FAIRFAX INDIA
HOLDINGS CORPORATION

2021 Annual Report

Contents

2021 Annual Report

Fairfax India Corporate Performance

(in US$ thousands, except as otherwise indicated)[1]

	Book value per share[2]	Closing share price	Income	Net earnings (loss)	Total assets	Investments	Common share-holders' equity	Shares out-standing[1]	Earnings (loss) per share
As at and for the years ended December 31									
Initial public offering	10.00	10.00[3]							
2015	9.50	10.10	65,251	40,939	1,025,421	978,569	1,013,329	106.7	0.42
2016	10.25	11.55	128,604	107,825	1,303,497	1,095,569	1,075,446	104.9	1.01
2017	14.46	15.00	609,670	452,509	2,672,221	2,635,726	2,132,464	147.4	2.94
2018	13.86	13.13	166,518	96,432	2,707,057	2,661,347	2,117,945	152.9	0.63
2019	16.89	12.80	712,689	516,338	3,244,937	3,171,332	2,577,851	152.6	3.30
2020	16.37	9.60	(12,972)	(41,476)	3,072,998	3,027,648	2,446,934	149.5	(0.27)
2021	19.65	12.61	693,539	494,514	3,584,346	3,546,332	2,774,792	141.2	3.22
Compound annual growth	10.3%[4]	3.4%							

(1) *All share references are to common shares; Closing share price and per share amounts are in U.S. dollars; Shares outstanding are in millions. Certain of the performance measures presented do not have a prescribed meaning under IFRS and may not be comparable to similar measures presented by other companies. See the Glossary of Non-GAAP and Other Financial Measures in the MD&A for details.*

(2) *Calculated as common shareholders' equity divided by common shares effectively outstanding.*

(3) *On January 30, 2015, upon completion of the company's initial public offering price of $10.00 per share, Fairfax India Holdings Corporation's subordinate voting shares began trading on the Toronto Stock Exchange under the symbol FIH.U.*

(4) *The company's book value per share of $19.65 at December 31, 2021 represented a compound annual growth rate from the initial public offering price of $10.00 per share at January 30, 2015 of 10.3%.*

Corporate Profile

Fairfax India Holdings Corporation ("Fairfax India") is an investment holding company whose objective is to achieve long term capital appreciation, while preserving capital, by investing in public and private equity securities and debt instruments in India and Indian businesses ("Indian Investments").

Indian Investments(1)

Fairfax India's *Public Indian Investments* are comprised of various percentages of ownership in the following companies whose shares are listed on both the BSE (formerly known as Bombay Stock Exchange Limited) and the National Stock Exchange of India:

IIFL Finance Limited ("IIFL Finance") is a publicly traded retail-focused diversified financing company located in Mumbai, India that offers home loans, gold loans, business loans (including loans against property and small-to-medium enterprise loans), microfinance, construction and real estate finance, and capital market finance. IIFL Finance's revenues for the twelve months ended December 31, 2021 were $519 million. At year end, IIFL Finance had shareholders' equity of $842 million and there were approximately 25,900 employees. Additional information can be accessed from IIFL Finance's website www.iifl.com.

IIFL Wealth Management Limited ("IIFL Wealth") is a publicly traded wealth management firm with principal lines of business in wealth and asset management, located in Mumbai, India. The wealth management business serves the specialized needs of high net worth and ultra-high net worth individuals, affluent families, family offices and institutional clients through a comprehensive range of tailored wealth management solutions. The asset management business provides a diversified suite of alternative investment funds, portfolio management services and mutual funds that span public and private equities, fixed income securities and real estate. IIFL Wealth's revenues for the twelve months ended December 31, 2021 were $186 million. At year end, IIFL Wealth had shareholders' equity of $380 million and there were approximately 890 employees. Additional information can be accessed from IIFL Wealth's website www.iiflwealth.com.

IIFL Securities Limited ("IIFL Securities") is a publicly traded independent full-service retail and institutional brokerage, along with being a leading investment advisory firm providing diversified financial services and products such as financial planning, equity, commodities and currency broking (both cash and derivatives), depository participant services, investment banking, portfolio management as well as distribution of mutual funds, bonds and other products. IIFL Securities is located in Mumbai, India. IIFL Securities' revenues for the twelve months ended December 31, 2021 were $164 million. At year end, IIFL Securities had shareholders' equity of $161 million and there were approximately 2,500 employees. Additional information can be accessed from IIFL Securities' website www.iiflsecurities.com.

CSB Bank Limited ("CSB Bank") is a publicly traded company located in Thrissur, India, established in 1920 and is a full-service bank offering retail banking, non-resident Indian banking services, small-to-medium enterprise and wholesale banking services through 559 branches and 410 automated teller machines across India. Prepared in accordance with International Financial Reporting Standards ("IFRS"), CSB Bank's revenues for the twelve months ended December 31, 2021 were $195 million. At year end, CSB Bank had shareholders' equity of $345 million and there were approximately 4,800 employees. Additional information can be accessed from CSB Bank's website www.csb.co.in.

Fairchem Organics Limited ("Fairchem Organics") is a publicly traded specialty chemical manufacturer located in Ahmedabad, India. Fairchem Organics manufactures oleochemicals used in the paints, inks and adhesives industries, as well as intermediate neutraceutical and health products. Based on IFRS, Fairchem Organics' revenues for the twelve months ended December 31, 2021 were $85 million. At year end, Fairchem Organics had shareholders' equity of $30 million and there were approximately 210 employees. Additional information can be accessed from Fairchem Organics' website www.fairchem.in.

5paisa Capital Limited ("5paisa"), located in Mumbai, India, is a publicly traded online financial services provider with a "do-it-yourself" investment brokerage model that allows customers to execute investment transactions for low brokerage fees. 5paisa is primarily engaged in providing a technology platform through online and mobile applications for trading securities on the BSE and the NSE of India. 5paisa's revenues for the twelve months ended December 31, 2021 were $35 million. At year end, 5paisa had shareholders' equity of $50 million and there were approximately 730 employees. Additional information can be accessed from 5paisa's website www.5paisa.com.

(1) *All of the Indian Investments' figures are unaudited and based on Indian Accounting Standards (Ind AS) unless otherwise stated. See the Glossary of Non-GAAP and Other Financial Measures in the MD&A for details.*

Fairfax India's *Private Indian Investments* are comprised of various percentages of ownership in the following companies whose fair values cannot be derived from an active market and accordingly, are valued internally using industry accepted valuation techniques and models:

Bangalore International Airport Limited ("BIAL") is a private company located in Bengaluru, India. BIAL, under a concession agreement with the Government of India until the year 2068, has the exclusive rights to carry out the development, design, financing, construction, commissioning, maintenance, operation and management of the Kempegowda International Airport Bengaluru ("KIAB") through a public-private partnership. KIAB is the first greenfield airport in India built through a public-private partnership. Based on IFRS, BIAL's revenues for the twelve months ended December 31, 2021 were $105 million. At year end, BIAL had shareholders' equity of $305 million and there were approximately 1,200 employees. Additional information can be accessed from BIAL's website www.bengaluruairport.com.

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. Based on IFRS figures, Sanmar's revenues for the twelve months ended December 31, 2021 were $1.3 billion. At year end, Sanmar had shareholders' equity of $239 million and there were approximately 1,900 employees. Additional information can be accessed from Sanmar's website www.sanmargroup.com.

Seven Islands Shipping Limited ("Seven Islands"), a private company located in Mumbai, India, is the second largest private sector tanker shipping company in India and transports liquid and gas cargo along the Indian coast as well as in international waters. At December 31, 2021 Seven Islands owned 23 vessels, including 2 gas carriers, with a total deadweight capacity of approximately 1.3 million metric tons. Its vessels are registered in India and operate as Indian owned and flagged vessels. Seven Islands' revenues for the twelve months ended December 31, 2021 were $93 million. At year end, Seven Islands had shareholders' equity of $132 million and there were approximately 100 employees. Additional information can be accessed from Seven Islands' website www.sishipping.com.

National Commodities Management Services Limited ("NCML"), a private company located in Gurugram, India, offers end-to-end solutions in grain procurement, storage and preservation, testing and certification, collateral management, and commodity and weather intelligence. NCML's wholly-owned subsidiary, NCML Finance Private Ltd, focuses on rural and agri-business finance. Based on IFRS, NCML's revenues for the twelve months ended December 31, 2021 were $44 million. At year end, NCML had shareholders' equity of $79 million and there were approximately 1,200 employees. Additional information can be accessed from NCML's website www.ncml.com.

Saurashtra Freight Private Limited ("Saurashtra"), a private company located in Mumbai, India, operates one of the largest container freight stations ("CFS") at Mundra port (Gujarat). Services provided by Saurashtra's CFS include transportation of containers to and from the port, stuffing and destuffing of containers, cargo storage, transportation of cargo to the end customer, and the storage, maintenance and repair of empty containers. Saurashtra's subsidiary, Fairfreight Lines, focuses on services for container shipping, offering integrated logistics solutions to its customers by providing containers, which are leased by Saurashtra, to importers and exporters to transport cargo. Saurashtra's revenues for the twelve months ended December 31, 2021 were $36 million. At year end, Saurashtra had shareholders' equity of $40 million and there were approximately 160 employees. Additional information can be accessed from Saurashtra's website www.saurashtrafreight.com.

Maxop Engineering Company Private Limited ("Maxop"), a private company located in New Delhi, India, is a precision aluminum die casting and machining solution provider for customers in the automotive and industrial sectors. Maxop's revenues for the twelve months ended December 31, 2021 were $65 million. At year end, Maxop had shareholders' equity of $28 million and there were approximately 2,600 employees. Additional information can be accessed from Maxop's website www.maxop.com.

National Stock Exchange of India Limited ("NSE"), a private company located in Mumbai, India, operates India's largest stock exchange. In addition to providing a platform for exchange-traded financial products in India, NSE's flagship index, Nifty50, is used extensively by investors in India and around the world as a barometer of the Indian capital markets. NSE's revenues for the twelve months ended December 31, 2021 were $1.1 billion. At year end, NSE had shareholders' equity of $1.9 billion. Additional information can be accessed from NSE's website www.nseindia.com.

To Our Shareholders,

Fairfax India's book value per share (BVPS), our key performance measure, grew again this year at a healthy rate. After declining by 3.1% in 2020 to $16.37*, it bounced back, growing by 20.0% in 2021 to $19.65, a performance slightly better than the performance of Indian equity indices, and even better than it looks as it was adversely affected by the 1.7% decline in the Indian rupee against the U.S dollar during 2021. The value of the publicly listed companies in the portfolio was up 53.8%** compared to the US$ S&P BSE Sensex 30 index which was up 19.6%. Common shareholders' equity increased by 13.4% after declining by 5.1% the previous year.

Here is a snapshot of Fairfax India's performance since it began *($ millions except per share amounts)*:

	2021	2020	2019	2018	2017	2016	2015	CAGR(1)
Book value per share	$ 19.65	$ 16.37	$ 16.89	$ 13.86	$ 14.46	$ 10.25	$ 9.50	10.3%
Income	693.5	(13.0)	712.7	166.5	609.7	128.6	65.3	
Net earnings (loss)	494.5	(41.5)	516.3	96.4	452.5	107.8	40.9	
Return on equity	18.9%	(1.7)%	22.0%	4.5%	28.2%	10.3%	4.0%	12.3%(2)
Total assets	3,584.3	3,073.0	3,244.9	2,707.1	2,672.2	1,303.5	1,025.5	19.8%
Investments	3,546.3	3,027.6	3,171.3	2,661.3	2,635.7	1,095.6	978.6	20.5%
Common shareholders' equity	2,774.8	2,446.9	2,577.9	2,117.9	2,132.5	1,075.4	1,013.3	15.7%
Shares outstanding *(millions)*	141.2	149.5	152.6	152.9	147.4	104.9	106.7	

(1) Since Fairfax India's inception on January 30, 2015, when it raised $1.03 billion at $10 per share. From an initial value of $9.62 (after IPO expenses), book value per share has compounded at 10.9% annually.

(2) Simple average of the return on equity for each of the seven years.

Asian emerging markets' performance was mixed in 2021, as in 2020. You will see from the table below (based on the leading US$ equity index in each country named) that India's 19.6% equity index growth was outperformed only by Sri Lanka's and Vietnam's equity indices:

Sri Lanka	65.1%
Vietnam	37.3%
India	19.6%
Singapore	7.7%
Thailand	2.8%
China	(2.6)%
Malaysia	(6.8)%
Hong Kong	(14.6)%

And here is a comparison of Fairfax India's change in BVPS in 2021 with the change in major Indian US$ equity indices:

Fairfax India BVPS	20.0%
S&P BSE Sensex 30	19.6%
S&P BSE 500	27.6%
BSE midcap	36.5%
Nifty 50	21.7%

We are pleased that our BVPS has kept up with the torrid pace at which the Indian markets have grown in 2021.

* *Amounts in this letter are in U.S. dollars unless specified otherwise. Numbers in the tables in this letter are in U.S. dollars and $ millions except as otherwise indicated. Certain of the performance measures in this letter do not have a prescribed meaning under IFRS and may not be comparable to similar measures presented by other companies. See the Glossary of Non-GAAP and Other Financial Measures in the MD&A and the Appendix to the Letter to Shareholders for details.*

** *Adjusted for the impact of purchases and sales during the year.*

Last year we mentioned that at the levels then, the Indian markets were trading at extremely elevated valuations, but as you can see from the table below, valuations are even more stretched today:

	Year-end 2020	Year-end 2021	10-year average
Price to earnings ratio	26.0	30.2	22.1
Price to book value ratio	2.8	3.5	2.9
Dividend yield	1.3%	0.9%	1.4%
Market cap to GDP ratio	97%	114%	77%

It is interesting to note that the U.S. S&P 500 index grew 26.9% in 2021 with valuations that are similarly rich (Price to earnings ratio of 24.2; Price to book value ratio of 4.8; Dividend yield of 1.3% and Market cap to GDP ratio of 198%). The valuations of our listed portfolio companies, with a price to earnings ratio of 11.7, price to book value ratio of 2.2 and dividend yield of 1.9%, are certainly not as rich.

Over the seven years since Fairfax India's inception, Fairfax India has outperformed the Indian markets, as demonstrated in the following table showing the average annual percentage change over seven years:

Fairfax India BVPS(1)	+10.3%
US$ S&P BSE Sensex 30	+7.6%

(1) Fairfax India's 7-year annualized growth in BVPS is calculated based on its January 30, 2015 IPO price of $10 per share.

Please note that Fairfax India's book value is based on publicly traded market values only for the approximately half of its investments which are publicly traded (the rest are based on more restrained internal valuations), whereas the Sensex is of course based entirely on publicly traded market values.

Fairfax India's net earnings in 2021 was $494.5 million versus a loss of $41.5 million in 2020, largely as the result of net unrealized gains on investments of $438.9 million compared to net unrealized losses of $26.6 million in 2020. Earnings also reflect dividend and interest income of $33.0 million and net foreign exchange losses of $5.6 million. Fully diluted earnings per share was $3.22 in 2021 versus a loss per share of $0.27 in 2020.

The significant contributors to the changes in BVPS recorded in 2021 were:

IIFL Finance	$190.0
Fairchem Organics	124.6
Sanmar	88.8
IIFL Wealth	66.6
IIFL Securities	48.8
NSE	40.1

Since we began, Fairfax India has completed investments in eleven companies and exited one (13 currently, as one has split into four listed entities), all sourced and reviewed by Fairbridge, Fairfax India's parent Fairfax Financial Holdings' (Fairfax Financial) wholly-owned sub-advisor in India. Fairbridge does outstanding work under the excellent leadership of CEO Sumit Maheshwari, supported by its Director Anish Thurthi, Vice President Sheetal Sancheti, and analysts Jinesh Rambhia and Ramin Irani. Fairfax India's Mauritius subsidiary, FIH Mauritius Investments, ably led by its CEO Amy Tan, supported by its senior manager Vishal Mungur and its independent Board of Directors, is an integral part of the investment process. Also, since we began, Deepak Parekh, both as a trusted advisor and a member of the Board of Directors, has provided us with invaluable advice on almost all of our transactions.

All of Fairfax India's investments are in outstanding companies with a history of strong financial performance, led by founders and management who are not only excellent but also adhere to the highest ethical standards. The details of these investments in chronological order of the initial investment are as follows:

	Date of Initial Investment	Ownership	Amount Invested	Fair Value at December 31, 2021	Compounded Annualized Return[(1)]
NCML	August 2015	89.5%	$ 188.3	$ 84.2	(13.2)%
IIFL Finance*	December 2015	22.3%	–	318.1	*
IIFL Wealth*	December 2015	13.6%	191.5	230.1	*
IIFL Securities*	December 2015	27.9%	91.3	103.2	*
5paisa*	December 2015	26.1%	29.7	41.2	*
Fairchem Organics[(2)]	February 2016	52.8%	29.7	155.0	45.9%
Sanmar Chemicals Group	April 2016	42.9%	199.0	421.2	17.7%
National Stock Exchange of India	July 2016	1.0%	26.8	111.2	33.4%
Saurashtra Freight	February 2017	51.0%	30.0	47.2	10.3%
Bangalore International Airport	March 2017	54.0%	653.0	1,372.2	17.7%
CSB Bank	October 2018	49.7%	169.5	227.6	11.0%
Seven Islands Shipping	March 2019	48.5%	83.8	105.9	9.1%
Maxop Engineering	November 2021	51.0%	29.5	29.8	0.0%
Other Indian Investments			72.4	100.9	24.9%
Total			$1,794.5	$3,347.8	17.0%
* *Aggregate: IIFL Finance, IIFL Wealth, IIFL Securities and 5paisa*			*$ 312.5*	*$ 692.6*	*19.3%*

(1) Calculated using the internal rate of return

(2) Presented based on initial investment before the merger in March 2017 and subsequent investments

While the BVPS of Fairfax India is $19.65, we believe that the underlying intrinsic value is much higher. We have taken the opportunity over the last four years to buy back 14.4 million shares for $191.0 million or an average price of $13.26 per share, including the 7.0 million shares we bought in 2021 through a substantial issuer bid for $105.0 million or an average price of $14.90 per share. We have continued to buy back shares in 2022 and to date, we have bought back 1.9 million shares for $24.0 million or an average price of $12.65.

In June 2019, Fairfax India created a 100% owned subsidiary in India named Anchorage Infrastructure Investments Holdings (Anchorage). It is intended that this company will be Fairfax India's flagship investment vehicle for airports and other infrastructure investments in India and that all the shares it owns in Bangalore International Airport (BIAL) will eventually be transferred to Anchorage.

In September 2021, Fairfax India, as previously agreed, transferred 43.6% out of the 54% that it owns in BIAL to Anchorage and OMERS (the pension plan for municipal employees in the province of Ontario, Canada) invested $129.2 million to acquire from Fairfax India an 11.5% interest on a fully diluted basis in Anchorage. This resulted in OMERS indirectly owning approximately 5% of BIAL. This transaction values 100% of BIAL at $2.6 billion.

Fairfax India intends to complete an IPO of Anchorage that values 100% of the underlying shares of BIAL at a valuation of at least $2.9 billion (a valuation of $1.3 billion for 100% of Anchorage). A "ratchet" mechanism has been agreed with OMERS whereby if the IPO is completed at a valuation below $1.2 billion, OMERS will receive incremental shares of Anchorage to compensate for the difference between the actual IPO valuation and $1.2 billion.

BIAL is a highly profitable airport in Bangalore, India and is a sought-after asset. The marketability of BIAL to large pension funds and strategic global airport operators, even as an unlisted company, is very high. This is supported by several recent examples of stake sales and privatisations of airport assets in India. A public listing of Anchorage will help in bringing to light the true value of BIAL. We believe that it could be much higher than $2.9 billion.

Once Anchorage is listed, the proportion of the publicly listed investments in Fairfax India will increase from the current 42.5% to 83.5% of the overall portfolio.

Last year we had cited our portfolio company IIFL Securities as an example of companies in our portfolio that were undervalued as demonstrated in the table below:

IIFL Securities:

	Unit	
Total market capitalization(1)	$mn	206
4 years to March 2020(2)		
Return on equity (average)		26.7%
Net worth growth (CAGR)		28.5%
Earnings growth (CAGR)		26.9%
Closing share price on February 18, 2021	Rs	47.15
Estimated March 2021		
Earnings per share	Rs	6.0
Price(1)/Earnings		7.9x
Price(1)/BVPS		1.4x
Dividend yield		4.2%

(1) Based on the rupee closing share price on February 18, 2021

(2) March is the fiscal year-end.

We are pleased to report that IIFL Securities is now trading at a price 89% higher than last year – more in line with its intrinsic value. We believe there are several other investments in the Fairfax India portfolio with the potential for a significant upside like IIFL Securities.

In addition to the Anchorage transaction described above, Fairfax India achieved two major milestones in 2021.

First, it completed the sale of its investment in Privi Speciality Chemicals to its founder, Mahesh Babani, for proceeds of $164.8 million, realizing a gain of $132.3 million and an internal rate of return of 27.1% over the life of the investment. Mahesh has built a wonderful business and we wish him the very best.

Second, Fairfax India obtained an investment grade rating of BBB (low) from DBRS and completed its inaugural bond issue, selling $500 million of seven-year unsecured senior notes with a coupon of 5%. The net proceeds of the issue were used in repaying its $550 million term loan. Fairfax India further enhanced its financial flexibility by obtaining a $175 million unsecured revolving credit facility with a three-year term with a syndicate of lenders.

Financial Position

At December 31, 2021, the financial position of Fairfax India was as follows:

Undeployed cash and investments(1)	$ 298.5
Unsecured senior notes maturing in February 2028	500.0
Common shareholders' equity	2,774.8
Total debt to equity	18.0%

(1) Includes passive investments in publicly traded Indian companies

Performance Fee

You will recall that under the investment advisory agreement with Fairfax Financial, Fairfax India's sponsor and controlling shareholder, and Fairfax Financial's investment counsel subsidiary Hamblin Watsa, Fairfax Financial is entitled to a performance fee of 20% of any increase in Fairfax India's BVPS (including distributions) above a non-compounded 5% increase each year from the BVPS at inception in 2015. The performance fee is calculated at the end of each three-year period since inception, and the amount payable as at the end of any three-year period is the total amount calculated minus the aggregate of the performance fees paid in respect of all prior three-year periods. The performance fee has been calculated on this basis for the first two three-year periods.

The original language of the investment advisory agreement, which had inadvertently failed to fully recognize performance fees already paid and would have provided for the accrual of a higher performance fee, has now been amended to make this correction.

At the end of 2021, the first year of the current third three-year period, a performance fee of $84.7 million has been accrued but will only be finalized and paid as at the end of the three-year period ending 2023, based on performance at that time.

Indian Investments(1)

Bangalore International Airport (BIAL)

BIAL is Fairfax India's largest investment and a very important one that accounts for 42.3% of the market value of its investments.

Between March 2017 and May 2018, Fairfax India invested, in 3 tranches, $653.0 million to acquire 54% of BIAL, implying an equity value of approximately $1.2 billion for the whole company. It is the third largest airport in India and in 2019 it was the fastest growing airport in the world. Bangalore, considered India's Silicon Valley, is the third largest and fastest growing city in India.

After a difficult year in 2020 caused by the COVID-19 pandemic, we were optimistic when 2021 started that the worst of the impact of the pandemic was behind BIAL and that there was a good chance that 2021 would augur well for domestic and international air travel and normalcy would return to the industry by the end of the year. We were in for a rude surprise.

As hoped, by February 2021 domestic passenger traffic recovered to about 61% of pre-pandemic levels and appeared to be headed to normal levels. That is when the virulent second wave of the pandemic struck India and by April 2021 daily cases had skyrocketed to about 400,000 cases (previous highs were about 100,000). Again, governments implemented stringent lockdowns and by May 2021 passenger levels collapsed back to about 14% of pre-pandemic levels. Fortunately, by November 2021 daily cases were down to below 10,000 and by the middle of December 2021 traffic had recovered to about 80% of pre-pandemic levels. BIAL is now bracing for the impact of the Omicron variant which has already dropped domestic traffic back to 43% of pre-pandemic levels in January 2022.

In addition to the unpredictable traffic situation, this was the year BIAL dealt with the periodic tariff determination process that occurs every five years.

- **Aero revenue and tariff order for third control period**

Aero revenue is the revenue earned for providing services such as landing, parking and other services charged as user development fees (UDF) to airlines and passengers. The aero tariffs for these services are set for five-year periods (called "control periods") and are fixed by the Airport Economic Regulatory Authority (AERA) to provide a reasonable return on equity deployed in the Regulatory Asset Base (RAB). AERA treats 30% of non-aero revenue (described below) as aero revenue as a subsidy for the purpose of tariff calculations. The tariff order for the second control period (from April 2016 to March 2021) was finalized by AERA in August 2018, well after the control period had begun. Any under or over recovery of tariffs in any control period will be adjusted in the subsequent control period. This is achieved primarily by adjusting downwards or upwards the fee that the airport is allowed to charge for its aero services to passengers and airlines. The tariffs that the airport can charge have a very significant impact on the cash flow generated which, in turn, has a major impact on the financing for the planned expansion of the airport.

Because of the significant underachievement of passenger traffic in the last year of the second control period and the intended completion of capital projects during the third control period (from April 2021 to March 2026), UDFs were expected to increase significantly in the third control period. With the higher UDFs and the ultimate return of passenger volumes to pre-pandemic growth levels, aero revenue was expected to return to normal levels at some point during the fiscal year ending March 2023.

However, AERA, taking into consideration the pandemic-related hardships faced by the airline industry, was highly motivated to keep UDFs low. In the final tariff order for the third control period, BIAL's well justified revenue request for $1.2 billion was arbitrarily cut back by around $125 million and this sum was moved to the fourth control period. To our knowledge there is no precedent for this kind of action. The tariff order for the third control period went into effect in October 2021. Since the lost revenue will be recouped, with interest, in the fourth control period, there is no impact on the valuation of BIAL. However, the short term impact of the reduced cash flow will cause BIAL to rebalance its capital expenditure and capacity expansion plans (described below) and to refinance some of its debt. As a result, about $130 million of existing bank debt has already been refinanced with longer term non-convertible debentures (NCDs) and BIAL is in the process of negotiating existing loan covenants with banks

(1) All of the Indian Investments' figures are unaudited and based on Indian Accounting Standards (Ind AS) unless otherwise stated.

to ensure compliance. Some non-essential construction projects have been postponed to future control periods. BIAL is in the process of challenging this tariff order with the appellate authority.

- **Growth plans**

You may recall that in 2018, BIAL entered a phase of significant investment of about $1.9 billion to expand its designed capacity of 20 million passengers to about 50 million in 2021, by re-configuration and system improvements in the existing terminal (now completed), building a second runway, and building phase 1 of a second terminal (T2) and associated supporting infrastructure. The second runway was commissioned as planned in 2019, and significant progress has been made in the construction of phase 1 of T2, which is expected to be completed in 2022. A financing plan for this expansion, based on a debt-to-equity ratio of 80:20, has been approved by a syndicate of Indian banks at attractive interest rates.

Then plans were added for the building of phase 2 of T2 and related infrastructure for an incremental investment of about $1.2 billion, to take the capacity to about 70 million passengers by 2029. In 2019, BIAL added a plan for a third terminal and related infrastructure for an incremental investment of approximately $0.7 billion, taking the capacity of the airport beyond 90 million passengers by 2033.The total investment of about $1.9 billion required to complete the above expansions is expected to be funded through internally generated funds and debt.

- **Non-aero revenue**

Non-aero revenue is all revenue other than aero revenue, such as revenue from food and beverage sales and duty-free shops. Non-aero revenue had grown at a CAGR of 17% from 2009 to 2020 and is expected to resume its growth trajectory from 2023 due to the return to normal passenger growth rates, the availability of additional space and the increasing propensity of passengers at the airport to make purchases.

To accelerate non-aero revenue growth, BIAL has undertaken many innovative projects that engage passengers and enhance their experience at the airport. During the pandemic, BIAL has been a leader among airports in being flexible and working collaboratively with concessionaires (who also were extremely stressed from the shutdown of their businesses), helping them to survive and resume business as passenger traffic comes back. Remarkably, through a combination of the rollout of new concepts, digital initiatives and loyalty programs, BIAL achieved per passenger non-aero sales levels that are higher than pre-pandemic levels. The process to improve lounge experience and increase lounge capacity in the existing terminal and the new terminal are well underway. BIAL is also seeing an overwhelming interest from global bidders for non-aero space in T2. These achievements lay the foundation for BIAL's plans to grow non-aero revenue by five times over the next decade.

- **Cargo business**

The cargo operation of BIAL has been a beacon of strength through the entire pandemic because it was not affected by the pandemic-related shutdowns. In 2021 BIAL recorded its all-time high cargo volume since the opening of the airport, including India's highest (31% of total) export shipments of perishable goods. Many initiatives are underway in the cargo business, including increasing capacity to 980,000 metric tons, building India's largest express cargo facility, building a dedicated truck management facility, implementing a system for paperless cargo processing and putting in place new concession agreements with operators at significantly better terms for BIAL.

- **Real estate monetization**

Plans for real estate monetization, which is another major source of future revenue for BIAL, have been delayed by about 18 months as a result of the pandemic. BIAL has approximately 460 acres of land adjoining the airport that can be developed. Most of this land is undeveloped and Bangalore's historical population areas are getting congested, so the city is expanding in the airport's direction. BIAL anticipates significant upside, over time, from monetization of this real estate. We provide below an update on the significant progress made in the actions to monetize the land available for development.

A 100% owned SPV (special purpose vehicle) subsidiary of BIAL was incorporated to carry on the real estate activities of BIAL. This entity, Bangalore Airport City Limited (BACL), is now capitalized and staffed and is expected to be self-funding as it moves forward. Plans to develop the first 176 acres of land have been advanced and several deals are being negotiated. Infrastructure planning and detailed design for this parcel have been completed. Anchored on the principles of a smart city, BACL will focus on four asset classes – business parks; a retail, dining and entertainment (RDE) village; hospitality; and convention and exhibition centres. Despite potential partners' and investors' inability to visit the site because of the pandemic, some progress has been made in project plans:

- A letter of intent for a business hotel of 775 rooms under the brands of Vivanta and Ginger (Taj Group) was agreed with developers from Dubai.
- An agreement was signed with a premier airline services company to build a large central kitchen.
- A 3D technology printing facility is under construction and expected to be completed this year.
- Architects and planners have been appointed for the design of the RDE village.

Despite the extraordinary circumstances, under the exceptional leadership of Managing Director and CEO Hari Marar and his executive team, BIAL has had a commendable year.

Given the impact of the pandemic on the travel industry across the world, BIAL's financial performance in 2021 did not come as a surprise. Passenger traffic grew 18.9% over the previous year to 16.1 million but was still only about 50% of pre-pandemic levels. Based on IFRS, BIAL's revenue increased by 26% over the previous year to $105.4 million but was still only about 50% of pre-pandemic levels. EBITDA increased by 72% over the previous year to $40.8 million but was only 33% of pre-pandemic levels. Loss after tax reduced to $61.5 million from $66.8 million but was down from a profit of $54 million in 2019. This is only temporary!

Despite the unprecedented events that impacted operations and financial performance in 2020 and 2021, we estimate that BIAL will generate a total ROE of 13.7% for the second control period and an ROE of 16.3% for the combined first and second control periods.

The valuation (including foreign currency translation) of Fairfax India's interest in BIAL remained at $1.4 billion in 2021, the same as in 2020, implying an equity value of approximately $2.6 billion for the whole company. This valuation is supported by future cash flow estimates driven by the growth and real estate monetization plans described above.

Despite being tumultuous, 2021 featured the following significant achievements by BIAL:

- While implementation has been delayed, three important new direct international routes were established to San Francisco, Seattle and Tokyo.
- It again won the award for the world's best airport experience in arrivals.
- Despite the disruptions in the availability of labour and materials caused by the pandemic, all projects, including completion of the second runway; refurbishment of the existing runway; building a new terminal; and constructing utilities, transportation and road infrastructure for the planned growth have made good progress and are expected to be completed by the target dates.
- BIAL's digital transformation is continuing to make excellent progress. A new global service provider has been engaged on a ten-year turnkey project implementation contract.
- BIAL maintained its credit ratings of AA+ with India Rating and AA with CRISIL Rating.
- BIAL has been at the forefront in designing and implementing its sustainability goals and touching the lives of its community. Some recent successes in achieving BIAL's sustainability goals are the following:
  - BIAL is a net contributor to the ground water by generating more water from its rainwater harvesting and waste-water treatment than it uses.
  - Renewable energy sources were utilized for 100% of the airport's energy needs.
  - BIAL actively promotes the use of recyclable material and will achieve zero landfills by the end of 2022.

Anchorage Infrastructure Investments Holdings (Anchorage)

In September 2021, Fairfax India closed the transaction whereby it transferred 43.6% out of the 54% that it owned in BIAL to Anchorage and sold 11.5%, on a fully diluted basis, of Anchorage to OMERS for cash consideration of $129.2 million. The transaction valued 100% of BIAL at $2.6 billion and resulted in OMERS indirectly owning approximately 5% of BIAL.

The closing of this transaction took much longer than we expected, and in the process we learned that government approvals in India can take much longer than we anticipated, though the pandemic might have resulted in some of the delays.

As mentioned earlier, Anchorage is intended to be Fairfax India's flagship investment vehicle for airports and other infrastructure investments in India. Since its inception in June 2019, Anchorage has actively participated in bidding in Indian airports' and railway stations' privatisation processes. It continues to look for unique and value-accretive infrastructure and allied businesses. We have also started the preparation work to list Anchorage on the Indian stock exchanges.

Sanmar Chemicals Group (Sanmar)

Overall, 2021 was an outstanding year for Sanmar.

Based on IFRS, for the year ended December 31, 2021, Sanmar's revenue grew by 88% over the previous year to \$1.3 billion, EBITDA grew by 123% to \$276 million and profit before tax (PBT) turned around from a loss of \$150.7 million to a profit of \$92.1 million (current year EBITDA and PBT exclude an accounting debt restructuring gain of \$67.6 million).

These extraordinary results were, among other factors, driven by:

- high capacity utilization and excellent operating performance across all divisions
- strong PVC demand and record prices for PVC in India
- overall global tightness in PVC and caustic soda supplies due to the lack of new capacity coming on stream, and
- reduced interest costs as a result of balance sheet restructuring.

In 2016, Fairfax India lent Sanmar the rupee equivalent of \$300.0 million by way of NCDs for a period of seven years. The NCDs provided for 3% payment-in-kind interest and a redemption premium such that the annual yield of the NCDs would be 13%. In addition, for \$1.0 million Fairfax India received a 30% equity interest in Sanmar's entire chemicals business.

In 2019 Sanmar settled our \$300.0 million of 13% bonds for \$433.9 million, of which we invested \$198.0 million in additional common shares of Sanmar based on an effective equity valuation of approximately \$1.0 billion for the whole company, thereby increasing our equity ownership interest from 30% to 43%. This transaction returned approximately 76% of the capital Fairfax India originally invested while increasing our ownership of Sanmar.

