% and 9.0%). While most Asian economies have limited direct trade exposure to Russia and Ukraine, there are expected to be headwinds due to supply chain disruptions and additional inflationary pressures, particularly relating to oil prices given India is one of the world's largest net importers of oil.

Private consumption and gross fixed capital formation are expected to be the main drivers of growth in the upcoming fiscal year. Increased capital outflows on Indian imports as a result of higher commodity prices may limit the extent of capital expenditures and weigh on sovereign debt and currency valuation.

At its most recent monetary policy meeting in April 2022, the Reserve Bank of India ("RBI") continued to keep interest rates stable, maintaining its accommodative stance on monetary policy (which was in effect since 2020), with a focus to ensure inflation remains within its target of 2% to 6% while supporting growth. The RBI acknowledged that the inflationary trajectory will depend critically on the evolving geopolitical situation and its impact on global commodity prices and logistics.

Indian Market Indices and Foreign Exchange Rate

After a year of record highs in Indian market indices in 2021 driven by supportive monetary policy and better-than-expected pace of pandemic recovery, the BSE Sensex declined slightly by 1.4% in the first quarter of 2022, primarily reflecting new uncertainties as the conflict in Ukraine escalated. The Indian rupee depreciated against the U.S. dollar by 1.9% in the first quarter of 2022, reflecting concerns over rising oil prices and inflationary pressures.

Consistent with Indian equity markets, the fair values of the company's Public Indian Investments experienced increased volatility during the first quarter of 2022. The company also recorded unrealized foreign currency translation losses consistent with the decline in the Indian rupee as the company's net assets and net earnings are primarily denominated in Indian rupees.

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

Business Objectives

Investment Objective

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

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, 2022 from December 31, 2021 principally as a result of unrealized foreign currency translation losses, purchases of subordinate voting shares for cancellation, interest payments, and investment and advisory fees, partially offset by net unrealized gains on investments and dividend income.

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

Indian Investments

Cautionary Statement Regarding Financial Information of Significant Indian Investments

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

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

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

Summary of Indian Investments

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

		March 31, 2022				December 31, 2021			
	Dates Acquired	**Ownership %**	**Cost**	**Fair value**	**Net change**	**Ownership %**	**Cost**	**Fair value**	**Net change**
Public Indian Investments:									
Common stocks:									
IIFL Finance	December 2015 and February 2017	22.3%	—	317,454	317,454	22.3%	—	318,136	318,136
IIFL Wealth	May 2019	13.6%	191,443	265,228	73,785	13.6%	191,443	230,111	38,668
IIFL Securities	May 2019	27.8%	91,310	99,191	7,881	27.9%	91,310	103,217	11,907
CSB Bank	October 2018, March and June 2019	49.7%	169,447	201,496	32,049	49.7%	169,447	227,649	58,202
Fairchem Organics	August 2020, March and April 2021	52.8%	42,014	135,830	93,816	52.8%	42,021	155,020	112,999
5paisa	October 2017, August 2019 and May 2021	26.1%	29,676	34,404	4,728	26.1%	29,676	41,232	11,556
Privi Speciality	February and August 2016	—	—	—	—	< 1.0%	7	79	72
Other	March and August 2018, March to June 2020, August 2020	< 1.0%	43,458	69,859	26,401	< 1.0%	43,458	69,612	26,154
			567,348	1,123,462	556,114		567,362	1,145,056	577,694
Private Indian Investments:									
Common stocks:									
BIAL (1)	March and July 2017, May 2018	54.0%	652,982	1,344,377	691,395	54.0%	652,982	1,372,170	719,188
Sanmar	April 2016 and December 2019	42.9%	199,039	461,859	262,820	42.9%	199,039	421,153	222,114
Seven Islands	March, September and October 2019	48.5%	83,846	104,214	20,368	48.5%	83,846	105,926	22,080
NCML	August 2015 and August 2017	89.5%	174,318	69,899	(104,419)	89.5%	174,318	69,578	(104,740)
Saurashtra	February 2017	51.0%	30,018	47,653	17,635	51.0%	30,018	47,157	17,139
Jaynix	February 2022	70.0%	32,504	32,334	(170)	—	—	—	—
Maxop	November 2021	51.0%	29,520	29,277	(243)	51.0%	29,520	29,844	324
NSE	July 2016	1.0%	26,783	127,010	100,227	1.0%	26,783	111,216	84,433
IH Fund	January and November 2019, December 2020	—	20,009	22,197	2,188	—	21,563	23,613	2,050
Other Indian Fixed Income	October 2019 and November 2021	—	21,365	21,756	391	—	21,365	22,083	718
			1,270,384	2,260,576	990,192		1,239,434	2,202,740	963,306
Total Indian Investments			1,837,732	3,384,038	1,546,306		1,806,796	3,347,796	1,541,000

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

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

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

	First quarter							
	2022							
	Balance as of January 1	Purchases	Sales	Amortization	Net realized gains on investments	Net change in unrealized gains (losses) on investments	Net unrealized foreign currency translation losses	Balance as of March 31
Public Indian Investments:								
Common stocks:								
IIFL Finance	318,136	—	—	—	—	5,398	(6,080)	317,454
IIFL Wealth [(1)]	230,111	—	—	—	—	39,759	(4,642)	265,228
IIFL Securities	103,217	—	—	—	—	(2,081)	(1,945)	99,191
CSB Bank	227,649	—	—	—	—	(21,978)	(4,175)	201,496
Fairchem Organics	155,020	—	(25)	—	20	(16,352)	(2,833)	135,830
5paisa	41,232	—	—	—	—	(6,086)	(742)	34,404
Privi Speciality	79	—	(83)	—	79	(74)	(1)	—
Other	69,612	—	—	—	—	1,580	(1,333)	69,859
Total Public Indian Investments	1,145,056	—	(108)	—	99	166	(21,751)	1,123,462
Private Indian Investments:								
Common stocks:								
BIAL	1,372,170	—	—	—	—	(1,741)	(26,052)	1,344,377
Sanmar	421,153	—	—	—	—	49,040	(8,334)	461,859
Seven Islands	105,926	—	—	—	—	301	(2,013)	104,214
NCML	69,578	—	—	—	—	1,654	(1,333)	69,899
Saurashtra	47,157	—	—	—	—	1,402	(906)	47,653
Jaynix	—	32,504	—	—	—	—	(170)	32,334
Maxop	29,844	—	—	—	—	—	(567)	29,277
NSE	111,216	—	—	—	—	18,029	(2,235)	127,010
IH Fund	23,613	—	(1,554)	—	—	574	(436)	22,197
Other Indian Fixed Income	22,083	—	—	93	—	—	(420)	21,756
Total Private Indian Investments	2,202,740	32,504	(1,554)	93	—	69,259	(42,466)	2,260,576
Total Indian Investments	3,347,796	32,504	(1,662)	93	99	69,425	(64,217)	3,384,038

(1) *On March 30, 2022 the company entered into an agreement to sell 8,722,886 equity shares of IIFL Wealth (representing 9.8% of its 13.6% equity interest) for total consideration of approximately $191 million based on period end exchange rates (approximately 14.5 billion Indian rupees). The transaction is subject to customary closing conditions and approvals and is expected to close in the third quarter of 2022. The agreement resulted in the recognition of an equity forward sale derivative ("IIFL Wealth forward sale derivative"). At March 31, 2022 the company's investment in IIFL Wealth common stock is presented net of the IIFL Wealth forward sale derivative obligation of $461, and for the equity shares to be sold, reflects the selling price.*

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

	First quarter					
	2021					
	Balance as of January 1	Purchases	Sales	Net change in unrealized gains (losses) on investments	Net unrealized foreign currency translation gains (losses)	Balance as of March 31
Public Indian Investments:						
Common stocks:						
IIFL Finance	131,478	—	—	196,647	(679)	327,446
IIFL Wealth	166,702	—	—	36,436	(215)	202,923
IIFL Securities	55,603	—	—	(1,626)	(30)	53,947
CSB Bank	214,341	—	—	15,393	(183)	229,551
Privi Speciality	138,413	—	—	85,900	(349)	223,964
Fairchem Organics	54,566	2	—	10,209	(66)	64,711
5paisa	27,788	—	—	(4,631)	(4)	23,153
Other	147,604	—	—	12,623	(132)	160,095
Derivatives:						
Fairchem Organics forward purchase derivative (1)	—	—	—	5,425	(16)	5,409
Privi Speciality written call option (2)	—	—	—	(26,762)	81	(26,681)
Total Public Indian Investments	936,495	2	—	329,614	(1,593)	1,264,518
Private Indian Investments:						
Common stocks:						
BIAL	1,396,117	—	—	36	(883)	1,395,270
Sanmar	338,621	—	—	(132)	(214)	338,275
Seven Islands	103,543	—	—	3,987	(77)	107,453
NCML	86,216	—	—	(6,408)	(35)	79,773
Saurashtra	32,812	—	—	240	(21)	33,031
NSE	72,617	—	—	—	(46)	72,571
IH Fund	25,354	—	(183)	391	(16)	25,546
Other Indian Fixed Income	14,884	—	—	—	(9)	14,875
Total Private Indian Investments	2,070,164	—	(183)	(1,886)	(1,301)	2,066,794
Total Indian Investments	3,006,659	2	(183)	327,728	(2,894)	3,331,312

(1) On March 31, 2021 the company recorded the Fairchem Organics forward purchase derivative at its estimated fair value of $5,409 as a result of the significant conditions precedent being met in connection with an agreement to purchase 2,330,758 equity shares of Fairchem Organics (representing a 17.9% equity interest) at 575.53 Indian rupees per share. At March 31, 2021 the estimated fair value was calculated as the difference between the bid price of Fairchem Organics shares and the agreed upon purchase price.

