FAIRFAX INDIA
HOLDINGS CORPORATION

2

INTERIM REPORT

For the six months ended
June 30, 2023

Consolidated Balance Sheets
as at June 30, 2023 and December 31, 2022
(unaudited - US$ thousands)

	Notes	June 30, 2023	December 31, 2022
Assets			
Cash and cash equivalents	6	90,049	147,448
Short term investments	6	48,517	49,692
Bonds	5, 6	153,851	140,693
Common stocks	5, 6	3,232,926	3,020,223
Total cash and investments		3,525,343	3,358,056
Interest receivable		2,338	5,599
Income taxes refundable		193	1,012
Other assets		733	902
Total assets		3,528,607	3,365,569
Liabilities			
Accounts payable and accrued liabilities		925	1,143
Accrued interest expense	7, 11	8,611	8,611
Income taxes payable		174	331
Payable to related parties	11	72,491	50,851
Deferred income taxes		74,752	50,554
Borrowings	7, 11	497,567	497,306
Total liabilities		654,520	608,796
Equity	8		
Common shareholders' equity		2,748,097	2,642,036
Non-controlling interests		125,990	114,737
Total equity		2,874,087	2,756,773
		3,528,607	3,365,569

See accompanying notes.

Consolidated Statements of Earnings (Loss)
for the three and six months ended June 30, 2023 and 2022
(unaudited - US$ thousands except per share amounts)

	Notes	Second quarter 2023	Second quarter 2022	First six months 2023	First six months 2022
Income					
Interest	6	4,514	2,711	9,194	5,033
Dividends	6	96	3,418	8,290	13,699
Net realized gains on investments	6	43,582	27,942	47,663	27,768
Net change in unrealized gains (losses) on investments	6	195,960	(117,576)	139,658	(47,724)
Net foreign exchange gains (losses)	6	414	(20,379)	2,546	(29,581)
		244,566	(103,884)	207,351	(30,805)
Expenses					
Investment and advisory fees	11	9,470	9,707	18,286	19,787
Performance fee (recovery)	11	35,614	(46,987)	21,067	(50,081)
General and administration expenses	12	4,333	1,361	9,662	3,223
Interest expense	7	6,381	6,381	12,761	12,761
		55,798	(29,538)	61,776	(14,310)
Earnings (loss) before income taxes		188,768	(74,346)	145,575	(16,495)
Provision for (recovery of) income taxes	9	23,042	(4,791)	31,467	(2,723)
Net earnings (loss)		165,726	(69,555)	114,108	(13,772)
Attributable to:					
Shareholders of Fairfax India		159,335	(69,710)	103,848	(13,748)
Non-controlling interests		6,391	155	10,260	(24)
		165,726	(69,555)	114,108	(13,772)
Net earnings (loss) per share		$ 1.16	$ (0.50)	$ 0.75	$ (0.10)
Net earnings (loss) per diluted share		$ 1.12	$ (0.50)	$ 0.73	$ (0.10)
Shares outstanding (weighted average)		137,181,262	139,303,963	137,687,525	139,488,737

See accompanying notes.

Consolidated Statements of Comprehensive Income (Loss)
for the three and six months ended June 30, 2023 and 2022
(unaudited - US$ thousands)

	Second quarter		First six months	
	2023	**2022**	**2023**	**2022**
Net earnings (loss)	165,726	(69,555)	114,108	(13,772)
Other comprehensive income (loss), net of income taxes				
Item that may be subsequently reclassified to net earnings (loss)				
Unrealized foreign currency translation gains (losses), net of income taxes of nil (2022 - nil)	5,221	(113,442)	23,543	(168,593)
Other comprehensive income (loss), net of income taxes	5,221	(113,442)	23,543	(168,593)
Comprehensive income (loss)	170,947	(182,997)	137,651	(182,365)
Attributable to:				
Shareholders of Fairfax India	164,331	(178,081)	126,398	(174,847)
Non-controlling interests	6,616	(4,916)	11,253	(7,518)
	170,947	(182,997)	137,651	(182,365)

See accompanying notes.

Consolidated Statements of Changes in Equity

for the six months ended June 30, 2023 and 2022
(unaudited - US$ thousands)

	Subordinate voting shares	Multiple voting shares	Share-based payments, net	Retained earnings	Accumulated other comprehensive income (loss)	Common shareholders' equity	Non-controlling interests	Total equity
Balance as of January 1, 2023	1,143,368	300,000	(379)	1,810,723	(611,676)	2,642,036	114,737	2,756,773
Net earnings for the period	—	—	—	103,848	—	103,848	10,260	114,108
Other comprehensive income:								
Unrealized foreign currency translation gains	—	—	—	—	22,550	22,550	993	23,543
Purchases for cancellation (note 8)	(16,539)	—	—	(3,833)	—	(20,372)	—	(20,372)
Amortization	—	—	35	—	—	35	—	35
Balance as of June 30, 2023	1,126,829	300,000	(344)	1,910,738	(589,126)	2,748,097	125,990	2,874,087
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 loss for the period	—	—	—	(13,748)	—	(13,748)	(24)	(13,772)
Other comprehensive loss:								
Unrealized foreign currency translation losses	—	—	—	—	(161,099)	(161,099)	(7,494)	(168,593)
Purchases for cancellation (note 8)	(22,099)	—	—	(4,182)	—	(26,281)	—	(26,281)
Amortization	—	—	24	—	—	24	—	24
Balance as of June 30, 2022	1,152,459	300,000	(295)	1,605,746	(484,222)	2,573,688	120,124	2,693,812

See accompanying notes.

Consolidated Statements of Cash Flows

for the three and six months ended June 30, 2023 and 2022

(unaudited - US$ thousands)

	Notes	Second quarter 2023	Second quarter 2022	First six months 2023	First six months 2022
Operating activities					
Net earnings (loss)		165,726	(69,555)	114,108	(13,772)
Items not affecting cash and cash equivalents:					
Net bond premium (discount) amortization		(1,060)	318	(1,656)	1,192
Performance fee (recovery)	11	35,614	(46,987)	21,067	(50,081)
Deferred income taxes	9	17,635	(8,363)	23,719	(7,231)
Amortization of share-based payment awards		18	12	35	24
Net realized gains on investments	6	(43,582)	(27,942)	(47,663)	(27,768)
Net change in unrealized (gains) losses on investments	6	(195,960)	117,576	(139,658)	47,724
Net foreign exchange (gains) losses	6	(414)	20,379	(2,546)	29,581
Net sales of short term investments		17,754	—	2,786	6,047
Purchases of investments		(105,461)	(129,861)	(105,461)	(162,365)
Sales of investments		75,147	135,817	97,532	193,350
Changes in operating assets and liabilities:					
Interest receivable		(808)	(1,375)	(124)	(3,141)
Income taxes refundable		—	—	826	—
Accrued interest expense		6,250	6,652	—	524
Income taxes payable		(339)	18	(159)	187
Payable to related parties		649	(561)	97	(533)
Other		17	(1,322)	(236)	(1,384)
Cash provided by (used in) operating activities		(28,814)	(5,194)	(37,333)	12,354
Financing activities					
Subordinate voting shares:					
Purchases for cancellation	8	(18,112)	(2,271)	(20,372)	(26,281)
Cash used in financing activities		(18,112)	(2,271)	(20,372)	(26,281)
Decrease in cash and cash equivalents		(46,926)	(7,465)	(57,705)	(13,927)
Cash and cash equivalents – beginning of period		136,913	23,941	147,448	30,376
Foreign currency translation		62	842	306	869
Cash and cash equivalents – end of period		90,049	17,318	90,049	17,318

See accompanying notes.

Index to Notes to Interim Consolidated Financial Statements

1. Business Operations

Fairfax India Holdings Corporation ("the company" or "Fairfax India") is an investment holding company whose objective is to achieve long term capital appreciation, while preserving capital, by investing in public and private equity securities and debt instruments in India and Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India ("Indian Investments"). The company makes all or substantially all of its investments either directly or through one of its wholly-owned 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 and six months ended June 30, 2023 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, 2022, 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 August 3, 2023.

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, 2022, 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 2023

On January 1, 2023 the company adopted the following amendments, which did not have a significant impact on the company's consolidated financial statements: *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)*.

International Tax Reform – Pillar Two Model Rules

On May 23, 2023 the IASB issued amendments to IAS 12 *Income Taxes* to provide temporary relief from accounting and disclosure for deferred taxes arising from the implementation of Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD). The Pillar Two model rules provide a general framework for the implementation of a 15% global minimum tax, which is to be applied on a jurisdiction-by-jurisdiction basis. The amendment does not have a significant impact on the company's consolidated financial statements.

New accounting pronouncements issued but not yet effective

The IASB issued the following amendments which the company does not expect to adopt in advance of their effective date of January 1, 2024: *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* and *Non-current Liabilities with Covenants (Amendments to IAS 1)*. 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, 2022.

While the company's valuation techniques for Private Indian Investments remained principally unchanged during the first six months of 2023, consideration has been given to the current economic and market environment in the determination of unobservable inputs used in discounted cash flows, including the amount and timing of future cash flows prepared by investees' management, discount rates, growth rates and other inputs. Such considerations include the effects of economic uncertainty caused by heightened inflationary pressures and actions taken by central banks across the world to control inflation levels. 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 June 30, 2023.

5. Indian Investments

Throughout the company's interim consolidated financial statements for the three and six months ended June 30, 2023, the term "Indian Investments" refers to deployed capital invested in Public and Private Indian Investments as disclosed within this note.

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

A summary of changes in the fair value of the company's Public and Private Indian Investments for the second quarter of 2023 is as follows:

	Second quarter							
	2023							
	Balance as of April 1	Purchases	Sales	Amortization	Net realized gains on investments	Net change in unrealized gains (losses) on investments (1)	Net unrealized foreign currency translation gains	Balance as of June 30
Public Indian Investments:								
Common stocks:								
IIFL Finance (2)	495,804	—	(30,512)	—	30,512	(8,935)	865	487,734
IIFL Securities	51,908	—	—	—	—	10,907	122	62,937
360 ONE (formerly IIFL Wealth)	37,885	—	(37,465)	—	13,070	(13,548)	58	—
CSB Bank	230,847	—	—	—	—	39,824	496	271,167
Fairchem Organics	76,167	—	—	—	—	26,885	208	103,260
5paisa	26,412	—	—	—	—	8,117	65	34,594
Other	1,800	—	—	—	—	329	3	2,132
Total Public Indian Investments	920,823	—	(67,977)	—	43,582	63,579	1,817	961,824
Private Indian Investments:								
Common stocks:								
BIAL	1,296,142	75,000	—	—	—	51,433	2,407	1,424,982
Sanmar	289,332	—	—	—	—	50,084	644	340,060
Seven Islands	97,629	—	—	—	—	17,941	212	115,782
NCML	51,826	3,425	—	—	—	(4,059)	116	51,308
Maxop	52,382	—	—	—	—	3,106	100	55,588
Saurashtra	51,051	—	—	—	—	1,498	94	52,643
Jaynix	36,051	—	—	—	—	7,129	79	43,259
NSE	167,662	—	—	—	—	4,878	307	172,847
IH Fund	15,298	—	(471)	—	—	(218)	24	14,633
Other Indian Fixed Income	7,209	—	—	106	—	—	13	7,328
Total Private Indian Investments	2,064,582	78,425	(471)	106	—	131,792	3,996	2,278,430
Total Indian Investments	2,985,405	78,425	(68,448)	106	43,582	195,371	5,813	3,240,254

(1) All Private Indian Investments and certain common shares of CSB Bank (subject to selling restrictions) were classified as Level 3 in the fair value hierarchy. Net change in unrealized gains (losses) on investments classified as Level 3 in the fair value hierarchy related to investments held at the end of the reporting period. Net change in unrealized gains related to common shares of CSB Bank classified as Level 3 was $32,180.

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

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

	Second quarter							
	2022							
	Balance as of April 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 June 30**
Public Indian Investments:								
Common stocks:								
IIFL Finance	317,454	—	—	—	—	43,017	(14,285)	346,186
360 ONE (formerly IIFL Wealth) (2)	265,689	—	—	—	—	(29,856)	(9,227)	226,606
IIFL Securities	99,191	—	—	—	—	(21,460)	(3,296)	74,435
CSB Bank	201,496	—	—	—	—	(9,811)	(8,084)	183,601
Fairchem Organics	135,830	—	—	—	—	1,601	(5,755)	131,676
5paisa	34,404	—	—	—	—	(4,988)	(1,294)	28,122
Other	69,859	3,386	(58,344)	—	28,429	(21,512)	(1,138)	20,680
Derivatives:								
IIFL Wealth forward sale derivative (2)	(461)	—	—	—	—	18,889	(645)	17,783
Total Public Indian Investments	1,123,462	3,386	(58,344)	—	28,429	(24,120)	(43,724)	1,029,089
Private Indian Investments:								
Common stocks:								
BIAL	1,344,377	—	—	—	—	1,747	(54,514)	1,291,610
Sanmar	461,859	—	—	—	—	(91,663)	(14,910)	355,286
Seven Islands	104,214	—	—	—	—	674	(4,240)	100,648
NCML	69,899	—	—	—	—	(2,244)	(2,732)	64,923
Saurashtra	47,653	—	—	—	—	1,917	(1,978)	47,592
Jaynix	32,334	—	—	—	—	—	(1,309)	31,025
Maxop	29,277	—	—	—	—	—	(1,185)	28,092
NSE	127,010	—	—	—	—	—	(5,143)	121,867
IH Fund	22,197	—	—	—	—	(981)	(858)	20,358
Other Indian Fixed Income	21,756	—	—	102	—	—	(884)	20,974
Total Private Indian Investments	2,260,576	—	—	102	—	(90,550)	(87,753)	2,082,375
Total Indian Investments	3,384,038	3,386	(58,344)	102	28,429	(114,670)	(131,477)	3,111,464

(1) All Private Indian Investments and certain common shares of CSB Bank (subject to selling restrictions) were classified as Level 3 in the fair value hierarchy. Net change in unrealized gains (losses) on investments classified as Level 3 in the fair value hierarchy related to investments held at the end of the reporting period. Net change in unrealized losses related to common shares of CSB Bank classified as Level 3 was $5,705.

(2) On March 30, 2022 the company entered into an agreement to sell 8,722,886 equity shares of IIFL Wealth at a specified contract price, based on an initial share price adjusted for dividends received from IIFL Wealth up to the closing date. The agreement resulted in the recognition of an equity forward sale derivative asset ("IIFL Wealth forward sale derivative") and an unrealized gain implied by the contract price of sale shares relative to the closing bid price at June 30, 2022. The transaction closed on November 22, 2022 for aggregate proceeds of $171,846 (approximately 14.0 billion Indian rupees).