N. Sankar, the chairman of the Sanmar group, and his son Vijay, the deputy chairman, have grown the group into a large private conglomerate with sales well over \$1 billion and an asset base of around \$2 billion. Founded in the early sixties, its business interests spanned chemicals, engineering technology and shipping, with operations in India, the Middle East and the Americas. Fairfax India's investment is in the chemicals business, which constitutes more than 70% of the group's operations and is housed within three operating companies, two in India – Chemplast Sanmar (CSL) and Chemplast Cuddalore Vinyls (CCVL) – and one in Egypt – TCI Sanmar (TCI).

- CSL is the largest manufacturer of paste polyvinyl chloride (PVC) in India. It also manufactures caustic soda, chloromethanes, hydrogen peroxide, EDC (ethylene dichloride) and VCM (vinyl chloride monomer) at Mettur and Karaikal. Sanmar Speciality Chemicals, which manufactures custom made chemicals for customers in the agro-chemical, pharmaceutical and fine chemical industries, is also a part of this division.
- CCVL is the second largest suspension PVC player in India.
- TCI, Egypt, after its expansion was completed in 2018, became a balanced integrated manufacturing facility and is the MENA region's largest manufacturer of suspension PVC, calcium chloride and caustic soda.

The group is renowned for its high integrity and the highest levels of corporate governance and environmental and social responsibility. Long before ESG investing became the clarion call for investors, it was ingrained in Sanmar's DNA.

In 2020, the biggest impact of the pandemic on all the Sanmar companies was the squeeze on their liquidity position. To rectify this and to reduce the overall debt of the company, Sanmar committed to actively pursue opportunities to raise additional equity capital to repay and restructure debt. It also decided to postpone investments in projects that exploit excellent growth and cost saving opportunities until after its balance sheet was deleveraged. We are pleased that, in addition to its stellar operating performance, Sanmar has also made significant progress in deleveraging its balance sheet.

- **CSL**

In 2021, CCVL was made a 100% subsidiary of CSL, thereby consolidating all of Sanmar's Indian chemical businesses under CSL. Sanmar then listed CSL on the Indian stock exchanges through an IPO raising \$519 million, comprised of a primary issuance of equity shares of \$175 million and a secondary sale of equity shares by the holding company, in which Fairfax India has its 43% ownership, of \$344 million. Following the IPO, which valued 100% of CSL at \$1.15 billion, the holding company's ownership of CSL is 55.0%, so Fairfax India's indirect ownership is 23.6%. The net proceeds were used largely to repay debt of about \$165 million in CSL and about \$300 million in the holding company. As a result, debt at CSL and the holding company has been fully paid.

The former CSL business which comprised the higher margin paste PVC and specialty chemicals businesses had an excellent year in 2021. Revenue grew by 47% over the previous year to \$239.6 million, EBITDA grew by 85% to

$82.6 million and PBT turned around from a loss of $2.2 million to a profit of $44.5 million. This impressive performance was the result of strong demand for paste PVC and record prices and margins as a result of the global tightness in the supply of this product, especially from China as a result of energy shortages there.

CSL continues to anticipate a very bullish future for paste PVC because there were permanent plant closures in South Korea, China, Germany, the U.S. and the United Kingdom due to environmental and other concerns and there is no new large capacity coming onstream. CSL, which uses an environmentally friendly process, expects to capitalize on the situation by meeting incremental demand for paste PVC which has grown at a CAGR in India of 7% over the last 10 years. Given that CSL is debt free, it is again considering a capital project to increase its paste PVC capacity from 66 ktpa to 101 ktpa. Industry experts also anticipate that over the medium term, demand for caustic soda will exceed supply, strengthening the price for this commodity.

- **CCVL**

CCVL (now a 100% subsidiary of CSL), which manufactures the more commoditized, high volume and lower margin suspension PVC, also had outstanding results in 2021. Revenue grew by 81% to $493.9 million over the previous year, EBITDA grew by 122% to $86.6 million and PBT grew 6-fold to $54.9 million. Again, as in the case of paste PVC, strong demand in India and global supply constraints that drove price levels up sharply compared to earlier in the year resulted in the strong performance. Lower debt levels and reduced interest rates on the remaining debt resulted in lower interest costs, resulting in higher PBT.

CCVL's plant has been running at almost 100% capacity. Global demand for suspension PVC has been strong, driven by infrastructure investment in China, housing starts in the U.S. and agriculture-related infrastructure investment in India. At the same time, global supply has been constrained because of a myriad of technical and other issues at producing companies in the U.S., Europe, Mexico and South Korea. As a result, there is extreme tightness in the market and prices for suspension PVC are near all-time highs. As positive as the global situation is for the manufacturers, the outlook is even better in India. With consumption projected to grow at a CAGR of about 8% over the next several years, demand is expected to grow significantly, resulting in a large deficit, which will need to be imported. Because CCVL has the logistic advantage of supplying the South Indian market and the further advantages of an existing plant, land and infrastructure; long term strategic relationships with feedstock suppliers; strong customer relationships; and significantly lowered debt levels, it will resume evaluating its plan to expand its capacity from 300 to 600 ktpa. CCVL already has environmental approvals to proceed with this expansion.

- **TCI**

Sanmar acquired TCI in 2007, with the intention of setting up a large greenfield PVC plant in Egypt to cater to the high growth markets of North Africa, the Middle East and parts of Europe. TCI until recently had a 200 ktpa capacity PVC plant. In 2018, with help from the financing provided by Fairfax India, TCI completed a major expansion plan and added a new 200 ktpa PVC plant, taking total PVC capacity to 400 ktpa, added a 130 ktpa calcium chloride plant and a 75 ktpa caustic soda by-product line. In 2021 it was able to fully operationalize these assets and reached about 90% capacity utilization. With the 100% capacity utilization and certain expected process refinements expected in 2022, Sanmar will be able to take advantage of its significant investment in Egypt.

In 2021 TCI completed the restructuring of its balance sheet by dealing with its term debt of $785.4 million as follows:

- converting $117.8 million of debt to 13.9% of its equity: this transaction implies a post-money valuation of $848 million for 100% of TCI
- restructuring $117.8 million of debt as NCDs with an interest rate of 0.01% per annum with no principal repayments until 2036
- extending the maturity of the remaining $549.8 million of debt by two years with back-ended principal repayments.

TCI also had excellent operating results in 2021. Revenue grew by 120% over the previous year to $565.0 million, EBITDA grew from $3.5 million to $110.4 million, and PBT turned around from a loss of $106.6 million to a profit of $19.3 million (current year EBITDA and PBT exclude an accounting debt restructuring gain of $67.6 million). This performance was driven by the favourable global demand supply dynamics for PVC and caustic soda described above, improved capacity utilization, reduced interest costs due to the balance sheet restructuring described above, and changes in trade regulations such as the introduction of anti-dumping and import duties on PVC, the removal of import duties on a key raw material and the introduction of export incentives. While impressive progress has been made on many fronts, TCI continues to look for further improvements to its balance sheet through an external capital raise and longer-term solutions to its problems of high-cost energy and raw materials.

Altogether, the future is very promising for Sanmar.

IIFL Finance (IIFL FIN)

Based on total revenue, IIFL FIN, which is non-deposit taking, is one of the larger non-bank finance companies (NBFC) in India.

2021 was the year IIFL FIN emerged from the malaise that afflicted most NBFCs in India from 2018 when their access to long term debt funding was severely constrained as confidence in NBFCs eroded as a result of the continuation of the credit market turmoil caused by the high-profile default that year by a quasi-government lender, IL & FS (Infrastructure Leasing and Financial Services). Since then, most NBFCs faced restricted access to longer term funding which they needed as they had significantly reduced their dependence on short term commercial paper financing. IIFL FIN capitalized on the changing sentiment and built up all-time high cash and undrawn bank lines totaling $1.2 billion, sufficient both to meet short term liabilities and to fund the growth momentum described below. In reaching this position, IIFL FIN raised $292 million in 2021 through debentures sold to retail investors.

Under the able leadership of CEO Nirmal Jain, who is also the founder and a significant shareholder of all the IIFL Holdings group companies, IIFL FIN invested aggressively to prepare for the lending growth it intends to drive in the immediate future. It added over 650 new branches to its existing 2,400 and over 7,800 new employees to its existing 18,000 and is moving forward aggressively to consolidate its position as one of the major NBFCs in India, serving about 7 million customers. IIFL FIN is also investing heavily in brand building and in technology to support its growth in physical infrastructure. It has implemented industry leading fintech innovations, like "WhatsApp" loans, which are seeing high customer acceptance.

With the resolution of many of the challenges it faced due to the pandemic, including obtaining better clarity on the non-performing status of loans that were affected by the government, the cessation of Reserve Bank of India (RBI) and court-mandated moratoriums and the resumption of in-person collection activity, IIFL FIN had excellent results in 2021. Its assets under management (AUM), which have grown at a CAGR of 17% over the last 5 years, grew by 11% over the previous year to $6.3 billion in 2021. In 2021, IIFL FIN's revenue increased by 22% to $519.3 million and profit after tax increased by 95% to $150.9 million, generating an ROE of 18%. Asset quality continues to be amongst the best in the peer group, with gross non-performing assets (NPA) and net NPAs at 2.8% and 1.5% respectively, compared to 1.6% and 0.8% respectively in the previous year due to the impact of the recent RBI circular on NPA classification norms. The provision coverage ratio was 133% versus 170% the previous year.

Loan to value is very conservative, at 72% for home loans, 73% for gold loans, 47% for business loans and 42% for construction and real estate loans. With a well-diversified asset portfolio of which 92% is retail in nature, a total capital adequacy ratio (CAR) of 25.4% and net interest margins at 7.0%, then even though the cost to income ratio increased from 33% to 39% (due to the growth in the number of branches and employees), IIFL FIN is well positioned to take advantage of the post-pandemic economic recovery expected from 2022.

The stock market has recognized the strong performance of IIFL FIN and its growth prospects, with the stock price more than doubling from its deeply discounted levels at the same time last year. Despite the move in the stock price, IIFL FIN, at a valuation of only 9.2 times price to estimated March 2022 earnings and price to estimated March 2022 BVPS of 1.6 times, is still trading at a discount to its peers.

We believe there is potential for further significant upside in the value of this investment.

IIFL Wealth Management (IIFL Wealth)

Founded in 2008 by Karan Bhagat and Yatin Shah, with the leadership of IIFL Holdings founder Nirmal Jain and his partner R. Venkataraman, IIFL Wealth has been an independently managed company in the stable of IIFL Holdings businesses. In September 2019 with the demerger of IIFL Holdings, the original company that Fairfax India had invested in, into four separate companies, IIFL Wealth became a separate company listed on the Indian stock exchanges and became the only listed pure play wealth management company in India.

IIFL Wealth's strong client franchise in the Indian ultra-high net-worth individual (UHNI) segment, its innovative and diversified product offering and its superior execution make it the leading player in this niche wealth management market. It is the number one wealth manager in India for UHNIs with consolidated AUM of $35.4 billion, 27 offices in India and abroad, over 850 employees and 59 teams consisting of over 240 relationship managers serving over 10,700 families.

IIFL Wealth has two businesses – wealth management (the larger one) and asset management. The wealth management business, because of a major change in regulation (described below), had to transform from a transactional upfront commission-driven business model to a client fee and distribution services based recurring revenue model.

Effective in October 2018, the Indian capital markets regulator (SEBI) banned the long-established practice of mutual funds paying distributors and investment advisors upfront commissions or upfronting trailing commissions that were not disclosed to investors, requiring instead that mutual funds, except in certain very limited situations, pay only trailing commissions that are fully disclosed as part of the funds' management expense ratios. This change has resulted in commissions being paid over the life of the investment, reducing upfront revenue but creating a stream of recurring revenue in the future.

We are pleased to report that IIFL Wealth has made this transformation seamlessly and has resumed its fast growth, achieving excellent financial results in 2021. Consolidated AUM, including custody assets, grew by 41% to $44.2 billion, total revenue increased by 46% to $185.8 million, profit after tax increased by 96% to $69.6 million and ROE increased from 9% to 18%.

IIFL Wealth made this transition by growing AUM generating annual recurring revenues (ARR AUM) by 54% over the previous year to $18.7 billion. ARR AUM now accounts for 53% of AUM, up from 41% in 2019. Revenue from ARR AUM grew by 45% to $111.0 million. Revenue from distribution transactions and brokerage also grew over the previous year, but at a lower rate of 23%, to $56.9 million. The wealth management business has embedded in it an NBFC which makes loans to its clients secured by their assets held by IIFL Wealth.

The smaller asset management business is India's leading manager of alternate investment funds (AIF). AUM for this business grew by 73% in 2021 to $7.5 billion while revenue grew by 75% to $42.7 million. This business was strengthened by the addition, under the supervision of chief investment officer Anup Maheshwari, of strong fund managers specializing in areas such as private equity, credit, real estate and long/short portfolios.

These outstanding results are due to IIFL Wealth's relentlessly focusing on its core drivers of growing business that provides recurring revenue, enhancing client experience by providing state-of-the-art digital tools and engaging with clients on a regular basis through seminars and special events. Despite facing considerable competition from private equity fund-backed new entrants and established banks and brokers trying to enter the UHNI niche of wealth management, IIFL Wealth has maintained its lead by capitalizing on the positive investment sentiment of domestic clients. It believes that it can maintain its growth levels by taking advantage of new regulations such as the concept of "accredited investors", introduced for the first time in India, a segment into which it has superior access.

Over the last five years, IIFL Wealth has grown its shareholders' equity at a CAGR of about 15%, so that it is now relatively overcapitalized for its level of earnings. To address this, in addition to its policy of paying out about 70% of its earnings in dividends, IIFL Wealth has paid regular and special dividends totaling 135 rupees per share in 2020 and 2021, resulting in an ROE of 18%, and it will continue to look for avenues to maintain its ROE sustainably in the 20% range.

Given the low penetration of wealth management in India and the high rate of wealth creation and growth in dollar millionaires, we believe that IIFL Wealth has a very bright future.

CSB Bank (CSB)(1)

Under the leadership of C.V.R. Rajendran, who has been the CEO of CSB for the last five years, CSB continues to make excellent progress on its transformative journey that began with the recapitalization of the bank that was enabled by our investment. 2021 was the best year ever for CSB.

In 2019 Fairfax India completed its purchase of a 51% interest in CSB for consideration of $169.5 million (140 rupees per share), implying a multiple of 1.1 times the September 30, 2017 BVPS. This was the culmination of an effort that began in December 2016, when the RBI gave Fairfax India permission to acquire a 51% stake in CSB, which was the first time in the history of the RBI that anyone was given approval to acquire a majority stake in a bank in India. Our entire investment was invested into CSB as primary capital, thereby increasing its CAR to 23% at the end of 2019. The improved CAR enabled the bank to make adequate provisions for loan losses, invest in more branch openings, invest in people and technology and grow its loan book with well underwritten loans.

In November 2019, CSB completed its successful IPO and was listed on the Indian stock exchanges. The IPO, which was oversubscribed 87 times, was completed at a price of 195 rupees per share and consisted largely of existing shareholders (but not Fairfax India) selling to new ones.

CSB is one of the oldest private sector banks in India and has a strong base in Kerala along with a significant presence in the states of Tamil Nadu, Karnataka and Maharashtra. The bank currently operates 559 branches (up from 454 last year) and 410 ATMs (up from 319 last year) across India. With its branches primarily located in south

(1) All of the CSB figures are based on Indian Generally Accepted Accounting Principles (Indian GAAP) unless otherwise stated.

India, it focuses on retail, gold and small and medium enterprise (SME) loans, which together comprise about 75% of total advances. CSB also owns 35 residential and commercial properties and land banks, some purchased several years ago, and others acquired by enforcement of security.

Despite the pandemic-driven volatility in business sentiment and activity and high levels of system liquidity which constrained opportunities for lending, CSB made excellent progress in its key performance measures in 2021, with loan advances growth of 11% and deposits growth of 7% (including lower cost current and savings accounts (CASA) growth of 22%). Net interest income grew by 37% and the credit to deposit ratio improved from 74% to 77%. In addition, the yield on loans improved to 11.2% from 10.9%, CASA improved to 34.6% from 30.4% of total deposits, net interest margin (NIM) improved to an industry leading 5.3% from 4.4% and the cost of deposits reduced to 4.4% from 5.4%. It is likely that NIM will moderate to around the 4% level.

In spite of these improvements, gross NPAs increased to 2.6% from 1.8%, net NPAs increased to 1.4% from 0.7% and the provision coverage ratio decreased from 91.0% in December 2020 to 83.0% in December 2021. Based on IFRS, CSB's revenue for 2021 increased by 22% to $195.1 million from $158.9 million in 2020, net income increased by 63% to $65.8 million from $40.2 million in 2020 and its CAR was 20.6%.

These exceptional results are the result of Mr. Rajendran's relentless pursuit of his objective of transforming CSB by focusing on profitability, productivity, efficiency and asset quality. He has accomplished this by implementing changes that include:

- performance and productivity-oriented human resource policies
- rounding out his management team by filling all the key senior management positions
- appointing Pralay Mondal, a very senior banker, as the President of the bank
- reorganizing of the operations of the bank into three verticals:
  - retail banking (comprised of branch banking, gold loans, two-wheeler loans, micro, small and medium enterprise (MSME) loans, microfinance under financial inclusion loans and agricultural loans);
  - SME banking; and
  - wholesale banking.

CSB classifies loan assets of up to five million rupees as MSME and monitors these under the retail banking vertical. Loan assets between five million and 250 million rupees are monitored and serviced separately by the SME banking vertical. Any amount higher than 250 million rupees is managed by the wholesale banking vertical.

The success that CSB has achieved is demonstrated in the table below. On virtually every metric, CSB is right at the top when compared to banks of comparable size (peer group) and all banks.

Position at the year ended 30 September 2021 *(all numbers are %s)*(1)

	CSB	Peer Group	All Banks
Growth in Net Interest Income	47.5	5.1	12.3
Growth in Advances	12.2	3.4	7.2
Growth in Deposits	9.1	8.6	9.2
Credit Deposit Ratio	73.8	73.7	70.3
Return on Equity	11.7	5.5	8.1
Return on Total Assets	1.2	0.5	0.7
Net Interest Margin	4.6	3.1	2.8
Efficiency (Cost to Income) Ratio	53.3	54.6	55.4
Gross Non-Performing Advances	4.2	5.7	7.4

(1) Source: Capital IQ

For health reasons, Mr. Rajendran is retiring in March 2022. We wish him and his family well in his retirement. We owe him a huge debt of gratitude. Pralay Mondal is now the Deputy Managing Director of CSB and will take charge as the interim CEO. We are very excited about the long term prospects of CSB.

Fairchem Organics (Fairchem)

Fairchem, led by its founder Nahoosh Jariwala, is an oleochemicals company. Oleochemicals are, broadly, chemicals that are derived from plant or animal fat, which can be used for making both edible and non-edible products. In recent years the production of oleochemicals has been moving from the U.S. and Europe to Asian countries because of the local availability of key raw materials.

Fairchem occupies a unique niche in this large global playing field. It has developed an in-house technology that uses machinery designed by leading European companies to convert waste generated during the production of soya, sunflower and corn oils into valuable chemicals. These chemicals include acids that go into non-edible products like soaps, detergents, personal care products and paints, and other products that are used in the manufacture of health foods and vitamin E. The company's customers include major multinational companies including BASF, Archer Daniels Midland, Cargill, Arkema and Asian Paints. Fairchem operates out of a single plant in Ahmedabad, the largest city in Gujarat, the home state of Prime Minister Modi: the plant has one of the largest processing capacities for natural soft oil-based fatty acids in India. Over the last ten years Fairchem's sales have grown on average 20% per year, net earnings have grown on average 24% per year, and the average annual ROE was around 24%.

In 2021 Fairchem had its best year ever! Based on IFRS, for the year ended December 31, 2021, its revenue grew by 92% to $84.6 million, net earnings grew by 108% to $9.9 million and shareholders' equity grew by 45% to $29.7 million, generating an ROE of 33%.

These strong results were due to the concerted effort Fairchem has made over the last three years to expand its production capacity in a very cost-effective manner, funded entirely by cash generated from the business. It has taken its raw material throughput capacity from 72,000 metric tons per annum to 90,000 and expects to take it up to 120,000 by March 2022. Fairchem has also built a plant to manufacture two new products that will be launched later in 2022 and is also working on a forward integration project to achieve value addition and to manufacture bio-fuels.

After Fairchem's demerger from Privi Speciality Chemicals, Fairfax India owned a 67% stake in Fairchem for an investment since inception of $37.5 million. In November 2021, Fairfax India sold 14% of Fairchem for $45.6 million, recouping more than its entire investment while still owning 53% of Fairchem, valued at $155.0 million on December 31, 2021.

We believe that Fairchem is poised to have another record-breaking year in 2022.

National Stock Exchange of India (NSE)

In July 2016, Fairfax India acquired a 1% stake in NSE for $26.8 million. NSE is the largest stock exchange in India with a market share of over 93% in cash equity trading and 100% in equity derivatives trading. With approximately 200,000 terminals in over 2,000 centres, NSE provides trading facilities with national reach. The exchange uses the latest communications technology for automated screen-based trading. In 2021, NSE's revenue grew by 61% to $1.1 billion, net income grew by 11% to $541.1 million and shareholders' equity grew by 24% to $1.9 billion, generating an ROE of 29%. The planned initial public offering of NSE has been delayed and is now expected sometime in 2022 or 2023. Fairfax India's investment in NSE is currently valued at $111.2 million.

Seven Islands Shipping (SISL)

Founded in 2002 by Captain Thomas Wilfred Pinto, a passionate entrepreneur and operator, SISL owns and operates tanker shipping vessels that sail primarily along the Indian coast as well as in international waters. SISL is the second largest private tanker shipping company in India.

In March 2019 Fairfax India acquired a 41.4% equity interest in SISL for $71.8 million through a direct subscription of $28.9 million and a secondary acquisition from existing shareholders of $42.9 million. In September and October 2019, Fairfax India acquired an additional 7.1% from existing shareholders for $12.1 million, bringing its total ownership interest to 48.5%. In December 2021, this investment is valued at $105.9 million.

At the time of Fairfax India's initial transaction, SISL owned 14 vessels with a total deadweight capacity of 0.9 million metric tons. Today SISL owns 22 vessels with a capacity of about 1.3 million metric tons. All SISL's vessels are registered in India and operate as Indian-owned and flagged vessels.

Historically, SISL bought vessels that were 20-21 years old and operated them till they reached about 29-30 years of age. For operations along the Indian coast, the freight rates are based purely on bids and there is no distinction between old and new vessels. SISL benefits from lower upfront capital investment and enjoys the same charter rates as those of the younger ships. The operating and maintenance costs for its fleet are not significantly different from those of the younger ships. In keeping with its stated objective of reducing the average age of its fleet from about 19 to 15 years over the next few years, SISL sold two older ships and acquired four younger ships. Over the next five years, SISL is aiming to grow its fleet from the current 22 to about 28 ships.

Until recently, SISL had only owned and operated tankers that transported liquid cargo. In 2021 it made a significant change in its strategy and entered the gas carrier container ship segment of the market. Based on current ship prices and charter rates, it is seeing potential for better returns from gas carrier containers. SISL purchased one Very Large Gas Carrier and one Medium Gas Carrier in 2021.

Under the current Indian regulatory framework, Indian-owned and flagged vessels are given preference over foreign vessels for transporting any cargo that originates from India. This is implemented by giving the Indian owned vessels a "right of first refusal" (also known as "cabotage") before a contract can be awarded to a foreign vessel owner. It is our understanding that, because of cabotage protection, foreign vessel owners typically refrain from bidding for contracts for movement of goods along the Indian coast. Hence, the charter rates in domestic shipping are apparently about 30-40% higher than the rates quoted in international shipping markets. SISL bids competitively (because of its lower cost base) and does not rely on cabotage protection to win contracts. Strategically, SISL operates a majority of its vessels in the domestic cargo oil market and has benefitted from the general rate arbitrage in domestic versus international deployment.

SISL has a small and efficient operations team consisting of about 100 core employees at the head office who manage the entire business. It has significantly strengthened its organization with the addition of several senior resources from the industry. It has also completely revamped its information technology system in order to enable it to implement robust operational, safety, security and financial procedures.

You may recall that in 2020 SISL had its best results ever, with revenues and net income growing over the prior year by 57% and 87% respectively and SISL generating an ROE of 17%. This extraordinary performance was made possible by very high freight rates and favourable foreign currency movements. In 2021, freight rates returned to normal levels, and with it SISL's performance. In 2021, SISL's revenue decreased by 24% to $93.3 million, net income decreased by 63% to $8.0 million and shareholders' equity grew by 6% to $131.7 million, generating an ROE of 6%. Despite this volatility SISL has mostly demonstrated stable and consistent revenue and EBITDA CAGR of over 25% in the last 10 years. Since the time we acquired our interest in SISL, it has generated free cash flow of $78 million (our share $38 million).

SISL's plans to get listed on the Indian stock exchanges in 2021 through an IPO were deferred because of muted investor interest then in investing in the shipping sector in India.

IIFL Securities (IIFL SEC)

IIFL SEC, one of the major capital market players in Indian financial services, offers advisory and broking services (both retail and institutional), financial products distribution, institutional research and investment banking services.

It had an outstanding year in 2021. Its revenue increased by 47% to $163.8 million and profit before tax increased by 59% to $52.5 million, generating an ROE of 25%. These results were driven by the strong performance of the retail broking and investment banking divisions that benefitted from the buoyant equity and IPO markets in India in 2021.

The growth in the financial markets has attracted a great deal of competition too. Several established full-service brokers have recently launched their own discount brokerages and the growth in fintech innovations has resulted in a plethora of new products, like algo trading, which are based on investment strategies using new technologies like artificial intelligence.

IIFL SEC has done a commendable job in protecting and growing its long established traditional "legacy" businesses comprised of retail broking and financial products distribution while also growing in the newer areas. It has achieved this by focusing on low-cost new customer acquisition strategies, investing heavily in technology and making entries into new areas like discount broking and algo trading.

IIFL SEC operates in over 2,500 locations across India, comprised of a wide branch and sub-broker network providing unparalleled research coverage on over 250 companies. It serves about 1.7 million customers and has a strong online presence, and mobile trading has significantly aided in increasing the number of customers: online trading clients in 2021 accounted for 70% of trading.

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

- Retail broking and financial products distribution (68% of revenue) – in retail broking it has established itself as a leading institution through a combination of leading-edge technology, diverse product offerings, management expertise and a wide network of branches across India. IIFL SEC's mobile trading app, IIFL Markets, targeting retail clients continues to be the highest rated amongst peers with over 8.6 million downloads. Mobile brokerage constituted about 46% of total broking revenue. In financial products distribution, it offers retail clients a wide range of products including mutual funds, insurance, IPOs and debt instruments.

- Institutional broking (13% of revenue) – it is a leading independent (not associated with any international bank) broker, with a highly acclaimed, pedigreed 80-member strong sales and research team that covers over 250 Indian companies accounting for about 80% of India's market capitalization. It is a market leader in block sales placements, placing over $13 billion in blocks over the past five years. It has more than 770 domestic and foreign clients and has developed trusted long term relationships with them through sustained high-quality performance.
- Investment banking (10% of revenue) – it is a highly regarded category 1 merchant banker in India and despite volatile markets, completed 41 transactions in 2021, including 23 IPOs. It continues to have a substantial pipeline of transactions which are at various stages of execution.

The stock market appears to have recognized the strong performance of IIFL SEC, as its stock price has almost doubled from its deeply discounted levels at the same time last year. Despite the move in the stock price, IIFL SEC, at a valuation of only 9.1 times price to estimated March 2022 earnings and price to estimated March 2022 BVPS of 2.2 times, is still trading at a discount to its peers.

Based on its strong business franchise, growth potential and attractive ROE, we expect that IIFL SEC will be an excellent investment for Fairfax India.

National Commodities Management Services (NCML)

NCML has operated for over 15 years in the agriculture value chain by offering end-to-end solutions in grain procurement, testing, storage and collateral management. NCML has about 1.9 million metric tons of storage capacity (up 39% over last year) in over 700 warehouses in 16 states in India. It has a network of 21 regional offices, more than 330 touch points at agricultural produce markets and thousands of farmers and traders to facilitate procurement of commodities. Beyond its major business segments, NCML offers a commodity and weather intelligence service, financing and an online commerce portal (NCML MktYard).

In 2016 and 2017, NCML won 16 concessions from Food Corporation of India (FCI) to build, own and operate (and in some instances transfer) modern grain storage silo projects across the agrarian states of Punjab, Haryana, Uttar Pradesh and Bihar. Of these, two locations have been completed and commissioned and five others are expected to be completed in 2022. FCI has publicly applauded NCML for its successful completion of silos. Silo projects have been delayed due to pandemic-related construction delays, farmer protests, land acquisition challenges and difficulty in obtaining long term project financing. NCML surrendered projects at 3 locations that were unviable.

Three years ago, NCML decided to reorient its business and redirect capital into businesses with a better risk reward profile. Siraj Chaudhry, the new CEO appointed in 2019, and his management team have been working diligently to turn the business around by:

- restructuring and right-sizing NCML's balance sheet
- focusing on completion of silo construction
- redirecting capital to businesses with better return potential
- downsizing businesses with poor risk/reward characteristics, and
- reducing overheads to better align with the size of the business.

In 2021, while the storage and preservation segment (the most important segment of the business) stabilized and performed well, management intentionally shrunk two formerly large business segments – supply chain management and collateral management – to align risks and rewards. Despite the drag from these two segments, NCML reported lower operating losses compared to the previous year.

As a result, 2021 was another difficult year and revenue declined by 42% to $44.2 million and net loss increased to $10.6 million (including a one-time provision of $4.7 million) from a loss of $9.4 million in 2020. NCML proactively made provisions for losses from contracts signed in previous years to strengthen its balance sheet.

NCML continues to work on business strategies to achieve good profitability.

5paisa Capital (5paisa)

5paisa, which literally means "5 cents", is one of India's fast-growing technology-led financial services companies and offers an array of financial products and services through a digital platform and mobile application. Its services are targeted at retail investors and high-volume traders who actively invest and trade in securities markets and seek DIY (do-it-yourself) services at a low cost. With its diverse services and products encompassing online discounted stock broking, depository services, gold investments, commodity trading, research and distribution of mutual funds and other financial products, 5paisa successfully fulfils its customers' diverse needs. 5paisa remains focused on innovation based on understanding customer behaviour, and constantly strives to achieve technological superiority, as it has done through the development of its robust trading platform, its advanced mobile app, an artificial intelligence-powered robo-advisory platform and its paperless account opening process.

5paisa has sustained a strong pace of client acquisition since inception, taking its total client base to 2.4 million in 2021, more than double the level a year ago. The 5paisa mobile app has been hugely popular, in 2021 recording over 10 million downloads and sustaining a rating of 4.2 on Playstore.

While it had its best year ever in 2021 – total revenue grew by 44% to $35.1 million and it made a small profit after tax of $2.1 million – because of the intense competition from established and new discount brokers, its market share in retail cash broking fell from 5.6% to 3.1% despite adding customers at an average rate of 100,000 per month, up from about 60,000 a year ago. To combat this intense competitive pressure, 5paisa is deemphasizing profit in the short term and investing heavily in advertising to drive customer acquisition, state of the art technology and acquisition and retention of technical and business talent.

While it is still a small startup, 5paisa has the potential to be a major player in digital discount broking and financial products distribution.

Saurashtra Freight (Saurashtra)

Saurashtra's principal business is owning and operating container freight stations (CFS), which are an important link between transport operators and shipping lines, effectively working as an extension of a port. CFS provide a facility outside of congested ports for temporary storage of goods pending customs clearance and further distribution.

Launched in 2005, Saurashtra is located five kilometers from Mundra port. With 24/7 operations, Saurashtra has the capacity to handle about 190,000 TEU (twenty-foot equivalent unit shipping containers) per annum and handled about 120,000 TEU in 2021, implying capacity utilization of about 63%. It has achieved a market share of about 15% at Mundra port, the highest among all CFS there.

Under the able leadership of Raghav Agarwalla, Saurashtra produced excellent financial results in 2021. Volume of containers handled increased by 23% to about 120,000 TEU, revenue increased by 46% to $36.2 million and net profit grew by 41% to $6.6 million, generating an ROE of 17% versus 13% the previous year. Saurashtra generated $8.2 million of free cash in 2021, and at year end had a cash balance of $25.4 million and debt of $6.0 million.

Fairfreight Lines, the NVOCC (non-vessel operating common carrier) business that Saurashtra launched in 2017, made excellent progress in 2021. It added an eight-person office in Singapore to help drive this business and has plans to expand operations to Dubai. While its dry box inventory has remained relatively flat around 1,200, its tank inventory has grown more than three-fold from about 365 to over 1,320 tanks. As a result, in 2021 this business accounted for 41% of Saurashtra's revenue and 30% of its net profit, up from 25% and 15% respectively in 2020.

In 2017 Fairfax India invested $30.0 million to acquire a 51% interest in Saurashtra. At the end of 2021, this investment was valued at $47.2 million.

Maxop Engineering Company (Maxop)

In 2003, a young Shailesh Arora, the founder and owner of Maxop, was looking to start a new business. He remembers that while driving to his job every day, he passed a busy factory on the highway and asked some of its employees what business the company was in, and they told him it was an aluminum diecasting business. He then called a few diecasting equipment suppliers to find out more. The local sales distributor for a Taiwanese diecasting machine manufacturer showed interest and came to meet with him. When they asked him about the specifications of the machine he was looking to buy, he told them he knew nothing about the business or products. Yet he not only convinced them to sell him a machine, they also pointed him to his first diecasting customer – General Electric. And thus, Maxop came into being!

Maxop is a precision aluminum diecasting and machining solution provider for aluminum die cast components used by the automotive and industrial sectors, with customers in India, Asia, North America and Europe. Based in New Delhi, it operates four plants in Manesar and two plants in Jaipur.

In Fairfax India's first significant acquisition since the start of the pandemic, it agreed to acquire a 67% equity interest in Maxop from Shailesh for a potential maximum consideration of $66 million. It completed the first step of this transaction in November 2021 by acquiring a 51% stake for a payment of approximately $30 million. The second step, the purchase of an additional 16%, will be completed in September 2022 for a further payment of between $9 and $36 million, depending on the EBITDA, net earnings, free cash flow and financial leverage Maxop achieves in its fiscal year ending March 31, 2022.

Shailesh, who is a passionate first-generation entrepreneur and hands-on operator, chose to enter into this transaction because he recognized Fairfax India as a long term partner with an excellent reputation which would let him run the business independently, allowing him to take advantage of the long runway for growth that lies ahead for this business, especially with customers in North America and Europe.

Shailesh has a strong customer orientation and has crafted Maxop as a single source supplier to most of its customers for the products it sells to them. He has focused on growing customer wallet share by adding one new part to a customer bouquet each year. He has built a strong organization catering to a wide array of customers around the world and is poised, with Fairfax India's support, to build Maxop into a world class leader in the precision engineered components manufacturing industry.