(2) On March 31, 2021 the company recorded the Privi Speciality written call option derivative at its estimated fair value of $26,681 as a result of significant conditions precedent being met in connection with a call option agreement to sell 3,841,908 of its equity shares of Privi Speciality (representing a 9.8% equity interest) for an amount equal to the amount to be paid by the company to acquire 2,330,758 equity shares of Fairchem Organics as described above. At March 31, 2021 the estimated fair value was based on an option pricing model.

Public Indian Investments

The fair values of Fairfax India's Public Indian Investments with shares listed on both the BSE (formerly known as Bombay Stock Exchange Limited) and the National Stock Exchange of India ("NSE of India"), are determined using the bid prices of those investments (without adjustments or discounts) at the balance sheet date, with the exception of certain common shares of CSB Bank and 5paisa subject to selling restrictions.

Investment in IIFL Finance Limited

Business Overview

IIFL Finance Limited ("IIFL Finance") is a publicly traded retail-focused diversified financing company located in Mumbai, India that offers home loans, gold loans, business loans (including loans against property and small-to-medium enterprise loans), microfinance, construction and real estate finance, and capital market finance.

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

Key Business Drivers, Events and Risks

IIFL Finance's key business drivers include its access to well-diversified sources of funds, a diversified asset portfolio with a strategic focus on households, and its vast physical network to deliver credit to underserved segments and under penetrated geographical areas in India. At March 31, 2022 IIFL Finance had over 3,200 branches across India, making it one of the largest retail focused NBFCs.

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

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

At December 31, 2021 IIFL Finance managed assets worth approximately $6 billion (approximately 468 billion Indian rupees) comprised of home loans (35%), gold loans (31%), business loans (15%), microfinance (11%), construction and real estate finance (6%), and capital market finance (2%). The well-diversified asset portfolio is predominantly retail in nature with small loan ticket sizes, mitigating the risk of asset concentration and exposure to cyclical movements.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2022 the fair value of the company's investment in IIFL Finance was $317,454 (December 31, 2021 - $318,136) with the changes in fair value for the first quarters of 2022 and 2021 presented in the tables at the outset of the Indian Investments section of this MD&A. IIFL Finance's share price increased by 1.7% from 279.40 Indian rupees per share at December 31, 2021 to 284.20 Indian rupees per share at March 31, 2022.

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

IIFL Finance's Summarized Financial Information

IIFL Finance's fiscal year ends on March 31. Summarized below are IIFL Finance's balance sheets at December 31, 2021 and March 31, 2021.

Balance Sheets
(unaudited - US$ thousands)

	December 31, 2021(1)	March 31, 2021(1)
Financial assets	5,554,567	5,345,415
Non-financial assets	226,163	216,729
Financial liabilities	4,907,977	4,778,921
Non-financial liabilities	30,326	45,547
Total equity	842,427	737,676

(1) The net assets of IIFL Finance were translated at December 31, 2021 at $1 U.S dollar = 74.34 Indian rupees and at March 31, 2021 at $1 U.S. dollar = 73.11 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Financial assets increased primarily reflecting an increase in cash and bank balances arising from proceeds received from debt securities and borrowings and increased investments. Non-financial assets increased primarily due to additions to property, plant and equipment and increased other non-financial assets. Financial liabilities increased primarily attributable to the issuance of debt securities and increased borrowings. Non-financial liabilities decreased primarily due to decreases in current tax liabilities and advances from customers.

Summarized below are IIFL Finance's statements of earnings for the nine months ended December 31, 2021 and 2020.

Statements of Earnings
(unaudited - US$ thousands)

	Nine months ended December 31, 2021(1)	Nine months ended December 31, 2020(1)(2)
Revenue	685,281	581,399
Earnings before income taxes	150,338	91,638
Net earnings	116,796	68,706

(1) Amounts for the nine months ended December 31, 2021 and 2020 were translated into US$ using the average exchange rates of $1 U.S. dollar = 74.26 Indian rupees and $1 U.S. dollar = 74.66 Indian rupees prevailing during those periods.

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

IIFL Finance's revenue increased primarily reflecting an increase in interest and other income arising from a higher balance of assets under management, particularly across higher yielding segments such as gold loans and microfinance. Earnings before income taxes and net earnings increased primarily due to the increased interest income and higher yields as noted above in addition to decreased loan loss provisioning compared to the nine months ended December 31, 2020 as loan loss provisions were significantly affected by the initial impacts of the COVID-19 pandemic in the prior period. The increase in earnings were partially offset by increased employee benefit and other administrative expenses attributed to the expansion of IIFL Finance's digital and physical footprint.

Investment in IIFL Wealth Management Limited

Business Overview

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

On March 30, 2022 the company entered into an agreement to sell 8,722,886 equity shares of IIFL Wealth (representing 9.8% of its 13.6% equity interest) at a contract price of 1,661.00 Indian rupees per share, implying total consideration of approximately $191 million based on period end exchange rates (approximately 14.5 billion Indian rupees). The transaction is subject to customary closing conditions and approvals and is expected to close in the third quarter of 2022.

At March 31, 2022 the company held 12,091,635 common shares of IIFL Wealth representing a 13.6% equity interest (December 31, 2021 - 13.6%).

Key Business Drivers, Events and Risks

IIFL Wealth provides its clients with investment management services with the aim to preserve capital while generating steady inflation-adjusted returns from a diversified portfolio with low volatility, along with additional services such as trust and estate planning and credit solutions. IIFL Wealth has a presence in 27 locations across 5 countries and continues to be one of India's leading fund managers of alternative investment funds.

India's wealthy are expected to increase their net assets through organic growth of existing assets or from the sale of businesses (unlocking potential value through secondary sales), with rising new wealth creators fueled by innovative startups, family businesses with strong professional management and the demographic advantage of a very large and young affluent segment. In 2021 it was estimated that there were over 275,000 ultra high and high net worth households, with significant growth expected of both the number of wealthy Indians and their affluence.

IIFL Wealth's wealth management business includes IIFL One, a service offering that institutionalizes the complete range of investment options for clients under a competitive and transparent fee structure. The model redefines client engagement in India's wealth management industry in terms of its approach to transparent conduct and open disclosures. IIFL Wealth will endeavour, over the course of the next few years, to grow this model to be the primary engagement model with clients over the historical broker/dealer distribution model where commissions were earned on a transaction-by-transaction basis. IIFL Wealth aims to evolve into a predictable, revenue-led, asset under management-driven organization, different from an industry dominated by product promotion and distribution.

At December 31, 2021 the wealth management business had assets under management ("AUM") of approximately $28 billion (2,070 billion Indian rupees) and the asset management business had AUM of approximately $7 billion (557 billion Indian rupees). The total AUM included annual recurring revenue assets of approximately $19 billion (1,389 billion Indian rupees), making up over 50% of total AUM. This is in line with IIFL Wealth's initiative since its 2020 fiscal year, to shift from its original upfront income model to an annuity basis model, resulting in more stable annual recurring revenue.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2022 the fair value of the company's investment in IIFL Wealth was $265,228 (December 31, 2021 - $230,111) with the changes in fair value for the first quarters of 2022 and 2021 presented in the tables at the outset of the Indian Investments section of this MD&A. At March 31, 2022 the company's investment in IIFL Wealth common stock is presented net of the IIFL Wealth forward sale derivative obligation of $461, and for the equity shares to be sold, reflects the selling price. IIFL Wealth's share price increased by 17.7% from 1,414.65 Indian rupees per share at December 31, 2021 to 1,665.00 Indian rupees per share at March 31, 2022.

In the first quarter of 2022 the consolidated statements of earnings included dividend income earned from the company's investment in IIFL Wealth of nil (2021 - $4,976).

Investment in IIFL Securities Limited

Business Overview

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

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

Key Business Drivers, Events and Risks

IIFL Securities' key business drivers relate to its ability to identify emerging trends in the capital markets sector in India and provide a comprehensive range of financial products and services that cater to a diverse customer base, as a key player in both retail and institutional segments. IIFL Securities' strategy continues to be built on improving and fortifying its research content, and investing in technology for trading platforms as well as human resources.