A summary of changes in the fair value of the company's Public and Private Indian Investments for the first six months of 2023 is as follows:

	First six months							
	2023							
	Balance as of January 1	Purchases / Conversion	Sales / Conversion	Amortization	Net realized gains (losses) on investments	Net change in unrealized gains (losses) on investments (1)	Net unrealized foreign currency translation gains	Balance as of June 30
Public Indian Investments:								
Common stocks:								
IIFL Finance (2)	493,341	—	(30,512)	—	30,512	(9,758)	4,151	487,734
IIFL Securities	65,837	—	—	—	—	(3,449)	549	62,937
360 ONE (formerly IIFL Wealth)	46,730	—	(45,974)	—	16,551	(17,727)	420	—
CSB Bank	223,268	—	—	—	—	45,911	1,988	271,167
Fairchem Organics	111,083	—	—	—	—	(8,743)	920	103,260
5paisa	28,421	—	—	—	—	5,920	253	34,594
Other	15,577	—	(13,447)	—	6,403	(6,525)	124	2,132
Total Public Indian Investments	984,257	—	(89,933)	—	53,466	5,629	8,405	961,824
Private Indian Investments:								
Common stocks:								
BIAL	1,233,747	75,000	—	—	—	105,567	10,668	1,424,982
Sanmar	337,846	—	—	—	—	(642)	2,856	340,060
Seven Islands	96,910	—	—	—	—	18,014	858	115,782
NCML (3)	56,871	9,824	—	—	—	(15,872)	485	51,308
Maxop	51,886	—	—	—	—	3,257	445	55,588
Saurashtra	50,707	—	—	—	—	1,504	432	52,643
Jaynix	32,796	—	—	—	—	10,163	300	43,259
NSE	159,627	—	—	—	—	11,844	1,376	172,847
IH Fund	15,576	—	(900)	—	—	(168)	125	14,633
Other Indian Fixed Income (3)	19,585	—	(6,399)	200	(5,803)	(399)	144	7,328
Total Private Indian Investments	2,055,551	84,824	(7,299)	200	(5,803)	133,268	17,689	2,278,430
Total Indian Investments	3,039,808	84,824	(97,232)	200	47,663	138,897	26,094	3,240,254

(1) All Private Indian Investments and certain common shares of CSB Bank (subject to selling restrictions) were classified as Level 3 in the fair value hierarchy. Net change in unrealized gains (losses) on investments classified as Level 3 in the fair value hierarchy related to investments held at the end of the reporting period, with exception of net change in unrealized losses of $399 related to the reversal of prior period unrealized gains on the NCML CCD included in Other Indian Fixed Income. Net change in unrealized gains related to common shares of CSB Bank classified as Level 3 was $36,955.

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

(3) On March 31, 2023, the company exercised its option to convert the NCML CCD (included within Other Indian Fixed Income) into NCML common shares. The NCML common shares were recognized at a fair value of $6,399 (525.8 million Indian rupees), which resulted in a realized loss on the NCML CCD of $5,803 (476.9 million Indian rupees).

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

	First six months							
	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 June 30
Public Indian Investments:								
Common stocks:								
IIFL Finance	318,136	—	—	—	—	48,415	(20,365)	346,186
360 ONE (formerly IIFL Wealth) [(2)]	230,111	—	—	—	—	10,367	(13,872)	226,606
IIFL Securities	103,217	—	—	—	—	(23,541)	(5,241)	74,435
CSB Bank	227,649	—	—	—	—	(31,789)	(12,259)	183,601
Fairchem Organics	155,020	—	(25)	—	20	(14,751)	(8,588)	131,676
5paisa	41,232	—	—	—	—	(11,074)	(2,036)	28,122
Privi Speciality	79	—	(83)	—	79	(74)	(1)	—
Other	69,612	3,386	(58,344)	—	28,429	(19,932)	(2,471)	20,680
Derivatives:								
IIFL Wealth forward sale derivative [(2)]	—	—	—	—	—	18,425	(642)	17,783
Total Public Indian Investments	1,145,056	3,386	(58,452)	—	28,528	(23,954)	(65,475)	1,029,089
Private Indian Investments:								
Common stocks:								
BIAL	1,372,170	—	—	—	—	6	(80,566)	1,291,610
Sanmar	421,153	—	—	—	—	(42,623)	(23,244)	355,286
Seven Islands	105,926	—	—	—	—	975	(6,253)	100,648
NCML	69,578	—	—	—	—	(590)	(4,065)	64,923
Saurashtra	47,157	—	—	—	—	3,319	(2,884)	47,592
Jaynix	—	32,504	—	—	—	—	(1,479)	31,025
Maxop	29,844	—	—	—	—	—	(1,752)	28,092
NSE	111,216	—	—	—	—	18,029	(7,378)	121,867
IH Fund	23,613	—	(1,554)	—	—	(407)	(1,294)	20,358
Other Indian Fixed Income	22,083	—	—	195	—	—	(1,304)	20,974
Total Private Indian Investments	2,202,740	32,504	(1,554)	195	—	(21,291)	(130,219)	2,082,375
Total Indian Investments	3,347,796	35,890	(60,006)	195	28,528	(45,245)	(195,694)	3,111,464

(1) All Private Indian Investments and certain common shares of CSB Bank (subject to selling restrictions) were classified as Level 3 in the fair value hierarchy. Net change in unrealized gains (losses) on investments classified as Level 3 in the fair value hierarchy related to investments held at the end of the reporting period. Net change in unrealized losses related to common shares of CSB Bank classified as Level 3 was $22,394.

(2) On March 30, 2022 the company entered into an agreement to sell 8,722,886 equity shares of IIFL Wealth at a specified contract price, based on an initial share price adjusted for dividends received from IIFL Wealth up to the closing date. The agreement resulted in the recognition of an equity forward sale derivative asset ("IIFL Wealth forward sale derivative") and an unrealized gain implied by the contract price of sale shares relative to the closing bid price at June 30, 2022. The transaction closed on November 22, 2022 for aggregate proceeds of $171,846 (approximately 14.0 billion Indian rupees).

Public Indian Investments

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

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

		June 30, 2023		December 31, 2022	
Public Indian Investments:	**Industry**	**Shares held**	**Ownership**	**Shares held**	**Ownership**
Common stocks:					
IIFL Finance Limited ("IIFL Finance")	Financial services	79,641,445	20.9 %	84,641,445	22.3 %
IIFL Securities Limited ("IIFL Securities")	Financial services	84,641,445	27.7 %	84,641,445	27.8 %
360 ONE WAM Limited ("360 ONE") (formerly IIFL Wealth Management Limited)	Financial services	—	— %	2,182,749	2.5 %
CSB Bank Limited ("CSB Bank") (1)	Financial services	86,262,976	49.7 %	86,262,976	49.7 %
Fairchem Organics Limited ("Fairchem Organics")	Commercial and industrial	6,878,656	52.8 %	6,878,656	52.8 %
5paisa Capital Limited ("5paisa")	Financial services	7,670,130	25.0 %	7,670,130	25.0 %
Other (2)	Various (2)	—	< 1.0 %	Various (2)	< 1.0 %

(1) The company is restricted from selling a certain percentage of its common shares of CSB Bank for a specified period due to restrictions imposed by the Reserve Bank of India ("RBI") and the Securities and Exchange Board of India ("SEBI"). At June 30, 2023 and December 31, 2022 the company held 69,394,331 common shares of CSB Bank that continue to be restricted until August 7, 2024.

(2) At June 30, 2023, Other Public Indian Investments was comprised of an investment of less than 1.0% equity interest in the financial services sector (December 31, 2022 - investments of less than 1.0% equity interest in the financial services and utilities sectors).

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

Private Indian Investments

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

The changes in fair value of the company's Private Indian Investments for the second quarters and first six months of 2023 and 2022 are presented in the tables disclosed earlier in note 5.

Investment in Bangalore International Airport Limited

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

At June 30, 2023 the company estimated the fair value of its investment in BIAL using a discounted cash flow analysis for its three business units based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 12.5% to 16.5% and a long term growth rate of 3.5% (December 31, 2022 - 12.4% to 16.1%, and 3.5%, respectively). At June 30, 2023 free cash flow forecasts were based on EBITDA estimates derived from financial information for three business units prepared in the second quarter of 2023 (December 31, 2022 - second quarter of 2022 for two business units and fourth quarter of 2022 for one business unit) by BIAL's management.

Free Cash Flow Forecast Inputs

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

Current Model Assumptions

Free cash flow forecasts were revised by BIAL's management in the second quarter of 2023 primarily to reflect (i) changes in the timing of capital expenditures to reflect the commencement of international operations at BIAL's Terminal 2 in fiscal year 2024; (ii) higher user development fees ("UDF") in the fourth control period commencing in fiscal year 2027; and (iii) reduced capital expenditures over the remaining forecast period.

BIAL is an infrastructure investment that is currently in a period of capital expansion, and as a result a significant amount of its fair value is driven by expected growth in passenger traffic in the later years of the forecasting period once various capital projects are complete. BIAL's aeronautical revenues are primarily driven by UDFs charged to airlines and passengers, which are set by the Airports Economic Regulatory Authority of India ("AERA") in five-year control periods and are fixed in a manner to generate a 16.0% per annum return on invested equity for the airport operator. As the tariff setting mechanism adjusts for periods of underperformance, it is expected that underachievement in aeronautical revenues will be substantially recovered through, among other factors, higher UDFs in future control periods.

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

On May 9, 2023 Fairfax India announced it entered into an agreement to acquire additional equity interest in BIAL through FIH Mauritius and on June 21, 2023 the company completed the acquisition of 3.0% equity interest in BIAL for cash consideration of $75,000 (approximately 6.2 billion Indian rupees). Under the same agreement, the company has also agreed to acquire an additional 7.0% equity interest in BIAL for additional cash consideration of $175,000, subject to certain performance conditions by BIAL and other closing conditions, which are expected to be assessed subsequent to October 31, 2023.

At June 30, 2023 the company held a 57.0% equity interest in BIAL (December 31, 2022 - 54.0%) and its internal valuation model indicated that the fair value of the company's investment in BIAL was $1,424,982 (December 31, 2022 - $1,233,747).

At June 30, 2023 the company held 43.6% out of its 57.0% (December 31, 2022 - 43.6% out of its 54.0%) equity interest in BIAL through Anchorage. As a result, the company's fully-diluted equity interest in BIAL was 52.0% (December 31, 2022 - 49.0%). Refer to note 8 (Total Equity, under the heading Non-controlling interests) for further discussion on Anchorage.

Investment in Sanmar Chemicals Group

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

Chemplast Sanmar Limited ("Chemplast"), a publicly traded subsidiary of the Sanmar group, is engaged in specialty PVC manufacturing, suspension PVC manufacturing and the production of specialty chemicals for pharmaceutical, agro-chemical and fine chemical sectors, in India. Chemplast is listed on both the BSE and NSE of India.

At June 30, 2023 the company estimated the fair value of its investment in Sanmar common shares using: (i) a discounted cash flow analysis for Sanmar Egypt, based on multi-year free cash flow forecasts with an assumed after-tax discount rate of 13.7% and a long term growth rate of 3.0% (December 31, 2022 - 13.2% and 3.0%, respectively); and (ii) the unadjusted bid price of Chemplast's common shares. At June 30, 2023 free cash flow forecasts were based on EBITDA estimates derived from financial information for Sanmar Egypt prepared in the second quarter of 2023 (December 31, 2022 - fourth quarter of 2022) by Sanmar's management.

Free Cash Flow Forecast Inputs

The primary driver of free cash flow estimates is the future 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 the second quarter of 2023 primarily to reflect lower PVC volumes and realizations as a result of the slower than expected demand recovery in China in the short term, however margins are expected to widen as demand recovers in future years. The revised forecasts also expect prices of caustic soda to normalize in the medium to long term from the all-time highs experienced in fiscal year 2023.

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

At June 30, 2023 the company held a 42.9% equity interest in Sanmar (December 31, 2022 - 42.9%) and its internal valuation model indicated that the fair value of the company's investment in Sanmar was $340,060 (December 31, 2022 - $337,846).

Investment in Seven Islands Shipping Limited

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

At June 30, 2023 the company estimated the fair value of its investment in Seven Islands using a discounted cash flow analysis based on multi-year free cash flow forecasts with an assumed after-tax discount rate of 14.3% and a long term growth rate of 3.0% (December 31, 2022 - 12.2% and 3.0%, respectively). At June 30, 2023 free cash flow forecasts were based on EBITDA estimates derived from financial information for Seven Islands prepared in the first quarter of 2023 (December 31, 2022 - third quarter of 2022) by Seven Islands' management.

Free Cash Flow Forecast Inputs

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

Current Model Assumptions

Free cash flows were revised by Seven Islands' management in the first quarter of 2023 primarily to reflect higher EBITDA margins over the forecast period supported by higher charter rates, delayed vessel acquisitions, the sale of an additional vessel in fiscal year 2024 as a result of favourable vessel prices, and higher expansionary capital expenditures due to the continued shortage of vessels. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Seven Islands operates. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Seven Islands operates.

As a result of strong operating results in Seven Islands' fiscal year ended March 31, 2023, the company's net debt decreased in the second quarter of 2023, which had a favourable impact on its fair value.

At June 30, 2023 the company held a 48.5% equity interest in Seven Islands (December 31, 2022 - 48.5%), and its internal valuation model indicated that the fair value of the company's investment in Seven Islands was $115,782 (December 31, 2022 - $96,910).

Investment in National Commodities Management Services Limited

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

At June 30, 2023 the company estimated the fair value of its investment in NCML common shares using: (i) a discounted cash flow analysis based on multi-year free cash flow forecasts for two business units with assumed after-tax discount rates of 13.6% (both business units) and long term growth rates ranging from 2.4% to 5.0% (December 31, 2022 - ranging 12.1% to 12.2%, 2.4% to 6.0%, respectively); and (ii) an adjusted net book value approach for its NBFC business unit. At June 30, 2023 free cash flow forecasts were based on EBITDA estimates derived from financial information for two business units prepared in the first quarter of 2023 (December 31, 2022 - third quarter of 2022) by NCML's management.

Free Cash Flow Forecast Inputs

The primary drivers of free cash flow estimates are warehouse capacity, future EBITDA growth of NCML's commodity management solutions business and the successful completion of silo construction projects.

Current Model Assumptions

Free cash flow forecasts were revised by NCML's management in the first quarter of 2023 primarily to reflect lower forecasted EBITDA based on current market conditions and forecasted asset disposals for the warehousing business, with proceeds used to reduce debt. Revised forecasts also reflected the surrender of three silo projects in fiscal year 2023 and substantial completion of remaining silo projects in fiscal year 2024. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which NCML operates. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which NCML operates. The long term growth rate for NCML's warehousing business unit decreased in the second quarter of 2023 principally to reflect continued business difficulties and suppressed demand due to sustained commodity price inflation.

At June 30, 2023 the company held a 91.0% equity interest in NCML (December 31, 2022 - 89.5%), and its internal valuation model indicated that the fair value of the company's equity investment in NCML was $51,308 (December 31, 2022 - $56,871).

In 2019 the company invested $13,970 (approximately 1.0 billion Indian rupees) in 12.5% unsecured compulsorily convertible debentures ("NCML CCD"), due September 30, 2029 and convertible into NCML common shares, at the company's option, at any time prior to the maturity date. The conversion price was 68.00 Indian rupees per common share. On March 31, 2023, the company converted the NCML CCD into NCML common shares with a fair value of $6,399 (525.8 million Indian rupees). As a result, the company recorded a realized loss on the NCML CCD of $5,803 (476.9 million Indian rupees). In May 2023, NCML issued additional common shares to the company to settle accrued interest related to the NCML CCD, which the company recorded at a fair value of $3,425 (283.2 million Indian rupees). As a result of the above transactions, the company's equity interest in NCML increased from 89.5% to 91.0%.

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

Investment in Maxop Engineering Company Private Limited

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

On September 5, 2022 the company invested cash consideration of $21,928 (approximately 1.8 billion Indian rupees) for an additional 16.0% equity interest in Maxop, completing the second and final transaction under the terms of the investment agreement entered into in September 2021. In aggregate, the company has acquired a 67.0% equity interest in Maxop for $51,448 (approximately 4.0 billion Indian rupees), which was determined based on Maxop's achievement of certain financial-based performance targets.