Jaynix Engineering (Jaynix)

In February 2022 Fairfax India acquired 70% of Jaynix Engineering for $32.5 million. Jaynix is a manufacturer of non-ferrous (primarily aluminum) electrical neutral bars, lugs, connectors and assemblies and is a Tier 1 supplier to major electrical original equipment manufacturers such as Schneider, Eaton and Siemens in North America and Europe.

Jaynix was founded in 2008 by two brothers and engineering graduates, Nikhil Diwakar and Ninad Diwakar, in Nashik, Maharashtra. Jaynix is now headquartered in Vadodara, Gujarat and operates with three manufacturing plants (one in Vadodara and two in Nashik).

Nikhil and Ninad are passionate hands-on operators, with Nikhil focused on commercial business development efforts and Nikhil on engineering and production. They will continue to drive the business and stay invested with a significant minority stake.

Developments in India

Like the rest of the world, India is facing the challenges of Omicron and its expected impact on the country's economy. India has made impressive progress in its vaccination drive, with over 1.7 billion total doses given and over 75% of the adult population fully vaccinated. India's vaccination program is the largest in the world with a goal of attaining 80-90% coverage. Despite a fluid global economic environment, India has had notable successes in the past year and continues to be an attractive investment destination. In 2021, foreign direct investment (FDI) inflow was $73.8 billion. As well, India has rapidly emerged as a top ranked start-up location, next only to the U.S. and China in the creation of unicorns. It was a banner year, with over 40 start-ups achieving billion-dollar valuations. This is part of a transformation in which the emergence of fintech has been conspicuous, and the use of digital products and services is forecast to increase significantly in the coming years. As well, the expansion of technological platforms such as the UPI (Unified Payments Interface), and the rapid ascent in internet users, now over 825 million, are contributing factors in the rise of "Digital India". Important initiatives were also implemented at the bottom of the pyramid, with over 400 million bank accounts opened as part of the government's financial inclusion drive and 8 million cooking gas connections distributed last year.

The Indian economy is displaying significant strength. The Indian residential real estate sector is showing signs of a turnaround with increased housing activity both in the established urban centers and in emerging cities. The manufacturing sector has been a driver in the rise of exports and the auto industry is improving. The Indian corporate earnings estimates are increasingly positive and while there is a broad sectoral improvement, the financial sector is expected to play a significant role in the earnings growth.

The agricultural sector has displayed resilience throughout the pandemic and successively good monsoons have resulted in record levels of grain production. The annualized growth rate in this sector is 3.9%. Towards the end of 2021, in a surprising move, the government repealed its three farm laws, delaying indefinitely the needed reforms. These new laws were initially passed in the Indian parliament in September 2020 seeking to reduce the role of government subsidies and to increase the scope for private investment. The market-friendly thrust of these new laws received sustained opposition over the course of the year, particularly in northern India, and with impending state elections, the Modi government withdrew these laws. These laws might be reinstated in a more benign political environment.

While inflationary pressures exist, the RBI reaffirmed its commitment to maintaining its inflationary targets, 2% on the lower end and 6% on the higher end. While India has experienced economic recovery in 2021 and GDP growth projections range between 8-9% for this year, the evolving nature of the pandemic is a key variable in any such forecasts.

The Indian budget of 2021 and other reforms during the year included privatization initiatives, an increased FDI limit of 74% in the insurance sector, the formation of a "bad bank", the removal of the "retrospective" tax and the phasing-in of the PLI (Production-Linked Incentive) to attract investment across multiple sectors. The buoyancy in tax revenues has helped maintain the country's fiscal deficit situation, with GST collections increasing by 30.2% from the previous year and an improvement in the finances at the state level as well. Overall gross tax revenues are projected to rise for the 2022-23 fiscal year and the next one.

In its most recently tabled budget on February 1, 2022, amongst the notable initiatives is the 35% increase from the previous year for public capital investment. The commitment to physical infrastructure extends to roads, railways, airports, ports, mass transport, waterways and logistics. In the case of highways, the budget states that the national network will be expanded by 25,000 kilometres in the upcoming fiscal year. As well, other initiatives included the upcoming disinvestment of LIC (Life Insurance Corporation), facilitating 5G rollout in the telecom sector and plans to introduce a Central Bank Digital Currency (the "digital rupee") through the RBI. There is also an undertaking to provide a more stable tax regime, ease the tax filing process and streamline the process for tax disputes.

India will be one of Asia's main leaders in the ongoing global economic recovery. The strength of the Indian economy is multi-pronged, with key indicators pointing to sustained growth. A confluence of forces is in play: emergence of a strong housing cycle, increase in export earnings, rise in corporate profitability, continued ascendance in FDI, improving manufacturing activity, a dynamic technology sector and a healthier state of government finances. In addition, India has substantial foreign exchange reserves which now exceed $600 billion. India's current level of foreign exchange reserves will allow the RBI to stabilize potential currency fluctuations.

There are state level elections in seven jurisdictions in 2022, including India's most populous state of Uttar Pradesh. The outcome of these elections will have national implications and affect the pace of policy reforms. Still, with national elections two years away, Prime Minister Modi is in a commanding position to retain his parliamentary majority.

As we end our first seven years of operations, we would like to acknowledge the strong leadership provided by Amy Sherk, Chief Financial Officer, Jennifer Pankratz, General Counsel and Corporate Secretary, Gopalakrishnan Soundarajan, Chief Operating Officer, John Varnell, Vice President of Corporate Affairs, and Jennifer Allen, Vice President. Fairfax India is supported by a very small head office in Toronto, and we are grateful for the contributions of Antony Lai, Jennifer Li, Jung Lee, Victor Ma and Brad Van Hoffen. We would also like to thank our independent directors – Tony Griffiths, Chris Hodgson, Alan Horn, Deepak Parekh, Satish Rai and Lauren Templeton – for their wise advice, support and encouragement.

We are looking forward to connecting with you at our in-person and virtual annual meeting at 2:00 p.m. (Eastern time) on April 21, 2022.

March 4, 2022

Chandran Ratnaswami	V. Prem Watsa
Chief Executive Officer	*Chairman*

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Management's Responsibility for the Consolidated Financial Statements

The preparation and presentation of the accompanying consolidated financial statements, Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and all financial information are the responsibility of management and have been approved by the Board of Directors (the "Board").

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Financial statements, by nature, are not precise since they include certain amounts based upon estimates and judgments. When alternative methods exist, management has chosen those it deems to be the most appropriate in the circumstances.

Management maintains appropriate systems of internal controls. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of the consolidated financial statements.

We, as Fairfax India's Chief Executive Officer and Chief Financial Officer, have certified Fairfax India's annual disclosure documents filed with the Canadian Securities Administrators in accordance with Canadian securities legislation.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements and MD&A. The Board carries out this responsibility principally through its Audit Committee which is independent from management.

The Audit Committee is appointed by the Board and reviews the consolidated financial statements and MD&A; considers the report of the independent auditor; assesses the adequacy of the internal controls of the company; examines the fees and expenses for audit services; and recommends to the Board the independent auditor for appointment by the shareholders. The independent auditor has full access to the Audit Committee and meet with it to discuss their audit work, Fairfax India's internal control over financial reporting and financial reporting matters. The Audit Committee reports its findings to the Board for consideration when approving the consolidated financial statements and MD&A for issuance to the shareholders.

March 4, 2022

Chandran Ratnaswami
Chief Executive Officer

Amy Sherk
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Fairfax India Holdings Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Fairfax India Holdings Corporation and its subsidiaries (together, the Company) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2021 and 2020;
- the consolidated statements of earnings (loss) for the years then ended;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter

Valuation of certain Private Indian common stocks
 	
Refer to note 3 – Summary of Significant Accounting Policies, note 4 – Critical Accounting Estimates and Judgments, note 5 – Indian Investments and note 6 – Cash and Investments to the consolidated financial statements.
 	
The Company held financial instruments categorized as Private Indian investments measured at fair value of $2,202.7 million as at December 31, 2021.
 	
Included in Private Indian investments is $2,016.0 million of Private Indian common stocks that are valued by management using discounted cash flow analyses that use significant unobservable inputs. Management applies significant judgment to determine the assumptions relating to significant unobservable inputs such as multi-year free cash flow forecasts prepared by investees' management, after-tax discount rates and long term growth rates.
 	
We considered this a key audit matter due to (i) the significance of the Private Indian common stocks valued by management using discounted cash flow analyses and (ii) the significant judgment required by management when determining the fair value estimate of these Private Indian common stocks, including the assumptions relating to significant unobservable inputs. This has resulted in a high degree of subjectivity and audit effort in performing procedures relating to the valuation of these investments. Professionals with specialized skills and knowledge in the field of valuation assisted us in performing our procedures.
	Our approach to addressing the matter included the following procedures, among others:
	
	• Evaluated how management determined the fair values of the Private Indian common stocks valued using discounted cash flow analyses, which included the following:
	
	  • Evaluated the appropriateness of the methodology used by management in the discounted cash flow analyses, and tested the mathematical accuracy thereof.
	
	  • Tested the reasonableness of the multi-year free cash flow forecasts prepared by investees' management by considering consistency with, as applicable:
	
	    – current and past performance of the particular investment; and
	
	    – relevant external market and industry data.
	
	  • Professionals with specialized skills and knowledge in the field of valuation assisted us in:
	
	    – assessing the reasonableness of the methodology used in management's discounted cash flow analyses;
	
	    – assessing the reasonableness of the after-tax discount rates and long term growth rates used in management's discounted cash flow analyses;
	
	    – testing the underlying data used in management's discounted cash flow analyses; and
	
	    – developing an independent point estimate of the valuation of a portion of one investment, which included the following:
	
	      • using a market comparable approach, developing independent assumptions related to market comparables by considering relevant market and industry data; and
	
	      • comparing the independent point estimate to management's estimate to evaluate the reasonableness of management's estimate.
	
	• Evaluated the disclosures made in the consolidated financial statements, particularly on the sensitivity of significant unobservable inputs used.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis of Financial Condition and Results of Operations and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report. The other information does not include information contained in the websites of the Company's Indian Investments as disclosed in the Management's Discussion and Analysis of Financial Condition and Results of Operations and the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Catriona Read.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 4, 2022

Consolidated Financial Statements

Consolidated Balance Sheets
as at December 31, 2021 and December 31, 2020
(US$ thousands)

	Notes	December 31, 2021	December 31, 2020
Assets			
Cash and cash equivalents	6, 15	30,376	22,057
Restricted cash	5, 6, 7	–	16,315
Short term investments	6	6,151	–
Bonds	5, 6	214,468	35,873
Common stocks	5, 6	3,325,713	2,991,775
Total cash and investments		3,576,708	3,066,020
Interest and dividends receivable		5,339	1,911
Income taxes refundable	10	1,056	2,803
Other assets		1,243	2,264
Total assets		3,584,346	3,072,998
Liabilities			
Accounts payable and accrued liabilities		866	931
Accrued interest expense	7, 12	8,611	–
Payable to related parties	12	95,002	14,428
Deferred income taxes	10	80,648	63,477
Borrowings	7,12	496,785	547,228
Total liabilities		681,912	626,064
Equity	8		
Common shareholders' equity		2,774,792	2,446,934
Non-controlling interests		127,642	–
Total equity		2,902,434	2,446,934
		3,584,346	3,072,998

See accompanying notes.

Signed on behalf of the Board

V. P. Watsa
Director

Alan Horn
Director

Consolidated Statements of Earnings (Loss)
for the years ended December 31, 2021 and 2020
(US$ thousands except per share amounts)

	Notes	2021	2020
Income			
Interest	6	5,500	6,013
Dividends	6	27,468	16,449
Net realized gains on investments	6	227,193	5,372
Net change in unrealized gains (losses) on investments	6	438,935	(26,618)
Net foreign exchange losses	6	(5,557)	(14,188)
		693,539	(12,972)
Expenses			
Investment and advisory fees	12	40,775	33,922
Performance fee (recovery)	12	85,193	(41,991)
General and administration expenses	14	5,526	4,233
Interest expense	7	28,515	29,844
		160,009	26,008
Earnings (loss) before income taxes		533,530	(38,980)
Provision for income taxes	10	39,030	2,496
Net earnings (loss)		494,500	(41,476)
Attributable to:			
Shareholders of Fairfax India		494,514	(41,476)
Non-controlling interests		(14)	–
		494,500	(41,476)
Net earnings (loss) per share	9	$ 3.38	$ (0.27)
Net earnings (loss) per diluted share	9	$ 3.22	$ (0.27)
Shares outstanding (weighted average)	9	146,379,346	151,001,909

See accompanying notes.

Consolidated Statements of Comprehensive Income (Loss)
for the years ended December 31, 2021 and 2020
(US$ thousands)

	2021	2020
Net earnings (loss)	494,500	(41,476)
Other comprehensive loss, net of income taxes		
Item that may be subsequently reclassified to net earnings (loss)		
Unrealized foreign currency translation losses, net of income taxes of nil (2020 – nil)	(46,262)	(60,606)
Other comprehensive loss, net of income taxes	(46,262)	(60,606)
Comprehensive income (loss)	448,238	(102,082)
Attributable to:		
Shareholders of Fairfax India	449,672	(102,082)
Non-controlling interests	(1,434)	–
	448,238	(102,082)

See accompanying notes.

Consolidated Statements of Changes in Equity
for the years ended December 31, 2021 and 2020
(US$ thousands)

	Subordinate voting shares	Multiple voting shares	Share-based payments, net	Retained earnings	Accumulated other comprehensive loss	Common shareholders' equity	Non-controlling interests	Total equity
Balance as of January 1, 2021	1,261,734	300,000	(12)	1,163,493	(278,281)	2,446,934	–	2,446,934
Net earnings (loss) for the year	–	–	–	494,514	–	494,514	(14)	494,500
Other comprehensive loss:								
Unrealized foreign currency translation losses	–	–	–	–	(44,842)	(44,842)	(1,420)	(46,262)
Issuance of shares (note 8)	5,217	–	–	–	–	5,217	–	5,217
Sale of subsidiary shares to non-controlling interests (note 8)	–	–	–	145	–	145	129,076	129,221
Purchases for cancellation (note 8)	(92,393)	–	–	(34,476)	–	(126,869)	–	(126,869)
Purchases and amortization	–	–	(307)	–	–	(307)	–	(307)
Balance as of December 31, 2021	1,174,558	300,000	(319)	1,623,676	(323,123)	2,774,792	127,642	2,902,434
Balance as of January 1, 2020	1,295,005	300,000	(82)	1,200,603	(217,675)	2,577,851	–	2,577,851
Net loss for the year	–	–	–	(41,476)	–	(41,476)	–	(41,476)
Other comprehensive loss:								
Unrealized foreign currency translation losses	–	–	–	–	(60,606)	(60,606)	–	(60,606)
Purchases for cancellation (note 8)	(33,271)	–	–	4,366	–	(28,905)	–	(28,905)
Amortization	–	–	70	–	–	70	–	70
Balance as of December 31, 2020	1,261,734	300,000	(12)	1,163,493	(278,281)	2,446,934	–	2,446,934

See accompanying notes.

Consolidated Statements of Cash Flows
for the years ended December 31, 2021 and 2020
(US$ thousands)

	Notes	2021	2020
Operating activities			
Net earnings (loss)		494,500	(41,476)
Items not affecting cash and cash equivalents:			
Net bond premium amortization		2,003	937
Performance fee (recovery)	12	85,193	(41,991)
Deferred income taxes	10	18,356	484
Amortization of share-based payment awards		12	70
Net realized gains on investments	6	(227,193)	(5,372)
Net change in unrealized (gains) losses on investments	6	(438,935)	26,618
Net foreign exchange losses	6	5,557	14,188
Decrease in restricted cash in support of borrowings		16,051	867
Decrease (increase) in restricted cash in support of investments		264	(267)
Purchases of short term investments		(6,283)	–
Purchases of investments	15	(316,753)	(185,911)
Sales of investments	15	414,477	231,193
Changes in operating assets and liabilities:			
Interest and dividends receivable		(3,480)	1,441
Income taxes refundable		1,709	–
Accrued interest expense		8,659	–
Payable to related parties		1,299	7,586
Income taxes payable		–	(3,556)
Other		5,653	6,080
Cash provided by operating activities		61,089	10,891
Financing activities			
Borrowings:			
Proceeds	7	500,000	–
Issuance costs	7	(3,650)	(5,545)
Repayments	7	(550,000)	–
Subordinate voting shares:			
Purchases for cancellation	8	(126,869)	(28,905)
Subsidiary shares:			
Sales to non-controlling interests	8	129,221	–
Cash used in financing activities		(51,298)	(34,450)
Increase (decrease) in cash and cash equivalents		9,791	(23,559)
Cash and cash equivalents – beginning of year		22,057	48,713
Foreign currency translation		(1,472)	(3,097)
Cash and cash equivalents – end of year	15	30,376	22,057

See accompanying notes.

Index to Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements
for the years ended December 31, 2021 and 2020
(in US$ and thousands except share and per share amounts and as otherwise indicated)

1. Business Operations

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

Fairfax Financial Holdings Limited ("Fairfax") is Fairfax India's ultimate parent and acts as its administrator. Fairfax is a holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and the associated investment management. Hamblin Watsa Investment Counsel Ltd. (the "Portfolio Advisor"), a wholly-owned subsidiary of Fairfax and registered portfolio manager in the province of Ontario, is the portfolio advisor of the company and its consolidated subsidiaries, responsible to source and advise with respect to all investments. Refer to note 12 for details on Fairfax's voting rights and equity interest in the company.

The company is federally incorporated and is domiciled in Ontario, Canada. The principal office of the company, Fairfax and the Portfolio Advisor is located at 95 Wellington Street West, Suite 800, Toronto, Ontario M5J 2N7.

2. Basis of Presentation

The company's consolidated financial statements for the year ended December 31, 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The company has determined that it continues to meet the definition of an investment entity under IFRS (see note 3).

The consolidated balance sheets of the company are presented on a non-classified basis. Except for bonds, common stocks, deferred income taxes, borrowings, and the performance fee accrual within payable to related parties (see note 12 for further details on the performance fee accrual), all other assets expected to be realized and liabilities due to be settled within one year are considered current.

The preparation of the company's consolidated financial statements requires management to make a number of estimates and judgments that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, the reported amounts of income and expenses during the reporting periods covered by the consolidated financial statements and the related note disclosures. Critical accounting estimates and judgments are described in note 4.

These consolidated financial statements were approved for issue by the company's Board of Directors on March 4, 2022.

3. Summary of Significant Accounting Policies

The principal accounting policies applied to the preparation of these consolidated financial statements and the methods of computation have been consistently applied to all periods presented unless otherwise stated, and are as set out below.

Determination of investment entity status

An entity that meets the IFRS 10 *Consolidated Financial Statements* ("IFRS 10") definition of an investment entity is required to measure its investments in subsidiaries at fair value through profit or loss ("FVTPL") rather than consolidate them (other than those subsidiaries that provide investment-related services to the company and are not investment entities themselves).

An investment entity is an entity that obtains funds from one or more investors for the purpose of providing them with investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis. The company continues to meet the definition of an investment entity, as its strategic objective of investing in Indian Investments and providing investment management services to investors for the purpose of generating returns in the form of long term capital appreciation, remains unchanged. The company has also determined that FIH Mauritius, FIH Private and Anchorage continue to provide investment-related services to the company and should continue to be consolidated.

The company may from time to time seek to realize on any of its Indian Investments. The circumstances under which the company may sell some or all of its investments include: (i) where the company believes that the Indian Investments are fully valued or that the original investment thesis has played out; or (ii) where the company has identified other investment opportunities which it believes present more attractive risk-adjusted return opportunities and additional capital is needed to make such alternative investments.

The company would exit its private Indian Investments ("Private Indian Investments", as disclosed later in note 5) either through initial public offerings ("IPO") or private sales. For publicly traded Indian Investments ("Public Indian Investments", as disclosed later in note 5), exit strategies may include selling the investments through private placements or in public markets.

Consolidation

Subsidiaries – A subsidiary is an entity that the company controls. The company controls an entity when it has power over the entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. As an investment entity the company is required to account for its investments in subsidiaries (Fairchem Organics Limited ("Fairchem Organics"), National Commodities Management Services Limited ("NCML", formerly National Collateral Management Services Limited), and Saurashtra Freight Private Limited ("Saurashtra")) at FVTPL in accordance with IFRS 9 *Financial Instruments* ("IFRS 9") rather than by consolidation.

As FIH Mauritius, FIH Private and Anchorage continue to be consolidated all intercompany balances, profits and transactions with these subsidiaries are eliminated in full.

Non-controlling interests – Subsequent to initial recognition, the carrying value of non-controlling interests is adjusted for the non-controlling interest's share of changes in the subsidiary's net earnings (loss) and capital. Effects of transactions with non-controlling interests are recorded in common shareholders' equity if there is no change in control.

Investments in associates

An associate is an entity over which the company has the ability to exercise significant influence, but not control. As an investment entity, the company accounts for its investments in associates (IIFL Finance Limited ("IIFL Finance"), IIFL Securities Limited ("IIFL Securities"), CSB Bank Limited ("CSB Bank"), 5paisa Capital Limited ("5paisa"), Bangalore International Airport Limited ("BIAL"), Sanmar Chemicals Group ("Sanmar"), Seven Islands Shipping Limited ("Seven Islands") and Maxop Engineering Company Private Limited ("Maxop")) at FVTPL in accordance with IFRS 9 rather than under the equity method of accounting.

Foreign currency translation

Functional and presentation currency – The consolidated financial statements are presented in U.S. dollars while the Indian rupee is the functional currency of the company and its consolidated subsidiaries.

Although the company's Indian Investments are denominated in Indian rupees, its primary financial reporting objective is to measure long term capital appreciation in U.S. dollars. Accordingly, the company presents its consolidated financial statements in U.S. dollars to provide comparability with other North American investment entities.

Foreign currency transactions – Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in net foreign exchange gains (losses) in the consolidated statements of earnings (loss). Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction. Non-monetary items carried at fair value are translated using the exchange rate at the date the fair value is determined.

Translation to the presentation currency – The consolidated balance sheets and consolidated statements of earnings (loss) of Fairfax India and its consolidated subsidiaries are translated to the presentation currency as follows:

- assets and liabilities are translated using exchange rates at the balance sheet dates;
- income and expenses are translated at average exchange rates for the periods presented; and

- net unrealized gains or losses resulting from this translation are recognized in accumulated other comprehensive income (loss).

Upon loss of control of FIH Mauritius, FIH Private or Anchorage, a proportionate share of the cumulative amount of exchange differences recognized in accumulated other comprehensive income (loss) and accumulated in a separate component in equity would be recycled to the consolidated statements of earnings (loss) as part of the determination of the gain or loss on deconsolidation of these consolidated subsidiaries.

Comprehensive income (loss)

Comprehensive income (loss) consists of net earnings (loss) and other comprehensive income (loss), and includes all changes in total equity during a reporting period, except for those resulting from investments by owners and distributions to owners. Unrealized foreign currency translation gains (losses), net of income taxes, arising from the translation of the company's Indian rupee functional currency consolidated financial statements to the U.S. dollar presentation currency are recognized in other comprehensive income (loss) and included in accumulated other comprehensive income (loss) until recycled to the consolidated statements of earnings (loss) in the future. Accumulated other comprehensive income (loss) is included in the consolidated balance sheets as a component of common shareholders' equity.

Consolidated statements of cash flows

The company's consolidated statements of cash flows are prepared in accordance with the indirect method, classifying cash flows by operating, investing and financing activities.

Cash and cash equivalents – Cash and cash equivalents consist of cash on hand, demand deposits with banks and other short term highly liquid investments with maturities of three months or less when purchased, and exclude cash that is restricted. The carrying value of cash and cash equivalents approximates fair value.

Restricted cash – Restricted cash primarily consists of amounts required to be maintained on deposit with Canadian banks to support the borrowings (see note 7). The carrying value of restricted cash approximates fair value.

Total Cash and Investments

Total cash and investments include cash and cash equivalents, restricted cash, short term investments, derivative assets, bonds and common stocks. Management determines the appropriate classifications of investments at their acquisition date.

Classification – Short term investments, derivatives, bonds and common stocks are classified as FVTPL. The company manages these investments on a fair value basis, using fair value information to assess investment performance and to make investment decisions.

Recognition and measurement – The company recognizes purchases and sales of investments on the trade date, the date on which the company commits to purchase or sell the investment. Transactions pending settlement are reflected on the consolidated balance sheets as payable for partly paid securities. Transaction costs related to investments classified as FVTPL are expensed as incurred in the consolidated statements of earnings (loss). The company recognizes cash and investments at fair value upon initial recognition.

Subsequent to initial recognition, investments classified as FVTPL are measured at fair value with changes in fair value reported in the consolidated statements of earnings (loss) as income comprised of interest, dividends, net realized gains (losses) on investments and net change in unrealized gains (losses) on investments. Interest represents interest income on short term investments and bonds calculated using the effective interest method, net of investment expenses and includes bank interest. Calculation of a debt instrument's effective interest rate does not consider expected credit losses and requires estimates of future cash flows considering all contractual terms of the financial instrument including the stated interest rate, discount or premium, and any origination or structuring fees. Interest receivable is shown separately on the consolidated balance sheets based on the debt instruments' stated rates of interest. Dividends represent dividends received on holdings of common stocks and are recognized when the company's right to receive payment is established. All other changes in fair value are reported in net realized gains (losses) on investments and net change in unrealized gains (losses) on investments in the consolidated statements of earnings (loss). For short term investments and bonds, the sum of interest income, net realized gains (losses) on investments and net change in unrealized gains (losses) on investments is equal to their total change in fair value for the reporting period.

Interest, dividends, net realized gains (losses) on investments and net change in unrealized gains (losses) on investments are reported as operating activities in the consolidated statements of cash flows.

Derecognition – An investment is derecognized when the rights to receive cash flows from the investment have expired or have been transferred and when the company has transferred substantially all the risks and rewards of ownership.

Short term investments – Highly liquid debt instruments with maturity dates between three and twelve months when purchased are classified as short term investments.

Bonds – Debt instruments with maturity dates greater than twelve months when purchased, or illiquid debt instruments with maturity dates of less than twelve months when purchased, are classified as bonds. The carrying value of bonds excludes the debt instrument's accrued interest receivable at the stated rate of interest.

Derivatives – Derivatives represent forward contracts and warrants, which derive their value primarily from changes in underlying equity instruments. The fair value of derivatives in a gain position are presented on the consolidated balance sheets within total cash and investments, as derivatives. The fair value of derivatives with no upfront cost and in a loss position are presented on the consolidated balance sheets in derivative obligations. The initial premium paid for a derivative contract, if any, would be recorded as a derivative asset and subsequently adjusted for changes in the fair value of the contract at each reporting date. Changes in the fair value of derivatives are recorded within net change in unrealized gains (losses) on investments in the consolidated statements of earnings (loss).

Determination of fair value – Fair values for substantially all of the company's financial instruments are measured using market or income approaches. Considerable judgment may be required in interpreting market data used to develop estimates of fair value. Accordingly, actual values realized in future market transactions may differ from the estimates presented in these consolidated financial statements. The use of different market assumptions and/or valuation methodologies may have a material effect on the estimated fair values. The fair values of financial instruments are based on bid prices for financial assets and ask prices for financial liabilities. The company categorizes its fair value measurements using a three-level fair value hierarchy in accordance with IFRS as described below:

> Level 1 – Inputs represent unadjusted quoted prices for identical instruments exchanged in active markets. The fair values of the company's Public Indian Investments that are not subject to selling restrictions are based on published quotes in active markets.
>
> Level 2 – Inputs include directly or indirectly observable inputs (other than Level 1 inputs) such as quoted prices for similar financial instruments exchanged in active markets, quoted prices for identical or similar financial instruments exchanged in inactive markets and other market observable inputs. The fair values of the company's investments in Government of India and Indian corporate bonds are based on information provided by independent pricing service providers.
>
> Level 3 – Inputs include unobservable inputs that require management to use its own assumptions regarding unobservable inputs as there is little, if any, market activity in these instruments or related observable inputs that can be corroborated at the measurement date. The fair values of the company's Public Indian Investments subject to selling restrictions are based on published quotes in active markets, net of a discount for lack of marketability, which is not a market observable input. The majority of the company's Private Indian Investments are based on discounted cash flow analyses and recent third party transactions which utilize inputs that are not market observable such as after-tax discount rates, long term growth rates, and third party transaction prices.

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

Valuation techniques used by the company's independent pricing service providers and third party broker-dealers include use of prices from similar instruments where observable market prices exist, discounted cash flow analysis, option pricing models, and other valuation techniques commonly used by market participants. The company assesses the reasonableness of pricing received from these third party sources by comparing the fair values received to recent transaction prices for similar assets where available, to industry accepted discounted cash flow models (that incorporate estimates of the amount and timing of future cash flows and market observable inputs such as credit spreads and discount rates) and to option pricing models (that incorporate market observable inputs including the quoted price, volatility and dividend yield of the underlying security and the risk-free rate).

Net realized gains (losses) on investments, and Net change in unrealized gains (losses) on investments

Where a financial instrument continues to be held by the company at the end of a reporting period, changes in the fair value of that instrument during the reporting period, excluding those changes reported as interest and dividends, are presented in net change in unrealized gains (losses) on investments. On disposition of that financial instrument, its inception-to-date net gain (loss), excluding those changes previously reported as interest and dividends, is presented as net realized gains (losses) on investments in the consolidated statements of earnings (loss). The cumulative unrealized net gain (loss) recognized in prior periods on that financial instrument is then reversed in net change in unrealized gains (losses) on investments in the consolidated statements of earnings (loss). The sum of the net realized gain (loss) and the cumulative reversal of prior period unrealized gains (losses) equals that financial instrument's net gain (loss) on investment for the current reporting period.

Performance fees

Performance fees are estimated and accrued at the end of each reporting period within the calculation period. An estimate is also made for the number of shares to be issued, if any, on settlement for the purposes of the calculation of diluted earnings per share based on the volume-weighted average trading price of the company's subordinate voting shares for the 10 trading days prior to and including the last day of the reporting period. The amount of the performance fee payable and the subordinate voting shares to be issued which are determined at the end of each calculation period, if any, may differ when performance fee is settled in accordance with the terms as disclosed in note 12.

Income taxes

The provision for income taxes for the period comprises current and deferred income tax. Income taxes are recognized in the consolidated statements of earnings (loss), except when related to items recognized in other comprehensive income (loss) or directly in equity. In those cases, income taxes are also recognized in other comprehensive income (loss) or directly in equity, respectively.

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income.

Deferred income tax is calculated under the liability method whereby deferred income tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases at the current substantively enacted tax rates. Changes in deferred income tax associated with components of other comprehensive income (loss) are recognized in other comprehensive income (loss) while all other changes in deferred income tax are included in the provision for income taxes in the consolidated statements of earnings (loss).

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Carry forwards of unused losses or unused tax credits are tax effected and recognized as deferred tax assets when it is probable that future taxable profits will be available against which these losses or tax credits can be utilized.

Deferred income tax is not recognized on unremitted earnings from the company's subsidiaries' holdings of Indian Investments where the company has determined it is not probable that those earnings will be repatriated in the foreseeable future.

Current and deferred income tax assets and liabilities are offset when income taxes are levied by the same taxation authority and there is a legally enforceable right of offset.

Borrowings

Borrowings are initially recognized at fair value, net of incremental and directly attributable transaction costs, and subsequently measured at amortized cost. Interest expense on borrowings is recognized in the consolidated statements of earnings (loss) using the effective interest method. Borrowings are derecognized when extinguished, with any gain or loss on extinguishment recognized in the consolidated statements of earnings (loss).

Equity

Common stock issued by the company is classified as equity when there is no contractual obligation to transfer cash or other financial assets to the holder of the shares. Incremental costs directly attributable to the issue or purchase for cancellation of equity instruments are recognized in equity, net of tax.

Dividends and other distributions to holders of the company's equity instruments are recognized directly in equity.

Share-based payments

The company has restricted share plans or equivalent for its directors and employees with vesting periods of up to ten years from the date of grant. The fair value of restricted share awards on the grant date is amortized to salaries and employee benefit expenses, included in general and administration expenses in the consolidated statements of earnings (loss), over the vesting period, with a corresponding increase in share-based payments, net, in the consolidated statements of changes in equity. At each balance sheet date, the company reviews its estimates of the number of restricted share awards expected to vest.

Net earnings (loss) per share

Basic net earnings (loss) per share is calculated by dividing the net earnings (loss) by the weighted average number of subordinate and multiple voting shares issued and outstanding during the period.

Net earnings (loss) per diluted share

Diluted net earnings (loss) per share is calculated in the same manner as basic net earnings (loss) per share except that the weighted average number of subordinate and multiple voting shares outstanding during the period is adjusted for the dilutive effect, if any, of the contingently issuable subordinate voting shares or settlement in subordinate voting shares relating to the performance fee payable to Fairfax (see note 12) that would have been outstanding during the period had all potential subordinate voting shares been issued at the beginning of the period.

New accounting pronouncement adopted in 2021

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

On August 27, 2020 the IASB issued amendments to IFRS 9, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases* to address financial statement impacts and practical expedients when an existing interest rate benchmark, such as LIBOR is replaced with an alternative reference rate. Retrospective adoption of these amendments on January 1, 2021 did not have a significant impact on the company's consolidated financial statements.

New accounting pronouncements issued but not yet effective

The following new standards and amendments have been issued by the IASB and were not yet effective for the fiscal year beginning January 1, 2021. The company does not expect to adopt any of them in advance of their respective effective dates.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

On May 14, 2020 the IASB issued amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to clarify the types of costs an entity includes in determining the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments are effective for annual periods beginning on or after January 1, 2022 and apply to contracts for which the entity has not yet fulfilled all its obligations at the time of adoption. Comparatives are not restated and instead the cumulative effect of applying the amendments is recognized as an adjustment to opening equity at the date of initial application. The amendments are not expected to have a significant impact on the company's consolidated financial statements.

Annual Improvements to IFRS Standards 2018 – 2020

On May 14, 2020, the IASB issued amendments to certain IFRS Standards as a result of its annual improvements project, which includes an amendment to IFRS 9 *Financial Instruments* to clarify which fees are considered when assessing whether to derecognize a financial liability. The amendment to IFRS 9 is applied prospectively on or after January 1, 2022 and is not expected to have a significant impact on the company's consolidated financial statements.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On January 23, 2020 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* to clarify the criteria for classifying a liability as non-current. The amendments are to be applied retrospectively to annual periods beginning on or after January 1, 2023. The company is currently evaluating the expected impact of the amendments on its consolidated financial statements.

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

On May 7, 2021 the IASB issued amendments to IAS 12 *Income Taxes* to clarify how companies account for deferred tax on transactions that give rise to equal taxable and deductible temporary differences. The amendments preclude the use of the initial recognition exemption on such transactions and are effective for annual periods beginning on or after January 1, 2023 with early application permitted. The amendments are not expected to have a significant impact on the company's consolidated financial statements.