IIFL Securities has a presence in approximately 2,500 locations, covering branches and business partners in over 500 cities in India along with a strong digital presence backed by cutting-edge technology. IIFL Securities' trading interfaces include mobile applications such as IIFL Markets which is widely used and highly rated, as well as the Advisor Anytime Anywhere mobile office platform for the growing sub-broker segment. IIFL Securities has also entered into partnerships with various banks and investment platforms to deliver innovative investment products and increase access, providing a one-stop shop for financial products to its customers.

IIFL Securities' institutional broking franchise business services over 780 domestic and foreign clients, and provides comprehensive research coverage in over 260 stocks in more than 20 sectors, which account for over 75% of India's market capitalization. The investment banking business closed 4 transactions during the first quarter of 2022 across the capital markets and advisory business segments, and continues to see strong momentum.

At March 31, 2022 IIFL Securities had assets under management of approximately $17 billion (1,305 billion Indian rupees).

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2022 the fair value of the company's investment in IIFL Securities was $99,191 (December 31, 2021 - $103,217) with the changes in fair value for the first quarters of 2022 and 2021 presented in the tables at the outset of the Indian Investments section of this MD&A. IIFL Securities' share price decreased by 2.0% from 90.65 Indian rupees per share at December 31, 2021 to 88.80 Indian rupees per share at March 31, 2022.

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

Investment in CSB Bank Limited

Business Overview

CSB Bank Limited ("CSB Bank") is a publicly traded company located in Thrissur, India, established in 1920 and is a full-service bank offering retail banking, non-resident Indian banking services, small-to-medium enterprise and wholesale banking services through 559 branches and 410 automated teller machines across India.

At March 31, 2022 the company held 86,262,976 common shares representing a 49.7% equity interest (December 31, 2021 - 49.7%). The company is restricted from selling a certain percentage of its common shares of CSB Bank for a specified period to August 7, 2024 due to restrictions imposed by the RBI and the Securities and Exchange Board of India ("SEBI"). At March 31, 2022 the company held 69,394,331 common shares of CSB Bank that continue to be restricted until August 7, 2024.

Key Business Drivers, Events and Risks

According to the 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.

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

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

In the BT-KPMG Best Banks Survey 2020-21, CSB Bank has emerged as the best bank under the small banks category.

In light of the COVID-19 pandemic, CSB Bank has currently shifted its focus to gold loans and away from retail, SMEs, and corporate lending. CSB Bank has a stable deposit franchise which remains largely unaffected by the COVID-19 pandemic and deposit inflows remain positive despite interest rate reductions by the RBI.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2022 the fair value of the company's investment in CSB Bank was $201,496 (December 31, 2021 - $227,649) with the changes in fair value for the first quarters of 2022 and 2021 presented in the tables at the outset of the Indian Investments section of this MD&A. CSB Bank's share price decreased by 10.1% from 234.80 Indian rupees per share at December 31, 2021 to 211.20 Indian rupees per share at March 31, 2022.

CSB Bank's Summarized Financial Information

CSB Bank's fiscal year ends on March 31. Summarized below are CSB Bank's balance sheets at December 31, 2021 and March 31, 2021.

Balance Sheets
(unaudited - US$ thousands)

	December 31, 2021[(1)]	March 31, 2021[(1)]
Financial assets	3,065,776	3,054,738
Non-financial assets	149,673	144,852
Financial liabilities	2,804,272	2,829,138
Non-financial liabilities	66,629	69,944
Shareholders' equity	344,548	300,508

(1) The net assets of CSB Bank were translated at December 31, 2021 at $1 U.S dollar = 74.34 Indian rupees and at March 31, 2021 at $1 U.S. dollar = 73.11 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Financial assets increased primarily as a result of increased loans and advances to customers, and increased investment securities, partially offset by decreased cash and cash equivalents. Non-financial assets increased primarily as a result of increased security deposits to facilitate foreign currency transactions, and increased advances for employee benefit plans. Financial liabilities in U.S. dollars decreased primarily due to the weakening of the Indian rupee relative to the U.S. dollar during the nine months ended December 31, 2021, partially offset by increased borrowings. Non-financial liabilities decreased primarily as a result of decreased acceptances and endorsements, and other payables, partially offset by increased deferred tax liabilities.

Summarized below are CSB Bank's statements of earnings for the nine months ended December 31, 2021 and 2020.

Statements of Earnings
(unaudited - US$ thousands)

	Nine months ended December 31, 2021[(1)]	Nine months ended December 31, 2020[(1)(2)]
Revenue	147,356	126,011
Earnings before income taxes	68,203	60,758
Net earnings	51,069	45,500

(1) Amounts for the nine months ended December 31, 2021 and 2020 were translated into US$ using the average exchange rates of $1 U.S. dollar = 74.26 Indian rupees and $1 U.S. dollar = 74.66 Indian rupees prevailing during those periods.

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

Revenue increased primarily as a result of an increase in net interest income due to reduced cost of deposits and increased investments and advances. Earnings before income taxes and net earnings increased primarily reflecting increased revenue as noted above, partially offset by an increased cost-income ratio excluding provision for expected credit losses (45.9% for the nine months ended December 31, 2021 compared to 40.0% for the nine months ended December 31, 2020).

Investment in Fairchem Organics Limited

Business Overview

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

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

Key Business Drivers, Events and Risks

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

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

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2022 the fair value of the company's investment in Fairchem Organics was $135,830 (December 31, 2021 - $155,020) with the changes in fair value for the first quarters of 2022 and 2021 presented in the tables at the outset of the Indian Investments section of this MD&A. Fairchem Organics' share price decreased by 10.7% from 1,675.00 Indian rupees per share at December 31, 2021 to 1,496.30 Indian rupees per share at March 31, 2022.

Investment in 5paisa Capital Limited

Business Overview

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

At March 31, 2022 the company held 7,670,130 common shares of 5paisa representing a 26.1% equity interest (December 31, 2021 - 26.1%). The company is restricted from selling the 898,816 common shares acquired on a preferential basis in May 2021 until May 28, 2022.

Key Business Drivers, Events and Risks

5paisa's key business driver relates to its ability to provide digital investment and lending solutions, 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 emerging do-it-yourself customer segment provides its customers with lower costs for various financial products, enabling investors to invest seamlessly, on their own and from anywhere. 5paisa remains focused on innovation based on understanding customer behaviour, and constantly strives to achieve technological superiority through the developments of its robust trading platform, advanced mobile app, its Artificial-Intelligence powered Robo-Advisory platform, and the paperless account opening process.

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

At March 31, 2022 the 5paisa mobile application has reached over 11.9 million downloads and its active customer base exceeded 1.7 million. Customer acquisitions have continued to grow rapidly at reduced unit customer costs, with over 75% of customer acquisitions during the first quarter of 2022 attributed to do-it-yourself customers which were onboarded to the digital platform without intervention or assistance.

In 2021 5paisa completed an issuance of equity shares and the proceeds have allowed 5paisa to accelerate its investment in customer-centric technology, customer acquisition and sustaining its pace of growth.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2022 the fair value of the company's investment in 5paisa was $34,404 (December 31, 2021 - $41,232) with the changes in fair value for the first quarters of 2022 and 2021 presented in the tables at the outset of the Indian Investments section of this MD&A. 5paisa's share price decreased by 14.9% from 404.25 Indian rupees per share at December 31, 2021 to 344.05 Indian rupees per share at March 31, 2022.

Investment in Other Public Indian Investments

At March 31, 2022 the fair value of the company's investment in Other Public Indian Investments was $69,859 (December 31, 2021 - $69,612) 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 2022 and 2021 are presented in the tables at the outset of the Indian Investments section of this MD&A.

In the first quarter of 2022 the consolidated statements of earnings included dividend income earned from the company's investment in Other Public Indian Investments of $2,282 (2021 - $1,916).

Private Indian Investments

Cautionary Statement Regarding the Valuation of Private Indian Investments

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

While the company's valuation techniques for Private Indian Investments remained primarily unchanged during the first quarter of 2022, the development of unobservable inputs considered the uncertainty related to the global economic disruption caused by the ongoing COVID-19 pandemic as well as recent developments regarding Russia's invasion of Ukraine in February 2022, including the impact of economic sanctions imposed against Russia, primarily led by western nations. The company has assessed assumptions related to the COVID-19 pandemic and the conflict in Ukraine which were included in the estimates of the amount and timing of future cash flows prepared by investees' management, and the uncertainty in those assumptions has been considered in the determination of risk premiums incorporated in the company's valuations of Private Indian Investments. Additional volatility in the fair values of Private Indian Investments may arise in future periods if actual results differ materially from the company's estimates.

Investment in Bangalore International Airport Limited

Business Overview

Bangalore International Airport Limited ("BIAL") is a private company located in Bengaluru, India. BIAL, under a concession agreement with the Government of India until the year 2068, has the exclusive rights to carry out the development, design, financing, construction, commissioning, maintenance, operation and management of the Kempegowda International Airport Bengaluru ("KIAB") through a public-private partnership (the "concession agreement"). KIAB is the first greenfield airport in India built to the highest level of international standards through a public-private partnership. BIAL's principal lines of business are aeronautical and non-aeronautical revenue from the airport, real estate monetization and other non-airport related revenue which includes a five-star hotel operated under the Taj brand.