At June 30, 2023 the company estimated the fair value of its investment in Maxop using a discounted cash flow analysis based on multi-year free cash flow forecasts with an assumed after-tax discount rate of 13.9% and a long term growth rate of 4.0% (December 31, 2022 - 14.9% and 4.0%, respectively). At June 30, 2023 free cash flow forecasts were based on EBITDA estimates derived from financial information for Maxop prepared in the second quarter of 2023 (December 31, 2022 - fourth quarter of 2022) by Maxop's management.

Free Cash Flow Forecast Inputs

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

Current Model Assumptions

Free cash flows were revised by Maxop's management in the second quarter of 2023 primarily to reflect new customer contracts resulting in additional capital expenditure requirements and increased revenue growth, partially offset by decreased EBITDA margins in the short term due to customer-specific onboarding and process customization costs. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Maxop operates. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Maxop operates.

At June 30, 2023 the company held a 67.0% equity interest in Maxop (December 31, 2022 - 67.0%), and its internal valuation model indicated that the fair value of the company's investment in Maxop was $55,588 (December 31, 2022 - $51,886).

Investment in Saurashtra Freight Private Limited

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

At June 30, 2023 the company estimated the fair value of its investment in Saurashtra using a discounted cash flow analysis based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 15.5% to 17.2% and long term growth rates ranging from 4.0% to 5.0% (December 31, 2022 - 17.8% to 19.5%, and 4.0% to 5.0%, respectively). At June 30, 2023 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 2023 (December 31, 2022 - third quarter of 2022) by Saurashtra's management.

Free Cash Flow Forecast Inputs

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

Current Model Assumptions

Free cash flows were revised by Saurashtra's management in the first quarter of 2023 primarily to reflect slightly higher EBITDA margins over the forecast period and reduced forecasted capital expenditures. 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 June 30, 2023 the company held a 51.0% equity interest in Saurashtra (December 31, 2022 - 51.0%), and its internal valuation model indicated that the fair value of the company's investment in Saurashtra was $52,643 (December 31, 2022 - $50,707).

Investment in Jaynix Engineering Private Limited

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

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

At June 30, 2023 the company estimated the fair value of its investment in Jaynix using a discounted cash flow analysis based on multi-year free cash flow forecasts with an assumed after-tax discount rate of 27.9% and a long term growth rate of 1.5% (December 31, 2022 - 21.6% and 1.5% respectively). At June 30, 2023 free cash flow forecasts were based on EBITDA estimates derived from financial information for Jaynix prepared in the second quarter of 2023 (December 31, 2022 - fourth quarter of 2022) by Jaynix's management.

Free Cash Flow Forecast Inputs

The primary driver of free cash flow estimates is growth in product volumes driven by excess demand, supported by planned capacity expansion, development of new products, acquiring new customers and growing long term relationships with existing customers.

Current Model Assumptions

Free cash flows were revised by Jaynix's management in the second quarter of 2023 primarily to reflect increased revenue growth supported by capacity expansions, high fixed asset turnover and higher gross and EBITDA margins over the forecast period. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which Jaynix operates. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Jaynix operates.

At June 30, 2023 the company held a 70.0% equity interest in Jaynix (December 31, 2022 - 70.0%), and its internal valuation model indicated that the fair value of the company's investment in Jaynix was $43,259 (December 31, 2022 - $32,796).

Investment in National Stock Exchange of India Limited

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

At June 30, 2023 the company estimated the fair value of its investment in NSE of $172,847 (December 31, 2022 - $159,627) based on recent third party transactions completed in the second quarter of 2023 (December 31, 2022 - fourth quarter of 2022).

Investment in India Housing Fund

India Housing Fund ("IH Fund") is a closed-ended fund of 360 ONE Private Equity Fund (formerly IIFL Private Equity Fund) registered as a Category II Alternative Investment Fund ("AIF") under SEBI'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.

During the second quarter and first six months of 2023 the company received distributions of $471 and $900 (2022 - nil and $1,554) from IH Fund.

At June 30, 2023 the company estimated the fair value of its investment in IH Fund of $14,633 (December 31, 2022 - $15,576) based on the net asset value provided by the third party fund manager. The fair values of the underlying assets are determined using quoted prices for short term investments, and industry accepted valuation models for debt and equity instruments.

6. Cash and Investments

Fair Value Disclosures

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

	June 30, 2023					December 31, 2022				
	Quoted prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value of assets	Total fair value of assets in Indian rupees (in millions)	Quoted prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value of assets	Total fair value of assets in Indian rupees (in millions)
Cash and cash equivalents	90,049	—	—	90,049	7,387	147,448	—	—	147,448	12,198
Short term investments:										
U.S. treasury bills (1)	45,461	—	—	45,461	3,729	49,692	—	—	49,692	4,111
Government of India (1)	—	3,056	—	3,056	251	—	—	—	—	—
	45,461	3,056	—	48,517	3,980	49,692	—	—	49,692	4,111
Bonds:										
Government of India (1)	—	146,523	—	146,523	12,020	—	121,108	—	121,108	10,019
Other Indian Fixed Income	—	—	7,328	7,328	601	—	—	19,585	19,585	1,621
	—	146,523	7,328	153,851	12,621	—	121,108	19,585	140,693	11,640
Common stocks:										
IIFL Finance	487,734	—	—	487,734	40,012	493,341	—	—	493,341	40,814
IIFL Securities	62,937	—	—	62,937	5,163	65,837	—	—	65,837	5,447
360 ONE (formerly IIFL Wealth)	—	—	—	—	—	46,730	—	—	46,730	3,866
CSB Bank (2)	57,955	—	213,212	271,167	22,246	48,569	—	174,699	223,268	18,471
Fairchem Organics	103,260	—	—	103,260	8,471	111,083	—	—	111,083	9,190
5paisa	34,594	—	—	34,594	2,838	28,421	—	—	28,421	2,351
Other	2,132	—	—	2,132	175	15,577	—	—	15,577	1,288
BIAL	—	—	1,424,982	1,424,982	116,900	—	—	1,233,747	1,233,747	102,068
Sanmar (3)	—	—	340,060	340,060	27,897	—	—	337,846	337,846	27,950
Seven Islands	—	—	115,782	115,782	9,498	—	—	96,910	96,910	8,017
NCML	—	—	51,308	51,308	4,209	—	—	56,871	56,871	4,705
Maxop	—	—	55,588	55,588	4,560	—	—	51,886	51,886	4,293
Saurashtra	—	—	52,643	52,643	4,319	—	—	50,707	50,707	4,195
Jaynix	—	—	43,259	43,259	3,549	—	—	32,796	32,796	2,713
NSE	—	—	172,847	172,847	14,180	—	—	159,627	159,627	13,206
IH Fund	—	—	14,633	14,633	1,200	—	—	15,576	15,576	1,289
	748,612	—	2,484,314	3,232,926	265,217	809,558	—	2,210,665	3,020,223	249,863
Total cash and investments	884,122	149,579	2,491,642	3,525,343	289,205	1,006,698	121,108	2,230,250	3,358,056	277,812
	25.1 %	4.2 %	70.7 %	100.0 %	100.0 %	30.0 %	3.6 %	66.4 %	100.0 %	100.0 %

(1) Priced based on information provided by independent pricing service providers at June 30, 2023 and December 31, 2022. Short term investments relate to government treasury bills maturing between three and twelve months from the date of purchase.

(2) The company is restricted from selling certain of its common shares of CSB Bank for a specified period up to August 7, 2024 due to restrictions imposed by the RBI and SEBI, and has applied a discount for lack of marketability (a significant unobservable valuation input) to the quoted price for the remaining restricted common shares of CSB Bank held by the company at June 30, 2023 and December 31, 2022.

(3) The fair value of Chemplast, a publicly traded subsidiary of Sanmar, comprised 60% of the company's investment in Sanmar at June 30, 2023 (December 31, 2022 - 61%).

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 six months of 2023 there were no transfers of financial instruments between fair value hierarchy levels. During the first six months of 2022 the company's investment in 898,816 restricted common shares of 5paisa was transferred from Level 3 to Level 1 in the fair value hierarchy as a result of the release of selling restrictions.

A summary of changes in the fair value of the company's Indian Investments classified as Level 3 in the fair value hierarchy, denominated in the company's functional currency of the Indian rupee for the first six months of 2023 and 2022 is as follows:

	First six months													
	2023							2022						
Indian rupees *(in millions)*	**Balance as of January 1**	**Purchases / Conversion**	**Sales / Conversion**	**Amortiz-ation**	**Net realized losses on investments**	**Net change in unrealized gains (losses) on investments**	**Balance as of June 30**	**Balance as of January 1**	**Purchases**	**Sales**	**Transfers**	**Amortiz-ation**	**Net change in unrealized gains (losses) on investments**	**Balance as of June 30**
Common stocks:														
BIAL	102,068	6,153	—	—	—	8,679	116,900	102,001	—	—	—	—	1	102,002
Sanmar	27,950	—	—	—	—	(53)	27,897	31,307	—	—	—	—	(3,249)	28,058
CSB Bank	14,453	—	—	—	—	3,038	17,491	12,962	—	—	—	—	(1,707)	11,255
Seven Islands	8,017	—	—	—	—	1,481	9,498	7,874	—	—	—	—	74	7,948
NCML	4,705	809	—	—	—	(1,305)	4,209	5,172	—	—	—	—	(45)	5,127
Maxop	4,293	—	—	—	—	267	4,560	2,218	—	—	—	—	—	2,218
Saurashtra	4,195	—	—	—	—	124	4,319	3,506	—	—	—	—	252	3,758
Jaynix	2,713	—	—	—		836	3,549	—	2,450	—	—	—	—	2,450
NSE	13,206	—	—	—	—	974	14,180	8,267	—	—	—	—	1,357	9,624
IH Fund	1,289	—	(75)	—	—	(14)	1,200	1,755	—	(117)	—	—	(30)	1,608
5paisa	—	—	—	—	—	—	—	328	—	—	(328)	—	—	—
Other Indian Fixed Income	1,621	—	(526)	16	(477)	(33)	601	1,642	—	—	—	15	—	1,657
Total	184,510	6,962	(601)	16	(477)	13,994	204,404	177,032	2,450	(117)	(328)	15	(3,347)	175,705

The changes in fair value of the company's Indian Investments classified as Level 3 in the fair value hierarchy in the company's presentation currency of U.S. dollars are disclosed in note 5. For all Indian Investments classified as Level 3 in the fair value hierarchy, net change in unrealized gains (losses) on investments related to investments held at the end of the reporting periods, with exception of net change in unrealized losses of 33 million Indian rupees related to the reversal of prior period unrealized gains on the NCML CCD included in Other Indian Fixed Income.

The table that follows illustrates the potential impact on net earnings (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 June 30, 2023. The analysis assumes quarterly variations within a reasonably possible range determined by the company based on an analysis of the return on various equity indices, management's knowledge of the Indian equity markets and the potential impact of changes in interest rates. This sensitivity analysis excludes the company's investments in NSE, IH Fund and Other Indian Fixed Income, as the company determined that there were no significant unobservable inputs suited for a sensitivity analysis.

Investments	Fair value of Level 3 investment	Valuation technique	Significant unobservable inputs	Significant unobservable inputs used in the internal valuation models	Hypothetical $ change effect on fair value measurement [1]	Hypothetical $ change effect on net earnings [1][2]
Common stocks:						
BIAL	1,424,982	Discounted cash flow	After-tax discount rate	12.5% to 16.5%	(324,882) / 417,060	(281,835) / 361,799
			Long term growth rate	3.5%	24,121 / (22,818)	20,925 / (19,795)
Sanmar [3]	340,060	Discounted cash flow	After-tax discount rate	13.7%	(39,337) / 47,230	(34,125) / 40,972
			Long term growth rate	3.0%	6,846 / (6,536)	5,939 / (5,670)
CSB Bank [4]	213,212	Bid price, net of discount	Discount for lack of marketability	10.6%	(2,329) / 2,328	(2,020) / 2,020
Seven Islands	115,782	Discounted cash flow	After-tax discount rate	14.3%	(13,944) / 16,765	(12,096) / 14,544
			Long term growth rate	3.0%	2,540 / (2,429)	2,203 / (2,107)
NCML [5]	51,308	Discounted cash flow	After-tax discount rate	13.6%	(9,745) / 12,027	(8,453) / 10,433
			Long term growth rate	2.4% to 5.0%	1,612 / (1,522)	1,398 / (1,320)
Maxop	55,588	Discounted cash flow	After-tax discount rate	13.9%	(7,513) / 9,241	(6,518) / 8,017
			Long term growth rate	4.0%	1,466 / (1,393)	1,272 / (1,208)
Saurashtra	52,643	Discounted cash flow	After-tax discount rate	15.5% to 17.2%	(3,474) / 4,137	(3,014) / 3,588
			Long term growth rate	4.0% to 5.0%	619 / (593)	537 / (514)
Jaynix	43,259	Discounted cash flow	After-tax discount rate	27.9%	(2,007) / 2,179	(1,741) / 1,890
			Long term growth rate	1.5%	220 / (216)	191 / (187)

(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 the Chemplast business unit is publicly traded on the BSE and NSE of India and is valued based on its unadjusted bid price. The hypothetical $ change effect from a 10% increase or decrease in Chemplast's traded share price would be an increase or decrease in fair value of Sanmar of $20,479, and an increase or decrease in net earnings of $17,766.

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

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

Investment Income

An analysis of investment income for the three and six months ended June 30 is summarized in the table that follows:

Interest and dividends

	Second quarter		First six months	
	2023	**2022**	**2023**	**2022**
Interest:				
Cash and cash equivalents	1,394	8	3,024	10
Short term investments	1,032	—	1,611	24
Bonds	2,088	2,703	4,559	4,999
	4,514	2,711	9,194	5,033
Dividends: Common stocks	96	3,418	8,290	13,699

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

	Second quarter					
	2023			2022		
	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:						
Short term investments	—	(1)	(1)	—	—	—
Bonds	—	590	590	(487)	(2,906)	(3,393)
Common stocks	43,582 (1)	195,371 (1)	238,953	28,429 (1)	(133,559) (1)	(105,130)
Derivatives	—	—	—	—	18,889 (1)	18,889
	43,582	195,960	239,542	27,942	(117,576)	(89,634)
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	(186)	—	(186)	855	—	855
Short term investments	(564)	405	(159)	—	—	—
Borrowings	—	885	885	—	(20,769)	(20,769)
Other	(126)	—	(126)	(465)	—	(465)
	(876)	1,290	414	390	(20,769)	(20,379)

(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 second quarters of 2023 and 2022.

	First six months					
	2023			2022		
	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)	Net realized gains (losses)	Net change in unrealized gains (losses)	Net gains (losses)
Net gains (losses) on investments:						
Short term investments	—	(1)	(1)	(4)	5	1
Bonds	(5,803) (1)	363	(5,440)	(756)	(2,484)	(3,240)
Common stocks	53,466 (1)	139,296 (1)	192,762	28,528 (1)	(63,670) (1)	(35,142)
Derivatives	—	—	—	—	18,425 (1)	18,425
	47,663	139,658	187,321	27,768	(47,724)	(19,956)
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	(824)	—	(824)	1,277	—	1,277
Short term investments	47	(621)	(574)	—	—	—
Borrowings	—	4,191	4,191	—	(30,270)	(30,270)
Other	(247)	—	(247)	(588)	—	(588)
	(1,024)	3,570	2,546	689	(30,270)	(29,581)

(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 six months of 2023 and 2022.