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

On February 12, 2021 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* to help entities decide which accounting policies to disclose in their financial statements. The amendments are applied prospectively on or after January 1, 2023 and are not expected to have a significant impact on the company's consolidated financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

On February 12, 2021 the IASB issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to help entities distinguish between accounting policies and accounting estimates. The amendments are applied prospectively to changes in accounting estimates and changes in accounting policies occurring on or after January 1, 2023 and are not expected to have a significant impact on the company's consolidated financial statements.

4. Critical Accounting Estimates and Judgments

In the preparation of the company's consolidated financial statements, management has made a number of critical accounting estimates and judgments which are discussed below, including the effects of the COVID-19 pandemic on the company's development of critical accounting estimates in 2021. The broad effects of the COVID-19 pandemic on the company are described in note 11. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Where estimates were made, the reported amounts of assets, liabilities, income and expenses may differ from the amounts that would otherwise be reflected if the ultimate outcome of all uncertainties and future earnings were known at the time the consolidated financial statements were prepared.

Valuation of Private Indian Investments

The valuation of the company's Private Indian Investments are assessed at the end of each reporting period.

For each Private Indian Investment acquired during the reporting period, the transaction price is generally considered to be representative of fair value, subject to changes in market conditions and factors specific to the investee. The company monitors various factors impacting the businesses of its investees and the transaction price of a Private Indian Investment may no longer be an appropriate estimate of fair value upon occurrence of certain events such as significant variances from budgeted earnings; changes in market conditions; changes to the regulatory environment; movements in interest rates, foreign exchange rates and other market variables; and the passage of time.

Estimates and judgments for Private Indian Investments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The company utilizes Fairfax's valuation personnel to assist with the valuation of its investment portfolio. Detailed valuations are performed for those financial instruments that are priced internally, while external pricing received from independent pricing service providers and third party broker-dealers are evaluated by the company for reasonableness. The company does not use independent valuation experts to determine the fair value of its Private Indian Investments. The company's Chief Financial Officer oversees the valuation function and regularly reviews valuation processes and results, including at each quarterly reporting period. Significant valuation matters, particularly those requiring extensive judgment, are communicated to the company's Audit Committee.

Notwithstanding the rigour of the company's valuation processes, the valuation of Private Indian Investments, including the company's valuations of BIAL, Sanmar, Seven Islands, NCML, and Saurashtra, inherently has estimation uncertainty and different assumptions could lead to materially different fair values. Significant judgments and assumptions are required to determine the discounted cash flow, including multi-year free cash flow forecasts prepared by investees' management, after-tax discount rates and long term growth rates. Further discussion on these assumptions specific to each Indian Investment are included in note 5 under the respective heading of each Indian Investment. Discounted cash flows are subject to a sensitivity analysis (see note 6) given the uncertainty in preparing forecasts. Refer to notes 5 and 6 for additional disclosure related to the valuation of the company's Private Indian Investments.

COVID-19 pandemic

The development of unobservable inputs included added uncertainty related to the global economic disruption caused by the ongoing COVID-19 pandemic. Estimates of the amount and timing of future cash flows, discount rates, growth rates and other inputs incorporated into fair value measurements of Private Indian Investments are inherently more difficult to determine due to the unpredictable duration and impacts of the COVID-19 pandemic, including further actions that may be taken by governments to contain it and the timing of the re-opening of the economy in various parts of the world. The company has assumed that the economic impacts of COVID-19 will remain for the duration of government mandated restrictions by jurisdiction as currently known. In particular, these restrictions include the lockdown imposed by the Indian government on March 25, 2020 which was later extended to May 31, 2020. Certain restrictions remain in place for containment zones until March 31, 2022 (and may extend further as the COVID-19 pandemic continues to evolve), while lockdown restrictions were being lifted in phases for districts that are deemed safe ("India's lockdown"). The company has assessed the assumptions related to the COVID-19 pandemic which were included in the estimates of the amount and timing of future cash flows prepared by investees' management, and the uncertainty in those assumptions has been considered in the determination of risk premiums incorporated in the company's valuations of Private Indian Investments. Additional volatility in the fair values of Private Indian Investments may arise in future periods if actual results differ materially from the company's estimates. Refer to notes 5 and 6 for details on the valuation of company's Private Indian Investments at December 31, 2021.

Income taxes

The company is subject to income taxes in Canada, Mauritius and India, and the company's determination of its tax liability or receivable is subject to review by those applicable tax authorities. The company exercised judgment in assessing that unremitted earnings related to its subsidiaries' holdings of Indian Investments, as disclosed in note 10, are not expected to result in taxable amounts as the company has determined it is not probable that those unremitted earnings will be repatriated in the foreseeable future; as a consequence no tax has been recorded in the consolidated financial statements on these unremitted earnings. While the company believes its tax positions to be reasonable, where the company's interpretations differ from those of tax authorities or the timing of realization is not as expected, the provision for income taxes may increase or decrease in future periods to reflect actual experience. The company receives specialized tax advice for assessing the income tax consequences of planned transactions and events, and undertaking the appropriate tax planning from Fairfax tax personnel.

Realization of deferred income tax assets is dependent upon the generation of taxable income in those jurisdictions where the relevant tax losses and temporary differences exist. Tax legislation of each jurisdiction in which the company operates is interpreted to determine the provision for (recovery of) income taxes and expected timing of the reversal of deferred income tax assets and liabilities. The company exercised judgment that certain carryforwards of unused losses or unused tax credits and timing differences disclosed in note 10 should not be recognized as a deferred income tax asset as it was considered not probable that those losses could be utilized by the company.

Consolidation of Anchorage

During 2021, the company transferred 43.6% out of its 54.0% equity interest in BIAL such that it is held through Anchorage, and subsequently completed the sale of 11.5% of its equity interest in Anchorage to Ontario Municipal Employees Retirement System ("OMERS"). The company exercised significant judgment in determining that Anchorage will continue to provide investment related services to the company on current and potential investments in the infrastructure sector in India and not meet the definition of an investment entity based on the facts and circumstances known or knowable at this time. As a result, the company will continue to consolidate Anchorage. The company's assessment of this position requires an ongoing analysis of Anchorage's strategic objectives and business activities. Accordingly, Anchorage's status in relation to the company as a consolidated subsidiary may change in future reporting periods based on the facts and circumstances at that time.

5. Indian Investments

Throughout the company's consolidated financial statements for the year ended December 31, 2021, the term "Indian Investments" refers to deployed capital invested in Public and Private Indian Investments as disclosed within this note.

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

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

	2021							
	Balance as of January 1	**Purchases**	**Sales**	**Amortization**	**Net realized gains (losses) on investments**	**Net change in unrealized gains (losses) on investments[1]**	**Net unrealized foreign currency translation gains (losses)**	**Balance as of December 31**
Public Indian Investments:								
Common stocks:								
IIFL Finance	131,478	–	–	–	–	189,963	(3,305)	318,136
IIFL Wealth	166,702	–	–	–	–	66,625	(3,216)	230,111
IIFL Securities	55,603	–	–	–	–	48,836	(1,222)	103,217
CSB Bank	214,341	–	–	–	–	17,060	(3,752)	227,649
Privi Speciality[2]	138,413	–	(164,812)	–	132,303	(105,026)	(799)	79
Fairchem Organics[3][4]	54,566	22,919	(45,560)	–	33,558	91,035	(1,498)	155,020
5paisa[5]	27,788	6,141	–	–	(2,587)	10,477	(587)	41,232
Other	147,604	–	(122,013)	–	58,944	(12,785)	(2,138)	69,612
Derivatives – Fairchem Organics forward purchase derivative[3]	–	–	(4,800)	–	4,847	–	(47)	–
Total Public Indian Investments	936,495	29,060	(337,185)	–	227,065	306,185	(16,564)	1,145,056
Private Indian Investments:								
Common stocks:								
BIAL	1,396,117	–	–	–	–	(130)	(23,817)	1,372,170
Sanmar	338,621	–	–	–	–	88,806	(6,274)	421,153
Seven Islands	103,543	–	–	–	–	4,173	(1,790)	105,926
NCML	86,216	–	–	–	–	(15,253)	(1,385)	69,578
Saurashtra	32,812	–	–	–	–	14,988	(643)	47,157
Maxop	–	29,520	–	–	–	–	324	29,844
NSE	72,617	–	–	–	–	40,062	(1,463)	111,216
IH Fund	25,354	–	(2,535)	–	–	1,218	(424)	23,613
Other Indian Fixed Income	14,884	7,395	–	54	–	–	(250)	22,083
Total Private Indian Investments	2,070,164	36,915	(2,535)	54	–	133,864	(35,722)	2,202,740
Total Indian Investments	3,006,659	65,975	(339,720)	54	227,065	440,049	(52,286)	3,347,796

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

(2) *On April 29, 2021 the company completed the sale of its 48.8% equity interest in Privi Speciality for proceeds of $164,812 resulting in a realized gain since inception of $132,303. Net change in unrealized gains (losses) on investments includes a reversal of prior period unrealized gains on Privi Speciality.*

(3) *On April 29, 2021 the company acquired additional Fairchem Organics common shares for cash consideration of $18,117. As a result the company derecognized the Fairchem Organics forward purchase derivative asset with a carrying value of $4,800, recorded a realized gain of $4,847 and recorded its investment in Fairchem Organics common shares at a fair value at that date of $22,917.*

(4) *In November 2021 the company sold 1,800,000 common shares of Fairchem Organics for proceeds of $45,560 resulting in a realized gain since inception of $33,558. Net change in unrealized gains on investments includes a reversal of prior period unrealized gains on Fairchem Organics of $5,346.*

(5) *On May 19, 2021 the company acquired additional 5paisa common shares for cash consideration of $6,141 pursuant to a preferential share rights offering. The newly issued 5paisa common shares had a fair value of $3,554 at that date based on bid price less a discount for lack of marketability due to certain selling restrictions, and as a result the company recorded a realized loss of $2,587.*

A summary of changes in the fair value of the company's Public and Private Indian Investments during 2020 is as follows:

	2020							
	Balance as of January 1	Purchases	Fairchem Reorganization	Sales	Net realized gains on investments	Net change in unrealized gains (losses) on investments[(1)]	Net unrealized foreign currency translation gains (losses)	Balance as of December 31
Public Indian Investments:								
Common stocks:								
IIFL Finance	166,014	–	–	–	–	(30,262)	(4,274)	131,478
IIFL Wealth	191,476	–	–	–	–	(20,058)	(4,716)	166,702
IIFL Securities	48,796	–	–	–	–	7,823	(1,016)	55,603
CSB Bank	229,262	–	–	–	–	(9,484)	(5,437)	214,341
Privi Speciality (formerly Fairchem)[(2)]	127,413	–	(34,895)	–	–	48,732	(2,837)	138,413
Fairchem Organics[(2)]	–	–	34,895	–	–	18,808	863	54,566
5paisa	18,176	–	–	–	–	9,889	(277)	27,788
Other	95,892	84,672	–	(41,913)	3,782	5,896	(725)	147,604
Total Public Indian Investments	877,029	84,672	–	(41,913)	3,782	31,344	(18,419)	936,495
Private Indian Investments:								
Common stocks:								
BIAL	1,429,854	–	–	–	–	(669)	(33,068)	1,396,117
Sanmar	412,930	–	–	–	–	(63,844)	(10,465)	338,621
Seven Islands	88,800	–	–	–	–	16,558	(1,815)	103,543
NCML	120,734	–	–	–	–	(31,277)	(3,241)	86,216
Saurashtra	31,204	–	–	–	–	2,297	(689)	32,812
NSE	57,210	–	–	–	–	16,493	(1,086)	72,617
IH Fund	15,146	9,506	–	(277)	–	1,249	(270)	25,354
Other Indian Fixed Income	14,286	–	–	–	–	915	(317)	14,884
Total Private Indian Investments	2,170,164	9,506	–	(277)	–	(58,278)	(50,951)	2,070,164
Total Indian Investments	3,047,193	94,178	–	(42,190)	3,782	(26,934)	(69,370)	3,006,659

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

(2) *On August 12, 2020 as part of the Fairchem Reorganization, Fairchem spun off Fairchem Organics, whose shares were subsequently listed on the BSE and NSE of India on December 24, 2020. Concurrent with the spin off transaction, Privi Organics merged with the remaining Fairchem business and was renamed Privi Speciality Chemicals Limited ("Privi Speciality"). Common shares of Privi Speciality continue to trade on the BSE and NSE of India.*

Public Indian Investments

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

Investment in IIFL Finance Limited

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

In December 2015 and February 2017 the company acquired 84,641,445 common shares of IIFL Holdings Limited ("IIFL Holdings") (representing a 26.9% equity interest) for aggregate cash consideration of $276,734 (approximately 18.5 billion Indian rupees).

In October 2017 and May 2019 IIFL Holdings spun-off its subsidiaries 5paisa, IIFL Wealth and IIFL Securities in non-cash transactions. In aggregate, the transactions resulted in a return of capital which exceeded Fairfax India's cost basis in IIFL Holdings based on the estimated fair values of the spun off subsidiaries at the date of the transactions. Upon completion of the spin off of IIFL Wealth and IIFL Securities in May 2019, IIFL Holdings Limited was renamed IIFL Finance Limited and continued to trade on the BSE and NSE of India.

In March 2020 IIFL Finance was granted an NBFC license by the Reserve Bank of India ("RBI") and on March 30, 2020 completed the merger with its subsidiary, India Infoline Finance Limited ("India Infoline") through the issuance of 58,654,556 common shares of IIFL Finance to India Infoline's minority shareholders. Minority shareholders of India Infoline received 135 common shares of IIFL Finance for every 100 common shares of India Infoline held. As a result of the merger Fairfax India's equity interest in IIFL Finance was decreased to 22.4% at March 30, 2020.

At December 31, 2021 the fair value of the company's investment in IIFL Finance was $318,136 (December 31, 2020 – $131,478) comprised of 84,641,445 common shares representing a 22.3% equity interest (December 31, 2020 – 22.4%) with the changes in fair value in 2021 and 2020 presented in the tables disclosed earlier in note 5.

Investment in IIFL Wealth Management Limited

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

In May 2019 the company received 12,091,635 common shares of IIFL Wealth, representing a 14.2% equity interest with an estimated fair value on the date of the transaction of $191,443 (approximately 13.3 billion Indian rupees), pursuant to a non-cash spin off transaction from the former IIFL Holdings. The common shares of IIFL Wealth were listed on the BSE and NSE of India on September 19, 2019.

At December 31, 2021 the fair value of the company's investment in IIFL Wealth was $230,111 (December 31, 2020 – $166,702) comprised of 12,091,635 common shares representing a 13.6% equity interest (December 31, 2020 – 13.8%) with the changes in fair value in 2021 and 2020 presented in the tables disclosed earlier in note 5.

Investment in IIFL Securities Limited

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.

In May 2019 the company received 84,641,445 common shares of IIFL Securities representing a 26.5% equity interest with an estimated fair value on the date of the transaction of $91,310 (approximately 6.4 billion Indian rupees), pursuant to a non-cash spin off transaction from the former IIFL Holdings. The common shares of IIFL Securities were listed on the BSE and NSE of India on September 20, 2019.

At December 31, 2021 the fair value of the company's investment in IIFL Securities was $103,217 (December 31, 2020 – $55,603) comprised of 84,641,445 common shares representing a 27.9% equity interest (December 31, 2020 – 26.5%) with the changes in fair value in 2021 and 2020 presented in the tables disclosed earlier in note 5. The increase in the company's equity interest in IIFL Securities during the year was primarily due to IIFL Securities' purchase and cancellation of its own shares.

Investment in CSB Bank Limited

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

During 2018 and 2019 Fairfax India invested aggregate cash consideration of $169,511 (approximately 12.1 billion Indian rupees) for a 51.0% equity interest in CSB Bank, which decreased in 2019 to 49.7%.

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

At December 31, 2021 the company estimated the fair value of its investment in CSB Bank based on the bid price less a discount for lack of marketability of 20.5% on the common shares subject to selling restrictions (December 31, 2020 – 20.9%). At December 31, 2021 the fair value of the company's investment in CSB Bank was $227,649 (December 31, 2020 – $214,341) comprised of 86,262,976 common shares representing a 49.7% equity interest (December 31, 2020 – 49.7%) with the changes in fair value in 2021 and 2020 presented in the tables disclosed earlier in note 5.

Investment in Fairchem Speciality Limited / Privi Speciality Chemicals Limited

Fairchem Speciality Limited

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

In February 2016 Fairfax India acquired a 44.7% equity interest in Fairchem for cash consideration of $19,409 (approximately 1.3 billion Indian rupees) and in August 2016 acquired a 50.8% equity interest in Privi for cash consideration of $54,975 (approximately 3.7 billion Indian rupees). On March 14, 2017 Fairchem and Privi were merged with the surviving entity continuing as Fairchem (the "Merger") and with no changes to management of the underlying companies. Upon completion of the Merger, Fairfax India had acquired a 48.8% equity interest in the merged company Fairchem for aggregate cash consideration of $74,384 (approximately 5.0 billion Indian rupees).

On August 12, 2020 Fairchem spun off its wholly-owned subsidiary Fairchem Organics (comprised of the oleochemicals and neutraceuticals businesses) in a non-cash transaction ("Fairchem Reorganization"). Shareholders of Fairchem received one common share of Fairchem Organics for every three Fairchem common shares held. The distribution of new common shares to Fairchem shareholders was characterized as a return of capital and resulted in the company recording the initial cost of its investment in Fairchem Organics at its estimated fair value at that date of $34,895 (approximately 2.6 billion Indian rupees). Concurrent with the spin off transaction, Privi amalgamated with the remaining Fairchem business and was renamed Privi Speciality Chemicals Limited ("Privi Speciality"). Common shares of Privi Speciality continue to trade on the BSE and NSE of India. Common shares of Fairchem Organics listed on the BSE and NSE of India on December 24, 2020. Additional details on the Fairchem Reorganization, specific to Fairchem Organics, are disclosed later in note 5.

Privi Speciality Chemicals Limited

On April 29, 2021 the company completed the sale of its 48.8% equity interest in Privi Speciality for cash consideration of $164,812 (approximately 12.2 billion Indian rupees).

At December 31, 2021 the fair value of the company's investment in Privi Speciality was $79 (December 31, 2020 – $138,413) comprised of 3,250 common shares representing less than 1% equity interest (December 31, 2020 – 19,046,078 common shares representing a 48.8% equity interest) with the changes in fair value in 2021 and 2020 presented in the tables disclosed earlier in note 5.

On November 10, 2021 the company invested $7,395 (550.0 million Indian rupees) in non-convertible debentures, due February 10, 2025, with an effective yield of 10.0% compounded annually issued by an entity affiliated with Mahesh P Babani, chairman and managing director of Privi Speciality. At December 31, 2021 the fair value of the company's investment in the non-convertible debentures was $7,453 with the changes in fair value in 2021 presented within Other Indian Fixed Income in the table disclosed earlier in note 5.

Subsequent to December 31, 2021

On February 16, 2022 the company sold its remaining equity interest in Privi Speciality for cash consideration of $83 (approximately 6.3 million Indian rupees).

Investment in Fairchem Organics Limited

Fairchem Organics is a publicly traded specialty chemical manufacturer located in Ahmedabad, India. Fairchem Organics manufactures oleochemicals used in the paints, inks and adhesives industries, as well as intermediate neutraceutical and health products.

Upon completion of the Fairchem Reorganization, Fairfax India received 6,348,692 common shares of Fairchem Organics representing 48.8% equity interest with an estimated fair value at that date of $34,895 (approximately 2.6 billion Indian rupees). The distribution of new common shares of Fairchem Organics to Fairchem shareholders was characterized as a return of capital.

The common shares of Fairchem Organics were listed on the BSE and NSE of India on December 24, 2020. At the time of listing and in accordance with Indian regulations, as a result of the anticipated changes in ownership of Fairchem Organics, the company announced an open offer for the acquisition of up to 3,377,953 common shares, representing the entire public float or 25.9% of the issued and outstanding shares, at a price of 575.53 Indian rupee per common share ("Fairchem Open Offer"). In support of the Fairchem Open Offer, the company was required to place on deposit, cash of $267 (approximately 19.5 million Indian rupees) and a bank guarantee for $6,648 (approximately 486.1 million Indian rupees) which expired in April 2021. The cash deposit was recorded in restricted cash within the consolidated balance sheet at December 31, 2020.

On March 2, 2021 the company completed the settlement of 290 common shares of Fairchem Organics tendered for $2 and the remaining cash deposit of $264 was returned.

On April 29, 2021 the company completed the purchase of an additional 17.9% equity interest in Fairchem Organics for cash consideration of $18,117 (approximately 1.3 billion Indian rupees). Upon closing of the transaction the company settled a forward purchase derivative asset at a fair value of $4,800 (approximately 355 million Indian rupees), which was a result of the transaction date fair value exceeding the agreed upon transaction price for Fairchem Organics common shares. The company recorded its additional investment in Fairchem Organics at a fair value of $22,917 (approximately 1.7 billion Indian rupees).

On November 9, 2021 and November 10, 2021 the company sold an aggregate of 1,800,000 common shares of Fairchem Organics for proceeds of $45,560 (approximately 3.4 billion Indian rupees) and recorded a realized gain since inception of $33,558.

At December 31, 2021 the fair value of the company's investment in Fairchem Organics was $155,020 (December 31, 2020 – $54,566) comprised of 6,879,739 common shares representing a 52.8% equity interest (December 31, 2020 – 6,348,692 common shares representing a 48.8% equity interest) with the changes in fair value in 2021 and 2020 presented in the tables disclosed earlier in note 5.

Investment in 5paisa Capital Limited

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.

In October 2017 the company received 3,385,657 common shares of 5paisa representing a 26.6% equity interest with a fair value on the date of the transaction of $19,758, pursuant to a non-cash spin off transaction from the former IIFL Holdings. In August 2019 the company participated in a rights offer to existing shareholders of 5paisa and acquired an additional 3,385,657 common shares of 5paisa for cash consideration of $3,777, maintaining an equity interest of 26.6%.

On May 19, 2021 the company participated in a rights offer to existing shareholders of 5paisa ("5paisa Preferential Share Rights Offer") and acquired 898,816 equity shares of 5paisa on a preferential basis for cash consideration of $6,141 (449.4 million Indian rupees). The company is restricted from selling these common shares until May 28, 2022 due to restrictions imposed by SEBI. As a result, the company recorded its investment in the newly issued 5paisa common shares at a fair value of $3,554 (260.1 million Indian rupees) based on bid price less a discount for lack of marketability of 22.2% resulting in the company recording a realized loss of $2,587 on the date of acquisition. As a result of the 5paisa Preferential Share Rights Offer and common shares issued by 5paisa under an employee stock option plan during the period, the company's ownership interest in 5paisa decreased from 26.6% to 26.1%.

At December 31, 2021 the company estimated the fair value of its investment in 5paisa based on the bid price less a discount for lack of marketability of 9.8% for the 5paisa common shares acquired through the 5paisa Preferential Share Rights Offer. At December 31, 2021 the fair value of the company's investment in 5paisa was $41,232 (December 31, 2020 – $27,788) comprised of 7,670,130 common shares representing a 26.1% equity interest (December 31, 2020 – 6,771,314 common shares representing a 26.6% equity interest) with the changes in fair value in 2021 and 2020 presented in the tables disclosed earlier in note 5.

Investment in Other Public Indian Investments

During 2018 the company acquired common shares of public companies in India's financial services sector, listed on both the BSE and NSE of India, for aggregate cash consideration of $94,090. In 2019 the company partially sold an investment in Other Public Indian Investments for total net proceeds of $36,907, resulting in a realized gain of $7,115.

In 2020 the company acquired common shares of public companies in India's utilities and financial services sectors, listed on both the BSE and NSE of India, for aggregate consideration of $84,672. In 2020 the company partially sold investments in Other Public Indian Investments for total net proceeds of $41,913, resulting in a realized gain of $3,782.

In 2021 the company sold investments in Other Public Indian Investments for total net proceeds of $122,013, resulting in realized gains of $58,944.

At December 31, 2021 the fair value of the company's investment in Other Public Indian Investments was $69,612 (December 31, 2020 – $147,604) and represents less than 1.0% equity interest in each of the public Indian companies. The changes in fair value of the company's investment in Other Public Indian Investments in 2021 and 2020 are presented in the tables disclosed earlier in note 5.

Private Indian Investments

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

Investment in Bangalore International Airport Limited

Bangalore International Airport Limited ("BIAL") is a private company located in Bengaluru, India. BIAL, under a concession agreement with the Government of India until the year 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.

During 2017 and 2018 Fairfax India had invested aggregate cash consideration of $652,982 (approximately 42.7 billion Indian rupees) for a 54.0% equity interest in BIAL.

On September 16, 2021 the company transferred 43.6% out of its 54.0% equity interest in BIAL such that it is held through Anchorage and subsequently sold 11.5% (on a fully-diluted basis) of its interest in Anchorage to OMERS for gross proceeds of $129,221 (9.5 billion Indian rupees). Upon closing of the transaction, the company's effective ownership interest in BIAL decreased to approximately 49.0% on a fully-diluted basis, while its actual ownership remained unchanged. Refer to note 8 (Total Equity, under the heading Non-controlling interests) for further discussion on Anchorage.

The COVID-19 pandemic has significantly impacted BIAL's airport business which faced reduced passenger traffic starting in February 2020. Effective March 23, 2020 and March 25, 2020 all scheduled international and domestic commercial airlines ceased operations as a result of India's lockdown. Domestic flights resumed on May 25, 2020, while international flights will remain suspended until further notice with the exception of certain countries with which India has established air bubble arrangements. Cargo flights and flights catering to medical emergencies and other essential requirements remain operational. Construction activities for BIAL's capital projects and real estate development were slowed down and have since resumed as lockdown restrictions were gradually lifted. The airport is expected to commence regular operations upon lifting of the present restrictions with a gradual recovery in domestic and international passenger traffic by BIAL's fiscal year 2024 to levels witnessed before the pandemic.

At December 31, 2021 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 12.1% to 16.0% and a long term growth rate of 3.5% (December 31, 2020 – 12.8% to 15.0%, and 3.5%, respectively). At December 31, 2021 free cash flow forecasts were based on EBITDA estimates derived from financial information for BIAL's three business units prepared in the third quarter of 2021 (December 31, 2020 – fourth quarter of 2020) by BIAL's management and adjusted for lower airport tariffs for the third control period commencing in BIAL's fiscal year 2022 and the ongoing impact of the COVID-19 pandemic on airport operations.

Free Cash Flow Forecast Inputs

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

Current Model Assumptions

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

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

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

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

At December 31, 2021 the company's internal valuation model indicated that the fair value of the company's investment in BIAL was $1,372,170 (December 31, 2020 – $1,396,117) which approximates the equity valuation of BIAL implied by the Anchorage transaction discussed above. The changes in fair value of the company's investment in BIAL in 2021 and 2020 are presented in the tables disclosed earlier in note 5.

Investment in Sanmar Chemicals Group

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

During 2016 and 2019 Fairfax India invested aggregate cash consideration of $199,039 (approximately 14.2 billion Indian rupees) for a 42.9% equity interest in Sanmar.

The COVID-19 pandemic resulted in a temporary closure of Sanmar's plants in India due to India's lockdown in 2020. The Sanmar plant in Egypt was temporarily closed on March 18, 2020 and re-opened on April 3, 2020. The operations at the suspension PVC plant in India were constrained until May 15, 2020. The remaining plants in India, including the specialty PVC plant, gradually re-opened in May 2020. Specialty Chemicals has not been significantly impacted by the COVID-19 pandemic.

On August 24, 2021 Chemplast Sanmar Limited ("Chemplast"), a subsidiary of the Sanmar group completed an IPO, issuing 24,029,574 common shares to the public for proceeds of approximately $175 million (13.0 billion Indian rupees). The IPO also included a secondary offering, whereby Sanmar sold 47,134,935 common shares of Chemplast to the public for proceeds of approximately $344 million (25.5 billion Indian rupees). As a result of the

IPO, Sanmar's ownership interest in Chemplast was diluted from 100.0% to 55.0%. The proceeds from the IPO were used to repay Chemplast's debt and Sanmar's holding company debt. Chemplast is engaged in specialty PVC manufacturing, suspension PVC manufacturing and the production of specialty chemicals for pharmaceutical, agro-chemical and fine chemical sectors, in India. Chemplast is listed on both the BSE and NSE of India.

At December 31, 2021 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 14.6% and a long term growth rate of 3.0%; and (ii) the unadjusted bid price of Chemplast's common shares. At December 31, 2021 free cash flow forecasts were based on EBITDA estimates derived from financial information for Sanmar Egypt prepared in the fourth quarter of 2021 by Sanmar's management.

At December 31, 2020 the company estimated the fair value of its investment in Sanmar common shares using a discounted cash flow analysis for Sanmar Egypt and Chemplast, based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 15.0% to 20.5% and long term growth rates ranging from 3.0% to 4.0%. At December 31, 2020 free cash flow forecasts were based on EBITDA estimates derived from financial information for Sanmar Egypt and Chemplast prepared in the fourth quarter of 2020 by Sanmar's management.

The company changed its valuation technique as a result of Chemplast completing its IPO during the third quarter of 2021 as explained above.

Free Cash Flow Forecast Inputs

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

Current Model Assumptions

Free cash flow forecasts for Sanmar Egypt were revised by Sanmar's management in 2021 primarily to reflect lower sales volume for certain product lines, higher input costs due to supply shortages and higher power costs, resulting in lower forecasted margins. The revised forecasts negatively impacted the valuation of Sanmar which was more than offset by a decrease in Sanmar Egypt's after-tax discount rate and a reduction in net debt as a result of its debt restructuring, discussed below.

During the second quarter of 2021 Sanmar Egypt received approval from its lenders to restructure $785.4 million of its borrowings. The restructuring plan resulted in an extended tenor, reduced borrowing rates and the conversion of a portion of term loans to a 13.9% equity interest in Sanmar Egypt. Certain implementation steps of the restructuring plan are subject to regulatory approval. The debt restructuring implied a decrease in Sanmar Egypt's after-tax cost of borrowing and a decrease in Sanmar's net debt, which increased the equity valuation.

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 and reflected a reduced cost of debt at Sanmar Egypt due to its debt restructuring. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which Sanmar operates and were not adjusted downward for the short term impacts of COVID-19.

At December 31, 2021 the company's internal valuation model indicated that the fair value of the company's investment in Sanmar was $421,153 (December 31, 2020 – $338,621) with the changes in fair value in 2021 and 2020 presented in the tables disclosed earlier in note 5.

Investment in Seven Islands Shipping Limited

Seven Islands Shipping Limited ("Seven Islands"), a private company located in Mumbai, India, is the second largest private sector tanker shipping company in India and transports liquid and gas cargo along the Indian coast as well as in international waters. At December 31, 2021 Seven Islands owned 23 vessels, including 2 gas carriers, with a total deadweight capacity of approximately 1.3 million metric tons. Its vessels are registered in India and operate as Indian owned and flagged vessels.

During 2019 Fairfax India invested aggregate cash consideration of $83,846 (approximately 5.8 billion Indian rupees) for a 48.5% equity interest in Seven Islands.

At December 31, 2021 the company estimated the fair value of its investment in Seven Islands using a discounted cash flow analysis based on multi-year free cash flow forecasts with an assumed after-tax discount rate of 11.0% and a long term growth rate of 3.0% (December 31, 2020 – 13.5% and 3.0%, respectively). At December 31, 2021 free cash flow forecasts were based on EBITDA estimates derived from financial information for Seven Islands prepared in the fourth quarter of 2021 (December 31, 2020 – fourth quarter of 2020) by Seven Islands' management.

Free Cash Flow Forecast Inputs

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

Current Model Assumptions

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

At December 31, 2021 the company's internal valuation model indicated that the fair value of the company's investment in Seven Islands was $105,926 (December 31, 2020 – $103,543) with the changes in fair value in 2021 and 2020 presented in the tables disclosed earlier in note 5.

Investment in National Commodities Management Services Limited

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

NCML Common Shares

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

At December 31, 2021 the company estimated the fair value of its investment in NCML common shares using a discounted cash flow analysis based on multi-year free cash flow forecasts with assumed after-tax discount rates ranging from 11.0% to 11.7% and long term growth rates ranging from 2.4% to 6.0% for two business units, and an adjusted net book value approach for its NBFC business unit (December 31, 2020 – 11.3% to 11.7%, 2.4% to 6.0%, respectively and an adjusted net book value approach for its NBFC business unit). At December 31, 2021 free cash flow forecasts were based on EBITDA estimates derived from financial information for two business units prepared in the third quarter of 2021 (December 31, 2020 – fourth quarter of 2020) by NCML's management.

Free Cash Flow Forecast Inputs

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

Current Model Assumptions

Free cash flow forecasts were revised by NCML's management in the third quarter of 2021 primarily to reflect changes to its composition of owned, leased and franchisee warehouse capacity, and to adjust EBITDA growth based on expected business volumes more towards franchisee warehouse capacity and away from leased capacity. Discount rates were based on the company's assessment of risk premiums to the appropriate risk-free rate of the economic environment in which NCML operates. Long term growth rates were based on the expected long term sustainable growth rate of the economic environment and sectors in which NCML operates and were not adjusted downward for the short term impacts of COVID-19.

During the third quarter of 2020, NCML's NBFC business unit experienced decreased funding from public sector banks which limited its ability to advance loans, in addition to a decline in the demand for lending as a result of the continued business disruptions in agri-businesses caused by the COVID-19 pandemic and India's lockdown. As a result, NCML's management commenced a process of scaling down its loan book. Accordingly, the company determined growth rates would not be relevant and it was more appropriate to value NCML's NBFC business unit using an asset-based approach rather than performing a discounted cash flow analysis as it had done previously.

At December 31, 2021 the company's internal valuation model indicated that the fair value of the company's equity investment in NCML was $69,578 (December 31, 2020 – $86,216) with the changes in fair value in 2021 and 2020 presented in the tables disclosed earlier in note 5.

NCML Compulsorily Convertible Debentures

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. The company has the option to convert the NCML CCD into common shares of NCML at any time prior to the maturity date, at which time the conversion is compulsory, at a conversion price of 68.00 Indian rupees per common share.

At December 31, 2021 the fair value of the company's investment in NCML CCD was $14,630 (December 31, 2020 – $14,884) with the changes in fair value in 2021 and 2020 presented within Other Indian Fixed Income in the tables disclosed earlier in note 5.

Investment in Saurashtra Freight Private Limited

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

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

At December 31, 2021 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 17.2% to 19.8% and long term growth rates ranging from 4.0% to 5.0% (December 31, 2020 – 14.3% to 17.7%, and 4.0% to 5.0%, respectively). At December 31, 2021 free cash flow forecasts were based on EBITDA estimates derived from financial information for Saurashtra's two business units prepared in the fourth quarter of 2021 (December 31, 2020 – fourth quarter of 2020) 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 fourth quarter of 2021 primarily to reflect changes in the timing of forecasted capital expenditures and to adjust EBITDA growth based on increased capacity, specifically due to recent growth seen in Fairfreight Lines. 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 December 31, 2021 the company's internal valuation model indicated that the fair value of the company's investment in Saurashtra was $47,157 (December 31, 2020 – $32,812) with the changes in fair value in 2021 and 2020 presented in the tables disclosed earlier in note 5.