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

At March 31, 2022 the company held a 54.0% equity interest in BIAL (December 31, 2021 - 54.0%).

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 Airport Staff in India and Central Asia' during 2021 by Skytrax, a UK-based consultancy who conducts a global airport customer satisfaction survey.

The airport handled approximately 16.1 million passengers in 2021 representing an increase in overall traffic of 18.9% compared to 2020. The airport also processed an all-time high tonnage of 406,688 metric tons of cargo in 2021 representing an increase of 28.6% compared to 2020 and an increase of 7.2% compared to 2019.

Plans to expand the capacity of the airport are underway and include the construction of an additional terminal building ("Terminal 2"), a third terminal building ("Terminal 3") and real estate development of 176 acres of land by 2026.

The COVID-19 pandemic has significantly impacted BIAL's airport business which faced reduced passenger traffic starting in February 2020. Effective March 23, 2020 and March 25, 2020 all scheduled international and domestic commercial airlines ceased operations as a result of government mandated lockdown restrictions. Domestic flights resumed on May 25, 2020 and international flights resumed on March 27, 2022. Cargo flights and flights catering to medical emergencies and other essential requirements remained operational throughout the lockdown restrictions. Construction activities for BIAL's capital projects and real estate development were slowed down and have since resumed as lockdown restrictions were gradually lifted. Domestic and international passenger traffic is expected to gradually recover to levels witnessed before the pandemic by BIAL's fiscal year 2024.

The lockdown and resulting slowdown of construction activities delayed the completion of the first phase of the Terminal 2 expansion, which is now estimated to be operational by the third quarter of calendar 2022. The total cost of the Terminal 2 expansion is expected to increase primarily due to incremental interest and pre-operational expenses. Construction of Terminal 3 has been delayed until BIAL's fiscal year 2034.

BIAL has sufficient liquidity in place to continue its operations.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2022 the company's internal valuation model indicated that the fair value of the company's investment in BIAL was $1,344,377 (December 31, 2021 - $1,372,170) with the changes in fair value for the first quarters of 2022 and 2021 presented in the tables at the outset of the Indian Investments section of this MD&A. For further details, refer to note 5 (Indian Investments) to the interim consolidated financial statements for the three months ended March 31, 2022.

BIAL's Summarized Financial Information

BIAL's fiscal year ends on March 31. Summarized below are BIAL's balance sheets at December 31, 2021 and March 31, 2021.

Balance Sheets
(unaudited - US$ thousands)

	December 31, 2021(1)	March 31, 2021(1)
Current assets	190,016	134,106
Non-current assets	1,426,799	1,342,511
Current liabilities	135,615	148,262
Non-current liabilities	1,176,582	973,729
Shareholders' equity	304,618	354,626

(1) The net assets of BIAL were translated at December 31, 2021 at $1 U.S dollar = 74.34 Indian rupees and at March 31, 2021 at $1 U.S. dollar = 73.11 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Current assets increased primarily reflecting an increase in cash and cash equivalents arising from increased borrowings. Non-current assets increased principally as a result of ongoing capital expenditures for BIAL's expansion projects. Current liabilities decreased primarily as a result of the refinancing of BIAL's term loans which extended the current maturities of borrowings, and a decrease in other financial liabilities. Non-current liabilities increased primarily as a result of additional borrowings for BIAL's expansion projects.

Summarized below are BIAL's statements of earnings (loss) for the nine months ended December 31, 2021 and 2020.

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

	Nine months ended December 31, 2021[(1)]	**Nine months ended December 31, 2020[(1)]**
Revenue	79,401	44,546
Loss before income taxes	(41,478)	(60,605)
Net loss	(44,293)	(65,708)

(1) Amounts for the nine months ended December 31, 2021 and 2020 were translated into US$ using the average exchange rates of $1 U.S. dollar = 74.26 Indian rupees and $1 U.S. dollar = 74.66 Indian rupees prevailing during those periods.

The increase in revenue primarily reflected the increase in passenger traffic, spend per passenger and cargo volumes, as the previous period was significantly impacted by the COVID-19 pandemic. Loss before income taxes and net loss decreased primarily as a result of the increase in revenue as noted above, partially offset by an increase in depreciation and interest expense recognized as a result of the capitalization of expansion projects and increased borrowings.

Investment in Sanmar Chemicals Group

Business Overview

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

Sanmar's principal lines of business consist of: (i) Chemplast Sanmar Limited ("Chemplast"), comprising of the largest specialty PVC manufacturer in India, Chemplast Cuddalore Vinyls Limited ("CCVL"), the second largest suspension PVC manufacturer in India, and a leading custom manufacturer of starting materials and intermediates for pharmaceutical, agro-chemical and fine chemicals sectors ("Specialty Chemicals"); and (ii) TCI Sanmar Chemicals S.A.E. ("Sanmar Egypt"), the largest Indian investor in Egypt's chemical business and the largest caustic soda, calcium chloride and PVC manufacturer in Egypt.

At March 31, 2022 the company held a 42.9% equity interest in Sanmar (December 31, 2021 - 42.9%).

Key Business Drivers, Events and Risks

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

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

In September 2020, the Egyptian government introduced import duties for PVC at 2.0% and reduced import duties on Ethylene Dichloride ("EDC"), a key raw material used in the production of PVC, from 2.0% to nil. In December 2021, the Egyptian government announced a five-year anti-dumping duty of 9.0% on imports of PVC from the United States. As a result, Sanmar Egypt is expected to benefit through increased sales and margins.

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

On August 24, 2021 Chemplast completed an IPO, issuing 24,029,574 common shares to the public for proceeds of approximately $175 million (13.0 billion Indian rupees). The IPO also included a secondary offering, whereby Sanmar sold 47,134,935 common shares of Chemplast to the public for proceeds of approximately $344 million (25.5 billion Indian rupees). As a result of the IPO, Sanmar's ownership interest in Chemplast was diluted from 100.0% to 55.0%. The proceeds from the IPO were used to repay Chemplast's debt and Sanmar's holding company debt. The IPO was completed at a price of 541.00 Indian rupees per share. The share price of Chemplast increased by 20.3% from 552.50 Indian rupees per share at December 31, 2021 to 664.50 Indian rupees per share at March 31, 2022.

Since the second quarter of Sanmar's fiscal year 2021, demand increased for PVC, chloromethanes and caustic soda, and global PVC supply tightened resulting in a swift recovery of suspension and specialty PVC prices, contributing to improved sales volume and margins.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2022 the company's internal valuation model indicated that the fair value of the company's investment in Sanmar was \$461,859 (December 31, 2021 - \$421,153) with the changes in fair value for the first quarters of 2022 and 2021 presented in the tables at the outset of the Indian Investments section of this MD&A. For further details, refer to note 5 (Indian Investments) to the interim consolidated financial statements for the three months ended March 31, 2022.

Sanmar's Summarized Financial Information

Sanmar's fiscal year ends on March 31. Summarized below are Sanmar's balance sheets at December 31, 2021 and March 31, 2021.

Balance Sheets
(unaudited - US$ thousands)

	December 31, 2021(1)	March 31, 2021(1)
Current assets	426,188	258,408
Non-current assets	1,765,842	1,758,517
Current liabilities	696,960	655,819
Non-current liabilities	1,074,908	1,522,588
Total equity (deficit)	420,162	(161,482)

(1) The net assets of Sanmar were translated at December 31, 2021 at \$1 U.S dollar = 74.34 Indian rupees and at March 31, 2021 at \$1 U.S. dollar = 73.11 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Current assets increased primarily due to increased finished goods and feedstock inventories, cash and cash equivalents, and other financial assets. Non-current assets increased primarily due to an advance payment of tax related to the sale of a minority interest in Chemplast. Current liabilities increased primarily due to increased tax provisions related to the sale of a minority interest in Chemplast and increased trade payables as a result of higher inventory prices. Non-current liabilities decreased primarily as a result of reduced borrowings due to repayment of term loans and the debt restructuring at Sanmar Egypt as described in the Key Business Drivers, Events and Risks section.

Summarized below are Sanmar's statements of earnings (loss) for the nine months ended December 31, 2021 and 2020.

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

	Nine months ended December 31, 2021(1)	Nine months ended December 31, 2020(1)
Revenue	1,001,923	521,405
Earnings (loss) before income taxes	141,672	(60,217)
Net earnings (loss)	102,375	(72,123)

(1) Amounts for the nine months ended December 31, 2021 and 2020 were translated into US$ using the average exchange rates of \$1 U.S. dollar = 74.26 Indian rupees and \$1 U.S. dollar = 74.66 Indian rupees prevailing during those periods.