7. Borrowings

	June 30, 2023			December 31, 2022		
	Principal	Carrying value (1)	Fair value (2)	Principal	Carrying value (1)	Fair value (2)
Unsecured Senior Notes:						
5.0% Unsecured Senior Notes due February 26, 2028	500,000	497,567	441,900	500,000	497,306	453,650

(1) Principal net of unamortized issue costs.

(2) Fair value of the Unsecured Senior Notes at June 30, 2023 and December 31, 2022 was based principally on information provided by independent pricing service providers (Level 2 in the fair value hierarchy).

Unsecured Senior Notes

On February 26, 2021 the company completed an offering of $500,000 principal amount of 5.0% unsecured senior notes due February 26, 2028 ("Unsecured Senior Notes") at par, for net proceeds of $496,350 after commissions and expenses. Fairfax, through its subsidiaries, holds $58,400 of the $500,000 principal amount under the same terms as the other participants. Refer to note 11 for further details of amounts due to related parties.

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 June 30, 2023 and December 31, 2022 the Revolving Credit Facility was undrawn and remained available.

Interest Expense

In the second quarter and first six months of 2023 interest expense of $6,381 and $12,761 (2022 - $6,381 and $12,761) was comprised of stated interest and amortization of issuance costs related to the company's Unsecured Senior Notes. During the second quarter and first six months of 2023 the company paid interest of nil and $12,500 (2022 - nil and $12,500) on its borrowings.

At June 30, 2023 the company recognized accrued interest expense of $8,611 (December 31, 2022 - $8,611) within the consolidated balance sheets.

8. Total Equity

Common shareholders' equity

Common Stock

The number of shares outstanding was as follows:

	First six months	
	2023	**2022**
Subordinate voting shares – January 1	108,270,900	111,235,352
Purchases for cancellation	(1,571,929)	(2,100,443)
Subordinate voting shares – June 30	106,698,971	109,134,909
Multiple voting shares – beginning and end of period	30,000,000	30,000,000
Common shares effectively outstanding – June 30	136,698,971	139,134,909

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 six months of 2023, under the terms of its normal course issuer bid, the company purchased for cancellation 1,571,929 subordinate voting shares (2022 - 2,100,443) for a net cost of $20,372 (2022 - $26,281), of which $3,833 was charged to retained earnings (2022 - $4,182).

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.

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 a 43.6% equity interest in BIAL from FIH Mauritius to Anchorage and subsequently sold 11.5% (on a fully-diluted basis) of its interest in Anchorage to OMERS for gross proceeds of $129,221 (9.5 billion Indian rupees). Upon closing of the transaction, the company's ownership in BIAL was comprised of 10.4% held through FIH Mauritius and 43.6% held through Anchorage, representing effective ownership interest of 49.0% on a fully-diluted basis.

At June 30, 2023 the company continued to hold 43.6% out of its 57.0% (December 31, 2022 - 43.6% out of its 54.0%) equity interest in BIAL through Anchorage. As a result, the company's fully-diluted equity interest in BIAL was 52.0% (December 31, 2022 - 49.0%).

Net earnings attributable to non-controlling interests of $6,391 and $10,260 during the second quarter and first six months of 2023 (2022 - net earnings attributable to non-controlling interests of $155 and net loss of $24) principally related to net unrealized gains on Anchorage's investment in BIAL.

The company shall use commercially reasonable efforts to list Anchorage by way of an IPO in India, subject to regulatory approvals and market conditions on or before September 2025. If the valuation of Anchorage upon closing of the IPO is below approximately

$1.1 billion (at period end exchange rates) (91.6 billion Indian rupees), then OMERS' ownership in Anchorage will increase to a maximum of 15.0% and the company's ownership in Anchorage will decrease to a minimum of 85.0% (effective ownership interest in BIAL will decrease from 57.0% at June 30, 2023 to a minimum of 50.5%). If Anchorage does not list by way of an IPO in India by September 2025, then OMERS' ownership in Anchorage will remain at 11.5%.

9. Income Taxes

The company's provision for (recovery of) income taxes for the three and six months ended June 30 were comprised as follows:

	Second quarter		First six months	
	2023	**2022**	**2023**	**2022**
Current income tax:				
Current year expense	5,393	3,639	7,734	4,575
Adjustment to prior years' income taxes	14	(67)	14	(67)
	5,407	3,572	7,748	4,508
Deferred income tax:				
Origination and reversal of temporary differences	17,635	(8,363)	23,719	(7,231)
Provision for (recovery of) income taxes	23,042	(4,791)	31,467	(2,723)

Reconciliation of the provision for (recovery of) income taxes calculated at the Canadian statutory income tax rate to the provision for (recovery of) income taxes at the effective tax rate for the three and six months ended June 30 are presented in the following table:

	Second quarter		First six months	
	2023	**2022**	**2023**	**2022**
Canadian statutory income tax rate	26.5 %	26.5 %	26.5 %	26.5 %
Provision for (recovery of) income taxes at the Canadian statutory income tax rate	50,023	(19,702)	38,577	(4,371)
Tax rate differential on (income earned) losses incurred outside of Canada	(37,954)	15,145	(18,799)	(127)
Provision (recovery) relating to prior years	14	(67)	14	(67)
Increase (decrease) in unrecorded tax benefit of losses and temporary differences	11,869	(2,733)	12,850	(949)
Foreign exchange effect	(912)	2,567	(1,178)	2,792
Other including permanent differences	2	(1)	3	(1)
Provision for (recovery of) income taxes	23,042	(4,791)	31,467	(2,723)

The tax rate differential on income earned outside of Canada of $37,954 and $18,799 in the second quarter and first six months of 2023 (2022 - tax differential on losses incurred earned outside of Canada of $15,145 and on income earned outside of Canada of $127) principally reflected the impact of net investment income and losses taxed in Mauritius and India at lower rates. The provision for income taxes increased in the second quarter and first six months of 2023 principally due to deferred tax arising from unrealized gains on the company's investment in BIAL, which is held by Anchorage and FIH Mauritius. Investment gains earned in Anchorage are subject to a higher tax rate compared to FIH Mauritius.

At June 30, 2023 deferred tax assets of $100,724 in Canada and $5,201 in India (December 31, 2022 - $88,899 in Canada and $4,293 in India) were not recorded as it was considered not probable that those losses could be utilized by the company.

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 June 30, 2023 compared to those identified and disclosed in the company's annual consolidated financial statements for the year ended December 31, 2022. Consideration has been given to the current economic environment, including the heightened inflationary pressures and actions taken by central banks across the world to control inflation levels. Further developments related to ongoing global economic disruptions and global recessionary concerns, including the risk of rising inflation, could have a material adverse effect on the company's business, financial condition, results of operations and cash flows.

Market Risk

Market risk, comprised of foreign currency risk, interest rate risk and other price risk, is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

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. There were no significant changes to the company's framework used to monitor, evaluate and manage foreign currency risk at June 30, 2023 compared to December 31, 2022.

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. There were no significant changes to the company's framework used to monitor, evaluate and manage interest rate risk at June 30, 2023 compared to December 31, 2022.

The company's exposure to interest rate risk is effectively unchanged in the first six months of 2023. 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.

	June 30, 2023			December 31, 2022		
	Fair value of fixed income portfolio	Hypothetical $ change effect on net earnings [(1)]	Hypothetical % change in fair value	Fair value of fixed income portfolio	Hypothetical $ change effect on net earnings [(1)]	Hypothetical % change in fair value
Change in interest rates						
200 basis point increase	148,477	(3,949)	(3.5)%	135,232	(4,014)	(3.9)%
100 basis point increase	151,133	(1,998)	(1.8)%	137,924	(2,035)	(2.0)%
No change	153,851	—	—	140,693	—	—
100 basis point decrease	156,634	2,046	1.8 %	143,545	2,096	2.0 %
200 basis point decrease	159,484	4,141	3.7 %	146,480	4,253	4.1 %

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

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

Market Price Fluctuations

Market price fluctuation is the risk that the fair value or future cash flows of an equity investment will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual investment or its issuer, or other factors affecting all similar investments in the market.

The company's exposure to market price risk increased to $3,232,926 at June 30, 2023 from $3,020,223 at December 31, 2022. Refer to note 6 for the potential impact on net earnings of various combinations of changes in significant unobservable inputs in the company's internal valuation models for the company's investments classified as Level 3 in the fair value hierarchy.

The company estimates the potential impact on net earnings from a 20% increase or decrease in the fair value of its Public Indian Investments at June 30, 2023 to be a hypothetical increase or decrease in net earnings of $166,820 (December 31, 2022 - increase or decrease in net earnings of $169,117). For the purpose of this sensitivity analysis, the hypothetical $ change effect on net earnings includes an income tax impact that is calculated using the company's marginal tax rate. Actual income tax expense (recovery) may differ significantly when earnings (losses) are realized.

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. The decrease in bonds due after 5 years through 10 years reflects the early conversion of the NCML CCD into NCML common shares. The increase in bonds due after 1 year through 5 years primarily reflects the reinvestment of net proceeds from the sales of common stocks into Government of India bonds. At June 30, 2023 and December 31, 2022 there were no bonds containing call or put features.

	June 30, 2023		December 31, 2022	
	Amortized cost	**Fair value**	**Amortized cost**	**Fair value**
Due in 1 year or less	—	—	6,681	6,622
Due after 1 year through 5 years	155,480	153,851	123,869	121,554
Due after 5 years through 10 years	—	—	12,121	12,517
	155,480	153,851	142,671	140,693

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 June 30, 2023 compared to December 31, 2022.

Cash and Cash Equivalents and Short Term Investments

At June 30, 2023 the company's cash and cash equivalents of $90,049 (December 31, 2022 - $147,448) were primarily held in major financial institutions.

At June 30, 2023 the company's short term investments in U.S. treasury bills of $45,461 (December 31, 2022 - $49,692) were rated Aaa and AA+ by Moody's and S&P respectively (December 31, 2022 - Aaa and AA+), and short term investments in Government of India bonds of $3,056 (December 31, 2022 - nil) were rated Baa3 and BBB- by Moody's and S&P respectively.

Investments in Debt Instruments

At June 30, 2023 the company's debt instruments were all considered to be subject to credit risk with a fair value of $153,851 (December 31, 2022 - $140,693), representing 4.4% (December 31, 2022 - 4.2%) of the total cash and investments portfolio.

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

	June 30, 2023		December 31, 2022	
	Fair value	**Rating**	**Fair value**	**Rating**
Government of India bonds (1)	146,523	Baa3/BBB-	121,108	Baa3/BBB-
Other Indian Fixed Income	7,328	Not rated	19,585	Not rated
Total bonds	153,851		140,693	

(1) Rated Baa3 by Moody's and BBB- by S&P at June 30, 2023 and December 31, 2022.

The company's exposure to credit risk from its investments in fixed income securities increased slightly at June 30, 2023 compared to December 31, 2022, principally reflecting the reinvestment of net proceeds from the sales of common stocks into Government of India bonds, partially offset by the conversion of the NCML CCD into NCML common shares as described in note 5. 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 June 30, 2023 compared to December 31, 2022.

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. 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 June 30, 2023 compared to December 31, 2022.

The undeployed cash and investments at June 30, 2023 provide adequate liquidity to meet the company's known significant commitments over the next twelve months, which are principally comprised of an investment in BIAL (discussed below), investment and advisory fees, interest expense, purchases of subordinate voting shares for cancellation under its automatic share purchase plan, and general and administration expenses. 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.

On May 9, 2023 Fairfax India announced it entered into an agreement to acquire additional equity interest in BIAL through FIH Mauritius. The company completed the acquisition of 3.0% equity interest in BIAL on June 21, 2023 for cash consideration of $75,000. Under the same agreement, the company has also agreed to acquire an additional 7.0% equity interest in BIAL for additional cash consideration of $175,000, subject to certain performance conditions by BIAL and other closing conditions, which are expected to be assessed subsequent to October 31, 2023.

At June 30, 2023 the company's payment obligations, which are due beyond one year, primarily relate to the recurring nature of expenses described above and a principal repayment on the Unsecured Senior Notes due in February 2028, which bear interest at a fixed rate of 5.0% per annum, payable in semi-annual installments.

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 June 30, 2023, in addition to cash and cash equivalents of $90,049, the company held common shares of Public Indian Investments, which carry no selling restrictions, with a fair value of $748,612, Government of India bonds with a fair value of $146,523 and short term investments of $48,517. The company expects to continue to receive investment income on its holdings of fixed income securities and dividends from its equity investments to supplement its cash and cash equivalents. To further augment its liquidity, the company can draw upon its Revolving Credit Facility. Accordingly, the company has adequate working capital to support its ongoing operations.

Concentration Risk

The company's cash and investments are primarily concentrated in India and in Indian businesses or businesses with customers, suppliers or business primarily conducted in, or dependent on, India. The market value of the company's investments, the income generated by the company and the company's performance will be particularly sensitive to changes in the economic condition, interest rates, and regulatory environment in India. Adverse changes to the economic condition, interest rates or regulatory environment in India may have a material adverse effect on the company's business, cash flows, financial condition and net earnings. At June 30, 2023 and December 31, 2022 the company's total cash and investments composition by the issuer's country of domicile was primarily India, and at June 30, 2023 represented 96.4% (December 31, 2022 - 94.2%) of the total cash and investments portfolio.

The company's holdings of Public and Private Indian Investments (see note 5) at June 30, 2023 and December 31, 2022 are summarized by the issuer's primary industry sector in the table below:

	June 30, 2023	December 31, 2022
Infrastructure	1,424,982	1,233,747
Financial services	1,053,372	1,042,153
Commercial and industrial	593,475	602,999
Ports and shipping	168,425	147,617
Utilities	—	13,292
	3,240,254	3,039,808

At June 30, 2023 the company determined that it was in compliance with the Investment Concentration Restriction.

Capital Management

The company's objectives when managing capital are to protect its lenders, to safeguard its ability to continue as a going concern, and to maintain an optimal capital structure to reduce the cost of capital in order to optimize returns for common shareholders. The company will seek attractive risk-adjusted returns, but will at all times seek downside protection and attempt to minimize the loss of capital. Total capital (comprised of borrowings, common shareholders' equity and non-controlling interests) increased to $3,371,654 at June 30, 2023 from $3,254,079 at December 31, 2022, principally reflecting an increase in common shareholders' equity and non-controlling interests as described below.

Common shareholders' equity increased to $2,748,097 at June 30, 2023 from $2,642,036 at December 31, 2022 primarily reflecting net earnings attributable to shareholders of $103,848 and unrealized foreign currency translation gains attributable to shareholders of $22,550, partially offset by purchases of subordinate voting shares for cancellation of $20,372 during the first six months of 2023.

Non-controlling interests increased to $125,990 at June 30, 2023 from $114,737 at December 31, 2022 primarily reflecting net earnings attributable to non-controlling interests of $10,260 principally arising from net unrealized gains on the company's investment in BIAL held through Anchorage, in addition to unrealized foreign currency translation gains attributable to non-controlling interests of $993 during the first six months of 2023.

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:

	June 30, 2023	December 31, 2022
Performance fee	62,995	41,531
Investment and advisory fee	9,496	9,211
Other	—	109
	72,491	50,851

Investment Advisory Agreement

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

Performance Fee

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

At June 30, 2023 the company determined that there was a performance fee accrual of $62,995 related to the third calculation period (December 31, 2022 - $41,531). A performance fee of $35,614 and $21,067 was recorded in the consolidated statements of earnings (loss) in the second quarter and first six months of 2023 (2022 - a performance fee recovery of $46,987 and $50,081).