Investment in Maxop Engineering Company Private Limited

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

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

In the second transaction, the company shall invest an amount between approximately $9 million and $36 million based on period end exchange rates (700 million Indian rupees and 2.7 billion Indian rupees, respectively) for an additional 16.0% equity interest. The final purchase price for the second transaction will be determined based on the achievement of certain financial-based performance targets by Maxop. The second transaction is expected to close in the second half of 2022, subject to customary closing conditions.

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

Investment in National Stock Exchange of India Limited

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

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

At December 31, 2021 the company estimated the fair value of its investment in NSE of $111,216 (December 31, 2020 – $72,617) based on recent third party transactions completed in the fourth quarter of 2021 (December 31, 2020 – fourth quarter of 2020). The changes in fair value of the company's investment in NSE in 2021 and 2020 are presented in the tables disclosed earlier in note 5.

Investment in India Housing Fund

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

During 2019 and 2020, Fairfax India invested aggregate cash consideration of $24,399 (approximately 1.7 billion Indian rupees) in IH Fund.

At December 31, 2021 the company estimated the fair value of its investment in IH Fund of $23,613 (December 31, 2020 – $25,354) based on the net asset value provided by the third party fund manager. The fair values of the underlying assets are determined using quoted prices for short term investments, and industry accepted valuation models for debt and equity instruments. The changes in fair value of the company's investment in IH Fund in 2021 and 2020 are presented in the tables disclosed earlier in note 5.

Investment in Jaynix Engineering Private Limited

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

Subsequent to December 31, 2021

Pursuant to an agreement entered into on January 26, 2022, the company completed the purchase of a 70.0% equity interest in Jaynix for $32,504 (approximately 2.5 billion Indian rupees) on February 11, 2022.

6. Cash and Investments

Fair Value Disclosures

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

	December 31, 2021					December 31, 2020				
	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	30,376	–	–	30,376	2,258	22,057	–	–	22,057	1,612
Restricted cash[1]	–	–	–	–	–	16,315	–	–	16,315	1,192
	30,376	–	–	30,376	2,258	38,372	–	–	38,372	2,804
Short term investments:										
Government of India[2]	–	6,151	–	6,151	457	–	–	–	–	–
Bonds:										
Government of India[2]	–	192,385	–	192,385	14,301	–	20,989	–	20,989	1,533
Other Indian Fixed Income	–	–	22,083	22,083	1,642	–	–	14,884	14,884	1,088
	–	192,385	22,083	214,468	15,943	–	20,989	14,884	35,873	2,621
Common stocks:										
IIFL Finance	318,136	–	–	318,136	23,649	131,478	–	–	131,478	9,607
IIFL Wealth	230,111	–	–	230,111	17,105	166,702	–	–	166,702	12,180
IIFL Securities	103,217	–	–	103,217	7,673	55,603	–	–	55,603	4,063
Privi Speciality	79	–	–	79	6	138,413	–	–	138,413	10,113
Fairchem Organics	155,020	–	–	155,020	11,524	54,566	–	–	54,566	3,987
5paisa[3]	36,824	–	4,408	41,232	3,065	27,788	–	–	27,788	2,030
Other	69,612	–	–	69,612	5,175	147,604	–	–	147,604	10,785
BIAL	–	–	1,372,170	1,372,170	102,001	–	–	1,396,117	1,396,117	102,011
Sanmar	–	–	421,153	421,153	31,307	–	–	338,621	338,621	24,742
CSB Bank[4]	53,282	–	174,367	227,649	16,922	50,410	–	163,931	214,341	15,661
Seven Islands	–	–	105,926	105,926	7,874	–	–	103,543	103,543	7,566
NCML	–	–	69,578	69,578	5,172	–	–	86,216	86,216	6,300
Saurashtra	–	–	47,157	47,157	3,506	–	–	32,812	32,812	2,398
Maxop	–	–	29,844	29,844	2,218	–	–	–	–	–
NSE	–	–	111,216	111,216	8,267	–	–	72,617	72,617	5,306
IH Fund	–	–	23,613	23,613	1,755	–	–	25,354	25,354	1,853
	966,281	–	2,359,432	3,325,713	247,219	772,564	–	2,219,211	2,991,775	218,602
Total cash and investments	996,657	198,536	2,381,515	3,576,708	265,877	810,936	20,989	2,234,095	3,066,020	224,027
	27.9%	5.6%	66.5%	100.0%	100.0%	26.4%	0.7%	72.9%	100.0%	100.0%

(1) At December 31, 2020 primarily comprised of funds set aside as restricted cash to fund the interest payments on the company's borrowings.

(2) Priced based on information provided by independent pricing service providers at December 31, 2021 and 2020. Short term investments relate to Government of India bonds maturing between three and twelve months from the date of purchase.

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

(4) The company is restricted from selling certain of its common shares of CSB Bank for a specified period ranging up to August 7, 2024 and has applied a discount for lack of marketability (a significant unobservable valuation input) to the quoted price for the remaining restricted common shares of CSB Bank held by the company at December 31, 2021 and 2020.

Transfers between fair value hierarchy levels are considered effective from the beginning of the annual reporting period in which the transfer is identified. During 2021 and 2020 there were no transfers of financial instruments between Level 1 and Level 2.

During 2021 as a result of an increase in total common shares outstanding of CSB Bank, additional common shares of CSB Bank held by the company were subject to selling restrictions and were transferred from Level 1 to Level 3.

During 2020 as a result of a release of selling restrictions on 16,880,645 common shares of CSB Bank held by the company, a portion of the company's investment in CSB Bank was transferred out of Level 3 and into Level 1 in the fair value hierarchy.

A summary of changes in the fair value of the company's Indian Investments classified as Level 3 in the fair value hierarchy, denominated in the company's functional currency of the Indian rupee for the years ended December 31 was as follows:

	Year ended													
	2021								2020					
Indian rupees *(in millions)*	**Balance as of January 1**	**Purchases**	**Sales**	**Transfers**	**Amortization**	**Net realized losses on investments**	**Net change in unrealized gains (losses) on investments**	**Balance as of December 31**	**Balance as of January 1**	**Purchases**	**Sales**	**Transfers**	**Net change in unrealized gains (losses) on investments**	**Balance as of December 31**
Common stocks:														
BIAL	102,011	–	–	–	–	–	(10)	102,001	102,060	–	–	–	(49)	102,011
Sanmar	24,742	–	–	–	–	–	6,565	31,307	29,474	–	–	–	(4,732)	24,742
CSB Bank	11,978	–	–	2	–	–	982	12,962	16,364	–	–	(3,639)	(747)	11,978
Seven Islands	7,566	–	–	–	–	–	308	7,874	6,338	–	–	–	1,228	7,566
NCML	6,300	–	–	–	–	–	(1,128)	5,172	8,618	–	–	–	(2,318)	6,300
Saurashtra	2,398	–	–	–	–	–	1,108	3,506	2,227	–	–	–	171	2,398
Maxop	–	2,218	–	–	–	–	–	2,218	–	–	–	–	–	–
NSE	5,306	–	–	–	–	–	2,961	8,267	4,084	–	–	–	1,222	5,306
IH Fund	1,853	–	(187)	–	–	–	89	1,755	1,081	699	(20)	–	93	1,853
5paisa	–	449	–	–	–	(189)	68	328	–	–	–	–	–	–
Other Indian Fixed Income	1,088	550	–	–	4	–	–	1,642	1,020	–	–	–	68	1,088
Total	163,242	3,217	(187)	2	4	(189)	10,943	177,032	171,266	699	(20)	(3,639)	(5,064)	163,242

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

The table that follows illustrates the potential impact on net earnings (loss) of various combinations of changes in unobservable inputs in the company's internal valuation models for its Indian Investments classified as Level 3 in the fair value hierarchy at December 31, 2021. 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. To reflect increased market volatility due to the economic and social impacts of the COVID-19 pandemic, management widened its reasonably possible range of after-tax discount rates to changes within 100 basis points from changes within 50 basis points previously applied by management prior to the COVID-19 pandemic. The change reflects the additional uncertainty in determining the discounted cash flows for assessing the fair values of Private Indian Investments. This sensitivity analysis excludes the company's investments in Maxop, NSE, IH Fund and Other Indian Fixed Income investments, 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	$1,372,170	Discounted cash flow	After-tax discount rate	12.1% to 16.0%	(350,563) / 458,715	(304,113) / 397,935
			Long term growth rate	3.5%	24,943 / (23,544)	21,638 / (20,425)
Sanmar[(3)]	$ 421,153	Discounted cash flow	After-tax discount rate	14.6%	(38,059) / 45,025	(33,016) / 39,059
			Long term growth rate	3.0%	5,334 / (5,109)	4,628 / (4,432)
CSB Bank[(4)]	$ 174,367	Bid price, net of discount	Discount for lack of marketability	20.5%	(3,043) / 3,058	(2,640) / 2,653
Seven Islands	$ 105,926	Discounted cash flow	After-tax discount rate	11.0%	(21,251) / 27,408	(18,435) / 23,776
			Long term growth rate	3.0%	4,986 / (4,682)	4,326 / (4,062)
NCML[(5)]	$ 69,578	Discounted cash flow	After-tax discount rate	11.0% to 11.7%	(20,765) / 29,036	(18,013) / 25,188
			Long term growth rate	2.4% to 6.0%	3,645 / (3,322)	3,162 / (2,881)
Saurashtra	$ 47,157	Discounted cash flow	After-tax discount rate	17.2% to 19.8%	(2,637) / 3,053	(2,288) / 2,649
			Long term growth rate	4.0% to 5.0%	459 / (443)	398 / (385)
5paisa[(4)]	$ 4,408	Bid price, net of discount	Discount for lack of marketability	9.8%	(30) / 30	(26) / 26

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

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

(3) *Significant unobservable inputs relate only to the Sanmar Egypt business unit as Chemplast became publicly traded on the BSE and NSE of India during the third quarter of 2021. The hypothetical $ change effect from a 10% increase or decrease in Chemplast's traded share price would be an increase or decrease in fair value of Sanmar of $27,749, and an increase or decrease in net earnings of $24,072.*

(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.*

Fixed Income Maturity Profile

Bonds are summarized by their earliest contractual maturity date in the table that follows. Actual maturities may differ from maturities shown below due to the existence of call and put features. At December 31, 2021 and 2020 there were no bonds containing call or put features. The increase in bonds due in 1 year or less and due after 1 year through 5 years primarily reflects the partial reinvestment of net proceeds received from the sales of Privi Speciality, an 11.5% non-controlling interest in Anchorage and Other Public Indian Investments into Government of India bonds.

	December 31, 2021		December 31, 2020	
	Amortized cost	Fair value	Amortized cost	Fair value
Due in 1 year or less	53,147	52,944	–	–
Due after 1 year through 5 years	147,742	146,894	20,936	20,989
Due after 5 years through 10 years	13,489	14,630	13,724	14,884
	214,378	214,468	34,660	35,873
Effective interest rate		5.0%		7.3%

Investment Income

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

Interest and dividends

	2021	2020
Interest:		
Cash and cash equivalents	168	94
Short term investments	76	–
Bonds	5,256	5,919
	5,500	6,013
Dividends: Common stocks	27,468	16,449

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

	2021			2020		
	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	–	(5)	(5)	–	–	–
Bonds	128	(1,109)	(981)	1,590	1,231	2,821
Common stocks	222,218(1)	440,049(1)	662,267	3,782(1)	(27,849)(1)	(24,067)
Derivatives	4,847(1)	–	4,847	–	–	–
	227,193	438,935	666,128	5,372	(26,618)	(21,246)
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	2,113	–	2,113	(514)	–	(514)
Borrowings	(36,032)(2)	26,847(2)	(9,185)	–	(12,521)(2)	(12,521)
Other	1,515	–	1,515	(1,153)	–	(1,153)
	(32,404)	26,847	(5,557)	(1,667)	(12,521)	(14,188)

(1) *Refer to note 5 for a summary of changes in the fair value of the company's Public and Private Indian Investments during 2021 and 2020.*

(2) *In 2021 net realized foreign exchange loss of $36,032 related to the extinguishment of the Secured Term Loan. The net change in unrealized gain of $26,847 was primarily comprised of the reversal of unrealized foreign exchange losses in prior years of $32,546 on the extinguishment of the Secured Term Loan, partially offset by unrealized foreign exchange losses of $5,699 primarily related to the new Unsecured Senior Notes issued in February 2021. In 2020 unrealized foreign exchange loss on borrowings related to the Secured Term Loan.*

7. Borrowings

	December 31, 2021			December 31, 2020		
	Principal	Carrying value(1)	Fair value(2)	Principal	Carrying value(1)	Fair value(2)
Secured Term Loan:						
1 Year Secured Term Loan, floating rate due June 28, 2021	–	–	–	550,000	547,228	550,000
Unsecured Senior Notes:						
5.0% Unsecured Senior Notes due February 26, 2028	500,000	496,785	498,450	–	–	–
Total borrowings	500,000	496,785	498,450	550,000	547,228	550,000

(1) *Principal net of unamortized issue costs.*

(2) *Principal for the Secured Term Loan approximated fair value at December 31, 2020. Fair value of the Unsecured Senior Notes was based principally on information provided by independent pricing service providers (Level 2 in the fair value hierarchy).*

Unsecured Senior Notes

On February 26, 2021 the company completed an offering of $500,000 principal amount of 5.0% unsecured senior notes due February 26, 2028 ("Unsecured Senior Notes") at par. Net proceeds after commissions and expenses of $3,650 were $496,350. Fairfax, through its subsidiaries, purchased $58,400 of the $500,000 principal amount under the same terms as the other participants. Refer to note 12 for further details of amounts due to related parties.

At December 31, 2021 the Unsecured Senior Notes were recognized net of unamortized issuance costs of $3,215 (issuance costs of $3,650 less amortization of $435) and recorded in borrowings within the consolidated balance sheets. The issuance costs are amortized over the remaining life of the Unsecured Senior Notes and recorded in interest expense in the consolidated statements of earnings (loss).

Secured Term Loan

On June 28, 2018 the company completed a $550,000 principal amount, 1 year secured term loan, with an option to extend for an additional year ("Secured Term Loan"), with a syndicate led by a Canadian bank. The Secured Term Loan was secured by way of a general lien on the company's assets and had an interest rate of LIBOR plus 350 basis points. On June 28, 2019 the company amended and restated the existing Secured Term Loan and extended the maturity to June 26, 2020 while maintaining the interest rate and option to extend for an additional year. On June 26, 2020 the company amended the Secured Term Loan to extend its maturity to June 28, 2021 at an interest rate of LIBOR plus 400 basis points, while maintaining the option to extend for an additional year.

On March 1, 2021 the company used the net proceeds of the Unsecured Senior Notes and cash to repay $500,000 of the Secured Term Loan, which permanently reduced the principal to $50,000. With the consent of the lenders, the cash amount previously held in the debt service reserve account to fund Secured Term Loan interest payments was released to the company. At December 31, 2020 the cash held in the debt service reserve account was classified as restricted cash within the consolidated balance sheets.

On May 11, 2021 the company used a portion of the proceeds received from the sale of Privi Speciality common shares to repay the remaining $50,000 term loan principal. The repayments during 2021 resulted in the extinguishment of the Secured Term Loan and release of unamortized issuance costs of $1,749 recorded in interest expense in the consolidated statements of earnings (loss). At December 31, 2020 the Secured Term Loan was recognized net of unamortized issuance costs of $2,772 (issuance costs of $5,545 less amortization of $2,773) and recorded in borrowings within the consolidated balance sheets.

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 December 31, 2021 the Revolving Credit Facility was undrawn and remains available.

Interest Expense

In 2021 interest expense of $28,515 (2020 – $29,844) was comprised of interest expense related to stated interest of $25,308 (2020 – $24,299), the amortization of issuance costs of $1,458 (2020 – $5,545) and the release of unamortized issuance costs of $1,749 (2020 – nil). At December 31, 2021 the company recognized accrued interest expense of $8,611 (December 31, 2020 – nil) within the consolidated balance sheets.

8. Total Equity

Common shareholders' equity

Authorized Capital

The company's authorized share capital consists of: (i) an unlimited number of multiple voting shares that may only be issued to Fairfax or its affiliates; (ii) an unlimited number of subordinate voting shares; and (iii) an unlimited number of preference shares, issuable in series. Except as provided in any special rights or restrictions attaching to any series of preference shares issued from time to time, the preference shares will not be entitled to vote at any meeting of the shareholders of the company.

Issued Capital

Issued capital at December 31, 2021 included 30,000,000 (December 31, 2020 – 30,000,000) multiple voting shares and 111,235,352 (December 31, 2020 – 119,470,571) subordinate voting shares without par value. Each subordinate voting share carries one vote per share at all meetings of shareholders except for separate meetings of holders of another class of shares. Fairfax India's subordinate voting shares trade on the Toronto Stock Exchange ("TSX") under the symbol FIH.U. Each multiple voting share carries fifty votes per share at all meetings of shareholders except for separate meetings of holders of another class of shares. Fairfax, through its subsidiaries, owns all the issued and outstanding multiple voting shares, which are not publicly traded. At December 31, 2021 there were no preference shares outstanding.

Common Stock

The number of shares outstanding was as follows:

	2021	2020
Subordinate voting shares – January 1	119,470,571	122,631,481
Issuances of shares	546,263	–
Purchases for cancellation	(8,781,482)	(3,160,910)
Subordinate voting shares – December 31	111,235,352	119,470,571
Multiple voting shares – beginning and end of year	30,000,000	30,000,000
Common shares effectively outstanding – December 31	141,235,352	149,470,571

Issuance of Shares

On March 5, 2021 the company issued 546,263 subordinate voting shares to Fairfax to settle the performance fee payable of $5,217 for the second calculation period (three-year period ending on December 31, 2020). Under the terms of the Investment Advisory Agreement (defined in note 12), settlement of the performance fee was through the issuance of subordinate voting shares, calculated based on the performance fee payable at December 31, 2020 of $5,217 divided by the volume-weighted average trading price of the company's subordinate voting shares for the 10 trading days prior to and including the last day of the calculation period ("VWAP") of $9.55. Refer to note 12 for additional details on the settlement of the December 31, 2020 performance fee payable.

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 2021, under the terms of its normal course issuer bid, the company purchased for cancellation 1,734,503 subordinate voting shares (2020 – 3,160,910) for a net cost of $21,869 (2020 – $28,905), of which $3,619 was charged to retained earnings (2020 – $4,366 was recorded as a benefit to retained earnings).

On August 11, 2021 the company completed a substantial issuer bid pursuant to which it purchased for cancellation 7,046,979 subordinate voting shares at a price of $14.90 per share, for aggregate consideration of $105,000, of which $30,857 was charged to retained earnings. Fairfax did not tender any shares to the substantial issuer bid.

In connection with the normal course issuer bid, the company also entered into an automatic share purchase plan with its designated broker to allow for the purchase of subordinate voting shares during times when the company normally would not be active in the market. Such purchases are determined by the broker in its sole discretion based on the parameters established by the company prior to commencement of the applicable trading black-out period.

Subsequent to December 31, 2021

Subsequent to December 31, 2021, under the terms of the normal course issuer bid, the company purchased 1,897,532 subordinate voting shares for cancellation for a net cost of $24,010, of which 1,397,532 subordinate voting shares were purchased under an automatic share purchase plan for a net cost of $18,000.

Dividends

The company did not pay any dividends on its outstanding multiple and subordinate voting shares during 2021 and 2020.

Non-controlling interests

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

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

9. Net Earnings (Loss) per Share

Net earnings (loss) per common share is calculated as follows using the weighted average common shares outstanding:

	2021	2020
Net earnings (loss) attributable to shareholders of Fairfax India – basic and diluted	494,514	(41,476)
Weighted average common shares outstanding – basic	146,379,346	151,001,909
Contingently issuable subordinate voting shares	7,105,693	–
Settlement of performance fees in subordinate voting shares(1)	–	546,263
Weighted average common shares outstanding – diluted	153,485,039	151,548,172
Net earnings (loss) per common share – basic	$ 3.38	$ (0.27)
Net earnings (loss) per common share – diluted	$ 3.22	$ (0.27)

(1) On March 5, 2021, 546,263 subordinate voting shares were issued to Fairfax to settle the performance fee payable at December 31, 2020 for the second calculation period.

At December 31, 2021 there were an estimated 7,105,693 subordinate voting shares contingently issuable to Fairfax for the performance fee accrual for the third calculation period (December 31, 2020 – 546,263 subordinate voting shares for the second calculation period). The performance fee for the third calculation period is assessed quarterly and relates to the three-year period from January 1, 2021 to December 31, 2023. Under the terms of the Investment Advisory Agreement (defined in note 12), 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 number of subordinate voting shares issued will be calculated based on the VWAP. Refer to note 12 for further details on performance fee.

10. Income Taxes

The company's provision for income taxes for the years ended December 31 are summarized in the following table:

	2021	2020
Current income tax:		
Current year expense	20,762	1,820
Adjustment to prior years' income taxes	(88)	192
	20,674	2,012
Deferred income tax:		
Origination and reversal of temporary differences	18,356	484
Provision for income taxes	39,030	2,496

A significant portion of the company's earnings (loss) before income taxes is earned or incurred outside of Canada. The statutory income tax rates for jurisdictions outside of Canada generally differ from the Canadian statutory income tax rate (and may be significantly higher or lower).

On March 27, 2020 India enacted the Finance Act 2020 which amended the regulations pertaining to dividend income. Dividend income which was received by the company from an Indian company on or before March 31, 2020 was exempt from tax in India, while dividend income received by the company from an Indian company subsequent to March 31, 2020 will be taxable. The Indian company is liable to withhold the appropriate tax.

At December 31, 2021 the company evaluated the potential impact of the application of capital gains tax in India on any future dispositions of investments in equity shares held by FIH Mauritius, FIH Private and Anchorage. The company recorded deferred income taxes of $18,356 in 2021 attributable to unrealized gains on the company's investment in equity shares acquired or spun out subsequent to April 1, 2017, primarily Fairchem Organics, IIFL Wealth, IIFL Securities, CSB Bank, Saurashtra, and 5paisa, partially offset by a reversal of prior period deferred income taxes recognized on the company's investment in BIAL and Other Public Indian Investments. On the same basis, the company recorded deferred income taxes of $484 in 2020 primarily attributable to unrealized gains on Seven Islands, 5paisa, and Other Public Indian Investments, partially offset by a reversal of prior period deferred taxes recognized on the company's investment in IIFL Wealth and CSB Bank. The company will continue to evaluate the potential impact of the Indian capital gains tax as it relates to any future dispositions of investments in equity shares of its Indian Investments.

The company's earnings (loss) before income taxes by jurisdiction and the associated provision for income taxes for 2021 and 2020 are summarized in the following table:

	2021			2020		
	Canada	**Mauritius**	**Total**	**Canada**	**Mauritius**	**Total**
Earnings (loss) before income taxes	(38,599)	572,129	533,530	(43,731)	4,751	(38,980)
Provision for income taxes	–	39,030[(1)]	39,030	–	2,496[(2)]	2,496
Net earnings (loss)	(38,599)	533,099	494,500	(43,731)	2,255	(41,476)

(1) *Includes potential capital gains tax in India of $18,356 and Indian withholding taxes of $20,604, including capital gains taxes paid on the sale of an investment in Other Public Indian Investments, on the transfer of BIAL shares to Anchorage, and on the partial sale of Fairchem Organics.*

(2) *Includes potential capital gains tax in India of $484 and Indian withholding taxes of $1,554, including withholding taxes on dividends from Other Public Indian Investments and capital gains taxes paid on the sale of an investment in Other Public Indian Investments.*

The decrease in loss before income taxes in Canada during 2021 compared to 2020 principally related to decreased net foreign exchange losses on borrowings, partially offset by increased performance fees. The increase in earnings before income taxes in Mauritius during 2021 compared to 2020 primarily reflected increased net gains on investments and increased dividend income, partially offset by an increase in performance and investment and advisory fees.

A reconciliation of the provision for (recovery of) income taxes calculated at the Canadian statutory income tax rate to the provision for income taxes at the effective tax rate in the consolidated financial statements for the years ended December 31 are summarized in the following table:

	2021	**2020**
Canadian statutory income tax rate	26.5%	26.5%
Provision for (recovery of) income taxes at the Canadian statutory income tax rate	141,385	(10,330)
Tax rate differential on income earned outside of Canada	(125,465)	3,198
Provision (recovery) relating to prior years	(88)	192
Change in unrecorded tax benefit of losses and temporary differences	22,416	6,333
Foreign exchange effect	783	3,080
Other including permanent differences	(1)	23
Provision for income taxes	39,030	2,496

The tax rate differential on income earned outside of Canada of $125,465 in 2021 principally reflected the impact of net investment income taxed in India and Mauritius at lower rates. The tax rate differential on income earned outside of Canada of $3,198 in 2020 principally reflected the impact of net investment losses taxed in India at a lower rate, partially offset by earnings taxed in India and Mauritius at lower rates.

The change in unrecorded tax benefit of losses and temporary differences of $22,416 in 2021 principally reflected changes in unrecorded deferred tax assets related to temporary timing differences on performance and professional fees of $22,393 and on debt and equity issuance costs of $2,669, net operating loss carryforward in Canada of $1,924 and the impact of foreign exchange of $1,779, partially offset by the potential impact of the application of capital loss benefit in India on future dispositions of investments in equity shares of $5,779 and the utilization of foreign accrual property losses of $570 with respect to the company's wholly-owned subsidiaries that were not recorded by the company as the related pre-tax losses did not meet the recognition criteria under IFRS. The change in unrecorded tax benefit of losses and temporary differences of $6,333 in 2020 principally reflected changes in unrecorded deferred tax assets related to net operating loss carryforward in Canada of $7,730, foreign accrual property losses of $6,343 with respect to the company's wholly-owned subsidiaries, the potential impact of the application of capital loss benefit in India on future dispositions of investments in equity shares of $3,409 and the impact of foreign exchange of $2,829, partially offset by temporary timing differences on performance and professional fees of $11,724 and on debt and equity issuance costs of $2,254 that were not recorded by the company as the related pre-tax losses did not meet the recognition criteria under IFRS. At December 31, 2021 deferred tax assets of $97,945 in Canada and $2,519 in India (December 31, 2020 – $71,268 in Canada and $8,410 in India) were not recorded as it was considered not probable that those losses could be utilized by the company.

Foreign exchange effect of $783 in 2021 (2020 – $3,080) principally reflected the impact of fluctuations in the value of the Canadian dollar relative to the U.S. dollar and the Indian rupee as the company computes its corporate tax liability in Canadian dollars pursuant to the requirements of Canadian tax authorities, whereas the functional currency of the company and its Mauritius subsidiaries is the Indian rupee.

Changes in net income taxes refundable (payable) for the years ended December 31 were as follows:

	2021	**2020**
Balance – January 1	2,803	(822)
Amounts recorded in the consolidated statements of earnings (loss)	(20,674)	(2,012)
Payments made during the year	18,964	5,568
Foreign currency translation	(37)	69
Balance – December 31	1,056	2,803

Management reviews the recoverability of potential deferred tax assets on an ongoing basis and adjusts, as necessary, to reflect their anticipated realization. The deferred income tax liability of $80,648 at December 31, 2021 (December 31, 2020 – $63,477) principally related to the potential impact of the application of capital gains tax in India on any future dispositions of investments in equity shares as noted above. At December 31, 2021 deferred tax assets not recorded by the company of $100,464 (December 31, 2020 – $79,678) were primarily comprised of foreign accrual property losses of $39,247 (December 31, 2020 – $39,519), net operating loss carryforwards of $34,756 (December 31, 2020 – $32,341), temporary timing differences on performance and professional fees of $22,267 (December 31, 2020 – $19) and potential impact of the application of capital loss benefit in India on future dispositions of investments in equity shares of $2,519 (December 31, 2020 – $8,410). The net operating loss carryforwards and foreign accrual property losses expire between 2037 and 2041, and between 2036 and 2041, respectively.

Deferred income tax has not been recognized for the withholding tax and other taxes that could be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings amounted to approximately $1,505,760 at December 31, 2021 (December 31, 2020 – $1,214,285).

11. Financial Risk Management

Overview

The primary goals of the company's financial risk management are to ensure that the outcomes of activities involving elements of risk are consistent with the company's objectives and risk tolerance, while maintaining an appropriate balance between risk and reward and protecting the company's consolidated balance sheet from events that have the potential to materially impair its financial strength. The company's activities expose it to certain financial risks during or at the end of the reporting period. There were no significant changes in the types of the company's risk exposures or the processes used by the company for managing those risk exposures at December 31, 2021 compared to those identified at December 31, 2020, except as described below.

COVID-19

Given the ongoing and evolving situation resulting from COVID-19, including subsequent variants, it is difficult to predict how significant the impact of the pandemic, including any responses to it, will be on the global economy and the company's Indian Investments in particular, or for how long any disruptions are likely to continue. The extent of such impact will depend on future developments, including new information which may emerge concerning the severity of COVID-19 and additional actions which may be taken to contain COVID-19. In particular, the potential resurgence of COVID-19 cases and its new variants, and consequently the extension or reintroduction of containment measures may contribute to further uncertainty and delay the recovery of economic activity. Such further developments could have a material adverse effect on the company's business, financial condition, results of operations and cash flows.

Market Risk

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

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument or another asset or liability will fluctuate due to changes in foreign exchange rates and produce an adverse effect on net earnings and equity when measured in Indian rupees, the company's functional currency. The company's net earnings and equity may also be significantly affected by foreign currency translation movements as the majority of its net assets and net earnings are denominated in a currency other than the company's U.S. dollar presentation currency. The company has not hedged its foreign currency risk. There were no significant changes to the company's framework used to monitor, evaluate and manage foreign currency risk at December 31, 2021 compared to December 31, 2020.

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

	December 31, 2021					December 31, 2020			
	Cash and cash equivalents	Borrowings	Payable to related parties	Accrued interest expense	Net exposure	Cash and cash equivalents	Borrowings	Payable to related parties	Net exposure
U.S. dollars	23,272	(496,785)	(94,977)	(8,611)	(577,101)	35,369[(1)]	(547,228)	(14,404)	(526,263)
All other currencies	2,639	–	(25)	–	2,614	777	–	(24)	753
Total	25,911	(496,785)	(95,002)	(8,611)	(574,487)	36,146	(547,228)	(14,428)	(525,510)

(1) At December 31, 2020 cash and cash equivalents included restricted cash of $16,315 primarily held to fund the interest payments on borrowings.

The table above shows the company's net exposure to the U.S. dollar and all other currencies, other than the Indian rupee. The company's net liability exposure to the U.S. dollar increased at December 31, 2021 compared to December 31, 2020 primarily due to an increase in payable to related parties as a result of increased performance and investment and advisory fees payable, a decrease in cash and cash equivalents denominated in U.S. dollars, and accrued interest expense at December 31, 2021 related to the Unsecured Senior Notes, partially offset by a net repayment of borrowings.

The following table illustrates the potential impact on pre-tax earnings (loss) and net earnings (loss) of a hypothetical appreciation or depreciation of the Indian rupee against the U.S dollar and all other currencies.

	December 31, 2021			December 31, 2020		
	Net foreign currency exposure	Hypothetical $ change effect on pre-tax earnings	Hypothetical $ change effect on net earnings[(1)]	Net foreign currency exposure	Hypothetical $ change effect on pre-tax earnings	Hypothetical $ change effect on net earnings[(1)]
Change in Indian rupee exchange rate						
10.0% appreciation	(517,038)	57,449	42,225	(472,959)	52,551	38,625
5.0% appreciation	(545,763)	28,724	21,112	(499,234)	26,276	19,313
No change	(574,487)	–	–	(525,510)	–	–
5.0% depreciation	(603,211)	(28,724)	(21,112)	(551,786)	(26,276)	(19,313)
10.0% depreciation	(631,936)	(57,449)	(42,225)	(578,061)	(52,551)	(38,625)

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

Certain shortcomings are inherent in the method of analysis presented, including the assumption that the hypothetical appreciation or depreciation of the Indian rupee against the U.S. dollar and all other currencies occurred with all other variables held constant.

Interest Rate Risk

Interest rate risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Typically, as interest rates rise, the fair value of fixed income investments decline and, conversely, as interest rates decline, the fair value of fixed income investments rise. In each case, the longer the maturity of the financial instrument, the greater the consequence of a change in interest rates. The company's interest rate risk management strategy is to position its fixed income portfolio based on its view of future interest rates and the yield curve, balanced with liquidity requirements. General economic conditions, political conditions and many other factors can also adversely affect the bond markets and, consequently, the value of fixed income securities held. Interest rate movements in India may affect the company's equity and net earnings. The Portfolio Advisor and Fairfax actively monitor interest rates in India and the potential impact changes in interest rates may have on the company's investment portfolio. There were no significant changes to the company's framework used to monitor, evaluate and manage interest rate risk at December 31, 2021 compared to December 31, 2020.

The company's exposure to interest rate risk increased in 2021 primarily reflecting partial reinvestment of net proceeds received from the sales of Privi Speciality, an 11.5% non-controlling interest in Anchorage and Other Public Indian Investments into Government of India bonds. The table that follows displays the potential impact of changes in interest rates on the company's fixed income portfolio based on parallel 200 basis point shifts up and down, in 100 basis point increments which the company believes to be reasonably possible in the current economic environment. This analysis was performed on each individual security, with the hypothetical effect on net earnings (loss).

	December 31, 2021			December 31, 2020		
	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	209,670	(3,526)	(2.2)%	35,373	(367)	(1.4)%
100 basis point increase	212,051	(1,776)	(1.1)%	35,621	(185)	(0.7)%
No change	214,468	–	–	35,873	–	–
100 basis point decrease	216,946	1,822	1.2%	36,130	189	0.7%
200 basis point decrease	219,462	3,671	2.3%	36,392	381	1.4%

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

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

Market Price Fluctuations

Market price fluctuation is the risk that the fair value or future cash flows of an equity investment will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual investment or its issuer, or other factors affecting all similar investments in the market. The company's exposure to equity price risk through its equity investments at December 31, 2021 compared to December 31, 2020 are described below.

The company holds significant equity investments. The market value and the liquidity of these investments are volatile and may vary dramatically either up or down in short periods, and their ultimate value will therefore only be known over a period of time or on disposition. As discussed earlier, COVID-19 has increased uncertainty and may adversely impact the fair value and future cash flows of the company's equity investments.

The company's exposure to market price risk increased to $3,325,713 at December 31, 2021 from $2,991,775 at December 31, 2020 primarily as a result of unrealized gains on the Public Indian Investments (principally IIFL Finance, Fairchem Organics, IIFL Wealth, IIFL Securities and CSB Bank), unrealized gains on the Private Indian Investments (principally Sanmar, NSE and Saurashtra), a new investment in Maxop and an additional investment in 5paisa, partially offset by the net sales of the company's investments in Privi Speciality, Other Public Indian

Investments and Fairchem Organics, and unrealized loss on the company's private investment in NCML common shares. Refer to note 6 for the potential impact on net earnings (loss) of various combinations of changes in significant unobservable inputs in the company's internal valuation models for the company's investments classified as Level 3 in the fair value hierarchy.