Revenue increased primarily due to increased demand for PVC and caustic soda leading to increased sales volume and prices. Furthermore, increased demand in the pharmaceutical industry also resulted in increased sales volume and prices for chloromethanes. Earnings before income taxes and net earnings for the nine months ended December 31, 2021 compared to loss before income taxes and net loss for the nine months ended December 31, 2020 primarily reflecting increased revenue as noted above and lower interest costs due to reduced borrowings, partially offset by increased power costs and other expenses due to sales volume increases. Furthermore, as part of the debt restructuring as described in the Key Business Drivers, Events and Risks section, loan principal of approximately \$118 million was converted to equity instruments on October 28, 2021 and classified as financial liabilities. As a result, earnings before income taxes and net earnings for the nine months ended December 31, 2021 included a gain on derecognition of the loan (approximately \$50 million (approximately 3.9 billion Indian rupees), net of taxes).

Investment in Seven Islands Shipping Limited

Business Overview

Seven Islands Shipping Limited ("Seven Islands"), a private company located in Mumbai, India, is the second largest private sector tanker shipping company in India and transports liquid and gas cargo along the Indian coast as well as in international waters. At March 31, 2022 Seven Islands owned 22 vessels, including 2 gas carriers, with a total deadweight capacity of approximately 1.3 million metric tons. Its vessels are registered in India and operate as Indian owned and flagged vessels.

At March 31, 2022 the company held a 48.5% equity interest in Seven Islands (December 31, 2021 - 48.5%).

Key Business Drivers, Events and Risks

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

Several factors have impacted oil demand and supply in the recent period, including the impact of new COVID-19 variants on mobility restrictions in certain countries, and the conflict in Ukraine which led many western nations to place a ban on the import of oil from Russia, both of which have led to rising prices and a slowdown of global economic activity. Tanker markets in India have been broadly impacted by these new uncertainties due to the spillover of effects from affected countries and the impact on trade patterns, particularly an increase in demand for larger vessels and longer-haul routes.

Seven Islands is somewhat insulated from increased volatility in the short term arising from the ongoing COVID-19 pandemic and recent geopolitical events since the majority of its revenue contracts are on time charter for six months to over two years.

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

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2022 the company's internal valuation model indicated that the fair value of the company's investment in Seven Islands was $104,214 (December 31, 2021 - $105,926) with the changes in fair value for the first quarters of 2022 and 2021 presented in the tables at the outset of the Indian Investments section of this MD&A. For further details, refer to note 5 (Indian Investments) to the interim consolidated financial statements for the three months ended March 31, 2022.

Investment in National Commodities Management Services Limited

Business Overview

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

At March 31, 2022 the company held an 89.5% equity interest in NCML (December 31, 2021 - 89.5%).

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

Key Business Drivers, Events and Risks

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

According to the Government of India's most recent estimates, food grain production in India is estimated to increase by approximately 1.7% during the 2021-22 crop year (July 2021 to June 2022), representing a record market of approximately 316 million metric tons of food grains. NCML's commodity management solutions business currently services approximately 1.9 million metric tons of food grain volume each year and continuously seeks opportunities to increase its utilization within the sizeable market by participating in government assignments and securing deposits from multinational corporations in both the food and non-food grain sector.

The silo projects are comprised of 11 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 13 silo projects being constructed for the exclusive use by the FCI. Two of the silo projects successfully commenced operations during 2021 and began to generate revenue. The remaining silo projects are expected to be substantially completed throughout 2022 to 2023.

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

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

Valuation and Interim Consolidated Financial Statement Impact

NCML Common Shares

At March 31, 2022 the company's internal valuation model indicated that the fair value of the company's equity investment in NCML was $69,899 (December 31, 2021 - $69,578) with the changes in fair value for the first quarters of 2022 and 2021 presented in the tables at the outset of the Indian Investments section of this MD&A. For further details, refer to note 5 (Indian Investments) to the interim consolidated financial statements for the three months ended March 31, 2022.

NCML Compulsorily Convertible Debentures

At March 31, 2022 the company's interest and dividends receivable included $3,184 (December 31, 2021 - $2,830) related to interest accrued on the NCML CCD since April 1, 2020. Due to tightened liquidity as a result of COVID-19 the company allowed NCML to defer interest payments on the NCML CCD due April 30, 2021 and 2022 to April 30, 2023.

At March 31, 2022 the fair value of the company's investment in NCML CCD was $14,352 (December 31, 2021 - $14,630) with the changes in fair value for the first quarters of 2022 and 2021 presented within Other Indian Fixed Income in the tables at the outset of the Indian Investments section of this MD&A.

NCML's Summarized Financial Information

NCML's fiscal year ends on March 31. Summarized below are NCML's balance sheets at March 31, 2022 and March 31, 2021.

Balance Sheets
(unaudited - US$ thousands)

	March 31, 2022(1)	March 31, 2021(1)
Current assets	46,284	60,391
Non-current assets	142,282	137,664
Current liabilities	33,685	34,360
Non-current liabilities	82,144	73,490
Shareholders' equity	72,737	90,205

(1) The net assets of NCML were translated at March 31, 2022 at $1 U.S. dollar = 75.77 Indian rupees and at March 31, 2021 at $1 U.S. dollar = 73.11 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Current assets decreased primarily due to decreased inventory in an effort to optimize working capital for the supply chain management business and decreased trade and loan receivables as a result of loss provisions. Non-current assets increased primarily due to continued construction of silo projects. Current liabilities in U.S. dollars decreased primarily due to the weakening of the Indian rupee relative to the U.S. dollar during the year ended March 31, 2022 and repayments of short term credit facilities, partially offset by increased trade payables and accrued interest. Non-current liabilities increased primarily due to increased long term borrowings in connection with proceeds received on silo project loans upon meeting new construction milestones.

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

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

	Year ended March 31, 2022(1)	Year ended March 31, 2021(1)
Revenue	35,666	70,190
Loss before income taxes	(14,148)	(12,031)
Net loss	(14,121)	(8,905)

(1) Amounts for the years ended March 31, 2022 and 2021 were translated into US$ using the average exchange rates of $1 U.S. dollar = 74.50 Indian rupees and $1 U.S. dollar = 74.23 Indian rupees prevailing during those periods.

Revenue decreased primarily reflecting reduced business volumes in the supply chain management business, consistent with NCML management's strategy to reduce financing exposure and focus on specific customer segments in response to the tightened credit environment. The above was partially offset by incremental revenue from recently operating silos as well as NCML's new logistics services line of business. Loss before income taxes and net loss for the year ended March 31, 2022 was impacted by decreased revenues as noted above and accounting loss provisions recorded in the year relating to insurance claim receivables and trade and loan receivables, which will be recorded as gains in future periods if received. Loss before income taxes and net loss for the year ended March 31, 2021 was impacted by losses incurred in connection with withdrawal from three silo projects, partially offset by a recovery of income taxes.

Investment in Saurashtra Freight Private Limited

Business Overview

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

At March 31, 2022 the company held a 51.0% equity interest in Saurashtra (December 31, 2021 - 51.0%).

Key Business Drivers, Events and Risks

Saurashtra measures the operating performance of its CFS business based on the utilization of its standard twenty-foot (shipping container) equivalent units ("TEUs") relative to total installed capacity, and total import and export container traffic in the market. In the first quarter of 2022, Saurashtra handled 31,759 TEUs compared to quarterly installed capacity of 49,300 TEUs, implying a capacity utilization of approximately 64% (first quarter of 2021 - 30,560 TEUs compared to quarterly installed capacity of 45,000, implying utilization of approximately 68%). At March 31, 2022 Saurashtra had the highest market share in imports at approximately 15%, and second highest market share in exports at approximately 14% at Mundra port in India. Saurashtra remains the largest CFS at that port in terms of total throughput achieved with a 15% market share for the quarter ended March 31, 2022.

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

During 2021 Saurashtra completed the construction of a new logistics park in Mundra, which increased the total capacity of its CFS business and is expected to improve utilization. Saurashtra has also invested in additional container units to expand Fairfreight Lines' container carrier business, where profitability has benefited from high ocean freight rates. Saurashtra is continuing to actively pursue additional volume and increase capacity through offering comprehensive packages to shipping lines and evaluating expansion projects in its existing businesses and the wider logistics industry.

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

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2022 the company's internal valuation model indicated that the fair value of the company's investment in Saurashtra was $47,653 (December 31, 2021 - $47,157) with the changes in fair value for the first quarters of 2022 and 2021 presented in the tables at the outset of the Indian Investments section of this MD&A. For further details, refer to note 5 (Indian Investments) to the interim consolidated financial statements for the three months ended March 31, 2022.

In the first quarter of 2022 the consolidated statements of earnings included dividend income earned from the company's investment in Saurashtra of nil (2021 - $420).

Investment in Jaynix Engineering Private Limited

Business Overview

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

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

Key Business Drivers, Events and Risks

Jaynix's key business drivers relate to its ability to grow its customer base and product offerings in North America and Europe while maintaining the high quality of its products. Jaynix leverages on its low-cost manufacturing operations in its three manufacturing plants in India to cater to markets in North America and Europe and has in-house capabilities to design products and to increase production capacities in the manufacturing of components.