At June 30, 2023 there were an estimated 4,599,502 contingently issuable subordinate voting shares to Fairfax relating to the performance fee accrual for the third calculation period (June 30, 2022 - 2,843,537).

Investment and Advisory Fees

The investment and advisory fees recorded in the consolidated statements of earnings (loss) for the second quarter and first six months of 2023 were $9,470 and $18,286 (2022 - $9,707 and $19,787).

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:

	June 30, 2023	December 31, 2022
Principal portion, presented within borrowings on the consolidated balance sheet	58,400	58,400
Interest portion, presented within accrued interest expense on the consolidated balance sheet	1,006	1,006
	59,406	59,406

Interest expense recorded in the consolidated statements of earnings (loss) for the second quarter and first six months of 2023 included $730 and $1,460 related to amounts due to related parties (2022 - $730 and $1,460). Refer to note 7 for further details on the Unsecured Senior Notes.

Fairfax's Voting Rights and Equity Interest

At June 30, 2023 Fairfax, through its subsidiaries, owned 30,000,000 multiple voting shares (December 31, 2022 - 30,000,000) and owned and/or exercised control or direction over 28,504,470 subordinate voting shares (December 31, 2022 - 28,504,470) of Fairfax India. At June 30, 2023 Fairfax's aggregate ownership, control and/or direction of the subordinate voting shares and multiple voting shares represented a 95.1% voting interest and a 42.8% equity interest (December 31, 2022 - 95.0% and 42.3%) in Fairfax India.

12. General and Administration Expenses

General and administration expenses for the three and six months ended June 30 were comprised as follows:

	Second quarter		First six months	
	2023	**2022**	**2023**	**2022**
Audit, legal, tax, and professional fees [1]	3,377	480	6,982	1,288
Salaries and employee benefit expenses	197	219	513	714
Administrative expenses	437	415	912	899
Other	322	247	1,255	322
	4,333	1,361	9,662	3,223

(1) Audit, legal, tax, and professional fees increased primarily due to increased consulting fees.

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 August 3, 2023)
(Figures and amounts are in US$ and $ thousands except share and per share amounts and as otherwise indicated. Figures may not add due to rounding.)

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

(1) Readers of the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should review the notes to the interim consolidated financial statements for the three and six months ended June 30, 2023 and the company's 2022 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 June 30, 2023 was $20.10 compared to $19.11 at December 31, 2022, representing an increase in the first six months of 2023 of 5.2%, principally reflecting net earnings attributable to shareholders of Fairfax India of $103,848 (primarily related to net change in unrealized gains on investments and realized gains on sales of investments, partially offset by a provision for taxes, performance fees, investment and advisory fees, and interest expense). In addition, the company purchased for cancellation 1,571,929 subordinate voting shares during the first six months of 2023 for a net cost of $20,372 ($12.96 per subordinate voting share) through its normal course issuer bid, which further contributed to the increase in book value per share.

Summary of Indian Investments

Throughout this MD&A, the term "Indian Investments" refers to deployed capital invested in Public and Private Indian Investments as disclosed in note 5 (Indian Investments) to the interim consolidated financial statements for the three and six months ended June 30, 2023. Full descriptions of the Indian Investments committed to, acquired and sold in the first six months of 2023 are provided in the Indian Investments section of this MD&A.

Track Record

The table below provides a summary of the company's existing and monetized Indian Investments, including their compounded annualized return in U.S. dollars since the company's inception:

			June 30, 2023				
Existing Indian Investments:	**Initial investment date**	**Ownership %**	**Cash consideration (1)**	**Fair value**	**Net change**	**Cumulative interest and dividends (2)**	**Compounded annualized return (3)**
Public Indian Investments:							
Common stocks:							
IIFL Finance (4)	December 2015	20.9 %	105,337	487,734	382,397	22,024	25.1 % *
IIFL Securities (4)	December 2015	27.7 %	51,055	62,937	11,882	13,935	6.3 % *
5paisa (4)	December 2015	25.0 %	16,603	34,594	17,991	—	15.9 % *
Fairchem Organics (5)	February 2016	52.8 %	29,741	103,260	73,519	1,482	25.3 %
CSB Bank	October 2018	49.7 %	169,492	271,167	101,675	—	11.5 %
Other	May 2022	< 1.0 %	3,386	2,132	(1,254)	5	(33.5)%
			375,614	961,824	586,210	37,446	18.9 %
Private Indian Investments:							
Common stocks:							
NCML	August 2015	91.0 %	188,288	51,308	(136,980)	823	(16.5)%
Sanmar	April 2016	42.9 %	199,039	340,060	141,021	—	16.3 %
NSE	July 2016	1.0 %	26,783	172,847	146,064	10,182	33.9 %
Saurashtra	February 2017	51.0 %	30,018	52,643	22,625	2,088	10.0 %
BIAL	March 2017	57.0 %	727,982	1,424,982	697,000	2,241	12.8 %
IH Fund (6)	January 2019	—	14,754	14,633	(121)	4,069	5.8 %
Seven Islands	March 2019	48.5 %	83,846	115,782	31,936	—	8.0 %
Maxop	November 2021	67.0 %	51,448	55,588	4,140	—	6.3 %
Jaynix	February 2022	70.0 %	32,504	43,259	10,755	—	23.0 %
Other Indian Fixed Income	November 2021	—	7,395	7,328	(67)	475	3.4 %
			1,362,057	2,278,430	916,373	19,878	10.4 %
Total existing Indian Investments			1,737,671	3,240,254	1,502,583	57,324	12.7 %

Monetized Indian Investments:	**Initial investment date**	**Last sale date**	**Cash consideration (1)**	**Cash proceeds (1)**	**Cash proceeds less cash consideration**	**Cumulative interest and dividends (2)**	**Compounded annualized return (3)**
Partially monetized (7):							
IIFL Finance (4)	December 2015	June 2023	6,613	30,512	23,899	1,383	25.2 % *
Fairchem Organics (5)	February 2016	February 2022	7,787	45,585	37,798	86	49.7 %
			14,400	76,097	61,697	1,469	36.5 %
Fully monetized:							
360 ONE (formerly IIFL Wealth) (4)	December 2015	May 2023	107,044	243,465	136,421	40,492	16.7 % *
Other	March 2018	January 2023	178,762	282,564	103,802	9,298	28.0 %
Privi Speciality (5)	August 2016	April 2021	54,975	164,895	109,920	1,985	27.1 %
Sanmar Bonds (8)	April 2016	December 2019	299,000	433,873	134,873	—	11.0 %
			639,781	1,124,797	485,016	51,775	16.6 %
Total monetized Indian Investments			654,181	1,200,894	546,713	53,244	17.5 %
** Aggregate: IIFL Finance, IIFL Securities, 5paisa and 360 ONE (formerly IIFL Wealth)*							*19.4 %*

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

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

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

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

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

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

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

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

Operating Environment

Global Economic Environment

According to the World Economic Outlook (July 2023) published by the International Monetary Fund ("IMF"), global growth is expected to fall from 3.5% in 2022 to 3.0% in 2023 and 2024, with the decline principally driven by advanced economies. Commodity and energy prices which soared in 2022 due to supply chain disruptions and Russia's invasion of Ukraine ("conflict in Ukraine") have substantially normalized. Although inflation has eased in most countries, it remains high, with divergences across economies and inflation measures. Persistent inflation may contribute to continued policy tightening by central banks and increased borrowing costs, further constraining global economic activity.

Indian Economy

According to the latest estimates from the Indian government, the country's GDP grew 7.2% in its fiscal year 2022-23, higher than the previous estimate of 7.0%, which was supported by investment and export activity. In its July 2023 report, the IMF estimated India's GDP will expand by 6.1% for fiscal year 2023-24, reflecting an upward revision from its April 2023 estimate of 5.9%, attributable to recent momentum obtained from strong domestic investment. The IMF estimates also indicate emerging and developing economies are demonstrating signs of resilience despite the tightening of financial conditions in more advanced economies.

The Indian government's encouragement of capital expenditure, domestic manufacturing, credit growth and moderation in commodity prices are expected to strengthen manufacturing and investment activity. However, weakening external demand and geopolitical tension may impact growth prospects.

The Reserve Bank of India ("RBI") maintained the benchmark rate at 6.50% at its last two monetary policy committee meetings in April and June 2023 as inflation in India softened in line with projections. The RBI also announced it would remain focused on the withdrawal of its accommodative policy to ensure that inflation progressively aligns within the target, while supporting growth.

Indian Market Indices and Foreign Exchange Rate

Global equities generally demonstrated recovery in the first six months of 2023 despite continued concerns of a global recession and continued interest rate hikes by certain central banks. Indian equities experienced strong momentum in June 2023 with Nifty 50 and BSE Sensex climbing to all-time highs. The BSE Sensex increased 7.3% in U.S. dollars in the first six months of 2023, supported by strong inflows from foreign institutional investors, steady corporate balance sheets and moderating inflation. Indian government bond yields experienced their largest quarterly decrease in three years, owing to easing commodity prices, lower inflation rates, and a drop in crude oil prices. The Indian rupee relative to the U.S. dollar recovered slightly (reflecting appreciation of 0.8% in the first six months of 2023).

Consistent with Indian equity markets, the fair values of the company's Indian Investments demonstrated strong performance in the second quarter of 2023. The company also recorded unrealized foreign currency translation gains consistent with the recovery in the Indian rupee as the company's net assets and net earnings are primarily denominated in Indian rupees.

The company's Indian Investments may face varying degrees of impact in response to changes in the global economic environment. Further discussion specific to each Indian Investment is included in the Indian Investments section under the respective heading of each Indian Investment of this MD&A.

Business Objectives

Investment Objective

Fairfax India is an investment holding company whose objective is to achieve long term capital appreciation, while preserving capital, by investing in public and private equity securities and debt instruments in India and Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India ("Indian Investments"). The company makes all or substantially all of its investments either directly or through one of its wholly-owned consolidated subsidiaries based in Mauritius, FIH Mauritius Investments Ltd ("FIH Mauritius") and FIH Private Investments Ltd ("FIH Private"). In 2019 the company formed Anchorage, a 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 increased at June 30, 2023 from December 31, 2022 based on the change in its asset base.

The company intends to make multiple different investments as part of its prudent investment strategy. Indian Investments may be financed through equity or debt offerings as part of the company's objective to reduce its cost of capital and provide returns to common shareholders. At June 30, 2023 the company determined that it was in compliance with the Investment Concentration Restriction.

Indian Investments

Cautionary Statement Regarding Financial Information of Significant Indian Investments

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

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

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

Public Indian Investments

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

The changes in fair value of the company's Public Indian Investments for the second quarters and first six months of 2023 and 2022 are presented in the tables disclosed in note 5 (Indian Investments) to the interim consolidated financial statements.

Investment in IIFL Finance Limited

Business Overview

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

Key Business Drivers, Events and Risks

IIFL Finance's key business drivers include its access to well-diversified sources of funds, a diversified asset portfolio with a strategic focus on households, and its extensive network of physical branches and various digital channels, which enable it to deliver credit to underserved segments and under penetrated geographical areas in India. At June 30, 2023 IIFL Finance had 4,412 branches across India, making it one of the largest retail focused non-banking finance companies ("NBFC").

In August 2022 IIFL Home Finance Limited ("IIFL Home Finance"), a subsidiary of IIFL Finance, completed an issuance of shares representing a 20% equity interest, to a subsidiary of the Abu Dhabi Investment Authority for gross proceeds of approximately $275 million (22.0 billion Indian rupees). IIFL Home Finance proposes to use the additional capital to continue its granular expansion strategy into new markets to address the significant and growing demand for housing loans.

At June 30, 2023 IIFL Finance had assets under management ("AUM") of approximately $8.3 billion (approximately 682 billion Indian rupees) (December 31, 2022 - approximately $7.0 billion (approximately 579 billion Indian rupees)) comprised of home loans (34%), gold loans (32%), microfinance (15%), loans against property (10%), digital loans (4%), construction and real estate finance (4%), and capital market finance (1%). The well-diversified asset portfolio is predominantly retail in nature with small loan ticket sizes, mitigating the risk of asset concentration and exposure to cyclical movements.

Valuation and Interim Consolidated Financial Statement Impact

During the second quarter of 2023 the company sold 5,000,000 common shares of IIFL Finance for gross proceeds of $30,512. As a result of past spin offs of 5paisa, IIFL Securities and 360 ONE (formerly IIFL Wealth) at their respective fair values, the company's cost basis of IIFL Finance is nil. Accordingly, all proceeds from sales of IIFL Finance common shares were reflected as a realized gain of $30,512.

At June 30, 2023 the fair value of the company's investment in IIFL Finance was $487,734 (December 31, 2022 - $493,341) comprised of 79,641,445 common shares (December 31, 2022 - 84,641,445) representing a 20.9% equity interest (December 31, 2022 - 22.3%). IIFL Finance's share price increased by 4.2% from 482.20 Indian rupees per share at December 31, 2022 to 502.40 Indian rupees per share at June 30, 2023.

In the second quarter and first six months of 2023 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in IIFL Finance of nil and $4,116 (2022 - nil and $3,936).

IIFL Finance's Summarized Financial Information

IIFL Finance's fiscal year ends on March 31. Summarized below are IIFL Finance's balance sheets at March 31, 2023 and 2022.

Balance Sheets
(unaudited - US$ thousands)

	March 31, 2023(1)	March 31, 2022(1)(2)
Financial assets	6,262,119	5,838,246
Non-financial assets	187,103	220,538
Financial liabilities	5,145,540	5,176,305
Non-financial liabilities	62,281	28,672
Total equity	1,241,401	853,807

(1) The net assets of IIFL Finance were translated at March 31, 2023 at $1 U.S. dollar = 82.18 Indian rupees and at March 31, 2022 at $1 U.S. dollar = 75.77 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

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

Financial assets increased principally reflecting increased loan advances and investments funded by net proceeds raised from financing activities. Non-financial assets decreased primarily due to a decrease in deferred tax assets and other securitization receivables. Financial liabilities in U.S. dollars decreased principally reflecting the weakening of the Indian rupee relative to the U.S. dollar during the year ended March 31, 2023, partially offset by net proceeds from borrowings. Non-financial liabilities increased primarily due to increased advances from customers. The increase in total equity principally reflected proceeds from the issuance of shares of IIFL Home Finance to non-controlling interests, and net earnings during the year.

Summarized below are IIFL Finance's statements of earnings for the years ended March 31, 2023 and 2022.

Statements of Earnings
(unaudited - US$ thousands)

	Year ended March 31, 2023(1)	Year ended March 31, 2022(1)(2)
Revenue	1,051,867	942,795
Earnings before income taxes	263,059	206,179
Net earnings	200,178	159,502

(1) Amounts for the years ended March 31, 2023 and 2022 were translated into US$ using the average exchange rates of $1 U.S. dollar = 80.31 Indian rupees and $1 U.S. dollar = 74.50 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 income consistent with the higher balance of AUM, and higher portfolio yields across all segments. Earnings before income taxes and net earnings increased primarily due to the increased interest income as noted above, partially offset by increased employee benefit and other administrative expenses attributed to the continued expansion of IIFL Finance's digital and physical footprint, in addition to increased finance costs consistent with higher interest rates.

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.