The company estimates the potential impact on net earnings (loss) from a 20% increase or decrease in the fair value of its Public Indian Investments at December 31, 2021 to be an increase or decrease in net earnings (loss) of $196,820 (December 31, 2020 – increase or decrease in net earnings (loss) of $158,570). For the purpose of this sensitivity analysis, the hypothetical $ change effect on net earnings includes an income tax impact that is calculated using the company's marginal tax rate. Actual income tax expense (recovery) may differ significantly when earnings (losses) are realized.

Credit Risk

Credit risk is the risk of loss resulting from the failure of a counterparty to honour its financial obligations to the company, and arises predominantly from cash and cash equivalents, short term investments and investments in debt instruments. There were no significant changes to the company's exposure to credit risk (except as set out in the discussion which follows) or the framework used to monitor, evaluate and manage credit risk at December 31, 2021 compared to December 31, 2020.

Cash and Cash Equivalents and Short Term Investments

At December 31, 2021 the company's cash and cash equivalents of $30,376 (December 31, 2020 – $22,057) were primarily held in major financial institutions. The company monitors risks associated with cash and cash equivalents by regularly reviewing the financial strength and creditworthiness of these financial institutions. From these reviews, the company may transfer balances from financial institutions where it perceives heightened credit risk to others considered to be more stable.

At December 31, 2021 the company's short term investments in Government of India bonds of $6,151 (December 31, 2020 – nil) were rated Baa3 by Moody's and BBB- by S&P.

Investments in Debt Instruments

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

At December 31, 2021 the company's debt instruments were all considered to be subject to credit risk with a fair value of $214,468 (December 31, 2020 – $35,873), representing 6.0% (December 31, 2020 – 1.2%) of the total cash and investments portfolio.

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

	December 31, 2021		December 31, 2020	
	Fair value	**Rating**	**Fair value**	**Rating**
Government of India bonds[(1)]	192,385	Baa3/BBB-	20,989	Baa3/BBB-
Other Indian Fixed Income	22,083	Not rated	14,884	Not rated
Total bonds	214,468		35,873	

(1) Rated Baa3 by Moody's and BBB- by S&P at December 31, 2021 and 2020.

The company's exposure to credit risk from its investments in fixed income securities increased at December 31, 2021 compared to December 31, 2020 primarily reflecting the partial reinvestment of net proceeds received from the sales of Privi Speciality, an 11.5% non-controlling interest in Anchorage and Other Public Indian Investments into Government of India bonds. Except as described above, there were no other significant changes to the composition of the company's fixed income portfolio classified according to each security's respective issuer credit rating at December 31, 2021 compared to December 31, 2020.

Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The company manages liquidity risk by maintaining sufficient liquid assets to enable settlement of financial commitments on their respective due dates. All accounts payable and accrued liabilities are due within three months, and income taxes payable, if any, must be remitted to the respective tax jurisdictions as they are due. There were no significant changes to the company's exposure to liquidity risk (except as set out in the discussion below) or the framework used to monitor, evaluate and manage liquidity risk at December 31, 2021 compared to December 31, 2020.

The undeployed cash and investments at December 31, 2021 provide adequate liquidity to meet the company's known significant commitments over the next twelve months, which are principally comprised of an additional investment in Maxop, purchases of subordinate voting shares for cancellation under its automatic share purchase plan, interest expense, investment and advisory fees, and general and administration expenses.

At December 31, 2021 the company's payment obligations which are due beyond one year primarily relate to the recurring nature of expenses described above and a principal repayment on the Unsecured Senior Notes due in February 2028, which bear interest at a fixed rate of 5.0% per annum, payable in semi-annual installments. In addition, under the Investment Advisory Agreement (defined in note 12), if a performance fee is payable for the period ending on December 31, 2023, the performance fee will be payable in cash, or at Fairfax's option, in subordinate voting shares.

The company has the ability to sell a portion of its Indian Investments to supplement its liquidity requirements, by way of private placements or in public markets for its Public Indian Investments, or through private sales or IPOs for its Private Indian Investments. At December 31, 2021 the company held common shares of Public Indian Investments which carry no selling restrictions with a fair value of $966,281, Government of India bonds with a fair value of $192,385 and short term investments of $6,151. The company expects to continue to receive investment income on its holdings of fixed income securities and dividends from its equity investments to supplement its cash and cash equivalents. To further augment its liquidity, the company can draw upon its Revolving Credit Facility. Accordingly, the company has adequate working capital to support its operations.

Subsequent to December 31, 2021

Pursuant to an agreement entered into on January 26, 2022, the company completed the purchase of a 70.0% equity interest in Jaynix for $32,504 (approximately 2.5 billion Indian rupees) on February 11, 2022.

Concentration Risk

The company's cash and investments are primarily concentrated in India and in Indian businesses or businesses with customers, suppliers or business primarily conducted in, or dependent on, India. The market value of the company's investments, the income generated by the company and the company's performance will be particularly sensitive to changes in the economic condition, interest rates, and regulatory environment in India. Adverse changes to the economic condition, interest rates or regulatory environment in India may have a material adverse effect on the company's business, cash flows, financial condition and net earnings. At December 31, 2021 and 2020 the company's total cash and investments composition by the issuer's country of domicile was primarily India, and at December 31, 2021 represented 99.3% (December 31, 2020 – 98.8%) of the total cash and investments portfolio.

The company's holdings of Public and Private Indian Investments (see note 5) at December 31, 2021 and 2020 are summarized by the issuer's primary industry sector in the table below:

	December 31, 2021	**December 31, 2020**
Infrastructure	1,372,170	1,396,117
Financial services	1,062,627	788,384
Commercial and industrial	690,304	632,700
Ports and shipping	153,083	136,355
Utilities	69,612	53,103
	3,347,796	3,006,659

During 2021 the company's concentration risk in the infrastructure sector decreased primarily due to unrealized foreign currency translation losses on the company's investment in BIAL. The company's concentration risk in the financial services sector increased primarily due to unrealized gains on the company's investments in IIFL Finance, IIFL Wealth, IIFL Securities, NSE and CSB Bank, partially offset by the sale of the company's investments in financial services companies within Other Public Indian Investments and unrealized foreign currency translation losses. The company's concentration risk in the commercial and industrial sector increased primarily due to unrealized gains on the company's investments in Fairchem Organics and Sanmar and the company's investment in Maxop, partially offset by net sales of the company's investments in Privi Speciality and Fairchem Organics, and unrealized losses on the company's investment in NCML common shares. The company's concentration risk in the ports and shipping sector increased primarily due to unrealized gains on the company's investments in Saurashtra and Seven Islands. The company's concentration risk in the utilities sector increased primarily due to unrealized gains on the company's investments in common stocks of utility companies within Other Public Indian Investments.

The company will not make an Indian Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20.0% of the company's total assets at the time of the investment; provided, however, that the company is permitted to complete up to two Indian Investments where, after giving effect to each such investment, the total invested amount of each such investment would be less than or equal to 25.0% of the company's total assets (the "Investment Concentration Restriction"). The company's investment limit for an Indian Investment in accordance with the Investment Concentration Restriction increased at December 31, 2021 from December 31, 2020 principally as a result of unrealized gains on investments, sales of subsidiary shares to non-controlling interests, and dividend and interest income, partially offset by purchases of subordinate voting shares for cancellation, net repayments of borrowings, unrealized foreign currency translation losses, investment and advisory fees, and income tax and interest payments. Indian Investments may be financed through equity or debt offerings as part of the company's objective to reduce its cost of capital and provide returns to common shareholders. At December 31, 2021 the company determined that it was in compliance with the Investment Concentration Restriction.

Capital Management

The company's objectives when managing capital are to protect its lenders, to safeguard its ability to continue as a going concern, and to maintain an optimal capital structure to reduce the cost of capital in order to optimize returns for common shareholders. The company will seek attractive risk-adjusted returns, but will at all times seek downside protection and attempt to minimize the loss of capital. Total capital (comprised of borrowings, common shareholders' equity and non-controlling interests) increased from $2,994,162 at December 31, 2020 to $3,399,219 at December 31, 2021 principally reflecting an increase in common shareholders' equity and non-controlling interests, partially offset by net repayments of borrowings, as described below.

Common shareholders' equity increased from $2,446,934 at December 31, 2020 to $2,774,792 at December 31, 2021 primarily reflecting net earnings attributable to shareholders of Fairfax India of $494,514 and the issuance of subordinate voting shares to Fairfax to settle the December 31, 2020 performance fee payable of $5,217, partially offset by purchases of subordinate voting shares for cancellation of $126,869 and unrealized foreign currency translation losses attributable to shareholders of Fairfax India of $44,842 in 2021.

Non-controlling interests of $127,642 at December 31, 2021 (December 31, 2020 – nil) primarily reflected the sale of an 11.5% minority interest in Anchorage to OMERS, resulting in the recognition of non-controlling interests of $129,076, partially offset by unrealized foreign currency translation losses attributable to non-controlling interests of $1,420 in 2021.

On February 26, 2021 the company completed an offering of $500,000 principal amount of 5.0% unsecured senior notes due February 26, 2028. On March 1, 2021 the company used the net proceeds from the offering and cash to repay $500,000 of its Secured Term Loan. On May 11, 2021 the company used a portion of the proceeds received from the sale of Privi Speciality common shares to repay the remaining $50,000 term loan principal.

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

12. Related Party Transactions

Payable to Related Parties

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

	December 31, 2021	December 31, 2020
Performance fee	84,716	5,217
Investment and advisory fees	9,942	9,187
Other	344	24
	95,002	14,428

Investment Advisory Agreement

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

Performance Fee

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

Second Calculation Period

On March 5, 2021 the company issued 546,263 subordinate voting shares to Fairfax to settle the performance fee payable of $5,217 for the second calculation period (three-year period ending on December 31, 2020). Under the terms of the Investment Advisory Agreement, settlement of the performance fee was through the issuance of subordinate voting shares of the company as the market price per share was less than two times the then book value per share. The number of subordinate voting shares issued was calculated as the performance fee payable at December 31, 2020 of $5,217 divided by the VWAP of $9.55.

Third Calculation Period

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

At December 31, 2021 the company recorded a performance fee accrual of $84,716 related to the third calculation period (December 31, 2020 – $5,217 performance fee payable related to the second calculation period). In 2021 a performance fee of $85,193 was recorded in the consolidated statements of earnings (loss) (2020 – a net performance fee recovery of $41,991, primarily representing the partial reversal of the performance fee accrual at December 31, 2019).

Investment and Advisory Fees

The investment and advisory fees are calculated and payable quarterly as 0.5% of the value of undeployed capital and 1.5% of the company's common shareholders' equity less the value of undeployed capital. In 2021 the investment and advisory fees recorded in the consolidated statements of earnings (loss) was $40,775 (2020 – $33,922).

Unsecured Senior Notes

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

	December 31, 2021	December 31, 2020
Principal portion, presented within borrowings on the consolidated balance sheet	58,400	–
Interest portion, presented within accrued interest expense on the consolidated balance sheet	1,006	–
	59,406	–

Interest expense recorded in the consolidated statements of earnings (loss) in 2021 included $2,466 related to amounts due to related parties (2020 – nil). Refer to note 7 for further details on the Unsecured Senior Notes.

Fairfax's Voting Rights and Equity Interest

At December 31, 2021 Fairfax, through its subsidiaries, owned 30,000,000 multiple voting shares (December 31, 2020 – 30,000,000) and owned and/or exercised control or direction over 23,030,285 subordinate voting shares (December 31, 2020 – 12,841,578) of Fairfax India. At December 31, 2021 Fairfax's aggregate ownership, control and/or direction of the subordinate voting shares and multiple voting shares represented a 94.5% voting interest and a 37.5% equity interest (December 31, 2020 – 93.4% and 28.7%) in Fairfax India. Fairfax did not tender any shares to the substantial issuer bid discussed in note 8.

Subsequent to December 31, 2021

On February 15, 2022 Fairfax acquired an aggregate of 5,416,000 subordinate voting shares from existing shareholders. As of March 4, 2022, after giving effect to the above transaction and the company's purchases of subordinate voting shares for cancellation subsequent to December 31, 2021, Fairfax and its affiliates hold 95.0% and 41.9% voting and equity interests respectively, in the company through ownership of all of the 30,000,000 multiple voting shares and ownership, control and/or direction over 28,446,285 subordinate voting shares.

Management Compensation

Pursuant to the Investment Advisory Agreement, Fairfax is required to provide a Chief Executive Officer, a Chief Financial Officer and a Corporate Secretary to the company. For so long as the Investment Advisory Agreement remains in effect, all compensation payable to the Chief Executive Officer, the Chief Financial Officer, and the Corporate Secretary of the company will be borne by Fairfax. In addition, all compensation payable to the Chief Operating Officer, the Vice President and Vice President, Corporate Affairs is borne by Fairfax.

Director Compensation

Compensation for the company's Board of Directors for the years ended December 31, determined in accordance with the company's IFRS accounting policies, was recognized in general and administration expenses in the consolidated statements of earnings and was as follows:

	2021	**2020**
Retainers and fees	150	150
Share-based payments	26	70
Other	50	50
	226	270

13. Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns, that are different from those of segments operating in other economic environments.

The company has concluded that Fairfax India is engaged in a single geographic and business segment, that of investing in India and Indian Investments.

14. General and Administration Expenses

General and administration expenses for the years ended December 31 were comprised as follows:

	2021	**2020**
Audit, legal and tax professional fees	2,283	2,071
Salaries and employee benefit expenses	921	977
Administrative expenses	1,124	646
Other[(1)]	1,198	539
	5,526	4,233

(1) Other expenses primarily included brokerage fees on sales of investments and stamp duties related to the transfer of 43.6% out of the company's 54.0% equity interest in BIAL such that it is held through Anchorage, and subsequent sale of 11.5% equity interest in Anchorage in 2021.

15. Supplementary Cash Flow Information

Cash and cash equivalents of $30,376 (December 31, 2020 – $22,057) included in the consolidated balance sheets and statements of cash flows were comprised of cash and term deposits with banks.

Details of certain cash flows included in the consolidated statements of cash flows for the years ended December 31 were as follows:

	2021	2020
Purchases of investments		
Bonds	(262,973)	(91,733)
Common stocks	(53,780)	(94,178)
	(316,753)	(185,911)
Sales of investments		
Bonds	79,557	189,003
Common stocks	334,920	42,190
	414,477	231,193
Net interest and dividends received (paid)		
Net interest income received	4,226	8,718
Dividends received	27,137	16,043
Interest paid on borrowings	(14,670)	(25,047)
	16,693	(286)
Income taxes paid	(18,964)	(5,568)

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

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

(1) Readers of the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should review the entire Annual Report for additional commentary and information. Additional information relating to the company, including its annual information form, can be found on SEDAR at www.sedar.com. Additional information can also be accessed from the company's website www.fairfaxindia.ca.

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

(3) Management analyzes and assesses the financial position of the consolidated company in various ways. Certain of the measures included in this Annual Report, which have been used consistently and disclosed regularly in the company's Annual Reports and interim financial reporting, do not have a prescribed meaning under IFRS 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.

Business Developments

Overview

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

The book value per share at December 31, 2021 was $19.65 compared to $16.37 at December 31, 2020 representing an increase in 2021 of 20.0%, primarily reflecting net earnings attributable to shareholders of Fairfax India of $494,514 (primarily related to net change in unrealized gains and net realized gains on investments and dividend income, partially offset by performance fees, investment and advisory fees, provision for income taxes, and interest expense), partially offset by unrealized foreign currency translation losses attributable to shareholders of Fairfax India of $44,842. In addition, the company purchased for cancellation 8,781,482 subordinate voting shares during 2021 for a net cost of $126,869 ($14.45 per subordinate voting share) through its normal course issuer bid and substantial issuer bid which resulted in a further increase in book value per share.

The following narrative sets out the company's key business developments in 2021 and 2020.

Capital Transactions

On February 26, 2021 the company completed an offering of $500,000 principal amount of 5.0% unsecured senior notes due February 26, 2028 ("Unsecured Senior Notes") at par. Net proceeds after commissions and expenses of $3,650 were $496,350. During 2021 the company used the net proceeds of the Unsecured Senior Notes, a portion of proceeds from the sale of Privi Speciality common shares and cash to repay its $550,000 secured term loan ("Secured Term Loan").

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 December 31, 2021 the Revolving Credit Facility was undrawn and remains available.

On March 5, 2021 the company issued 546,263 subordinate voting shares to Fairfax to settle the performance fee payable of $5,217 for the second calculation period (three-year period ending on December 31, 2020), 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 ("VWAP") of $9.55. Refer to note 12 (Related Party Transactions) to the consolidated financial statements for the year ended December 31, 2021 for additional discussion relating to the settlement of the performance fee payable.

On August 11, 2021 the company completed a substantial issuer bid, pursuant to which the company purchased for cancellation 7,046,979 subordinate voting shares at a price of $14.90 per share, for aggregate consideration of $105,000, of which $30,857 was charged to retained earnings. The company also continued to purchase shares under its normal course issuer bid, and during 2021, the company purchased for cancellation 1,734,503 subordinate voting shares (2020 – 3,160,910) for a net cost of $21,869 (2020 – $28,905), of which $3,619 was charged to retained earnings (2020 – $4,366 was recorded as a benefit to retained earnings).

On September 16, 2021 the company transferred 43.6% out of its 54.0% equity interest in BIAL such that it is held through Anchorage Infrastructure Investments Holdings Limited ("Anchorage") and subsequently sold 11.5% (on a fully-diluted basis) of its interest in Anchorage to Ontario Municipal Employees Retirement System ("OMERS") for gross proceeds of $129,221 (9.5 billion Indian rupees).

For further details refer to notes 7 (Borrowings) and 8 (Total Equity) to the consolidated financial statements for the year ended December 31, 2021.

Indian Investments

Throughout this MD&A, the term "Indian Investments" refers to deployed capital invested in Public and Private Indian Investments as disclosed in note 5 (Indian Investments) to the consolidated financial statements for the year ended December 31, 2021. Full descriptions of the Indian Investments committed to, acquired and sold in 2021 and 2020 are provided in the Indian Investments section of this MD&A.

Operating Environment

Overview

India continues to be one of the world's largest and fastest growing major economies. India's economic fundamentals accelerated in recent years with the combined impact of strong government reforms, higher government spending on infrastructure development and the Reserve Bank of India's ("RBI") focus on encouraging financial inclusion.

COVID-19 Pandemic

Global recovery from the COVID-19 pandemic continued during 2021, although its momentum has been impacted by the introduction of new variants and certain prolonged disruptions. According to the World Economic Outlook (January 2022) published by the International Monetary Fund ("IMF"), global GDP growth is estimated at 5.9% in 2021 (2020 – contraction of 3.1%) and is expected to moderate to 4.4% in 2022, as a result of mobility restrictions, border closures, and health impacts from the spread of variants. The emergence of new variants could prolong the pandemic and induce renewed disruption.

India's Response to the COVID-19 Pandemic

On March 25, 2020 the Indian government ordered a nationwide lockdown in an effort to contain the spread of COVID-19. Restrictions were lifted in phases beginning May 31, 2020 for districts that were deemed safe and it remains in place for certain containment zones until March 31, 2022 (and may extend further) ("India's lockdown"). The emergence of COVID-19 variants has also resulted in the introduction of partial lockdowns by local and state governments in high concentration areas, hindering the pace of economic recovery. International travel remains limited to select countries with which India has established air bubble arrangements. Vaccination remains a key focus for India's path to recovery. In February 2022, India reported over 1.7 billion doses administered and over 50% of the population fully vaccinated with two doses, with third doses available for priority groups.

In response to the COVID-19 pandemic, the Indian government introduced several monetary stimulus packages aimed to ease the economic and social hardships for businesses and individuals and support recovery. The economic stimulus packages included liquidity support through loans and guarantees for stressed sectors, equity injections into financial institutions and the electricity sector, production-linked incentives to boost manufacturing capabilities and enhance exports, and housing and infrastructure incentives to encourage urbanization.

The RBI has adopted an accommodative stance on monetary policy since 2020, and continuously emphasized that it would maintain this policy stance as long as necessary to revive growth on a sustained basis and the impact of COVID-19 on the economy is mitigated. As part of the RBI's measures to ease liquidity for both lenders and borrowers, interest rates were reduced and remained unchanged since May 2020, and relief was granted in the form of loan moratoriums and restructuring options over specified periods throughout 2020 to 2021 to help mitigate the economic hardships of the lockdown.

Indian Economy

In its January 2022 report the IMF estimated India's GDP to expand by 9.0% in the country's 2021-22 fiscal year (April 2021 to March 2022), reflecting a rebound from the 7.3% contraction in the prior fiscal year, driven primarily by private consumption, private investment, and government spending. The IMF also estimates growth of 9.0% for the 2022-23 fiscal year, highlighting expected improvements to credit growth, and a resulting increase in investment and consumption. Certain risks to growth continue to be carefully monitored and include the impact of new COVID-19 variants, prolonged supply chain disruptions, and inflation, including elevated energy prices.

Oil prices increased significantly during 2021 as economic recovery resulted in global demand rising faster than supply. As a result, oil prices have reached their highest since 2018. As one of the world's largest net importers of oil, the Indian economy is sensitive to movements in oil prices. The sharp increase has contributed to heightened inflation rates and created pressure on the value of the Indian rupee in global markets.

Union Budget for Fiscal Year 2022-23

On February 1, 2022 Finance Minister Nirmala Sitharaman presented the 2022 Union Budget of India, which focused on boosting growth and all-inclusive development, setting the stage for a progressive post-pandemic environment. The budget proposed increased government spending on infrastructure with the intention to improve ease of doing business and to encourage private investment. The budget also emphasized technological development to drive the nation forward, including plans to introduce a digital currency using blockchain technology and investing in digital innovation across agriculture, education and health sectors. Corporate and personal income tax rates, which were significantly cut over the past two years, remain unchanged in an effort to mitigate the financial hardships of the pandemic.

Indian Market Indices and Foreign Exchange Rate

The S&P BSE Sensex 30 exceeded pre-pandemic levels and grew 19.6% during 2021. The performance was primarily driven by domestic retail investors with positive growth across all index sectors, and reflected the revival and growth of corporate earnings, combined with investors' increased appetite for risk as COVID-19 disruptions were eased. Despite strong overall index performance, Indian equity markets continue to be impacted by heightened volatility driven by global trends, movement in the Indian rupee, and foreign institutional investors. The Indian rupee depreciated against the U.S. dollar during the year, against a backdrop of increased oil prices and rising inflation.

Consistent with Indian equity markets, the fair values of the company's Public Indian Investments demonstrated significant growth compared to the prior year. The company recorded unrealized foreign currency translation losses consistent with the decline in the Indian rupee as the company's net assets and net earnings (loss) are primarily denominated in Indian rupees.

The company's Indian Investments faced varying degrees of business disruption as a result of the response to the COVID-19 pandemic. While the company's valuation techniques for Private Indian Investments remained primarily unchanged during 2021, the development of unobservable inputs included added uncertainty related to the global economic disruption caused by the ongoing COVID-19 pandemic. Further discussion on the degree and severity of business disruption specific to each Indian Investment are discussed further in the Indian Investments section under the respective heading of each Indian Investment of this MD&A.

Business Objectives

Investment Objective

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

Investment Strategy

The company invests in businesses that are expected to benefit from India's pro-business political environment, its growing middle class and its demographic trends that are likely to drive strong growth for several years. Sectors of the Indian economy that the company believes will benefit most from such trends include infrastructure, financial institutions, consumer services, retail and exports. The company is not limited to investing solely in these sectors and intends to invest in other sectors as and when opportunities arise.

The company utilizes, and expects to benefit significantly from, the experience and expertise of Fairfax and the Portfolio Advisor, and their respective networks in India, to source and evaluate investment opportunities for the company.

The company employs a conservative, fundamental value-based approach to identifying and investing in high quality public and private Indian businesses. This approach is designed to compound book value per share over the long term. The company will seek attractive risk-adjusted returns, but will at all times seek downside protection and attempt to minimize the loss of capital.

The company intends to make Indian Investments with a view to be a strategic partner to grow the business and as a result optimize investment returns for the shareholders of Fairfax India. The level and nature of this strategic relationship will vary by investment. It may include one or more of the following, as deemed appropriate by the company: (i) board appointment or nomination rights; (ii) board observer rights; (iii) input on management selection; (iv) the provision of managerial assistance; and (v) ongoing monitoring and cooperation with the board and management of the portfolio business to ensure that its strategy is being implemented in a manner that is consistent with the investment objectives of the company and with the company's and Fairfax's fundamental values (as set forth in Fairfax's guiding principles which are included in Fairfax's publicly available annual reports).

Fairfax India's involvement with the Indian Investments may include providing specialized guidance or expertise in limited circumstances or on a temporary basis and does not extend to any involvement in the day-to-day operations of those Indian Investments. Activities are expected to be ancillary and undertaken to maximize returns from investments. Board representation is sought only to maintain protective rights and to maximize the value of the company's investment for its shareholders.

The company may from time to time seek to realize on any of its Indian Investments. The circumstances under which the company may sell some or all of its investments include: (i) where the company believes that the Indian Investments are fully valued or that the original investment thesis has played out; or (ii) where the company has identified other investment opportunities which it believes present more attractive risk-adjusted return opportunities and additional capital is needed to make such alternative investments.

The company would exit its private Indian Investments ("Private Indian Investments" as disclosed in the Indian Investments section of this MD&A) either through initial public offerings ("IPO") or private sales. For publicly traded Indian Investments ("Public Indian Investments" as disclosed in the Indian Investments section of this MD&A), exit strategies may include selling the investments through private placements or in public markets.

Investment Selection

To identify potential investments, the company principally relies on the experience and expertise of Fairfax and the Portfolio Advisor, and their respective networks in India.

The following is an illustrative list of criteria that the company, Fairfax and the Portfolio Advisor believe to be paramount when identifying and investing in Indian Investments:

Attractive valuation – The company's conservative fundamental value approach leads it to focus on businesses that have positive, stable cash flows that can be purchased at discounted multiples. The company does not invest in start-up businesses or businesses that have speculative business plans.

Experienced and aligned management – The company focuses on businesses with experienced, entrepreneurial management teams with strong, long term track records. The company generally requires the portfolio businesses to have in place, either prior to or immediately following investment by the company, proper incentives to drive the businesses' profitability and maintain effective governance structures.

Strong competitive position in industry – The company seeks to invest in businesses that hold leading and defendable market positions, possess strong brand power and are well-positioned to capitalize on the growth opportunities in the Indian economy. The company also seeks to invest in businesses that demonstrate significant competitive advantages as compared to their peers, such that they are in a position to protect their market position and profitability.

Alignment of the management team with the values of the company – The company, Fairfax and the Portfolio Advisor all seek to adhere to the highest standards of business practices and ethics. The company requires that the management teams at each of its portfolio businesses adhere to a similar standard of business practices and ethics and adhere to the company's fundamental values, as described above.

The Portfolio Advisor, the company and their affiliates conduct thorough due diligence investigations when evaluating any Indian Investment prior to making a recommendation to the company and its subsidiaries to invest. This generally includes consultations with Fairfax's network of current and former management teams, consultants, competitors, investment bankers and senior executives to assess, among other things, the industry dynamics, the character of the management team and the viability of the business plan.

More specifically, due diligence in respect of a particular investment opportunity typically includes, among other items as deemed necessary from time to time: (i) review of historical and projected financial information; (ii) on-site visits; (iii) interviews with management, employees, customers and vendors; (iv) review of material agreements; (v) background checks; and (vi) research relating to the businesses' management, industry, markets, products and services, and competitors.

Investment Restrictions

The company will not make an Indian Investment if, after giving effect to such investment, the total invested amount of such investment would exceed 20.0% of the company's total assets at the time of the investment; provided, however, that the company is permitted to complete up to two Indian Investments where, after giving effect to each such investment, the total invested amount of each such investment would be less than or equal to 25.0% of the company's total assets (the "Investment Concentration Restriction"). The company's investment limit for an Indian Investment in accordance with the Investment Concentration Restriction increased at December 31, 2021 from December 31, 2020 principally as a result of unrealized gains on investments, sales of subsidiary shares to non-controlling interests, and dividend and interest income, partially offset by purchases of subordinate voting shares for cancellation, net repayments of borrowings, unrealized foreign currency translation losses, investment and advisory fees, and income tax and interest payments.

The company intends to make multiple different investments as part of its prudent investment strategy. Indian Investments may be financed through equity or debt offerings as part of the company's objective to reduce its cost of capital and provide returns to common shareholders. At December 31, 2021 the company determined that it was in compliance with the Investment Concentration Restriction.

Indian Investments

Cautionary Statement Regarding Financial Information of Significant Indian Investments

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

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

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

Summary of Indian Investments

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

		December 31, 2021				December 31, 2020			
	Dates Acquired	Ownership %	Cost	Fair value	Net change	Ownership %	Cost	Fair value	Net change
Public Indian Investments:									
Common stocks:									
IIFL Finance	December 2015 and February 2017	22.3%	–	318,136	318,136	22.4%	–	131,478	131,478
IIFL Wealth	May 2019	13.6%	191,443	230,111	38,668	13.8%	191,443	166,702	(24,741)
IIFL Securities	May 2019	27.9%	91,310	103,217	11,907	26.5%	91,310	55,603	(35,707)
CSB Bank	October 2018, March and June 2019	49.7%	169,447	227,649	58,202	49.7%	169,447	214,341	44,894
Fairchem Organics	August 2020, March and April 2021	52.8%	42,021	155,020	112,999	48.8%	34,895	54,566	19,671
5paisa	October 2017, August 2019 and May 2021	26.1%	29,676	41,232	11,556	26.6%	23,535	27,788	4,253
Privi Speciality	February and August 2016	<1.0%	7	79	72	48.8%	39,489	138,413	98,924
Other	March and August 2018, March to June 2020, August 2020	<1.0%	43,458	69,612	26,154	<1.0%	107,734	147,604	39,870
			567,362	1,145,056	577,694		657,853	936,495	278,642
Private Indian Investments:									
Common stocks:									
BIAL [(1)]	March and July 2017, May 2018	54.0%	652,982	1,372,170	719,188	54.0%	652,982	1,396,117	743,135
Sanmar	April 2016 and December 2019	42.9%	199,039	421,153	222,114	42.9%	199,039	338,621	139,582
Seven Islands	March, September and October 2019	48.5%	83,846	105,926	22,080	48.5%	83,846	103,543	19,697
NCML	August 2015 and August 2017	89.5%	174,318	69,578	(104,740)	89.5%	174,318	86,216	(88,102)
Saurashtra	February 2017	51.0%	30,018	47,157	17,139	51.0%	30,018	32,812	2,794
Maxop	November 2021	51.0%	29,520	29,844	324	–	–	–	–
NSE	July 2016	1.0%	26,783	111,216	84,433	1.0%	26,783	72,617	45,834
IH Fund	January and November 2019, December 2020	–	21,563	23,613	2,050	–	24,098	25,354	1,256
Other Indian Fixed Income	October 2019 and November 2021	–	21,365	22,083	718	–	13,970	14,884	914
			1,239,434	2,202,740	963,306		1,205,054	2,070,164	865,110
Total Indian Investments			1,806,796	3,347,796	1,541,000		1,862,907	3,006,659	1,143,752

(1) On September 16, 2021 the company sold an 11.5% equity interest in Anchorage to OMERS, resulting in the recognition of non-controlling interest in the consolidated balance sheets. As part of the transaction, the company transferred 43.6% of its 54.0% equity interest in BIAL such that it is held through Anchorage. Upon closing of the transaction, the company's effective ownership interest in BIAL decreased to approximately 49.0% on a fully-diluted basis, while its actual ownership remains unchanged.

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

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

	2021							
	Balance as of January 1	Purchases	Sales	Amortization	Net realized gains (losses) on investments	Net change in unrealized gains (losses) on investments	Net unrealized foreign currency translation gains (losses)	Balance as of December 31
Public Indian Investments:								
Common stocks:								
IIFL Finance	131,478	–	–	–	–	189,963	(3,305)	318,136
IIFL Wealth	166,702	–	–	–	–	66,625	(3,216)	230,111
IIFL Securities	55,603	–	–	–	–	48,836	(1,222)	103,217
CSB Bank	214,341	–	–	–	–	17,060	(3,752)	227,649
Privi Speciality(1)	138,413	–	(164,812)	–	132,303	(105,026)	(799)	79
Fairchem Organics(2)(3)	54,566	22,919	(45,560)	–	33,558	91,035	(1,498)	155,020
5paisa(4)	27,788	6,141	–	–	(2,587)	10,477	(587)	41,232
Other	147,604	–	(122,013)	–	58,944	(12,785)	(2,138)	69,612
Derivatives – Fairchem Organics forward purchase derivative(2)	–	–	(4,800)	–	4,847	–	(47)	–
Total Public Indian Investments	936,495	29,060	(337,185)	–	227,065	306,185	(16,564)	1,145,056
Private Indian Investments:								
Common stocks:								
BIAL	1,396,117	–	–	–	–	(130)	(23,817)	1,372,170
Sanmar	338,621	–	–	–	–	88,806	(6,274)	421,153
Seven Islands	103,543	–	–	–	–	4,173	(1,790)	105,926
NCML	86,216	–	–	–	–	(15,253)	(1,385)	69,578
Saurashtra	32,812	–	–	–	–	14,988	(643)	47,157
Maxop	–	29,520	–	–	–	–	324	29,844
NSE	72,617	–	–	–	–	40,062	(1,463)	111,216
IH Fund	25,354	–	(2,535)	–	–	1,218	(424)	23,613
Other Indian Fixed Income	14,884	7,395	–	54	–	–	(250)	22,083
Total Private Indian Investments	2,070,164	36,915	(2,535)	54	–	133,864	(35,722)	2,202,740
Total Indian Investments	3,006,659	65,975	(339,720)	54	227,065	440,049	(52,286)	3,347,796

(1) *On April 29, 2021 the company completed the sale of its 48.8% equity interest in Privi Speciality for proceeds of $164,812 resulting in a realized gain since inception of $132,303. Net change in unrealized gains (losses) on investments includes a reversal of prior period unrealized gains on Privi Speciality.*

(2) *On April 29, 2021 the company acquired additional Fairchem Organics common shares for cash consideration of $18,117. As a result the company derecognized the Fairchem Organics forward purchase derivative asset with a carrying value of $4,800, recorded a realized gain of $4,847 and recorded its investment in Fairchem Organics common shares at a fair value at that date of $22,917.*

(3) *In November 2021 the company sold 1,800,000 common shares of Fairchem Organics for proceeds of $45,560 resulting in a realized gain since inception of $33,558. Net change in unrealized gains on investments includes a reversal of prior period unrealized gains on Fairchem Organics of $5,346.*

(4) *On May 19, 2021 the company acquired additional 5paisa common shares for cash consideration of $6,141 pursuant to a preferential share rights offering. The newly issued 5paisa common shares had a fair value of $3,554 at that date based on bid price less a discount for lack of marketability due to certain selling restrictions, and as a result the company recorded a realized loss of $2,587.*

A summary of changes in the fair value of the company's Public and Private Indian Investments during 2020 is as follows:

	2020							
	Balance as of January 1	**Purchases**	**Fairchem Reorganization**	**Sales**	**Net realized gains on investments**	**Net change in unrealized gains (losses) on investments**	**Net unrealized foreign currency translation gains (losses)**	**Balance as of December 31**
Public Indian Investments:								
Common stocks:								
IIFL Finance	166,014	–	–	–	–	(30,262)	(4,274)	131,478
IIFL Wealth	191,476	–	–	–	–	(20,058)	(4,716)	166,702
IIFL Securities	48,796	–	–	–	–	7,823	(1,016)	55,603
CSB Bank	229,262	–	–	–	–	(9,484)	(5,437)	214,341
Privi Speciality (formerly Fairchem)(1)	127,413	–	(34,895)	–	–	48,732	(2,837)	138,413
Fairchem Organics(1)	–	–	34,895	–	–	18,808	863	54,566
5paisa	18,176	–	–	–	–	9,889	(277)	27,788
Other	95,892	84,672	–	(41,913)	3,782	5,896	(725)	147,604
Total Public Indian Investments	877,029	84,672	–	(41,913)	3,782	31,344	(18,419)	936,495
Private Indian Investments:								
Common stocks:								
BIAL	1,429,854	–	–	–	–	(669)	(33,068)	1,396,117
Sanmar	412,930	–	–	–	–	(63,844)	(10,465)	338,621
Seven Islands	88,800	–	–	–	–	16,558	(1,815)	103,543
NCML	120,734	–	–	–	–	(31,277)	(3,241)	86,216
Saurashtra	31,204	–	–	–	–	2,297	(689)	32,812
NSE	57,210	–	–	–	–	16,493	(1,086)	72,617
IH Fund	15,146	9,506	–	(277)	–	1,249	(270)	25,354
Other Indian Fixed Income	14,286	–	–	–	–	915	(317)	14,884
Total Private Indian Investments	2,170,164	9,506	–	(277)	–	(58,278)	(50,951)	2,070,164
Total Indian Investments	3,047,193	94,178	–	(42,190)	3,782	(26,934)	(69,370)	3,006,659

(1) *On August 12, 2020 as part of the Fairchem Reorganization, Fairchem spun off Fairchem Organics, whose shares were subsequently listed on the BSE and NSE of India on December 24, 2020. Concurrent with the spin off transaction, Privi Organics merged with the remaining Fairchem business and was renamed Privi Speciality Chemicals Limited ("Privi Speciality"). Common shares of Privi Speciality continue to trade on the BSE and NSE of India.*

Public Indian Investments

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

Investment in IIFL Finance Limited

Business Overview

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

Additional information can be accessed from IIFL Finance's website www.iifl.com.