While the electrical connector markets in North America and Europe are dominated by only a few suppliers, the COVID-19 pandemic resulted in significant increased demand for electrical connectors used throughout various industries, resulting in significant supply constraints. Jaynix's has been in an optimal position to capitalize on this opportunity with its low production cycle time.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2022 the fair value of the company's investment in Jaynix was $32,334 with the changes in fair value for the first quarter of 2022 related to unrealized foreign currency translation losses presented in the table at the outset of the Indian Investments section of this MD&A. For further details, refer to note 5 (Indian Investments) to the interim consolidated financial statements for the three months ended March 31, 2022.

Investment in Maxop Engineering Company Private Limited

Business Overview

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

On September 16, 2021 Fairfax India entered into an agreement to acquire, in aggregate, a 67.0% equity interest in Maxop in two transactions. On November 30, 2021 the company invested cash consideration of $29,520 (approximately 2.2 billion Indian rupees) for a 51.0% equity interest in Maxop under the initial transaction.

In the second transaction, the company shall invest an amount between approximately $9 million and $35 million based on period end exchange rates (700 million Indian rupees and approximately 2.7 billion Indian rupees, respectively) for an additional 16.0% equity interest. The final purchase price for the second transaction will be determined based on the achievement of certain financial-based performance targets by Maxop. The second transaction is expected to close in the second half of 2022, subject to customary closing conditions.

Key Business Drivers, Events and Risks

Maxop's key business drivers relate to the growing demand for aluminum die-cast products, particularly within the global automotive parts industry, as aluminum is lightweight and durable and provides a safe and effective alternative to reduce vehicle weight in order to meet increasingly strict fuel economy standards. The global market size for electric vehicles is also projected to reach $1,300 billion by 2028 from $280 billion in 2021, driving an increase in demand for aluminum. Maxop has primarily focused on the passenger vehicle segment of the automotive sector, and over half of its revenue is comprised of exports. In addition to the automotive parts die casting segment, Maxop is also a supplier of fully machined precision components, and caters to general engineering product segments with applications in air conditioning parts and food processing machines.

Maxop mitigates its exposure to volatility in input prices through its aluminum processing plant which transforms scrap metal to aluminum ingots for its aluminum die casting and machinery supply segment.

Maxop continues to actively monitor its material sourcing and consumption amid global supply chain issues (particularly surrounding semi-conductor chips), as well as its liquidity requirements through prudent working capital management.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2022 the fair value of the company's investment in Maxop was $29,277 (December 31, 2021 - $29,844) with the changes in fair value for the first quarter of 2022 related to unrealized foreign currency translation losses presented in the table at the outset of the Indian Investments section of this MD&A. For further details, refer to note 5 (Indian Investments) to the interim consolidated financial statements for the three months ended March 31, 2022.

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.

Key Business Drivers, Events and Risks

India has two main stock exchanges where the majority of its trading takes place, the BSE and NSE of India. Although most significant firms in India are listed on both the BSE and NSE of India, NSE enjoys dominant market share positions including a 93% market share in the equity trading segment, a 100% market share in the equity derivatives trading segment and a 70% and 95% market share in the foreign exchange futures and options markets, respectively. In 2021 NSE of India is the world's largest exchange in derivatives trading volumes for the third straight year.

NSE will undertake to complete an IPO sometime in 2022 or 2023 depending on the outcome of the Securities Appellate Tribunal ("SAT") ruling, previously disclosed. 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, 2022 the company estimated the fair value of its investment in NSE was $127,010 (December 31, 2021 - $111,216) with the changes in fair value for the first quarters of 2022 and 2021 presented in the tables at the outset of the Indian Investments section of this MD&A. For further details, refer to note 5 (Indian Investments) to the interim consolidated financial statements for the three months ended March 31, 2022.

Investment in India Housing Fund

Business Overview

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

At March 31, 2022 IH Fund had invested approximately $194 million at period end exchange rates (approximately 15 billion Indian rupees) in 10 real estate sector investments.

Key Business Drivers, Events and Risks

The Indian real estate sector is a key growth driver of the country's economy and is the second-highest employment generator in India. The Indian real estate sector is expected to contribute approximately 13% to the country's GDP by 2025 and reach $1 trillion by 2030.

The Government of India developed a host of initiatives to boost the housing sector and continues to undertake various reforms to highlight its focus on affordable housing, such as: (i) interest rate subsidy on housing loans; (ii) 100% deduction in taxable income for qualified developers; (iii) ease of entry and exit for foreign direct investments; (iv) digitization of land records; and (v) establishment of the Real Estate (Regulation and Development Act), 2016 which seeks to protect home-buyers as well as help boost investments in the real estate industry.

Valuation and Interim Consolidated Financial Statement Impact

At March 31, 2022 the company estimated the fair value of its investment in IH Fund was $22,197 (December 31, 2021 - $23,613) with the changes in fair value for the first quarters of 2022 and 2021 presented in the tables at the outset of the Indian Investments section of this MD&A. For further details, refer to note 5 (Indian Investments) to the interim consolidated financial statements for the three months ended March 31, 2022.

In the first quarter of 2022 the consolidated statements of earnings included dividend income earned from the company's investment in IH Fund of $689 (2021 - $176).

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	
	2022	**2021**
Income		
Interest	2,322	636
Dividends	10,281	12,133
Net realized losses on investments	(174)	—
Net change in unrealized gains on investments	69,852	327,647
Net foreign exchange losses	(9,202)	(315)
	73,079	340,101
Expenses		
Investment and advisory fees	10,080	9,783
Performance fee (recovery)	(3,094)	56,123
General and administration expenses	1,862	1,473
Interest expense	6,380	9,014
	15,228	76,393
Earnings before income taxes	57,851	263,708
Provision for income taxes	2,068	8,282
Net earnings	55,783	255,426
Attributable to:		
Shareholders of Fairfax India	55,962	255,426
Non-controlling interests	(179)	—
	55,783	255,426
Net earnings per share	$ 0.40	$ 1.71
Net earnings per diluted share	$ 0.38	$ 1.66

Total income of $73,079 in the first quarter of 2022 decreased from $340,101 in the first quarter of 2021 principally due to decreased net change in unrealized gains on investments (discussed below) and increased net foreign exchange losses. The net change in unrealized gains on investments of $69,852 in the first quarter of 2022 was principally comprised of unrealized gains in the company's investments in Sanmar ($49,040), IIFL Wealth ($39,759) and NSE ($18,029), partially offset by unrealized losses in the company's investments in CSB Bank ($21,978) and Fairchem Organics ($16,352). The net change in unrealized gains on investments of $327,647 in the first quarter of 2021 was principally comprised of unrealized gains in the company's investments in IIFL Finance ($196,647), Privi Speciality ($85,900), IIFL Wealth ($36,436), CSB Bank ($15,393), Other Public Indian Investments ($12,623) and Fairchem Organics ($10,209), partially offset by unrealized losses in the company's investments in NCML common shares ($6,408) and 5paisa ($4,631), and the recognition of a derivative obligation for the Privi Speciality written call option which resulted in unrealized losses of $26,762. Interest income of $2,322 in the first quarter of 2022 increased from $636 in the first quarter of 2021 principally as a result of increased interest from Government of India bonds and Other Indian Fixed Income. Dividend income of $10,281 in the first quarter of 2022 primarily related to dividends received from the company's investments in IIFL Finance, IIFL Securities, Other Public Indian Investments and IH Fund. Dividend income of $12,133 in the first quarter of 2021 primarily related to dividends received from the company's investments in IIFL Wealth, IIFL Finance, Other Public Indian Investments, IIFL Securities and Saurashtra.

Net gains (losses) on investments and net foreign exchange gains (losses) for the first quarters of 2022 and 2021 were comprised as follows:

	First quarter					
	2022			2021		
	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:						
Short term investments	(4)	5	1	—	—	—
Bonds	(269)	422	153	—	(81)	(81)
Common stocks	99 (1)	69,889 (1)	69,988	—	349,065 (1)	349,065
Derivatives	—	(464) (1)	(464)	—	(21,337) (1)	(21,337)
	(174)	69,852	69,678	—	327,647	327,647
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	422	—	422	599	—	599
Borrowings	—	(9,501) (2)	(9,501)	(33,080) (2)	32,224 (2)	(856)
Other	(123)	—	(123)	(58)	—	(58)
	299	(9,501)	(9,202)	(32,539)	32,224	(315)

(1) Refer to 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 2022 and 2021.

(2) In the first quarter of 2022 net change in unrealized loss on borrowings of $9,501 related to the Unsecured Senior Notes. In the first quarter of 2021 net realized foreign exchange loss of $33,080 related to the repayment of $500,000 of the $550,000 secured term loan. The net change in unrealized gain of $32,224 was primarily comprised of the reversal of unrealized foreign exchange losses in prior years of $29,761 on the repaid portion of the $550,000 secured term loan, and unrealized foreign exchange gains of $2,463 primarily related to the Unsecured Senior Notes.