Key Business Drivers, Events and Risks

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

IIFL Securities' institutional broking franchise business services over 860 domestic and foreign clients, and provides comprehensive research coverage in over 270 stocks in more than 20 sectors, which accounts for over 75% of India's market capitalization. The investment banking business was ranked first in terms of number of IPOs launched in fiscal year 2023 and continues to have a strong presence in equity capital markets.

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

On June 19, 2023 SEBI issued an order restraining IIFL Securities from onboarding new brokerage clients for two years, on allegations relating to the segregation and application of client funds over an inspection period from April 2011 to January 2017. IIFL Securities asserts that it was in compliance with the relevant SEBI regulations at the time and has been granted a stay order from the Securities Appellate Tribunal on June 27, 2023, suspending the ban until further notice while the appeal process remains ongoing.

At June 30, 2023 IIFL Securities had AUM of approximately $17.9 billion (1,471 billion Indian rupees) (December 31, 2022 - approximately $15.0 billion (approximately 1,241 billion Indian rupees)).

Valuation and Interim Consolidated Financial Statement Impact

At June 30, 2023 the fair value of the company's investment in IIFL Securities was $62,937 (December 31, 2022 - $65,837) comprised of 84,641,445 common shares representing a 27.7% equity interest (December 31, 2022 - 27.8%). IIFL Securities' share price decreased by 5.2% from 64.35 Indian rupees per share at December 31, 2022 to 61.00 Indian rupees per share at June 30, 2023.

In the second quarter and first six months of 2023 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in IIFL Securities of nil and $3,087 (2022 - nil and $3,374).

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

Business Overview

360 ONE WAM Limited ("360 ONE") (formerly IIFL Wealth Management Limited) is a publicly traded wealth management firm with principal lines of business in wealth and asset management, located in Mumbai, India. On January 5, 2023 IIFL Wealth Management Limited was renamed to 360 ONE WAM Limited.

Valuation and Interim Consolidated Financial Statement Impact

At December 31, 2022 the fair value of the company's investment in 360 ONE was $46,730, comprised of 2,182,749 common shares representing a 2.5% equity interest. During the second quarter and first six months of 2023, the company sold its remaining equity interest in 360 ONE for gross proceeds of $37,465 and $45,974, resulting in realized gains of $13,070 and $16,551.

In the second quarter and first six months of 2023 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in 360 ONE of $4 and $383 (2022 - $3,173 both periods).

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 706 branches and 540 automated teller machines across India.

Key Business Drivers, Events and Risks

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

Banks in India are highly regulated by the RBI including specific regulations on shareholder voting rights, shareholdings and board representation. The voting rights of any one shareholder of banks in India are limited to 26.0% of available voting rights subject to change as notified by the RBI from time to time. In addition, the RBI stipulates ownership limits for shareholders of banks in India in the long run. Fairfax India is required to follow a dilution schedule for its ownership in CSB Bank whereby: (i) the company was required to purchase a minimum of 40.0% of the voting equity shares in CSB Bank within 5 years which was completed; and subject to RBI approval: (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.

Net loan book and the deposits segments have been the drivers of growth for CSB Bank during the first quarter of fiscal year 2024. Despite the increased costs from investments made in its people, distribution and technology, operating profit continues to grow. Contributing to this growth are the geographical expansion plans, where CSB plans to open another 100 branches during fiscal year 2024. As previously disclosed, CSB Bank is embarking on a journey of Sustain - Build - Scale 2030 ("SBS 2030"), where it aims to "Sustain its strong foundation and critical strengths, Build the future highway though investments in technology, digital infrastructure, partnerships, leadership, products, processes and Scale your Bank to the next level of growth and excellence with necessary guardrails in place". Currently in the 'build' phase, CSB plans to focus on infrastructure investments in technology to help scale the business.

Valuation and Interim Consolidated Financial Statement Impact

At June 30, 2023 the fair value of the company's investment in CSB Bank was $271,167 (December 31, 2022 - $223,268) comprised of 86,262,976 common shares representing a 49.7% equity interest (December 31, 2022 - 49.7%). The company is restricted from selling a certain percentage of its common shares of CSB Bank for a specified period due to restrictions imposed by the RBI and the Securities and Exchange Board of India ("SEBI"). At June 30, 2023 and December 31, 2022 the company held 69,394,331 common shares of CSB Bank that continue to be restricted until August 7, 2024.

CSB Bank's share price increased by 18.3% from 238.20 Indian rupees per share at December 31, 2022 to 281.85 Indian rupees per share at June 30, 2023.

CSB Bank's Summarized Financial Information

CSB Bank's fiscal year ends on March 31. Summarized below are CSB Bank's balance sheets at March 31, 2023 and 2022.

Balance Sheets
(unaudited - US$ thousands)

	March 31, 2023(1)	March 31, 2022(1)
Financial assets	3,456,558	3,238,078
Non-financial assets	121,148	146,402
Financial liabilities	3,087,318	2,939,866
Non-financial liabilities	94,456	83,523
Shareholders' equity	395,932	361,091

(1) The net assets of CSB Bank were translated at March 31, 2023 at $1 U.S. dollar = 82.18 Indian rupees and at March 31, 2022 at $1 U.S. dollar = 75.77 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Financial assets increased primarily due to increased loans and advances to customers, partially offset by net sales of investment securities. Non-financial assets decreased primarily due to decreased deposits related to priority sector lending. Financial liabilities increased primarily due to increased deposits from customers and banks, partially offset by repayment of borrowings. Non-financial liabilities increased primarily due to increased other payables and deferred tax liabilities, partially offset by decreased acceptances and endorsements.

Summarized below are CSB Bank's statements of earnings for the years ended March 31, 2023 and 2022.

Statements of Earnings
(unaudited - US$ thousands)

	Year ended March 31, 2023[1]	Year ended March 31, 2022[1][2]
Revenue	209,532	195,259
Earnings before income taxes	99,025	105,018
Net earnings	73,939	78,476

(1) Amounts for the years ended March 31, 2023 and 2022 were translated into US$ using the average exchange rates of $1 U.S. dollar = 80.31 Indian rupees and $1 U.S. dollar = 74.50 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 attributable to increased advances, largely driven by the gold portfolio. Earnings before income taxes and net earnings in U.S. dollars decreased primarily due to the weakening of the Indian rupee relative to the U.S. dollar compared to the prior year, in addition to increased employee and other expenses consistent with higher headcount and number of branches, partially offset by increased revenue as noted above.

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.

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 have experienced strong growth in recent years.

India is one of the largest consumers of soft oils, which provides Fairchem Organics with a competitive advantage by having easy access to the raw materials that are used 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 certain products, with little or no direct competition, and is considered to produce a superior quality product in comparison to its competitors.

After volatile prices seen in the vegetable oil market in 2022 (a key raw material input for Fairchem Organics), resulting from the conflict in Ukraine as well as export levies on palm oil imposed by Indonesia (one of the largest producers and exporters of palm oil), prices have since moderated due to improved supply conditions, higher global output and reduced freight rates. In order to remain competitive amongst its global peers, Fairchem Organics has improved production scale to increase concentration of its products and reduce costs using new equipment.

Valuation and Interim Consolidated Financial Statement Impact

At June 30, 2023 the fair value of the company's investment in Fairchem Organics was $103,260 (December 31, 2022 - $111,083) comprised of 6,878,656 common shares representing a 52.8% equity interest (December 31, 2022 - 52.8%). Fairchem Organics' share price decreased by 7.8% from 1,336.00 Indian rupees per share at December 31, 2022 to 1,231.50 Indian rupees per share at June 30, 2023.

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.

Key Business Drivers, Events and Risks

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

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

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

At June 30, 2023 the 5paisa mobile application has reached over 15.7 million downloads and its total customer base approximated 3.6 million. During the second quarter of 2023, over 85% of customer acquisitions were attributed to customers onboarded to the digital platform without intervention or assistance. 5paisa has been able to maintain its market share and focused on improving the quality of customer acquisitions to strengthen revenue and optimize costs.

Valuation and Interim Consolidated Financial Statement Impact

At June 30, 2023 the fair value of the company's investment in 5paisa was $34,594 (December 31, 2022 - $28,421) comprised of 7,670,130 common shares representing a 25.0% equity interest (December 31, 2022 - 25.0%). 5paisa's share price increased by 20.7% from 306.55 Indian rupees per share at December 31, 2022 to 370.00 Indian rupees per share at June 30, 2023.

Investment in Other Public Indian Investments

During the first six months of 2023 the company sold investments in Other Public Indian Investments for proceeds of $13,447, resulting in realized gains of $6,403. At June 30, 2023 the fair value of the company's investment in Other Public Indian Investments was $2,132 (December 31, 2022 - $15,577) and represents less than 1.0% equity interest in a public Indian company in the financial services sector (December 31, 2022 - public Indian companies in the utilities and financial services sector).

In the second quarter and first six months of 2023 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in Other Public Indian Investments of nil both periods (2022 - nil and $2,282).

Private Indian Investments

Cautionary Statement Regarding the Valuation of Private Indian Investments

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

While the company's valuation techniques for Private Indian Investments remained principally unchanged during the first six months of 2023, consideration has been given to the current economic and market environment in the determination of unobservable inputs used in discounted cash flows, including the amount and timing of future cash flows prepared by investees' management, discount rates, growth rates and other inputs. Additional volatility in the fair values of Private Indian Investments may arise in future periods if actual results differ materially from the company's estimates.

The changes in fair value of the company's Private Indian Investments for the second quarters and first six months of 2023 and 2022, including details on valuation methodologies and current model assumptions are discussed in note 5 (Indian Investments) to the interim consolidated financial statements.

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.

Key Business Drivers, Events and Risks

KIAB is the busiest airport in South India, and the third largest in the country. The airport handled domestic passenger traffic of 16.6 million and international passenger traffic of 2.1 million in the first six months of 2023, representing year over year growth of 56% and 88% respectively. Domestic passenger traffic levels have surpassed pre-pandemic levels while international passenger traffic levels recovered to 93% of the corresponding period from 2019. BIAL also handled the highest market share of perishable cargo in India for the third consecutive year in fiscal year 2023.

Plans to expand the capacity of the airport remain underway and include the construction of an additional terminal building ("Terminal 2") in two phases by fiscal year 2029, a third terminal building ("Terminal 3") by fiscal year 2034, and real estate development of 176 acres of land. Phase 1 of Terminal 2 was inaugurated by Prime Minister Narendra Modi on November 11, 2022 and commenced domestic operations on January 15, 2023. International operations are expected to commence before the end of 2023.

Valuation and Interim Consolidated Financial Statement Impact

On September 16, 2021 the company transferred a 43.6% equity interest in BIAL from FIH Mauritius to Anchorage and subsequently sold 11.5% (on a fully-diluted basis) of its interest in Anchorage to OMERS for gross proceeds of $129,221 (9.5 billion Indian rupees). The transaction implied 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 ownership in BIAL was comprised of 10.4% held through FIH Mauritius and 43.6% held through Anchorage, representing effective ownership interest of 49.0% on a fully-diluted basis.

On May 9, 2023 Fairfax India announced it entered into an agreement to acquire additional equity interest in BIAL through FIH Mauritius and on June 21, 2023 the company completed the acquisition of 3.0% equity interest in BIAL for cash consideration of $75,000 (approximately 6.2 billion Indian rupees). Under the same agreement, the company has also agreed to acquire an additional 7.0% equity interest in BIAL for additional cash consideration of $175,000, subject to certain performance conditions by BIAL and other closing conditions, which are expected to be assessed subsequent to October 31, 2023.

At June 30, 2023 the company held a 57.0% equity interest in BIAL (December 31, 2022 - 54.0%), and its internal valuation model indicated that the fair value of the company's investment in BIAL was $1,424,982 (December 31, 2022 - $1,233,747). At June 30, 2023 the company continued to hold 43.6% out of its 57.0% (December 31, 2022 - 43.6% out of its 54.0%) equity interest in BIAL through Anchorage. As a result, the company's fully-diluted equity interest in BIAL was 52.0% (December 31, 2022 - 49.0%).

BIAL's Summarized Financial Information

BIAL's fiscal year ends on March 31. Summarized below are BIAL's balance sheets at March 31, 2023 and 2022.

Balance Sheets
(unaudited - US$ thousands)

	March 31, 2023(1)	**March 31, 2022(1)(2)**
Current assets	270,447	155,830
Non-current assets	1,538,722	1,449,422
Current liabilities	147,684	195,407
Non-current liabilities	1,338,204	1,123,220
Shareholders' equity	323,281	286,625

(1) The net assets of BIAL were translated at March 31, 2023 at $1 U.S. dollar = 82.18 Indian rupees and at March 31, 2022 at $1 U.S. dollar = 75.77 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

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

Current assets increased primarily reflecting an increase in cash and cash equivalents arising from improved earnings (discussed below) and increased borrowings. Non-current assets increased principally due to ongoing capital expenditures for BIAL's expansion projects, in addition to the recognition of deferred tax assets arising from loss carryforwards. Current liabilities decreased primarily reflecting the repayment of short term borrowings. Non-current liabilities increased primarily as a result of additional borrowings for BIAL's expansion projects.

Summarized below are BIAL's statements of earnings (loss) for the years ended March 31, 2023 and 2022.

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

	Year ended March 31, 2023(1)	**Year ended March 31, 2022(1)**
Revenue	229,709	111,654
Earnings (loss) before income taxes	18,554	(52,928)
Net earnings (loss)	60,419	(56,673)

(1) Amounts for the years ended March 31, 2023 and 2022 were translated into US$ using the average exchange rates of $1 U.S. dollar = 80.31 Indian rupees and $1 U.S. dollar = 74.50 Indian rupees prevailing during those periods.

The increase in revenue primarily reflected the increase in passenger traffic and spend per passenger, as the prior year was significantly impacted by the COVID-19 pandemic. Earnings before income taxes and net earnings for the year ended March 31, 2023 compared to loss before income taxes and net loss in the prior year, primarily reflecting the increase in revenue as noted above, partially offset by increased operating, marketing, and administrative expenses in connection with the recovery in business volumes and launch of Terminal 2, and increase in interest and depreciation expense consistent with increased borrowings and capitalization of expansion projects. In addition, net earnings increased significantly due to the recognition of deferred tax assets arising from loss carryforwards.

Investment in Sanmar Chemicals Group

Business Overview

Sanmar Chemicals Group ("Sanmar"), a private company located in Chennai, India, is one of the largest suspension polyvinyl chloride ("PVC") manufacturers in India with an operational presence in India and Egypt. Sanmar has an aggregate installed capacity of over 797,000 metric tons per annum, comprised of approximately 397,000 metric tons per annum in India and 400,000 metric tons per annum in Egypt. Sanmar is in the process of expanding its specialty paste PVC and custom manufactured chemicals capacity in India in two phases over the upcoming fiscal year.

Sanmar's principal lines of business consist of: (i) Chemplast Sanmar Limited ("Chemplast"), the largest specialty paste PVC manufacturer in India, comprising of 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.

Key Business Drivers, Events and Risks

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

The PVC market has been impacted by several factors, primarily due to weak demand in China due to their zero-COVID policy, which resulted in large-scale dumping of Chinese PVC in India. PVC prices reached bottom levels in recent months and a gradual recovery is expected in the short term.

Valuation and Interim Consolidated Financial Statement Impact

At June 30, 2023 the company held a 42.9% equity interest in Sanmar (December 31, 2022 - 42.9%) and its internal valuation model indicated that the fair value of the company's investment in Sanmar was $340,060 (December 31, 2022 - $337,846).