Transaction Description

In December 2015 and February 2017 the company acquired 84,641,445 common shares of IIFL Holdings Limited ("IIFL Holdings") (representing a 26.9% equity interest) for aggregate cash consideration of $276,734 (approximately 18.5 billion Indian rupees).

In October 2017 and May 2019 IIFL Holdings spun-off its subsidiaries 5paisa, IIFL Wealth and IIFL Securities in non-cash transactions. In aggregate, the transactions resulted in a return of capital which exceeded Fairfax India's cost basis in IIFL Holdings based on the estimated fair values of the spun off subsidiaries at the date of the transactions. Upon completion of the spin off of IIFL Wealth and IIFL Securities in May 2019, IIFL Holdings Limited was renamed IIFL Finance Limited and continued to trade on the BSE and NSE of India.

In March 2020 IIFL Finance was granted an NBFC license by the RBI and on March 30, 2020 completed the merger with its subsidiary, India Infoline Finance Limited ("India Infoline") through the issuance of 58,654,556 common shares of IIFL Finance to India Infoline's minority shareholders. Minority shareholders of India Infoline received 135 common shares of IIFL Finance for every 100 common shares of India Infoline held. As a result of the merger Fairfax India's equity interest in IIFL Finance was decreased to 22.4% at March 30, 2020.

At December 31, 2021 the company held 84,641,445 common shares of IIFL Finance representing a 22.3% equity interest (December 31, 2020 – 22.4%). At December 31, 2021 the company, had appointed one of the nine IIFL Finance board members.

Key Business Drivers, Events and Risks

IIFL Finance's key business drivers include its access to well-diversified sources of funds, a diversified asset portfolio with a strategic focus on households, and its vast physical network to deliver credit to underserved segments and under penetrated geographical areas in India. At December 31, 2021 IIFL Finance had 3,119 branches across India, making it one of the largest retail focused NBFCs.

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

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

At December 31, 2021 IIFL Finance managed assets worth approximately $6 billion (approximately 468 billion Indian rupees) comprised of home loans (35%), gold loans (31%), business loans (15%), microfinance (11%), construction and real estate finance (6%), and capital market finance (2%).

During 2021 IIFL Finance sold a significant portion of the construction and real estate loan asset portfolio to an Alternate Investment Fund ("AIF") and also made a partial investment in the AIF which had a target size of approximately $0.5 billion (36 billion Indian rupees). The transaction will allow IIFL Finance to enhance its focus on retail lending.

COVID-19 Impact

As discussed in the Business Developments section under the heading Operating Environment of this MD&A, the RBI introduced several measures throughout the pandemic to assist borrowers facing financial difficulty as a result of COVID-19. IIFL Finance has been sufficiently capitalized to withstand the liquidity pressures arising from such measures. IIFL Finance continued to source long term funding during the pandemic primarily through term loans and refinancing from banks, private and public issuances of non-convertible debentures, as well as incremental funding through the assignment and securitization of loans.

Disbursements and collection efficiencies experienced temporary declines from regular levels during peak periods of the pandemic, and gradually regained momentum in line with the recovery in economic activity.

Valuation and Consolidated Financial Statement Impact

At December 31, 2021 the fair value of the company's investment in IIFL Finance was $318,136 (December 31, 2020 – $131,478) with the changes in fair value in 2021 and 2020 presented in the tables at the outset of the Indian Investments section of this MD&A. IIFL Finance's share price increased by 146.2% from 113.50 Indian rupees per share at December 31, 2020 to 279.40 Indian rupees per share at December 31, 2021.

In 2021 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in IIFL Finance of $3,484 (2020 – $2,628).

Subsequent to December 31, 2021

On February 11, 2022 the company received dividend income from the company's investment in IIFL Finance of approximately $3.9 million (296 million Indian rupees).

IIFL Finance's Summarized Financial Information

IIFL Finance's fiscal year ends on March 31. Summarized below are IIFL Finance's balance sheets at September 30, 2021 and March 31, 2021.

Balance Sheets
(unaudited – US$ thousands)

	September 30, 2021(1)	March 31, 2021(1)(2)
Financial assets	5,443,826	5,345,415
Non-financial assets	224,932	216,729
Financial liabilities	4,833,598	4,778,921
Non-financial liabilities	35,188	45,547
Shareholders' equity	799,972	737,676

(1) The net assets of IIFL Finance were translated at September 30, 2021 at $1 U.S. dollar = 74.23 Indian rupees and at March 31, 2021 at $1 U.S. dollar = 73.11 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

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

Financial assets increased primarily reflecting increased cash balances from improved liquidity, and additional proceeds raised from term loan financing. Non-financial assets increased primarily due to additions to property, plant and equipment and investment properties. Financial liabilities increased primarily due to additional financing from term loans and subordinated debentures, partially offset by net repayments on debt securities. Non-financial liabilities decreased primarily due to decreases in current tax liabilities and advances from customers.

Summarized below are IIFL Finance's statements of earnings for the six months ended September 30, 2021 and 2020.

Statements of Earnings
(unaudited – US$ thousands)

	Six months ended September 30, 2021(1)	Six months ended September 30, 2020(1)(2)
Revenue	439,020	374,176
Earnings before income taxes	97,685	44,732
Net earnings	75,409	32,553

(1) Amounts for the six months ended September 30, 2021 and 2020 were translated into US$ using the average exchange rates of $1 U.S. dollar = 73.92 Indian rupees and $1 U.S. dollar = 75.11 Indian rupees prevailing during those periods.

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

IIFL Finance's revenue increased primarily reflecting an increase in interest and other income arising from higher assets under management, particularly across higher yielding segments such as gold loans and microfinance. Earnings before income taxes and net earnings increased primarily due to the increased interest income as noted above, combined with overall lower cost of borrowing, in addition to decreased loan loss provisioning compared to the six months ended September 30, 2020 as loan loss provisions were significantly affected by the initial impact of the COVID-19 pandemic in the prior period. The increase in earnings were partially offset by increased employee benefit and other administrative expenses attributed to the expansion of IIFL Finance's digital and physical footprint.

Investment in IIFL Wealth Management Limited

Business Overview

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

Additional information can be accessed from IIFL Wealth's website www.iiflwealth.com.

Transaction Description

In May 2019 the company received 12,091,635 common shares of IIFL Wealth, representing a 14.2% equity interest with an estimated fair value on the date of the transaction of $191,443 (approximately 13.3 billion Indian rupees), pursuant to a non-cash spin off transaction from the former IIFL Holdings. The common shares of IIFL Wealth were listed on the BSE and NSE of India on September 19, 2019.

At December 31, 2021 the company held 12,091,635 common shares of IIFL Wealth representing a 13.6% equity interest (December 31, 2020 – 13.8%). At December 31, 2021 the company had appointed one of the eleven IIFL Wealth board members.

Key Business Drivers, Events and Risks

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

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

In 2020 IIFL Wealth launched IIFL One, a service offering that institutionalizes the complete range of investment options for clients under a competitive and transparent fee structure. The model redefines client engagement in India's wealth management industry in terms of its approach to transparent conduct and open disclosures. IIFL Wealth will endeavour, over the course of the next few years, to grow this model to be the primary engagement model with clients over the historical broker/dealer distribution model where commissions were earned on a transaction-by-transaction basis. IIFL Wealth aims to evolve into a predictable, revenue-led, asset under management-driven organization, different from an industry dominated by product promotion and distribution.

In its 2020 fiscal year, IIFL Wealth changed its income model to recognize the majority of its distribution income on an annuity basis, moving away from the upfront income model that was previously followed, leading to a more stable annual recurring revenue model.

At December 31, 2021 the wealth management business had assets under management ("AUM") of approximately $28 billion (2,070 billion Indian rupees) and the asset management business had AUM of approximately $7 billion (557 billion Indian rupees). The total AUM included annual recurring revenue assets of approximately $19 billion (1,389 billion Indian rupees).

COVID-19 Impact

During 2021 IIFL Wealth continued to operate with minimal business disruption arising from the COVID-19 pandemic.

Valuation and Consolidated Financial Statement Impact

At December 31, 2021 the fair value of the company's investment in IIFL Wealth was $230,111 (December 31, 2020 – $166,702) with the changes in fair value in 2021 and 2020 presented in the tables at the outset of the Indian Investments section of this MD&A. IIFL Wealth's share price increased by 40.4% from 1,007.35 Indian rupees per share at December 31, 2020 to 1,414.65 Indian rupees per share at December 31, 2021.

In 2021 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in IIFL Wealth of $13,904 (2020 – $8,145).

Investment in IIFL Securities Limited

Business Overview

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

Additional information can be accessed from IIFL Securities' website www.iiflsecurities.com.

Transaction Description

In May 2019 the company received 84,641,445 common shares of IIFL Securities representing a 26.5% equity interest with an estimated fair value on the date of the transaction of $91,310 (approximately 6.4 billion Indian rupees), pursuant to a non-cash spin off transaction from the former IIFL Holdings. The common shares of IIFL Securities were listed on the BSE and NSE of India on September 20, 2019.

At December 31, 2021 the company held 84,641,445 common shares of IIFL Securities representing a 27.9% equity interest (December 31, 2020 – 26.5%). At December 31, 2021 the company did not have any representation on the board of IIFL Securities.

Key Business Drivers, Events and Risks

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

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

IIFL Securities' institutional broking franchise business services over 750 domestic and foreign clients, and provides comprehensive research coverage in over 250 stocks in more than 20 sectors, which account for over 80% of India's market capitalization. The investment banking business closed over 40 transactions in 2021 across the capital markets and advisory business segments, despite volatile market conditions, and has a number of transactions in the pipeline.

On February 15, 2021 IIFL Securities closed a buy-back offer of equity shares from its shareholders which commenced on December 30, 2020. The buy-back resulted in the purchase and cancellation of 17,000,394 common shares of IIFL Securities for approximately $12 million (867 million Indian rupees) (excluding taxes). The company did not tender any shares and as a result, its equity interest in IIFL Securities increased from 26.5% at December 31, 2020 to 27.9% on completion of the buy-back offer.

On February 24, 2021 IIFL Securities was announced as the successful bidder for the acquisition of approximately 1.1 million electronic securities holding accounts (demat accounts) in a formal bidding process organized by stock exchanges and depositories. The acquisition provided IIFL Securities with access to an increased customer base and significantly increased its assets under management. At December 31, 2021 IIFL Securities had assets under management across its retail segment (comprised of depository participant services and financial product distribution) of approximately $18 billion (1,323 billion Indian rupees) (December 31, 2020 – approximately $5 billion (387 billion Indian rupees)).

COVID-19 Impact

During 2021 IIFL Securities continued to operate with minimal business disruption arising from the COVID-19 pandemic.

Valuation and Consolidated Financial Statement Impact

At December 31, 2021 the fair value of the company's investment in IIFL Securities was $103,217 (December 31, 2020 – $55,603) with the changes in fair value in 2021 and 2020 presented in the tables at the outset of the Indian Investments section of this MD&A. IIFL Securities' share price increased by 88.9% to 90.65 Indian rupees per share at December 31, 2021 from 48.00 Indian rupees per share at December 31, 2020.

In 2021 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in IIFL Securities of $1,161 (2020 – $2,336).

Subsequent to December 31, 2021

On February 14, 2022 Fairfax India received dividend income from the company's investment in IIFL Securities of approximately $3.4 million (254 million Indian rupees).

Investment in CSB Bank Limited

Business Overview

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

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

Transaction Description

During 2018 and 2019 Fairfax India invested aggregate cash consideration of $169,511 (approximately 12.1 billion Indian rupees) for a 51.0% equity interest in CSB Bank, which decreased in 2019 to 49.7%.

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

At December 31, 2021 the company held 86,262,976 common shares of CSB Bank representing a 49.7% equity interest (December 31, 2020 – 49.7%).

At December 31, 2021 the company had appointed two of the eight CSB Bank board members.

Key Business Drivers, Events and Risks

According to the RBI, India's banking sector is sufficiently capitalized and well-regulated. The increase in India's working population and growth in disposable income is anticipated to increase the demand for banking related services, particularly in rural banking locations. In addition, the Indian banking industry has evolved through technology innovations in digital payments systems, mobile and online banking.

CSB Bank's key business drivers relate to its ability to provide financial services in India, particularly in the area of retail, SMEs, gold and corporate lending, and mobilize low cost deposits in the form of current accounts, savings accounts and non-resident Indian deposits. CSB Bank has recently taken various strategic initiatives, including attracting talent to its sales and marketing team, as well as creating specialized banking verticals in gold, two-wheeler vehicles, small-to-medium enterprise and wholesale banking. Non-Performing Assets ("NPA") are being addressed by CSB Bank through the creation of asset recovery branches to accelerate delinquent loan recovery, with the goal of effectively minimizing losses by improving credit monitoring and risk management practices. In addition, CSB Bank continues to strive for increases in employee productivity and will invest in technology across its banking platforms, providing more efficient and cost effective services for its customers. CSB Bank opened 101 branches during its fiscal year ended March 31, 2021.

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

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

COVID-19 Impact

CSB Bank continued to operate as financial services are considered essential services under India's lockdown guidelines, with the exception of certain retail locations located in COVID-19 "hotspot" districts, which were required to close. In light of the COVID-19 pandemic, CSB Bank has currently shifted its focus to gold loans and away from retail, SMEs, and corporate lending. CSB Bank has a stable deposit franchise which remains largely unaffected by the COVID-19 pandemic and deposit inflows remain positive despite interest rate reductions by the RBI.

As discussed in the Business Developments section under the heading Operating Environment of this MD&A, as a result of measures being implemented by the RBI, the cost of funds for CSB Bank has decreased resulting in healthy lending spreads and sustainable net interest income growth. While the RBI introduced several measures throughout the pandemic to assist borrowers facing financial difficulty on account of COVID-19, CSB Bank has been sufficiently capitalized to withstand the liquidity pressures arising from such measures.

Valuation and Consolidated Financial Statement Impact

At December 31, 2021 the fair value of the company's investment in CSB Bank was $227,649 (December 31, 2020 – $214,341) with the changes in fair value for 2021 and 2020 presented in the tables at the outset of the Indian Investments section of this MD&A. CSB Bank's share price increased by 7.6% from 218.20 Indian rupees per share at December 31, 2020 to 234.80 Indian rupees per share at December 31, 2021. For further details, refer to note 5 (Indian Investments) to the consolidated financial statements for the year ended December 31, 2021.

CSB Bank's Summarized Financial Information

CSB Bank's fiscal year ends on March 31. Summarized below are CSB Bank's balance sheets at September 30, 2021 and March 31, 2021.

Balance Sheets
(unaudited – US$ thousands)

	September 30, 2021(1)	March 31, 2021(1)
Financial assets	3,015,951	3,054,738
Non-financial assets	170,203	144,852
Financial liabilities	2,785,827	2,829,138
Non-financial liabilities	76,800	69,944
Shareholders' equity	323,527	300,508

(1) *The net assets of CSB Bank were translated at September 30, 2021 at $1 U.S. dollar = 74.23 Indian rupees and at March 31, 2021 at $1 U.S. dollar = 73.11 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.*

Financial assets decreased primarily due to the weakening of the Indian rupee relative to the U.S. dollar during the six months ended September 30, 2021. Non-financial assets increased primarily as a result of increased security deposits to facilitate foreign currency transactions, and increased advances for employee benefit plans. Financial liabilities decreased as a result of decreased savings and term deposits from customers. Non-financial liabilities increased primarily as a result of increased deferred tax liabilities.

Summarized below are CSB Bank's statements of earnings for the six months ended September 30, 2021 and 2020.

Statements of Earnings
(unaudited – US$ thousands)

	Six months ended September 30, 2021(1)	Six months ended September 30, 2020(1)(2)
Revenue	97,514	79,306
Earnings before income taxes	39,202	44,101
Net earnings	29,357	33,024

(1) *Amounts for the six months ended September 30, 2021 and 2020 were translated into US$ using the average exchange rates of $1 U.S. dollar = 73.92 Indian rupees and $1 U.S. dollar = 75.11 Indian rupees prevailing during those periods.*

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

Revenue increased primarily as a result of an increase in net interest income due to higher yielding advances and reduced cost of deposits. Earnings before income taxes and net earnings decreased primarily reflecting increased loss provisions on loans and advances and increased cost-income ratio excluding provision for expected credit losses (45.5% for the six months ended September 30, 2021 compared to 38.6% for the six months ended September 30, 2020), partially offset by increased revenue as discussed above.

Investment in Fairchem Speciality Limited / Privi Speciality Chemicals Limited

Fairchem Speciality Limited

Business Overview

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

Transaction Description

In February 2016 Fairfax India acquired a 44.7% equity interest in Fairchem for cash consideration of $19,409 (approximately 1.3 billion Indian rupees) and in August 2016 acquired a 50.8% equity interest in Privi for cash consideration of $54,975 (approximately 3.7 billion Indian rupees). On March 14, 2017 Fairchem and Privi were merged with the surviving entity continuing as Fairchem (the "Merger") and with no changes to management of the underlying companies. Upon completion of the Merger, Fairfax India had acquired a 48.8% equity interest in the merged company Fairchem for aggregate cash consideration of $74,384 (approximately 5.0 billion Indian rupees).

On August 12, 2020 Fairchem spun off its wholly-owned subsidiary Fairchem Organics (comprised of the oleochemicals and neutraceuticals businesses) in a non-cash transaction ("Fairchem Reorganization"). Shareholders of Fairchem received one common share of Fairchem Organics for every three Fairchem common shares held. The distribution of new common shares to Fairchem shareholders was characterized as a return of capital and resulted in the company recording the initial cost of its investment in Fairchem Organics at its estimated fair value at that date of $34,895 (approximately 2.6 billion Indian rupees). Concurrent with the spin off transaction, Privi amalgamated with the remaining Fairchem business and was renamed Privi Speciality Chemicals Limited ("Privi Speciality"). Common shares of Privi Speciality continue to trade on the BSE and NSE of India. Common shares of Fairchem Organics listed on the BSE and NSE of India on December 24, 2020.

Privi Speciality Chemicals Limited

Transaction Description

On April 29, 2021 the company completed the sale of its 48.8% equity interest in Privi Speciality for cash consideration of $164,812 (approximately 12.2 billion Indian rupees). At December 31, 2021 the company held 3,250 common shares representing less than 1% equity interest in Privi Speciality (December 31, 2020 – 19,046,078 common shares representing a 48.8% equity interest).

On November 10, 2021 the company invested $7,395 (550.0 million Indian rupees) in non-convertible debentures, due February 10, 2025, with an effective yield of 10.0% compounded annually issued by an entity affiliated with Mahesh P Babani, chairman and managing director of Privi Speciality.

At December 31, 2021 the company did not have any representation on the board of Privi Speciality.

Subsequent to December 31, 2021

On February 16, 2022 the company sold its remaining equity interest in Privi Speciality for cash consideration of $83 (approximately 6.3 million Indian rupees).

Valuation and Consolidated Financial Statement Impact

At December 31, 2021 the fair value of the company's investment in Privi Speciality was $79 (December 31, 2020 – $138,413) with the changes in fair value in 2021 and 2020 presented in the tables at the outset of the Indian Investments section of this MD&A. At December 31, 2021 the fair value of the company's investment in the non-convertible debentures was $7,453 with the changes in fair value in 2021 presented within Other Indian Fixed Income in the table at the outset of the Indian Investments section of this MD&A.

In 2021 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in Privi Speciality of nil (2020 – $385).

Investment in Fairchem Organics Limited

Business Overview

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

Additional information can be accessed from Fairchem Organics' website www.fairchem.in.

Transaction Description

Upon completion of the Fairchem Reorganization, Fairfax India received 6,348,692 common shares of Fairchem Organics representing 48.8% equity interest with an estimated fair value at that date of $34,895 (approximately 2.6 billion Indian rupees). The distribution of new common shares of Fairchem Organics to Fairchem shareholders was characterized as a return of capital.

The common shares of Fairchem Organics were listed on the BSE and NSE of India on December 24, 2020. At the time of listing and in accordance with Indian regulations, as a result of the anticipated changes in ownership of Fairchem Organics, the company announced an open offer for the acquisition of up to 3,377,953 common shares, representing the entire public float or 25.9% of the issued and outstanding shares, at a price of 575.53 Indian rupee per common share ("Fairchem Open Offer"). In support of the Fairchem Open Offer, the company was required to place on deposit, cash of $267 (approximately 19.5 million Indian rupees) and a bank guarantee for $6,648 (approximately 486.1 million Indian rupees) which expired in April 2021. The cash deposit was recorded in restricted cash within the consolidated balance sheet at December 31, 2020.

On March 2, 2021 the company completed the settlement of 290 common shares of Fairchem Organics tendered for $2 and the remaining cash deposit of $264 was returned.

On April 29, 2021 the company completed the purchase of an additional 17.9% equity interest in Fairchem Organics for cash consideration of $18,117 (approximately 1.3 billion Indian rupees). Upon closing of the transaction the company settled a forward purchase derivative asset at a fair value of $4,800 (approximately 355 million Indian rupees), which was a result of the transaction date fair value exceeding the agreed upon transaction price for Fairchem Organics common shares. The company recorded its additional investment in Fairchem Organics at a fair value of $22,917 (approximately 1.7 billion Indian rupees).

On November 9, 2021 and November 10, 2021 the company sold an aggregate of 1,800,000 common shares of Fairchem Organics for proceeds of $45,560 (approximately 3.4 billion Indian rupees) and recorded a realized gain since inception of $33,558.

At December 31, 2021 the company held 6,879,739 common shares of Fairchem Organics representing a 52.8% equity interest (December 31, 2020 – 6,348,692 common shares representing a 48.8% equity interest). At December 31, 2021 the company had appointed one of the six Fairchem Organics board members.

Key Business Drivers, Events and Risks

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

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

COVID-19 Impact

Fairchem Organics was required to temporarily stop operations at the onset of India's lockdown, and resumed operations on May 21, 2020. From June 2020 onwards sales and operations returned to levels prior to COVID-19.

Valuation and Consolidated Financial Statement Impact

At December 31, 2021 the fair value of the company's investment in Fairchem Organics was $155,020 (December 31, 2020 – $54,566) with the changes in fair value in 2021 and 2020 presented in the tables at the outset of the Indian Investments section of this MD&A. Fairchem Organics' share price increased by 166.7% from 628.00 Indian rupees per share at December 31, 2020 to 1,675.00 Indian rupees per share at December 31, 2021.

In 2021 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in Fairchem Organics of $413 (2020 – nil).

Investment in 5paisa Capital Limited

Business Overview

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

Additional information can be accessed from 5paisa's website www.5paisa.com.

Transaction Description

In October 2017 the company received 3,385,657 common shares of 5paisa representing a 26.6% equity interest with a fair value on the date of the transaction of $19,758, pursuant to a non-cash spin off transaction from the former IIFL Holdings. In August 2019 the company participated in a rights offer to existing shareholders of 5paisa and acquired an additional 3,385,657 common shares of 5paisa for cash consideration of $3,777, maintaining an equity interest of 26.6%.

On May 19, 2021 the company participated in a rights offer to existing shareholders of 5paisa ("5paisa Preferential Share Rights Offer") and acquired 898,816 equity shares of 5paisa on a preferential basis for cash consideration of $6,141 (449.4 million Indian rupees). The company is restricted from selling these common shares until May 28, 2022 due to restrictions imposed by SEBI. As a result, the company recorded its investment in the newly issued 5paisa common shares at a fair value of $3,554 (260.1 million Indian rupees) based on bid price less a discount for lack of marketability of 22.2% resulting in the company recording a realized loss of $2,587 on the date of acquisition. As a result of the 5paisa Preferential Share Rights Offer and common shares issued by 5paisa under an employee stock option plan during the period, the company's ownership interest in 5paisa decreased from 26.6% to 26.1%.

At December 31, 2021 the company held 7,670,130 common shares of 5paisa representing a 26.1% equity interest (December 31, 2020 – 6,771,314 common shares representing a 26.6% equity interest). At December 31, 2021 the company did not have any representation on the board of 5paisa.

Key Business Drivers, Events and Risks

5paisa's key business driver relates to its ability to provide digital investment and lending solutions, which is emerging as a new segment with the potential to achieve critical mass and grow in the near future with the spread of the Internet, mobile penetration, telecommunication and data services throughout India. 5paisa's ability to acquire, service and grow the emerging do-it-yourself customer segment provides its customers with lower costs for various financial products, enabling investors to invest seamlessly, on their own and from anywhere. 5paisa remains focused on innovation based on understanding customer behaviour, and constantly strives to achieve technological superiority through the developments of its robust trading platform, advanced mobile app, its Artificial-Intelligence powered Robo-Advisory platform, and the paperless account opening process.

In 2020 5paisa, through its wholly-owned subsidiary, 5paisa P2P Limited, launched a digital peer-to-peer lending platform registered with the RBI which connects verified creditworthy lenders and individual borrowers in India.

At December 31, 2021 the 5paisa mobile application has reached over 10.4 million downloads and its active customer base exceeded 1.3 million. Customer acquisitions have continued to grow rapidly at reduced unit customer acquisition costs, with over 50% of customer acquisitions during 2021 attributed to do-it-yourself customers which were onboarded to the digital platform without intervention or assistance.

The proceeds raised from the preferential issuance of equity shares discussed above will allow 5paisa to accelerate its investment in customer centric technology, customer acquisition and sustain the pace of growth.

COVID-19 Impact

During 2021 5paisa continued to operate with minimal business disruption arising from the COVID-19 pandemic.

Valuation and Consolidated Financial Statement Impact

At December 31, 2021 the fair value of the company's investment in 5paisa was $41,232 (December 31, 2020 – $27,788) with the changes in fair value in 2021 and 2020 presented in the tables at the outset of the Indian Investments section of this MD&A. 5paisa's share price increased by 34.8% from 299.85 Indian rupees per share at December 31, 2020 to 404.25 Indian rupees per share at December 31, 2021. For further details, refer to note 5 (Indian Investments) to the consolidated financial statements for the year ended December 31, 2021.

Investment in Other Public Indian Investments

During 2018 the company acquired common shares of public companies in India's financial services sector, listed on both the BSE and NSE of India, for aggregate cash consideration of $94,090. In 2019 the company partially sold an investment in Other Public Indian Investments for total net proceeds of $36,907, resulting in a realized gain of $7,115.

In 2020 the company acquired common shares of public companies in India's utilities and financial services sectors, listed on both the BSE and NSE of India, for aggregate consideration of $84,672. In 2020 the company partially sold investments in Other Public Indian Investments for total net proceeds of $41,913, resulting in a realized gain of $3,782.

In 2021 the company sold investments in Other Public Indian Investments for total net proceeds of $122,013, resulting in realized gains of $58,944.

At December 31, 2021 the fair value of the company's investment in Other Public Indian Investments was $69,612 (December 31, 2020 – $147,604) and represents less than 1.0% equity interest in each of the public Indian companies. The changes in fair value of the company's investment in Other Public Indian Investments in 2021 and 2020 are presented in the tables at the outset of the Indian Investments section of this MD&A. At December 31, 2021 the company did not have any board representation in Other Public Indian Investments.

In 2021 the consolidated statements of earnings (loss) included dividend income earned from the investment in Other Public Indian Investments of $4,237 (2020 – $1,712).

Private Indian Investments

Cautionary Statement Regarding the Valuation of Private Indian Investments

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

While the company's valuation techniques for Private Indian Investments remained primarily unchanged during 2021 the development of unobservable inputs included added uncertainty related to the global economic disruption caused by the ongoing COVID-19 pandemic. The company has assessed the assumptions related to the COVID-19 pandemic which were included in the estimates of the amount and timing of future cash flows prepared by investees' management, and the uncertainty in those assumptions has been considered in the determination of risk premiums incorporated in the company's valuations of Private Indian Investments. Additional volatility in the fair values of Private Indian Investments may arise in future periods if actual results differ materially from the company's estimates.

Investment in Bangalore International Airport Limited

Business Overview

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

BIAL's principal lines of business are as follows:

Aeronautical revenue from the airport

Aeronautical revenue is revenue earned from airlines for providing services such as landing, parking and housing fees ("aeronautical services"). BIAL's aeronautical revenues are also primarily driven by user development fees ("UDF") charged to airlines and passengers and determined by the Airports Economic Regulatory Authority of India (the "regulator") in five-year control periods and are fixed in a manner to generate a 16.0% per annum regulated return on invested equity (the "Regulatory Asset Base") for the airport operator. Under the current regulatory approach applicable to BIAL, aviation concessions (which include cargo, ground handling, fuel throughput, and into-plane services) are treated as aeronautical services. In addition, the regulator also attributes 30.0% of non-aeronautical revenue (described below) as a part of aeronautical revenue when computing the regulated return.

Non-aeronautical revenue from the airport

All revenue sources from the airport other than aeronautical revenue (which includes aviation concessions, as described earlier) are treated as non-aeronautical revenue. This includes revenue from activities such as catering services, vehicle parking, advertising, retail and duty-free shops, and food and beverages. BIAL earns its non-aeronautical revenue from concession arrangements that reflect a percentage of revenue sharing, with a minimum guaranteed revenue each year. Non-aeronautical revenue is expected to grow substantially due to the increase in the number of passengers using the airport, the availability of additional space for development and the increasing propensity of passengers to spend money.

Real estate monetization

The airport is located on 4,000 acres of land and the concession agreement provides for development of 1,000 acres of this land for commercial purposes such as hotels, retail establishments, offices and industrial or entertainment parks. This will permit BIAL to monetize approximately 460 acres after providing for the land required to build roads, utilities, landscaping and other services. Over time, there is potential for significant upside from monetization of this real estate.

Other non-airport related revenue

Taj Bangalore is a five-star hotel operated under a management contract with Indian Hotels Company Limited. The hotel is conveniently located next to the airport, includes 154 guest rooms and 13 conference rooms, and is currently undergoing expansion of 220 additional guest rooms.

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

Transaction Description

During 2017 and 2018 Fairfax India had invested aggregate cash consideration of $652,982 (approximately 42.7 billion Indian rupees) for a 54.0% equity interest in BIAL.

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

At December 31, 2021 the company had appointed five of the fourteen BIAL board members.

Key Business Drivers, Events and Risks

KIAB is the busiest airport in South India, the third largest in the country, and was awarded the 'Best Airport Staff in India and Central Asia' during 2021 by Skytrax, a UK-based consultancy who conducts a global airport customer satisfaction survey.

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

On October 16, 2020 BIAL exercised its right to extend the concession agreement for an additional 30 years until the year 2068.

Plans to expand the capacity of the airport are underway and include the following projects:

- ***Terminal 2***: BIAL has commenced construction of an additional terminal building ("Terminal 2") and expansion of the related infrastructure. Terminal 2 will be constructed in two phases: (i) the first phase will have the capacity to handle 25 million passengers per annum and is now estimated to be operational by the third quarter of calendar 2022; and (ii) the second phase will add capacity for another 20 million passengers per annum and is now expected to be complete in BIAL's fiscal year 2029. The combined capacity of the existing terminal and Terminal 2 will be approximately 73 million passengers per annum.

  The total cost of the Terminal 2 expansion is expected to increase primarily due to incremental interest and pre-operational expenses.

- ***Terminal 3:*** In 2019 BIAL finalized and adopted a strategy to further expand capacity to meet expected growth in passenger traffic over the next 20 years, including the construction of a third terminal building ("Terminal 3") and related infrastructure ("master plan update"). BIAL has secured adequate space for this expansion. Total capacity for Terminal 3 is expected to be greater than 20 million passengers per annum. As a result of the impact of the COVID-19 pandemic and related lockdowns, construction of Terminal 3 has been delayed until BIAL's fiscal year 2034. The combined capacity of the existing terminal, Terminal 2 and Terminal 3 is expected to be between 90 million to 100 million passengers per annum.