Total expenses of $15,228 in the first quarter of 2022 decreased from $76,393 in the first quarter of 2021 primarily as a result of a performance fee recovery in the first quarter of 2022 compared to a performance fee recorded in the first quarter of 2021 and decreased interest expense, partially offset by increased general and administration expenses, and 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. The investment and advisory fees recorded in the consolidated statements of earnings for the first quarter of 2022 were $10,080 (2021 - $9,783).

The provision for income taxes of $2,068 in the first quarter of 2022 differed from the provision for income taxes that would be determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's earnings before income taxes primarily as a result of the tax rate differential on income earned outside of Canada, partially offset by change in unrecorded tax benefit of losses and temporary differences.

The provision for income taxes of $8,282 in the first quarter of 2021 differed from the provision for income taxes that would be determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's earnings before income taxes primarily as a result of the tax rate differential on income earned outside of Canada and foreign exchange fluctuations, partially offset by change in unrecorded tax benefit of losses and temporary differences.

The company reported net earnings attributable to shareholders of $55,962 (net earnings of $0.40 per basic share and $0.38 per diluted share) in the first quarter of 2022 compared to net earnings attributable to shareholders of $255,426 (net earnings of $1.71 per basic share and $1.66 per diluted share) in the first quarter of 2021. The quarter-over-quarter decrease in net earnings attributable to shareholders primarily reflected decreased net change in unrealized gains on investments and increased net foreign exchange losses, partially offset by a performance fee recovery in the first quarter of 2022 and decreased provision for income taxes.

Consolidated Balance Sheet Summary

The assets and liabilities reflected on the company's consolidated balance sheet at March 31, 2022 were primarily impacted by the net change in unrealized gains on investments, purchases and sales of investments, purchases of subordinate voting shares for cancellation and unrealized foreign currency translation losses.

Total Assets

Total assets at March 31, 2022 of $3,549,967 (December 31, 2021 - $3,584,346) were principally comprised as follows:

Total cash and investments decreased to $3,540,790 at March 31, 2022 from $3,576,708 at December 31, 2021. The company's total cash and investments composition was as follows:

Cash and cash equivalents decreased to $23,941 at March 31, 2022 from $30,376 at December 31, 2021 principally due to the purchase of Jaynix common shares, purchases of subordinate voting shares for cancellation, and an interest payment on the Unsecured Senior Notes, partially offset by net proceeds received from the sales of Government of India bonds and dividend income.

Bonds and Common stocks - The company is actively seeking investment opportunities in India and will continue to redirect capital from its cash and cash equivalents, short term investments, and Government of India bonds into Indian Investments as and when those opportunities are identified. For more information about recent Indian Investments, see the Indian Investments section of this MD&A. For more information on the company's total cash and investments holdings of $3,540,790 at March 31, 2022 (December 31, 2021 - $3,576,708) see note 6 (Cash and Investments) to the interim consolidated financial statements for the three months ended March 31, 2022.

Interest and dividends receivable increased to $6,992 at March 31, 2022 from $5,339 at December 31, 2021 primarily due to increased interest receivable from Government of India bonds and Other Indian Fixed Income, partially offset by the receipt of dividends receivable at December 31, 2021 during the first quarter of 2022.

Other assets decreased to $1,149 at March 31, 2022 from $1,243 at December 31, 2021, primarily due to the amortization of upfront costs related to the Revolving Credit Facility.

Total Liabilities and Equity

Total liabilities at March 31, 2022 of $670,899 (December 31, 2021 - $681,912) were principally comprised as follows:

Accrued interest expense of $2,361 at March 31, 2022 (December 31, 2021 - $8,611) was principally comprised of accrued interest expense for the Unsecured Senior Notes which are due in semi-annual installments.

Payable to related parties decreased to $90,158 at March 31, 2022 from $95,002 at December 31, 2021 primarily as a result of a performance fee recovery in the first quarter of 2022 in connection with the performance fee accrual of $80,034 (relating to the third calculation period ending on December 31, 2023) to Fairfax.

Deferred income taxes decreased to $80,240 at March 31, 2022 from $80,648 at December 31, 2021 primarily as a result of a reversal of prior period deferred taxes recognized on the company's investments in CSB Bank, Fairchem Organics, 5paisa and BIAL, partially offset by a provision for deferred income taxes primarily attributable to unrealized gains on IIFL Wealth and Sanmar.

Borrowings increased to $496,915 at March 31, 2022 from $496,785 at December 31, 2021 as a result of the amortization of issuance costs related to the Unsecured Senior Notes.

Total equity at March 31, 2022 of $2,879,068 (December 31, 2021 - $2,902,434) was comprised of common shareholders' equity of $2,754,028 (December 31, 2021 - $2,774,792) and non-controlling interests of $125,040 (December 31, 2021 - $127,642). Refer to note 8 (Total Equity) and note 10 (Financial Risk Management, under the heading Capital Management) to the interim consolidated financial statements for the three months ended March 31, 2022 for further details.

Financial Risk Management

The primary goals of the company's financial risk management program are to ensure that the outcomes of activities involving elements of risk are consistent with the company's objectives and risk tolerance, while maintaining an appropriate balance between risk and reward and protecting the company's consolidated balance sheets from events that have the potential to materially impair its financial strength. There were no significant changes in the types of the company's risk exposures or the process used by the company for managing those risk exposures at March 31, 2022 compared to those identified at December 31, 2021 and disclosed in the company's 2021 Annual Report, other than as outlined in note 10 (Financial Risk Management) to the interim consolidated financial statements for the three months ended March 31, 2022.

Capital Resources and Management

For a detailed analysis, refer to note 10 (Financial Risk Management, under the heading Capital Management) to the interim consolidated financial statements for the three months ended March 31, 2022.

Book Value per Share

Common shareholders' equity at March 31, 2022 was $2,754,028 (December 31, 2021 - $2,774,792). The book value per share at March 31, 2022 was $19.77 compared to $19.65 at December 31, 2021 representing an increase in the first three months of 2022 of 0.6%, principally reflecting net earnings attributable to shareholders of Fairfax India of $55,962 (primarily related to net change in unrealized gains on investments and dividend income, partially offset by investment and advisory fees, net foreign exchange losses and interest expense), partially offset by unrealized foreign currency translation losses attributable to shareholders of Fairfax India of $52,728. In addition, the company purchased for cancellation 1,897,532 subordinate voting shares during the first quarter of 2022 for a net cost of $24,010 ($12.65 per subordinate voting share) through its normal course issuer bid which resulted in a further increase in book value per share.

	March 31, 2022	December 31, 2021
Common shareholders' equity	2,754,028	2,774,792
Number of common shares effectively outstanding	139,337,820	141,235,352
Book value per share	$19.77	$19.65

Liquidity

The undeployed cash and investments at March 31, 2022 provide adequate liquidity to meet the company's known significant commitments over the next twelve months, which are principally comprised of an additional investment in Maxop, a commitment under the automatic share purchase plan, interest expense, investment and advisory fees, and general and administration expenses.

At March 31, 2022 the company's payment obligations which are due beyond one year primarily relate to the recurring nature of expenses described above and a principal repayment on the Unsecured Senior Notes due in February 2028, which bear interest at a fixed rate of 5.0% per annum, payable in semi-annual installments. In addition, under the Investment Advisory Agreement (defined in note 11 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2022), if a performance fee is payable for the period ending on December 31, 2023, the performance fee will be payable in cash, or at Fairfax's option, in subordinate voting shares.

The company has the ability to sell a portion of its Indian Investments to supplement its liquidity requirements, by way of private placements or in public markets for its Public Indian Investments, or through private sales or IPOs for its Private Indian Investments. The fair values of cash and investments at March 31, 2022, including selling restrictions and financial risks related to the investments, are disclosed in note 6 (Cash and Investments) and note 10 (Financial Risk Management) to the interim consolidated financial statements for the three months ended March 31, 2022. At March 31, 2022 the company held common shares of Public Indian Investments which carry no selling restrictions with a fair value of $700,096 and Government of India bonds with a fair value of $132,811. The company expects to continue to receive investment income on its holdings of fixed income securities and dividends from its equity investments to supplement its cash and cash equivalents. To further augment its liquidity, the company can draw upon its Revolving Credit Facility. Accordingly, the company has adequate working capital to support its operations.

Highlights in the first quarter of 2022 (with comparisons to the first quarter of 2021) of major components of the statements of cash flows are presented in the following table:

	First quarter	
	2022	2021
Operating activities		
Cash used in operating activities excluding the impact of changes in restricted cash and net sales (purchases) of investments	(13,528)	(1,496)
Decrease in restricted cash in support of borrowings	—	16,051
Sales of short term investments	6,047	—
Purchases of investments	(32,504)	(2)
Sales of investments	57,533	183
Cash provided by operating activities	17,548	14,736
Financing activities		
Borrowings:		
Proceeds	—	500,000
Issuance costs	—	(3,650)
Repayments	—	(500,000)
Purchases of subordinate voting shares for cancellation	(24,010)	(4,106)
Cash used in financing activities	(24,010)	(7,756)
Increase (decrease) in cash and cash equivalents during the period	(6,462)	6,980

"Cash used in operating activities excluding the impact of changes in restricted cash and net sales (purchases) of investments" provides a measure of cash used in the company's head office operations, primarily comprised of cash inflows (outflows) from interest and dividend income, interest expense, investment and advisory fees, current income taxes and general and administration expenses, and excludes the impact of changes in restricted cash and net sales (purchases) of investments. Cash used in operating activities excluding the impact of changes in restricted cash and net sales (purchases) of investments of $13,528 in the first quarter of 2022 increased from $1,496 in the first quarter of 2021 primarily reflecting increased cash used towards semi-annual interest payments on the Unsecured Senior Notes.