The fair value of Chemplast, a publicly traded subsidiary of Sanmar, comprised 60% of the company's investment in Sanmar at June 30, 2023 (December 31, 2022 - 61%). The share price of Chemplast decreased by 1.9% from 458.50 Indian rupees per share at December 31, 2022 to 450.00 Indian rupees per share at June 30, 2023.

Sanmar's Summarized Financial Information

Sanmar's fiscal year ends on March 31. Summarized below are Sanmar's balance sheets at March 31, 2023 and 2022.

Balance Sheets
(unaudited - US$ thousands)

	March 31, 2023(1)	March 31, 2022(1)(2)
Current assets	381,102	478,746
Non-current assets	1,760,582	1,793,995
Current liabilities	643,044	738,831
Non-current liabilities	961,701	1,050,122
Total equity	536,939	483,788

(1) The net assets of Sanmar were translated at March 31, 2023 at $1 U.S. dollar = 82.18 Indian rupees and at March 31, 2022 at $1 U.S. dollar = 75.77 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

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

Current assets decreased primarily due to decreased cash and cash equivalents from reduced trade payables, and decreased inventories due to a write-down of inventory to net realizable value from a fall in market prices of finished goods, partially offset by an increase in other assets due to export incentives receivable. Non-current assets in U.S. dollars decreased primarily due to the weakening of the Indian rupee relative to the U.S. dollar during the year ended March 31, 2023, partially offset by increased property, plant and equipment from capital expenditure projects at Chemplast. Current liabilities decreased primarily due to decreased trade payables, partially offset by increased advances from customers and short term borrowings. Non-current liabilities decreased primarily due to net repayments made on long term borrowings, partially offset by increased deferred tax liabilities.

Summarized below are Sanmar's statements of earnings for the years ended March 31, 2023 and 2022.

Statements of Earnings
(unaudited - US$ thousands)

	Year ended March 31, 2023(1)	Year ended March 31, 2022(1)
Revenue	1,239,473	1,428,460
Earnings before income taxes	92,048	181,536
Net earnings	74,166	134,353

(1) Amounts for the years ended March 31, 2023 and 2022 were translated into US$ using the average exchange rates of $1 U.S. dollar = 80.31 Indian rupees and $1 U.S. dollar = 74.50 Indian rupees prevailing during those periods.

Despite strong domestic demand, revenue decreased primarily due to the fall of PVC prices from weaker global demand and dumping of PVC from China. This was partially offset by increased sales volumes across finished products and increased export incentives in the current year. Earnings before income taxes and net earnings for the year ended March 31, 2023 decreased from the prior year primarily reflecting a write-down of inventory to net realizable value discussed above, and increased foreign exchange losses, partially offset by lower interest costs primarily due to repayment of debt and debt restructuring during fiscal year 2022.

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 June 30, 2023 Seven Islands owned 24 vessels, including 2 gas carriers, with a total deadweight capacity of approximately 1.2 million metric tons. Its vessels are registered in India and operate as Indian owned and flagged vessels.

Key Business Drivers, Events and Risks

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

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

Recent macroeconomic trends indicate the global demand for oil is expected to grow throughout 2023, with China, the Middle East and other Asian countries accounting for the bulk of the growth. As such, these current conditions suggest crude tankers will continue to benefit from sustained crude oil demand in the near term. However, with the post-pandemic rebound losing momentum and tightening monetary policies, this growth is expected to decelerate in early 2024. Seven Islands remains somewhat insulated from volatility, at least in the short term 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 expenses incurred are denominated in Indian rupees. 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 June 30, 2023 the company held a 48.5% equity interest in Seven Islands (December 31, 2022 - 48.5%), and its internal valuation model indicated that the fair value of the company's investment in Seven Islands was $115,782 (December 31, 2022 - $96,910).

Investment in National Commodities Management Services Limited

Business Overview

National Commodities Management Services Limited ("NCML"), a private company located in Gurugram, India, is a leading integrated agriculture value chain solutions company, and offers end-to-end solutions in grain procurement, storage and preservation, testing and certification, collateral management, and commodity and weather intelligence. NCML's principal lines of business include its commodity management solutions business (including adjacent services), silo projects commissioned by the Food Corporation of India ("FCI"), and a non-banking finance company, which focuses on rural and agri-business financing.

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 business with adjacent services, and the successful construction of the silos under the concession agreement with FCI.

NCML's commodity management solutions business currently services approximately 2.1 million metric tons of food grain volume each year and continuously seeks opportunities to increase its utilization within the sizeable market by participating in government assignments and securing deposits from multinational corporations in both the food and non-food grain sector.

Business volumes across the commodity management solutions and NBFC businesses continued to be constrained by funding limitations and external factors impacting the volume of commodity deposits. Recent geopolitical events have raised commodity prices and increased Indian exports, resulting in a temporary increase in commodity withdrawals and reduced storage demand in the near term. Furthermore, NCML has made a conscious effort to reduce its financing exposure as a result of the tightened credit environment.

At June 30, 2023, four of NCML's silo projects were operational, and three remaining silo projects are in advanced stages of construction with expected completion in 2023. Between 2020 and 2023 NCML and FCI agreed to terminate nine out of the sixteen original silo projects due to inability to procure suitable land and other construction-related challenges.

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

At June 30, 2023 the company held a 91.0% equity interest in NCML (December 31, 2022 - 89.5%), and its internal valuation model indicated that the fair value of the company's equity investment in NCML was $51,308 (December 31, 2022 - $56,871).

In 2019 the company invested $13,970 (approximately 1.0 billion Indian rupees) in 12.5% unsecured compulsorily convertible debentures ("NCML CCD"), due September 30, 2029 and convertible into NCML common shares, at the company's option, at any time prior to the maturity date. The conversion price was 68.00 Indian rupees per common share. On March 31, 2023, the company converted the NCML CCD into NCML common shares with a fair value of $6,399 (525.8 million Indian rupees). As a result, the company recorded a realized loss on the NCML CCD of $5,803 (476.9 million Indian rupees). In May 2023, NCML issued additional common shares to the company to settle accrued interest related to the NCML CCD, which the company recorded at a fair value of $3,425 (283.2 million Indian rupees). As a result of the above transactions, the company's equity interest in NCML increased from 89.5% to 91.0%.

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

NCML's Summarized Financial Information

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

Balance Sheets
(unaudited - US$ thousands)

	June 30, 2023[(1)]	**March 31, 2023[(1)]**
Current assets	28,287	26,074
Non-current assets	135,600	131,458
Current liabilities	25,292	24,424
Non-current liabilities	78,988	77,260
Shareholders' equity	59,607	55,848

(1) The net assets of NCML were translated at June 30, 2023 at $1 U.S. dollar = 82.04 Indian rupees and at March 31, 2023 at $1 U.S. dollar = 82.18 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Current assets increased primarily reflecting an increased NBFC loan book and trade receivables, partially offset by use of cash towards continued construction of silo projects, as reflected by the increase in non-current assets. Current liabilities increased primarily due to increased capital expenditure payables and net proceeds from working capital facilities, partially offset by settlement of accrued interest. Non-current liabilities increased principally reflecting net proceeds received on silo project loans upon meeting new construction milestones. Shareholders' equity increased principally reflecting the issuance of common shares during the period to settle accrued interest on the NCML CCD, partially offset by net loss during the period.

Summarized below are NCML's statements of earnings (loss) for the three months ended June 30, 2023 and 2022.

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

	Three months ended June 30, 2023(1)	Three months ended June 30, 2022(1)
Revenue	11,523	9,677
Loss before income taxes	(462)	(1,308)
Net loss	(584)	(1,762)

(1) Amounts for the three months ended June 30, 2023 and 2022 were translated into US$ using the average exchange rates of $1 U.S. dollar = 82.18 Indian rupees and $1 U.S. dollar = 77.20 Indian rupees prevailing during those periods.

Revenue increased primarily reflecting incremental revenue from operational silos and improved business volumes compared to the prior period, where warehousing demand had been more significantly impacted by the start of the conflict in Ukraine. Loss before income taxes and net loss decreased due to improved margins consistent with cost optimization efforts by NCML, partially offset by a provision recorded in connection with a penalty for previously surrendered silo projects.

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 seven 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.

Key Business Drivers, Events and Risks

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

Accordingly, the automotive parts die casting segment makes up a significant portion of Maxop's revenue profile across domestic and export sales. Maxop is also a supplier of fully machined precision components, and diversifies its revenue mix by catering to general engineering product segments in the non-automotive sector with applications such as air conditioning and food processing machine parts.

As a result of external market conditions, including elevated inflation and recessionary concerns, particularly across U.S. and Europe, and other supply chain disruptions exacerbated by the conflict in Ukraine, Maxop continues to experience a shift in its business volumes towards the domestic Indian market, where demand and growth have been relatively robust in comparison to the export market.

Maxop continues to actively monitor its material sourcing and consumption amid global supply chain issues as discussed above, and 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.

Valuation and Interim Consolidated Financial Statement Impact

On September 5, 2022 the company invested cash consideration of $21,928 (approximately 1.8 billion Indian rupees) for an additional 16.0% equity interest in Maxop, completing the second and final transaction under the terms of the investment agreement entered into in September 2021. In aggregate, the company has acquired a 67.0% equity interest in Maxop for $51,448 (approximately 4.0 billion Indian rupees), which was determined based on Maxop's achievement of certain financial-based performance targets.

At June 30, 2023 the company held a 67.0% equity interest in Maxop (December 31, 2022 - 67.0%), and its internal valuation model indicated that the fair value of the company's investment in Maxop was $55,588 (December 31, 2022 - $51,886).

Investment in Saurashtra Freight Private Limited

Business Overview

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

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 second quarter of 2023, Saurashtra handled 34,022 TEUs compared to quarterly installed capacity of 57,900 TEUs, implying a capacity utilization of approximately 59% (second quarter of 2022 - 32,021 TEUs compared to quarterly installed capacity of 49,300, implying utilization of approximately 65%). Saurashtra is the second largest CFS at the Mundra port in terms of total throughput achieved with a 14% total market share for the quarter ended June 30, 2023, representing the second highest market share in imports and exports at approximately 13% and 16%, respectively.

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

In order to meet demand arising from continued growth in overall container traffic, Saurashtra completed the expansion of its CFS logistics park in April 2023, which will increase its annual installed capacity by approximately 34,400 TEUs. Although the container shipping business continued to witness declining ocean freight rates, primarily as a result of softening global demand and ease of supply chain disruptions, Fairfreight Lines maintains an optimal container inventory size to sustain its profitability. Saurashtra continues to actively pursue additional volume and increase capacity through offering comprehensive packages to shipping lines and evaluating expansion projects in its existing businesses and the wider logistics industry.

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 June 30, 2023 the company held a 51.0% equity interest in Saurashtra (December 31, 2022 - 51.0%) and its internal valuation model indicated that the fair value of the company's investment in Saurashtra was $52,643 (December 31, 2022 - $50,707).

Investment in Jaynix Engineering Private Limited

Business Overview

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

Key Business Drivers, Events and Risks

Jaynix's key business drivers relate to its ability to grow its customer base and product offerings in North America and Europe while maintaining the high quality of its products. Jaynix leverages its low-cost manufacturing operations in three manufacturing plants in India to cater to markets in North America and Europe, and has in-house capabilities to design products and scale its manufacturing production capacities. Jaynix is in the process of constructing a new facility on recently purchased land and is working towards acquiring new machinery and upgrading existing machinery in order to expand production capacity. Jaynix continues to explore the possibility of expanding its manufacturing presence in North America.

Jaynix is able to maintain its competitive advantage as the requirement for specific certifications present a barrier to entry for other competitors wishing to enter the North American and European markets, wherein Jaynix's management has operational expertise in obtaining and maintaining these certifications. Overall growth in demand has slowed down, in part due to the slowdown in the U.S. housing market. However, demand from customers in the technology sector remains strong, particularly driven by the need for servers and other electronic components. Jaynix has been able to maintain stable product margins despite volatile commodity prices, as raw material costs (including aluminum, which is the primary raw material used by Jaynix) are passed through to the customer.

Valuation and Interim Consolidated Financial Statement Impact

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

At June 30, 2023 the company held a 70.0% equity interest in Jaynix (December 31, 2022 - 70.0%), and its internal valuation model indicated that the fair value of the company's investment in Jaynix was $43,259 (December 31, 2022 - $32,796).

Investment in National Stock Exchange of India Limited

Business Overview

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

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 94% market share in the equity trading segment, a 100% market share in the equity derivatives trading segment and a 67% and 99% market share in the foreign exchange futures and options markets, respectively. In 2022, NSE of India was the world's largest exchange in derivatives trading volumes for the fourth straight year.

In 2016 NSE filed a draft prospectus with SEBI in connection with a proposed domestic IPO, subsequent to which NSE would also pursue an overseas listing. However, as a result of the ongoing matter discussed below, NSE's proposed IPO has been delayed.

As previously disclosed, NSE filed an appeal with the Securities Appellate Tribunal ("SAT") following SEBI's 2019 order for NSE to pay penalties and interest in connection with certain broker members having access to co-location facilities, which potentially resulted in unfair trading advantages. In 2019 SEBI directed NSE to pay approximately $160 million (11 billion Indian rupees) in penalties and interest. In January 2023, the SAT ruling concluded that NSE did not violate Stock Exchange and Clearing Corporation regulations, therefore setting aside SEBI's order, and instead directed NSE to deposit approximately $12 million (1 billion Indian rupees) to SEBI's Investor Protection Fund for its lack of due diligence in the matter. The SAT ruling may be challenged by SEBI. In March 2023, the Supreme Court directed SEBI to refund NSE approximately $37 million (3 billion Indian rupees) related to the penalty imposed in 2019. However, the refund is contingent on NSE's agreement to return the amount with interest in the event that SEBI has a successful appeal.

Valuation and Interim Consolidated Financial Statement Impact

At June 30, 2023 the company estimated the fair value of its investment in NSE was $172,847 (December 31, 2022 - $159,627).

Investment in India Housing Fund

Business Overview

India Housing Fund ("IH Fund") is a closed-ended fund of 360 ONE Private Equity Fund (formerly IIFL Private Equity Fund) registered as a Category II Alternative Investment Fund ("AIF") under SEBI AIF Regulations. IH Fund is a fund incorporated to focus on investing in India's real estate sector by investing in equity, debt and equity-linked instruments of real estate and construction companies involved in projects or ventures with expected growth potential.

At June 30, 2023 IH Fund had invested approximately $153 million at period end exchange rates (approximately 12.5 billion Indian rupees) in 8 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 June 30, 2023 the company estimated the fair value of its investment in IH Fund was $14,633 (December 31, 2022 - $15,576).

During the second quarter and first six months of 2023 the company received distributions of $471 and $900 (2022 - nil and $1,554) from IH Fund, and in the second quarter and first six months of 2023 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in IH Fund of $92 and $704 (2022 - $245 and $934).