Decrease in restricted cash in support of borrowings of $16,051 in the first quarter of 2021 principally related to the release of restricted cash during 2021 upon the partial repayment of the secured term loan. Sales of short term investments of $6,047 in the first quarter of 2022 related to the sale of Government of India treasury bills to fund the investment in Jaynix reflected in the purchases of investments of $32,504 in the first quarter of 2022. Sales of investments of $57,533 in the first quarter of 2022 primarily related to sales of Government of India bonds to fund the investment in Jaynix and the company's share purchases for cancellation under its normal course issuer bid.

Proceeds from borrowings of $500,000 and issuance costs of $3,650 in the first quarter of 2021 related to the net proceeds received from the issuance of the Unsecured Senior Notes on February 26, 2021. Repayments of borrowings of $500,000 in the first quarter of 2021 related to the partial repayment of the $550,000 secured term loan.

Purchases of subordinate voting shares for cancellation of $24,010 in the first quarter of 2022 (2021 - $4,106) related to the company's purchases of 1,897,532 subordinate voting shares (2021 - 375,337) under the terms of the normal course issuer bid. Refer to note 8 (Total Equity) to the interim consolidated financial statements for the three months ended March 31, 2022 for further details.

Contractual Obligations

On February 26, 2021 the company completed an offering of $500,000 principal amount of 5.0% unsecured senior notes due February 26, 2028 at par for net proceeds after commissions and expenses of $496,350. The Unsecured Senior Notes bear interest at a fixed rate of 5.0% per annum, payable in semi-annual installments.

At March 31, 2022 and December 31, 2021 the Revolving Credit Facility was undrawn and remained available.

On September 16, 2021 Fairfax India entered into an agreement to acquire, in aggregate, a 67.0% equity interest in Maxop in two transactions. The first transaction was completed on November 30, 2021. In the second transaction, the company shall invest an amount between approximately $9 million and $35 million based on period end exchange rates (700 million Indian rupees and approximately 2.7 billion Indian rupees, respectively) for an additional 16.0% equity interest. The second transaction is expected to close in the second half of 2022, subject to customary closing conditions.

On March 30, 2022 the company entered into an agreement to sell 8,722,886 equity shares of IIFL Wealth (representing 9.8% of its 13.6% equity interest) for total consideration of approximately $191 million based on period end exchange rates (approximately 14.5 billion Indian rupees). The transaction is subject to customary closing conditions and approvals and is expected to close in the third quarter of 2022. The agreement resulted in the recognition of an IIFL Wealth forward sale derivative obligation of $461 at March 31, 2022.

Under the terms of the Investment Advisory Agreement (defined in note 11 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2022), the company and its subsidiaries are contractually obligated to pay Fairfax an investment and advisory fee and, if applicable, a performance fee. These fees will vary based on the company's common shareholders' equity and book value per share.

The investment and advisory fees are calculated and payable quarterly as 0.5% of the value of undeployed capital and 1.5% of the company's common shareholders' equity less the value of undeployed capital. The investment and advisory fees recorded in the consolidated statements of earnings for the first quarter of 2022 were $10,080 (2021 - $9,783).

At March 31, 2022 the company determined that there was a performance fee accrual of $80,034 relating to the third calculation period (December 31, 2021 - $84,716). Refer to note 11 (Related Party Transactions) to the interim consolidated financial statements for the three months ended March 31, 2022 for discussion on the performance fee.

Other

Quarterly Data (unaudited)

US$ thousands, except per share amounts	**March 31, 2022**	**December 31, 2021**	**September 30, 2021**	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**
Income (loss)	73,079	(145,885)	186,020	313,303	340,101	110,221	99,448	72,723
Expenses	15,228	(15,481)	37,460	61,637	76,393	22,552	16,643	16,181
Provision for (recovery of) income taxes	2,068	(12,679)	16,655	26,772	8,282	5,372	5,153	4,158
Net earnings (loss)	55,783	(117,725)	131,905	224,894	255,426	82,297	77,652	52,384
Net earnings (loss) attributable to shareholders	55,962	(117,716)	131,910	224,894	255,426	82,297	77,652	52,384
Net earnings (loss) per share	$ 0.40	$ (0.83)	$ 0.91	$ 1.51	$ 1.71	$ 0.55	$ 0.52	$ 0.35
Net earnings (loss) per diluted share	$ 0.38	$ (0.83)	$ 0.85	$ 1.43	$ 1.66	$ 0.55	$ 0.52	$ 0.35

Indian rupees and in millions, except per share amounts [(1)]	**March 31, 2022**	**December 31, 2021**	**September 30, 2021**	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**
Income (loss)	5,500	(10,499)	13,857	23,118	24,791	8,183	7,364	4,894
Expenses	1,146	(1,085)	2,792	4,552	5,568	1,671	1,234	1,150
Provision for (recovery of) income taxes	156	(920)	1,235	1,967	604	398	382	288
Net earnings (loss)	4,198	(8,494)	9,830	16,599	18,619	6,114	5,748	3,456
Net earnings (loss) attributable to shareholders	4,212	(8,494)	9,830	16,599	18,619	6,114	5,748	3,456
Net earnings (loss) per share	30.16	(60.07)	67.58	111.11	124.65	40.79	38.21	22.84
Net earnings (loss) per diluted share	28.75	(60.07)	63.71	105.75	120.98	40.64	38.21	22.84

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

Income continues to be primarily comprised of net change in unrealized and realized gains (losses) on investments, interest and dividend income and net foreign exchange gains (losses). Income was significantly impacted in the first quarter of 2022 by the net change in unrealized gains on the company's Indian Investments (principally unrealized gains in the company's investments in Sanmar, IIFL Wealth and NSE, partially offset by unrealized losses in the company's investments in CSB Bank and Fairchem Organics). 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: the COVID-19 pandemic; oil price risk; geographic concentration of investments; foreign currency fluctuation; volatility of the Indian securities markets; investments may be made in foreign private businesses where information is unreliable or unavailable; valuation methodologies involve subjective judgments; financial market fluctuations; pace of completing investments; minority investments; reliance on key personnel and risks associated with the Investment Advisory Agreement; lawsuits; use of leverage; significant ownership by Fairfax may adversely affect the market price of the subordinate voting shares; weather risk; taxation risks; emerging markets; MLI; economic risk; and trading price of subordinate voting shares relative to book value per share risk. Additional risks and uncertainties are described in the company's annual information form dated March 4, 2022 which is available on SEDAR at www.sedar.com and on the company's website at www.fairfaxindia.ca. These factors and assumptions are not intended to represent a complete list of the factors and assumptions that could affect the company. These factors and assumptions, however, should be considered carefully.

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

Glossary of Non-GAAP and Other Financial Measures

Management analyzes and assesses the financial position of the consolidated company in various ways. Certain of the measures included in this interim report, which have been used consistently and disclosed regularly in the company's Annual Reports and interim financial reporting, do not have a prescribed meaning under IFRS as issued by the IASB and may not be comparable to similar measures presented by other companies.

Supplementary Financial Measures

Book value per share - The company considers book value per share a key performance measure in evaluating its objective of long term capital appreciation, while preserving capital. This measure is also closely monitored as it is used to calculate the performance fee, if any, to Fairfax. This measure is calculated by the company as common shareholders' equity divided by the number of common shares outstanding. Those amounts are presented in the consolidated balance sheet and note 8 (Total Equity under the heading *Common Stock*) respectively within the interim consolidated financial statements for the three months ended March 31, 2022.

Non-GAAP Financial Measures

Cash used in operating activities excluding the impact of changes in restricted cash and net sales (purchases) of investments - The company uses this measure to monitor the cash generated by (used in) the company's head office operations, primarily comprised of cash inflows (outflows) from interest and dividend income, interest expense, investment and advisory fees, current income taxes and general and administration expenses, and excludes the impact of changes to restricted cash and purchases and sales of investments. This measure is a component of cash provided by (used in) operating activities as presented in the consolidated statement of cash flows within the consolidated financial statements for the interim consolidated financial statements for the three months ended March 31, 2022.

Cash and marketable securities - The company uses this measure to monitor short term liquidity risk. This measure is calculated by the company as the sum of cash, cash equivalents, short term investments, Government of India bonds and Other Public Indian Investments. Those amounts are presented in note 6 (Cash and Investments) within the interim consolidated financial statements for the three months ended March 31, 2022.

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