Results of Operations

Fairfax India's consolidated statements of earnings (loss) for the three and six months ended June 30 are shown in the following table:

	Second quarter		First six months	
	2023	**2022**	**2023**	**2022**
Income				
Interest	4,514	2,711	9,194	5,033
Dividends	96	3,418	8,290	13,699
Net realized gains on investments	43,582	27,942	47,663	27,768
Net change in unrealized gains (losses) on investments	195,960	(117,576)	139,658	(47,724)
Net foreign exchange gains (losses)	414	(20,379)	2,546	(29,581)
	244,566	(103,884)	207,351	(30,805)
Expenses				
Investment and advisory fees	9,470	9,707	18,286	19,787
Performance fee (recovery)	35,614	(46,987)	21,067	(50,081)
General and administration expenses	4,333	1,361	9,662	3,223
Interest expense	6,381	6,381	12,761	12,761
	55,798	(29,538)	61,776	(14,310)
Earnings (loss) before income taxes	188,768	(74,346)	145,575	(16,495)
Provision for (recovery of) income taxes	23,042	(4,791)	31,467	(2,723)
Net earnings (loss)	165,726	(69,555)	114,108	(13,772)
Attributable to:				
Shareholders of Fairfax India	159,335	(69,710)	103,848	(13,748)
Non-controlling interests	6,391	155	10,260	(24)
	165,726	(69,555)	114,108	(13,772)
Net earnings (loss) per share	$ 1.16	$ (0.50)	$ 0.75	$ (0.10)
Net earnings (loss) per diluted share	$ 1.12	$ (0.50)	$ 0.73	$ (0.10)

The company reported net earnings attributable to shareholders of $159,335 ($1.12 net earnings per diluted share) and $103,848 ($0.73 net earnings per diluted share) in the second quarter and first six months of 2023 compared to a net loss attributable to shareholders of $69,710 ($0.50 net loss per diluted share) and $13,748 ($0.10 net loss per diluted share) in the second quarter and first six months of 2022.

The quarter-over-quarter and year-over-year increase in net earnings attributable to shareholders primarily reflected net change in unrealized gains on investments and net foreign exchange gains compared to unrealized losses and net foreign exchange losses in the prior periods, in addition to increased realized gains on investments, partially offset by a performance fee accrual and provision for income taxes, compared to a recovery of performance fees and income taxes in the prior periods.

The key components of results of operations for the second quarter and first six months of 2023 (with comparisons to the second quarter and first six months of 2022, except as otherwise noted) included the following:

Net change in unrealized gains on investments of $195,960 and $139,658 (2022 - net change in unrealized losses of $117,576 and $47,724) were principally driven by changes in market prices of Public Indian Investments and fair values of Private Indian Investments determined using industry accepted valuation techniques and models, in addition to reversals of prior period unrealized gains upon sales. For more information about Indian Investments, see the Indian Investments section of this MD&A. For further analysis of the changes in fair value of Indian Investments for the second quarters and first six months of 2023, refer to note 5 (Indian Investments) to the interim consolidated financial statements for the three and six months ended June 30, 2023.

Net realized gains on investments in the second quarter of 2023 of $43,582 related to sales of IIFL Finance and 360 ONE (formerly IIFL Wealth). Net realized gains on investments during the first six months of 2023 of $47,663 also included realized gains from additional sales of 360 ONE and Other Public Indian Investments, partially offset by a realized loss related to the conversion of the NCML CCD. Net realized gains on investments of $27,942 and $27,768 in the second quarter and first six months of 2022 principally arose from sales of Other Public Indian Investments.

Interest income of $4,514 and $9,194 increased from $2,711 and $5,033 principally as a result of increased interest from short term investments in U.S. treasury bills, partially offset by decreased interest from Other Indian Fixed Income due to the conversion of the NCML CCD in March 2023.

Dividends of $96 and $8,290 decreased from $3,418 and $13,699 primarily due to decreased dividend income from the company's investments in 360 ONE (formerly IIFL Wealth) and Other Public Indian Investments, as a result of their sales since the prior periods.

Net foreign exchange gains of $414 and $2,546 compared to net foreign exchange losses of $20,379 and $29,581 in the prior periods principally reflecting the strengthening of the Indian rupee against the U.S. dollar in the second quarter and first six months of 2023, compared to depreciation experienced in the second quarter and first six months of 2022.

Total expense of $55,798 and $61,776 compared to total expense recovery of $29,538 and $14,310 in the prior periods, primarily as a result of a performance fee accrual compared to a performance fee recovery in 2022 principally driven by an increase in book value per share, in addition to increased general and administration expenses attributable to higher consulting fees.

Consolidated Balance Sheet Summary

The assets and liabilities reflected on the company's consolidated balance sheet at June 30, 2023 were primarily impacted by the net change in net unrealized gains on investments resulting in an increased performance fee accrual and provision for income taxes, in addition to purchases and sales of investments, purchases of subordinate voting shares for cancellation and unrealized foreign currency translation gains.

Total Assets

Total assets at June 30, 2023 of $3,528,607 (December 31, 2022 - $3,365,569) were principally comprised as follows:

Total cash and investments increased to $3,525,343 at June 30, 2023 from $3,358,056 at December 31, 2022. The company's total cash and investments composition was as follows:

Cash and cash equivalents decreased to $90,049 at June 30, 2023 from $147,448 at December 31, 2022 principally due to net purchases of investments, purchases of subordinate voting shares for cancellation, and payments of investment and advisory fees, interest on the Unsecured Senior Notes and general and administration expenses, partially offset by dividend and interest income.

Short term investments decreased to $48,517 at June 30, 2023 from $49,692 at December 31, 2022 principally due to net sales of short term investments in government treasury bills.

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 $3,525,343 at June 30, 2023 (December 31, 2022 - $3,358,056) see note 6 (Cash and Investments) to the interim consolidated financial statements for the three and six months ended June 30, 2023.

Interest receivable decreased to $2,338 at June 30, 2023 from $5,599 at December 31, 2022 primarily reflecting the settlement of interest on the NCML CCD through issuance of NCML common shares in the second quarter of 2023, partially offset by increased interest receivable from Government of India bonds.

Other assets decreased to $733 at June 30, 2023 from $902 at December 31, 2022, primarily due to the amortization of upfront costs related to the Revolving Credit Facility.

Total Liabilities and Equity

Total liabilities at June 30, 2023 of $654,520 (December 31, 2022 - $608,796) were principally comprised as follows:

Accrued interest expense of $8,611 at June 30, 2023 (December 31, 2022 - $8,611) was comprised of accrued interest expense for the Unsecured Senior Notes, which are due in semi-annual installments.

Payable to related parties increased to $72,491 at June 30, 2023 from $50,851 at December 31, 2022 primarily as a result of an increased performance fee in the first six months of 2023 in connection with the performance fee accrual of $62,995 (relating to the third calculation period ending on December 31, 2023) to Fairfax.

Deferred income taxes increased to $74,752 at June 30, 2023 from $50,554 at December 31, 2022 primarily as a result of deferred taxes recognized resulting from unrealized gains on the company's investments in BIAL, CSB Bank, Seven Islands and Jaynix, partially offset by a reversal of prior period deferred taxes recognized on the company's investments in 360 ONE (formerly IIFL Wealth), Fairchem Organics and Other Public Indian Investments.

Borrowings increased to $497,567 at June 30, 2023 from $497,306 at December 31, 2022 as a result of the amortization of issuance costs related to the Unsecured Senior Notes.

Total equity at June 30, 2023 of $2,874,087 (December 31, 2022 - $2,756,773) was comprised of common shareholders' equity of $2,748,097 (December 31, 2022 - $2,642,036) and non-controlling interests of $125,990 (December 31, 2022 - $114,737). 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 and six months ended June 30, 2023 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 June 30, 2023 compared to those identified at December 31, 2022 and disclosed in the company's 2022 Annual Report, other than as outlined in note 10 (Financial Risk Management) to the interim consolidated financial statements for the three and six months ended June 30, 2023.

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 and six months ended June 30, 2023.

Book Value per Share

Common shareholders' equity at June 30, 2023 was $2,748,097 (December 31, 2022 - $2,642,036). The book value per share at June 30, 2023 was $20.10 compared to $19.11 at December 31, 2022, representing an increase in the first six months of 2023 of 5.2%, principally reflecting net earnings attributable to shareholders of Fairfax India of $103,848 (primarily related to net change in unrealized gains on investments and realized gains on sales of investments, partially offset by a provision for taxes, performance fees, investment and advisory fees, and interest expense). In addition, the company purchased for cancellation 1,571,929 subordinate voting shares during the first six months of 2023 for a net cost of $20,372 ($12.96 per subordinate voting share) through its normal course issuer bid, which further contributed to the increase in book value per share.

	June 30, 2023	December 31, 2022
Common shareholders' equity	2,748,097	2,642,036
Number of common shares effectively outstanding	136,698,971	138,270,900
Book value per share	$20.10	$19.11

Liquidity

For a detailed discussion on short term and long term liquidity requirements and sources of liquidity, refer to note 10 (Financial Risk Management, under the heading Liquidity Risk) to the interim consolidated financial statements for the three and six months ended June 30, 2023.

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

	First six months	
	2023	**2022**
Operating activities		
Cash used in operating activities excluding the impact of net sales (purchases) of investments	(32,190)	(24,678)
Net sales of short term investments	2,786	6,047
Purchases of investments	(105,461)	(162,365)
Sales of investments	97,532	193,350
Cash provided by (used in) operating activities	(37,333)	12,354
Financing activities		
Purchases of subordinate voting shares for cancellation	(20,372)	(26,281)
Cash used in financing activities	(20,372)	(26,281)
Decrease in cash and cash equivalents during the period	(57,705)	(13,927)

"Cash used in operating activities excluding the impact of net sales (purchases) of investments" provides a measure of cash generated by (used in) the company's head office operations, primarily comprised of cash inflows (outflows) from interest and dividend income, interest expense, investment and advisory fees, current income taxes and general and administration expenses, and excludes the impact of purchases and sales of investments. Cash used in operating activities excluding the impact of net sales (purchases) of investments of $32,190 in the first six months of 2023 increased from $24,678 in the first six months of 2022 primarily reflecting increased general and administration expenses, increased income tax payments and decreased dividend income, partially offset by increased cash received from interest income.

Net sales of short term investments of $2,786 in the first six months of 2023 principally related to net sales of U.S. treasury bills. Net sales of short term investments of $6,047 in the first six months of 2022 related to the sale of a Government of India treasury bill. Purchases of investments of $105,461 in the first six months of 2023 primarily related to purchases of BIAL common shares and Government of India bonds. Purchases of investments of $162,365 in the first six months of 2022 primarily related to purchases of Government of India bonds and new investments in common shares of Jaynix and Other Public Indian Investments. Sales of investments of $97,532 in the first six months of 2023 primarily related to partial sales of common shares of IIFL Finance and remaining common shares of 360 ONE (formerly IIFL Wealth). Sales of $193,350 in the first six months of 2022 primarily related to sales of Government of India bonds and Other Public Indian Investments to fund the investment in Jaynix and the company's share purchases for cancellation under its normal course issuer bid.

Purchases of subordinate voting shares for cancellation of $20,372 in the first six months of 2023 (2022 - $26,281) related to the company's purchases of 1,571,929 subordinate voting shares under the terms of the normal course issuer bid (2022 - 2,100,443).

Contractual Obligations

The company's contractual obligations principally relate to its borrowings, and fees due to Fairfax under the terms of the Investment Advisory Agreement. Refer to note 7 (Borrowings) and note 11 (Related Party Transactions) to the interim consolidated financial statements for the three and six months ended June 30, 2023 for further details.

On May 9, 2023 Fairfax India announced it entered into an agreement to acquire additional equity interest in BIAL through FIH Mauritius. The company completed the acquisition of 3.0% equity interest in BIAL on June 21, 2023 for cash consideration of $75,000. Under the same agreement, the company has also agreed to acquire an additional 7.0% equity interest in BIAL for additional cash consideration of $175,000, subject to certain performance conditions by BIAL and other closing conditions, which are expected to be assessed subsequent to October 31, 2023.

Other

Quarterly Data (unaudited)

US$ thousands, except per share amounts	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Income (loss)	244,566	(37,215)	119,560	148,771	(103,884)	73,079	(145,885)	186,020
Expenses	55,798	5,978	30,996	24,865	(29,538)	15,228	(15,481)	37,460
Provision for (recovery of) income taxes	23,042	8,425	(3,996)	11,206	(4,791)	2,068	(12,679)	16,655
Net earnings (loss)	165,726	(51,618)	92,560	112,700	(69,555)	55,783	(117,725)	131,905
Net earnings (loss) attributable to shareholders	159,335	(55,487)	92,574	112,613	(69,710)	55,962	(117,716)	131,910
Net earnings (loss) per share	$ 1.16	$ (0.40)	$ 0.67	$ 0.81	$ (0.50)	$ 0.40	$ (0.83)	$ 0.91
Net earnings (loss) per diluted share	$ 1.12	$ (0.40)	$ 0.65	$ 0.79	$ (0.50)	$ 0.38	$ (0.83)	$ 0.85

Indian rupees and in millions, except per share amounts (1)	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Income (loss)	20,108	(3,061)	9,528	11,479	(7,848)	5,500	(10,499)	13,857
Expenses	4,587	492	2,447	1,908	(2,237)	1,146	(1,085)	2,792
Provision for (recovery of) income taxes	1,894	693	(304)	864	(363)	156	(920)	1,235
Net earnings (loss)	13,627	(4,245)	7,385	8,707	(5,248)	4,198	(8,494)	9,830
Net earnings (loss) attributable to shareholders	13,101	(4,564)	7,386	8,700	(5,260)	4,212	(8,494)	9,830
Net earnings (loss) per share	95.50	(33.02)	53.34	62.67	(37.76)	30.16	(60.07)	67.58
Net earnings (loss) per diluted share	92.40	(33.02)	52.07	61.11	(37.76)	28.75	(60.07)	63.71

(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 second quarter of 2023 by net change in unrealized gains on the company's Indian Investments (principally unrealized gains on the company's investments in BIAL, Sanmar, CSB Bank, Fairchem Organics, IIFL Finance, Seven Islands and IIFL Securities partially offset by unrealized losses on the company's investments in NCML and the reversal of prior period gains upon sales of IIFL Finance and 360 ONE). Individual quarterly results have been (and may in the future be) affected by the change in fair value of the company's Indian Investments which would result in a change to the 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: COVID-19 pandemic and the conflict in Ukraine; oil price risk; geographic concentration of investments; foreign currency fluctuation; volatility of the Indian securities markets; investments may be made in foreign private businesses where information is unreliable or unavailable; valuation methodologies involve subjective judgments; financial market fluctuations; pace of completing investments; minority investments; reliance on key personnel and risks associated with the Investment Advisory Agreement; lawsuits; use of leverage; significant ownership by Fairfax may adversely affect the market price of the subordinate voting shares; weather risk; taxation risks; emerging markets; MLI; economic risk; and trading price of subordinate voting shares relative to book value per share risk. Additional risks and uncertainties are described in the company's annual information form dated March 10, 2023 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 and six months ended June 30, 2023.

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

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

Non-GAAP Financial Measures

Cash used in operating activities excluding the impact of net sales (purchases) of investments – The company uses this measure to monitor the cash generated by (used in) the company's head office operations, primarily comprised of cash inflows (outflows) from interest and dividend income, interest expense, investment and advisory fees, current income taxes and general and administration expenses, and excludes the impact of purchases and sales of investments. This measure is a component of cash provided by (used in) operating activities as presented in the consolidated statement of cash flows within the consolidated financial statements for the interim consolidated financial statements for the three and six months ended June 30, 2023.

Cash and marketable securities – The company uses this measure to monitor short term liquidity risk. This measure is calculated by the company as the sum of cash, cash equivalents, short term investments, Government of India bonds and Other Public Indian Investments. Those amounts are presented in note 6 (Cash and Investments) within the interim consolidated financial statements for the three and six months ended June 30, 2023.

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