- ***Real Estate:*** In 2019 BIAL's management finalized its plans for the development of its monetizable leasehold land ("real estate master plan") which includes the development of 176 acres of land by 2026, including: (i) a business hotel comprised of three-star and four-star hotel rooms (total of 775 rooms) on approximately 5 acres of land; (ii) a retail, dining and entertainment village on approximately 23 acres of land; (iii) business parks on approximately 132 acres of land; (iv) a multi-purpose concert arena on approximately 6 acres of land; and (v) the remainder to be leased for a convention and exhibition centre and a five-star hotel on approximately 5 acres each. BIAL's real estate development plans will be carried out by a new subsidiary, Bangalore Airport City Limited ("BACL"), which was formed in January 2020. BIAL has made the following progress on its real estate development plan:

  - In July 2021 BACL signed an agreement with SATS Ltd. to establish a large state-of-the-art central kitchen, expected to produce 170,000 ready-to-eat meals per day and be operational in 2023.
  - A 3D technology printing is under construction and expected to be completed in April 2022.
  - In October 2021 a letter of intent for a business hotel of 775 rooms under the brands of Vivanta and Ginger (a part of the Taj Group) was agreed with developers from Dubai.
  - DP Architects, Singapore has now been appointed as the concept design architect and Portland Design, UK appointed as the retail space planner for the retail, dining and entertainment village.

COVID-19 Impact

The COVID-19 pandemic has significantly impacted BIAL's airport business which faced reduced passenger traffic starting in February 2020. Effective March 23, 2020 and March 25, 2020 all scheduled international and domestic commercial airlines ceased operations as a result of India's lockdown. Domestic flights resumed on May 25, 2020, while international flights will remain suspended until further notice with the exception of certain countries with which India has established air bubble arrangements. Cargo flights and flights catering to medical emergencies and other essential requirements remain operational. Construction activities for BIAL's capital projects and real estate development were slowed down and have since resumed as lockdown restrictions were gradually lifted. The airport is expected to commence regular operations upon lifting of the present restrictions with a gradual recovery in domestic and international passenger traffic by BIAL's fiscal year 2024 to levels witnessed before the pandemic.

BIAL has sufficient liquidity in place to continue its operations.

Valuation and Consolidated Financial Statement Impact

At December 31, 2021 the company's internal valuation model indicated that the fair value of the company's investment in BIAL was $1,372,170 (December 31, 2020 – $1,396,117) which approximates the equity valuation of BIAL implied by the Anchorage transaction discussed above. The changes in fair value of the company's investment in BIAL in 2021 and 2020 are presented in the tables at the outset of the Indian Investments section of this MD&A. For further details, refer to note 5 (Indian Investments) to the consolidated financial statements for the year ended December 31, 2021.

BIAL's Summarized Financial Information

BIAL's fiscal year ends on March 31. Summarized below are BIAL's balance sheets at September 30, 2021 and March 31, 2021.

Balance Sheets
(unaudited – US$ thousands)

	September 30, 2021(1)	March 31, 2021(1)
Current assets	161,719	134,106
Non-current assets	1,394,483	1,342,511
Current liabilities	136,041	148,262
Non-current liabilities	1,110,168	973,729
Shareholders' equity	309,993	354,626

(1) The net assets of BIAL were translated at September 30, 2021 at $1 U.S. dollar = 74.23 Indian rupees and at March 31, 2021 at $1 U.S. dollar = 73.11 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.

Current assets increased primarily due to increased borrowings. Non-current assets increased principally as a result of ongoing capital expenditures for BIAL's expansion projects. Current liabilities decreased primarily as a result of a refinancing of term loans which reduced the current maturities of borrowings, and a decrease in other financial liabilities. Non-current liabilities increased primarily as a result of additional borrowings for BIAL's expansion projects.

Summarized below are BIAL's statements of earnings (loss) for the six months ended September 30, 2021 and 2020.

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

	Six months ended September 30, 2021(1)	Six months ended September 30, 2020(1)
Revenue	43,509	22,885
Loss before income taxes	(36,758)	(47,288)
Net loss	(39,356)	(46,889)

(1) Amounts for the six months ended September 30, 2021 and 2020 were translated into US$ using the average exchange rates of $1 U.S. dollar = 73.92 Indian rupees and $1 U.S. dollar = 75.11 Indian rupees prevailing during those periods.

The increase in revenue is primarily a result of an increase in passenger traffic, spend per passenger and cargo volumes, as described in the Key Business Drivers, Events and Risks. Loss before income taxes and net loss decreased primarily as a result of the increase in the revenue as noted above, partially offset by an increase in depreciation and interest expense recognized as a result of the capitalization of expansion projects and increased borrowings.

Investment in Sanmar Chemicals Group

Business Overview

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

Sanmar's principal lines of business are as follows:

Chemplast Sanmar Limited ("Chemplast")

Beginning as Chemicals and Plastics India Limited in 1962, Chemplast is currently the largest specialty PVC manufacturer in India, with the top two players capturing all of India's domestic manufacturing capacity. A significant portion of Chemplast's revenues are derived from integrated operations. Chemplast's product range falls into six distinct groups: specialty PVC resins, caustic soda, chloromethanes, refrigerant gases, hydrogen peroxide, and Chemplast's Specialty Chemicals (as described below). PVC is primarily used in shoes, flooring and cable industries. Caustic soda is primarily used in the manufacturing of paper and pulp, textiles, alumina, petroleum products, soaps and detergents, and is also the basic feedstock for various chemicals. Chloromethanes are primarily used in pharmaceutical sectors. The majority of Chemplast's revenues are generated through direct sales to end customers. Chemplast is listed on both the BSE and NSE of India.

Chemplast's Specialty Chemicals ("Speciality Chemicals") business is primarily engaged in the custom manufacturing and marketing of starting materials and intermediates for pharmaceutical, agro-chemical, and fine chemical sectors.

Chemplast Cuddalore Vinyls Limited ("CCVL") is currently the second largest suspension PVC manufacturer in India. Suspension PVC is primarily used in pipes and fittings, window and door profiles. The majority of CCVL's revenues are generated through direct sales to end customers.

TCI Sanmar Chemicals S.A.E. ("Sanmar Egypt")

Sanmar Egypt is the largest Indian investor in Egypt's chemical business and the largest caustic soda, calcium chloride and PVC manufacturer in Egypt. Sanmar invested approximately $1.2 billion during Phase 1 of its Egypt project and has created world-class manufacturing facilities for caustic soda and PVC in Port Said, Egypt. Phase 1 projects were completed in April 2012 at which time PVC production commenced. In September 2018 Phase 2 expansion projects were completed with Sanmar investing an additional $280 million, for an aggregate investment of approximately $1.5 billion. A new calcium chloride facility was also commissioned upon completion of the Phase 2 PVC projects. Calcium chloride granules are used worldwide for dust control, de-icing, drilling operations and as a food additive. Sanmar Egypt sells directly to end customers and also through distributors. PVC is mainly sold in key target markets like Egypt, Turkey and parts of western Europe.

Additional information can be accessed from Sanmar's website www.sanmargroup.com.

Transaction Description

During 2016 and 2019 Fairfax India invested aggregate cash consideration of $199,039 (approximately 14.2 billion Indian rupees) for a 42.9% equity interest in Sanmar.

At December 31, 2021 the company had appointed one of the four Sanmar board members.

Key Business Drivers, Events and Risks

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

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

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

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

On August 24, 2021 Chemplast completed an IPO, issuing 24,029,574 common shares to the public for proceeds of approximately $175 million (13.0 billion Indian rupees). The IPO also included a secondary offering, whereby Sanmar sold 47,134,935 common shares of Chemplast to the public for proceeds of approximately $344 million (25.5 billion Indian rupees). As a result of the IPO, Sanmar's ownership interest in Chemplast was diluted from

100.0% to 55.0%. The proceeds from the IPO were used to repay Chemplast's debt and Sanmar's holding company debt. Following the listing of Chemplast shares the share price increased by 2.1% from the IPO price of 541.00 Indian rupees per share to 552.50 Indian rupees per share at December 31, 2021.

COVID-19 Impact

The COVID-19 pandemic resulted in a temporary closure of Sanmar's plants in India due to India's lockdown in 2020. The Sanmar plant in Egypt was temporarily closed on March 18, 2020 and re-opened on April 3, 2020. The operations at the suspension PVC plant in India were constrained until May 15, 2020. The remaining plants in India, including the specialty PVC plant, gradually re-opened in May 2020. Specialty Chemicals has not been significantly impacted by the COVID-19 pandemic. Since the second quarter of Sanmar's fiscal year 2021, demand increased for PVC, chloromethanes and caustic soda, and global PVC supply tightened resulting in a swift recovery of suspension and specialty PVC prices, contributing to improved sales volume and margins.

Valuation and Consolidated Financial Statement Impact

At December 31, 2021 the company's internal valuation model indicated that the fair value of the company's investment in Sanmar was $421,153 (December 31, 2020 – $338,621) with the changes in fair value in 2021 and 2020 presented in the tables at the outset of the Indian Investments section of this MD&A. For further details, refer to note 5 (Indian Investments) to the consolidated financial statements for the year ended December 31, 2021.

Sanmar's Summarized Financial Information

Sanmar's fiscal year ends on March 31. Summarized below are Sanmar's balance sheets at September 30, 2021 and March 31, 2021.

Balance Sheets
(unaudited – US$ thousands)

	September 30, 2021(1)	March 31, 2021(1)
Current assets	417,608	258,408
Non-current assets	1,748,947	1,758,517
Current liabilities	758,546	655,819
Non-current liabilities	1,010,178	1,522,588
Shareholders' equity (deficit)	397,831	(161,482)

(1) *The net assets of Sanmar were translated at September 30, 2021 at $1 U.S. dollar = 74.23 Indian rupees and at March 31, 2021 at $1 U.S. dollar = 73.11 Indian rupees. The exchange rates used were the spot rates prevailing on those respective dates.*

Current assets increased primarily due to increased quantity and cost of inventories, cash and cash equivalents, and other financial assets. 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 six months ended September 30, 2021. Current liabilities increased primarily due to increased tax provisions related to the sale of a minority interest in Chemplast and increased trade payables as a result of higher inventory prices. Non-current liabilities decreased primarily as a result of reduced borrowings due to repayment of term loans and the debt restructuring at Sanmar Egypt as described in the Key Business Drivers, Events and Risks section.

Summarized below are Sanmar's statements of earnings (loss) for the six months ended September 30, 2021 and 2020.

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

	Six months ended September 30, 2021(1)	Six months ended September 30, 2020(1)
Revenue	624,209	307,481
Earnings (loss) before income taxes	15,585	(52,827)
Net earnings (loss)	7,955	(58,019)

(1) *Amounts for the six months ended September 30, 2021 and 2020 were translated into US$ using the average exchange rates of $1 U.S. dollar = 73.92 Indian rupees and $1 U.S. dollar = 75.11 Indian rupees prevailing during those periods.*

Revenue increased primarily due to increased demand for PVC and caustic soda leading to increased sales volume and prices. Furthermore, increased demand in the pharmaceutical industry also resulted in increased sales volume and prices for chloromethanes. Earnings before income taxes and net earnings for the six months ended September 30, 2021 compared to loss before income taxes and net loss for the six months ended September 30, 2020 primarily reflecting increased revenue as noted above and lower interest costs due to reduced borrowings, partially offset by increased power costs and other expenses due to sales volume increases.

Investment in Seven Islands Shipping Limited

Business Overview

Seven Islands Shipping Limited ("Seven Islands"), a private company located in Mumbai, India, is the second largest private sector tanker shipping company in India and transports liquid and gas cargo along the Indian coast as well as in international waters. At December 31, 2021 Seven Islands owned 23 vessels, including 2 gas carriers, with a total deadweight capacity of approximately 1.3 million metric tons. Its vessels are registered in India and operate as Indian owned and flagged vessels.

Additional information can be accessed from Seven Islands' website www.sishipping.com.

Transaction Description

During 2019 Fairfax India invested aggregate cash consideration of $83,846 (approximately 5.8 billion Indian rupees) for a 48.5% equity interest in Seven Islands.

At December 31, 2021 the company had appointed one of the six Seven Islands board members.

Key Business Drivers, Events and Risks

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

Global oil demand continued to recover in 2021 following the decline in the prior year. OPEC estimated that demand would exceed pre-pandemic levels in 2022, led by growth in the United States, China and India. Additionally, the global production cuts introduced in the prior year have contributed to a significant rise in oil prices due to an imbalance in supply against the recovery in demand. The tanker market is expected to benefit as oil trade trends are stabilized and lockdown measures are eased.

During 2021, Seven Islands acquired its first two gas carrier vessels, marking its venture into the gas seaborne logistics business to tap into the growing demand for liquefied petroleum gas imports in India.

Seven Islands' revenues are denominated in U.S. dollars, whereas a majority of expenses incurred are denominated in the Indian rupee. Seven Islands is also exposed to the 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.

COVID-19 Impact

Seven Islands continued to operate as transportation of goods is considered an essential service under India's lockdown guidelines. Seven Islands has reasonable safeguards against loss of business in the short term arising from the imbalance in the oil markets since the majority of its revenue contracts are on time charter which range between six months to three years.

Valuation and Consolidated Financial Statement Impact

At December 31, 2021 the company's internal valuation model indicated that the fair value of the company's investment in Seven Islands was $105,926 (December 31, 2020 – $103,543) with the changes in fair value in 2021 and 2020 presented in the tables at the outset of the Indian Investments section of this MD&A. For further details, refer to note 5 (Indian Investments) to the consolidated financial statements for the year ended December 31, 2021.

Investment in National Commodities Management Services Limited

Business Overview

National Commodities Management Services Limited ("NCML") (formerly National Collateral Management Services Limited), a private company located in Gurugram, India, is a leading integrated agriculture value chain solutions company, and offers end-to-end solutions in grain procurement, storage and preservation, testing and certification, collateral management, and commodity and weather intelligence. NCML was promoted by a consortium of banks, cooperatives and the National Commodity and Derivatives Exchange Limited ("NCDEX") in 2004 as a warehousing and collateral management company to support commodity trading on NCDEX and has since evolved into a significant player in India.

NCML's principal lines of business are as follows:

Commodity Management Solutions and Collateral Management

The commodity management solutions business is primarily comprised of NCML's warehousing and supply chain management businesses, alongside adjacent services such as testing and certification, commodity and weather intelligence, and logistics services. NCML's warehousing business is a market leader in India and comprised of over 1.9 million metric tons of storage capacity across approximately 700 leased, owned, and franchised warehouses throughout 16 states in India. The supply chain management line of business provides end-to-end procurement and trading and disposal services, throughout the entire post-harvest agriculture value chain. NCML's clients include bulk consumers, large end users, aggregators and farmers. NCML's collateral management business manages capacity of over 1.9 million metric tons, has assets under management of approximately $0.3 billion (approximately 25 billion Indian rupees) and a market share of approximately 20%.

Non-banking Financial Company

NCML Finance Private Ltd ("NFin"), NCML's wholly-owned subsidiary, is an RBI registered NBFC with a focus on rural and agri-business financing. NFin provides a seamless facility for NCML's customers to receive post-harvest financing.

NFin initially started its operations in 2016 by offering loans secured by warehouse receipts for commodities kept in the custody of NCML to bulk consumers, farmer producer organizations and aggregators.

Silo Projects

The Food Corporation of India ("FCI") is a government agency responsible for procurement and distribution of food grains throughout India. The majority of commodity storage in India is in facilities owned or leased directly by the government with only about 10% stored in organized private warehouses owned by companies that provide warehousing, storage and preservation services similar to NCML. The Government of India reviewed the process of acquiring, storing and distributing food grains resulting in a new distribution model focused on a public-private partnership. There are a few large national players (similar to NCML) which own and/or run high quality infrastructure and provide diverse ancillary services to warehousing customers who have the potential to benefit from changes in the industry.

In 2016 the FCI called for bids for building 27 additional silos with an estimated combined grain storage capacity of 1.35 million metric tons to be located in the states of Punjab, Haryana, Uttar Pradesh, West Bengal, Bihar and Gujarat. During 2017 to 2018, NCML was awarded with 30 year concession agreements to build a total of 16 silo projects with combined capacity of 800,000 metric tons. In 2020, NCML and FCI, mutually agreed to terminate the building of 3 silos due to unavailability of land with the specified requirements, bringing total capacity for all 13 silo projects to 650,000 metric tons.

The silo projects are comprised of 11 silos that will be constructed under a design, build, finance, own and operate model and 2 silos that will be constructed under a design, build, finance, operate and transfer model, with all 13 silos being constructed for the exclusive use by the FCI.

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

Transaction Description

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

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. The company has the option to convert the NCML CCD into common shares of NCML at any time prior to the maturity date, at which time the conversion is compulsory, at a conversion price of 68.00 Indian rupees per common share.

At December 31, 2021 the company had appointed two of the five NCML board members.

Key Business Drivers, Events and Risks

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

According to the Government of India's most recent estimates, food grain production in India increased by approximately 3.7% during the 2020-21 crop year (July 2020 to June 2021), representing a market of approximately 309 million metric tons of food grains. NCML's commodity management solutions business currently services approximately 1.9 million metric tons of food grain volume each year and continuously seeks opportunities to increase its utilization within the sizeable market by participating in government assignments and securing deposits from multinational corporations in both the food and non-food grain sector.

Two of the silo projects successfully achieved commercial operations during 2021 and began to generate revenue. The remaining silo projects are expected to be substantially completed throughout 2022 to 2023.

COVID-19 Impact

During 2021 NCML's commodity management solutions and NBFC businesses continued to operate at reduced capacities. The reduced capacities were primarily attributable to an overall decrease in volume of commodity deposits and restrictions affecting inflows during year, combined with a conscious effort to reduce exposure across its lending and collateral management businesses.

As lockdown restrictions relating to movement of goods and labour were eased, NCML observed gradual recovery in demand across its business lines, however sales volume remained below pre-pandemic levels due to decreased funding as a result of the tightened credit environment. To manage working capital, NCML has focused on risk mitigation controls and protocols and primarily serving existing clients. Silo construction also experienced delays due to restrictions on the movement of goods and labour and incremental safety protocols enforced by NCML management.

NCML has been managing its liquidity requirements through utilization of its current credit lines and prudent working capital management. Additional capital may also be released through the sale of excess land parcels and the scaling down of businesses with less favourable risk-reward characteristics.

Valuation and Consolidated Financial Statement Impact

NCML Common Shares

At December 31, 2021 the company's internal valuation model indicated that the fair value of the company's equity investment in NCML was $69,578 (December 31, 2020 – $86,216) with the changes in fair value in 2021 and 2020 presented in the tables at the outset of the Indian Investments section of this MD&A. For further details, refer to note 5 (Indian Investments) to the consolidated financial statements for the year ended December 31, 2021.

NCML Compulsorily Convertible Debentures

At December 31, 2021 the fair value of the company's investment in NCML CCD was $14,630 (December 31, 2020 – $14,884) with the changes in fair value in 2021 and 2020 presented within Other Indian Fixed Income in the tables at the outset of the Indian Investments section of this MD&A.

NCML's Summarized Financial Information

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

Balance Sheets
(unaudited – US$ thousands)

	December 31, 2021(1)	March 31, 2021(1)
Current assets	49,192	60,391
Non-current assets	138,799	137,664
Current liabilities	33,854	34,360
Non-current liabilities	75,039	73,490
Shareholders' equity	79,098	90,205

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

Current assets decreased primarily reflecting decreased trade receivables in line with reduced business volumes and decreased advances made by NCML's NBFC due to the tighter credit environment in India. Non-current assets increased principally due to continued construction of silo projects and additions to right of use assets. Current liabilities in U.S. dollars decreased primarily due to the weakening of the Indian rupee relative to the U.S. dollar during the nine months ended December 31, 2021, partially offset by increased interest payable on the NCML CCD. Non-current liabilities increased primarily due to loan proceeds received in connection with silo project milestones and increased right of use lease liabilities.

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

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

	Nine months ended December 31, 2021(1)	Nine months ended December 31, 2020(1)
Revenue	26,301	52,207
Loss before income taxes	(9,198)	(10,460)
Net loss	(9,211)	(7,527)

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

Revenue decreased primarily reflecting reduced business volumes in the supply chain management business, consistent with NCML management's strategy to reduce financing exposure and focus on specific customer segments in response to the tightened credit environment. The above was partially offset by incremental revenue from recently operating silos as well as NCML's new logistics services line of business. Loss before income taxes and net loss for the nine months ended December 31, 2021 was impacted by decreased revenues as noted above and accounting loss provisions recorded in the current period relating to insurance claim receivables which will be recorded as gains in future periods if received. Loss before income taxes and net loss for the nine months ended December 31, 2020 was impacted by losses incurred in connection with withdrawal from three silo projects, partially offset by a recovery of income taxes.

Investment in Saurashtra Freight Private Limited

Business Overview

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

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

Transaction Description

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

At December 31, 2021 the company had appointed one of the three Saurashtra board members.

Key Business Drivers, Events and Risks

Saurashtra measures the operating performance of its CFS business based on the utilization of its standard twenty-foot (shipping container) equivalent units ("TEUs") relative to total installed capacity, and total import and export container traffic in the market. In 2021 Saurashtra handled 119,529 TEUs compared to annual installed capacity of 188,600 TEUs, implying a capacity utilization of approximately 63% (2020 – 97,155 TEUs compared to annual installed capacity of 180,000, implying a capacity utilization of approximately 54%). At December 31, 2021 Saurashtra had the highest market share of imports at approximately 16% and second highest market share in exports at approximately 12% at Mundra port in India. Saurashtra remains the largest CFS at that port in terms of total throughput achieved with a 15% market share for the quarter ended December 31, 2021.

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

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

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

COVID-19 Impact

Saurashtra's businesses continued to operate as transportation of goods was considered an essential service under India's lockdown guidelines.

Valuation and Consolidated Financial Statement Impact

At December 31, 2021 the company's internal valuation model indicated that the fair value of the company's investment in Saurashtra was $47,157 (December 31, 2020 – $32,812) with the changes in fair value in 2021 and 2020 presented in the tables at the outset of the Indian Investments section of this MD&A. For further details, refer to note 5 (Indian Investments) to the consolidated financial statements for the year ended December 31, 2021.

In 2021 the consolidated statements of earnings (loss) included dividend income earned from the company's investment in Saurashtra of $1,317 (2020 – nil).

Investment in Maxop Engineering Company Private Limited

Business Overview

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

Additional information can be accessed from Maxop's website www.maxop.com.

Transaction Description

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

In the second transaction, the company shall invest an amount between approximately $9 million and $36 million based on period end exchange rates (700 million Indian rupees and 2.7 billion Indian rupees, respectively) for an additional 16.0% equity interest. The final purchase price for the second transaction will be determined based on the achievement of certain financial-based performance targets by Maxop. The second transaction is expected to close in the second half of 2022, subject to customary closing conditions.

At December 31, 2021 the company had appointed one of the two Maxop board members. Maxop expects to have a total of four board seats.

Key Business Drivers, Events and Risks

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

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

COVID-19 Impact

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

Valuation and Consolidated Financial Statement Impact

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

Investment in National Stock Exchange of India Limited

Business Overview

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

Additional information can be accessed from NSE's website www.nseindia.com.

Transaction Description

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

At December 31, 2021 the company did not have any representation on the board of NSE.

Key Business Drivers, Events and Risks

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

NSE will undertake to complete an IPO sometime in 2022 or 2023 depending on the outcome of the Securities Appellate Tribunal ("SAT") ruling, previously disclosed. NSE will also seek to file for an overseas listing subsequent to closing of the IPO. NSE has appointed Citibank, JM Financial, Kotak Mahindra and Morgan Stanley as lead investment banks to manage the IPO.

COVID-19 Impact

NSE continued to operate as financial services are considered essential services under India's lockdown guidelines.

Valuation and Consolidated Financial Statement Impact

At December 31, 2021 the company estimated the fair value of its investment in NSE was $111,216 (December 31, 2020 – $72,617) with the changes in fair value in 2021 and 2020 presented in the tables at the outset of the Indian Investments section of this MD&A. For further details, refer to note 5 (Indian Investments) to the consolidated financial statements for the year ended December 31, 2021.

In 2021 the consolidated statements of earnings (loss) included dividend income earned from the investment in NSE of $1,685 (2020 – $743).

Investment in India Housing Fund

Business Overview

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

At December 31, 2021 IH Fund had invested approximately $203 million at period end exchange rates (approximately 15 billion Indian rupees) in 11 real estate sector investments.

Transaction Description

During 2019 and 2020, Fairfax India had invested aggregate cash consideration of $24,399 (approximately 1.7 billion Indian rupees) in IH Fund.

At December 31, 2021 the company had appointed one of the five members of IH Fund's Investment Committee.

Key Business Drivers, Events and Risks

The Indian real estate sector is a key growth driver of the country's economy and is the second-highest employment generator in India. 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.

COVID-19 Impact

The Indian real estate industry has experienced a slowdown as a result of the unavailability of labour for construction, reduced sales inquiries, tightened liquidity, and delays in project approvals from regulatory authorities and government offices. While there may be certain real estate project delays within investee companies impacting cash flows, IH Fund has sufficient capital in place to withstand these pressures.

Valuation and Consolidated Financial Statement Impact

At December 31, 2021 the company estimated the fair value of its investment in IH Fund was $23,613 (December 31, 2020 – $25,354) with the changes in fair value in 2021 and 2020 presented in the tables at the outset of the Indian Investments section of this MD&A. For further details, refer to note 5 (Indian Investments) to the consolidated financial statements for the year ended December 31, 2021.

In 2021 the consolidated statements of earnings (loss) included dividend income earned from the investment in IH Fund of $1,267 (2020 – $500).

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.

Subsequent to December 31, 2021

Pursuant to an agreement entered into on January 26, 2022, the company completed the purchase of a 70.0% equity interest in Jaynix for $32,504 (approximately 2.5 billion Indian rupees) on February 11, 2022.

Results of Operations

Fairfax India's consolidated statements of earnings (loss) for the years ended December 31, 2021, 2020 and 2019 are shown in the following table:

	2021	2020	2019
Income			
Interest	5,500	6,013	4,859
Dividends	27,468	16,449	10,141
Net realized gains on investments	227,193	5,372	181,123
Net change in unrealized gains (losses) on investments	438,935	(26,618)	530,372
Net foreign exchange losses	(5,557)	(14,188)	(13,806)
	693,539	(12,972)	712,689
Expenses			
Investment and advisory fees	40,775	33,922	27,473
Performance fee (recovery)	85,193	(41,991)	48,514
General and administration expenses	5,526	4,233	5,300
Interest expense	28,515	29,844	38,781
	160,009	26,008	120,068
Earnings (loss) before income taxes	533,530	(38,980)	592,621
Provision for income taxes	39,030	2,496	76,283
Net earnings (loss)	494,500	(41,476)	516,338
Attributable to:			
Shareholders of Fairfax India	494,514	(41,476)	516,338
Non-controlling interests	(14)	–	–
	494,500	(41,476)	516,338
Net earnings (loss) per share	$ 3.38	$ (0.27)	$ 3.38
Net earnings (loss) per diluted share	$ 3.22	$ (0.27)	$ 3.30

Total income of $693,539 in 2021 compared to total loss from income of $12,972 in 2020 principally due to net change in unrealized gains on investments (discussed below), increased net realized gains on investments primarily arising from sales of the company's investments in Privi Speciality ($132,303), Other Public Indian Investments ($58,944) and Fairchem Organics ($33,558), increased dividend income and decreased net foreign exchange losses, partially offset by decreased interest income. In 2021, the net change in unrealized gains on investments of $438,935 was principally comprised of unrealized gains on the company's investments in IIFL Finance ($189,963), Fairchem Organics ($96,381), Sanmar ($88,806), IIFL Wealth ($66,625), IIFL Securities ($48,836), NSE ($40,062), CSB Bank ($17,060), Saurashtra ($14,988) and 5paisa ($10,477), partially offset by unrealized losses on the company's investments in NCML common shares ($15,253) and the reversal of prior period unrealized gains arising from sales of the company's investments in Privi Speciality ($105,082), Other Public Indian Investments ($30,297) and Fairchem Organics ($5,346). In 2020, the net change in unrealized losses on investments of $26,618 was principally comprised of unrealized losses on the company's investments in Sanmar ($63,844), NCML common shares ($31,277), IIFL Finance ($30,262), IIFL Wealth ($20,058) and CSB Bank ($9,484), partially offset by unrealized gains on the company's investments in Privi Speciality ($48,732), Fairchem Organics ($18,808), Seven Islands ($16,558), NSE ($16,493), 5paisa ($9,889) and IIFL Securities ($7,823). Interest income of $5,500 in 2021 decreased from $6,013 in 2020 principally as a result of decreased interest income from Indian corporate bonds held during 2020. Dividend income of $27,468 in 2021 principally related to dividends received from the company's investments in IIFL Wealth, Other Public Indian Investments, IIFL Finance, NSE, Saurashtra, IH Fund and IIFL Securities. Dividend income of $16,449 in 2020 principally related to dividends received from the company's investments in IIFL Wealth, IIFL Finance, IIFL Securities, Other Public Indian Investments, NSE and IH Fund.

Net gains (losses) on investments and net foreign exchange gains (losses) in 2021 and 2020 were comprised as follows:

	2021			2020		
	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	–	(5)	(5)	–	–	–
Bonds	128	(1,109)	(981)	1,590	1,231	2,821
Common stocks	222,218(1)	440,049(1)	662,267	3,782(1)	(27,849)(1)	(24,067)
Derivatives	4,847(1)	–	4,847	–	–	–
	227,193	438,935	666,128	5,372	(26,618)	(21,246)
Net foreign exchange gains (losses) on:						
Cash and cash equivalents	2,113	–	2,113	(514)	–	(514)
Borrowings	(36,032)(2)	26,847(2)	(9,185)	–	(12,521)(2)	(12,521)
Other	1,515	–	1,515	(1,153)	–	(1,153)
	(32,404)	26,847	(5,557)	(1,667)	(12,521)	(14,188)

(1) Refer to the Indian Investments section of this MD&A for a summary of changes in the fair value of the company's Public and Private Indian Investments during 2021 and 2020.

(2) In 2021 net realized foreign exchange loss of $36,032 related to the extinguishment of the Secured Term Loan. The net change in unrealized gain of $26,847 was primarily comprised of the reversal of unrealized foreign exchange losses in prior years of $32,546 on the extinguishment of the Secured Term Loan, partially offset by unrealized foreign exchange losses of $5,699 primarily related to the new Unsecured Senior Notes issued in February 2021. In 2020 unrealized foreign exchange loss on borrowings related to the Secured Term Loan.

Total expenses of $26,008 in 2020 increased to $160,009 in 2021 principally as a result of increased performance and investment and advisory fees principally reflecting the increased fair value of Indian Investments, increased general and administration expenses primarily due to increased brokerage fees and stamp duties on transactions completed in 2021, partially offset by decreased interest expense.

The investment and advisory fees are calculated and payable quarterly as 0.5% of the value of undeployed capital and 1.5% of the company's common shareholders' equity less the value of undeployed capital. In 2021 the investment and advisory fees recorded in the consolidated statements of earnings were $40,775 (2020 – $33,922).

At December 31, 2021 the company recorded a performance fee accrual of $84,716 related to the third calculation period (December 31, 2020 – $5,217 performance fee payable related to the second calculation period). In 2021 a performance fee of $85,193 was recorded in the consolidated statements of earnings (loss) (2020 – a net performance fee recovery of $41,991, primarily representing the partial reversal of the performance fee accrual at December 31, 2019). Refer to note 12 (Related Party Transactions) of the consolidated financial statements for the year ended December 31, 2021 for additional discussion on the performance fee accrual at December 31, 2021.

The provision for income taxes of $39,030 in 2021 differed from the provision for income taxes that would be determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's earnings before income taxes primarily as a result of the tax rate differential on income earned outside of Canada, partially offset by the change in unrecorded tax benefit of losses and temporary differences, and foreign exchange fluctuations.

The provision for income taxes of $2,496 in 2020 differed from the recovery of income taxes that would be determined by applying the company's Canadian statutory income tax rate of 26.5% to the company's loss before income taxes primarily as a result of the change in unrecorded tax benefit of losses and temporary differences, the tax rate differential on income earned outside of Canada, and foreign exchange fluctuations.

The company reported net earnings attributable to shareholders of $494,514 (net earnings of $3.38 per basic share and $3.22 per diluted share) in 2021 compared to a net loss attributable to shareholders of $41,476 (a net loss of $0.27 per basic and diluted share) in 2020. The year-over-year increase in profitability primarily reflected the net change in unrealized gains on investments in 2021 compared to net change in unrealized losses on investments in 2020, increased net realized gains on investments, increased dividend income and decreased foreign exchange losses, partially offset by a performance fee recorded in 2021 compared to a net performance fee recovery in 2020, and increased provision for income taxes and investment and advisory fees.

Consolidated Balance Sheet Summary

The assets and liabilities reflected on the company's consolidated balance sheet at December 31, 2021 were primarily impacted by the net change in unrealized gains on investments resulting in the accrual of performance fees and provision for deferred income taxes, purchases and sales of investments, the sale of subsidiary shares to non-controlling interests, purchases of subordinate voting shares for cancellation, net repayment of borrowings, and unrealized foreign currency translation losses.

Total Assets

Total assets at December 31, 2021 of $3,584,346 (December 31, 2020 – $3,072,998) were principally comprised as follows:

Total cash and investments increased from $3,066,020 at December 31, 2020 to $3,576,708 at December 31, 2021. The company's total cash and investments composition by the issuer's country of domicile was as follows:

	December 31, 2021				December 31, 2020			
	India	Canada	Other	Total	India	Canada	Other	Total
Cash and cash equivalents	4,465	17,346	8,565	30,376	1,959	16,577	3,521	22,057
Restricted cash	–	–	–	–	267	16,048	–	16,315
Short term investments	6,151	–	–	6,151	–	–	–	–
Bonds:								
Government of India	192,385	–	–	192,385	20,989	–	–	20,989
Other Indian Fixed Income	22,083	–	–	22,083	14,884	–	–	14,884
	214,468	–	–	214,468	35,873	–	–	35,873
Common stocks:								
IIFL Finance	318,136	–	–	318,136	131,478	–	–	131,478
IIFL Wealth	230,111	–	–	230,111	166,702	–	–	166,702
IIFL Securities	103,217	–	–	103,217	55,603	–	–	55,603
CSB Bank	227,649	–	–	227,649	214,341	–	–	214,341
Privi Speciality	79	–	–	79	138,413	–	–	138,413
Fairchem Organics	155,020	–	–	155,020	54,566	–	–	54,566
5paisa	41,232	–	–	41,232	27,788	–	–	27,788
Other	69,612	–	–	69,612	147,604	–	–	147,604
BIAL	1,372,170	–	–	1,372,170	1,396,117	–	–	1,396,117
Sanmar	421,153	–	–	421,153	338,621	–	–	338,621
Seven Islands	105,926	–	–	105,926	103,543	–	–	103,543
NCML	69,578	–	–	69,578	86,216	–	–	86,216
Saurashtra	47,157	–	–	47,157	32,812	–	–	32,812
Maxop	29,844	–	–	29,844	–	–	–	–
NSE	111,216	–	–	111,216	72,617	–	–	72,617
IH Fund	23,613	–	–	23,613	25,354	–	–	25,354
	3,325,713	–	–	3,325,713	2,991,775	–	–	2,991,775
Total cash and investments	3,550,797	17,346	8,565	3,576,708	3,029,874	32,625	3,521	3,066,020

Cash and cash equivalents increased from $22,057 at December 31, 2020 to $30,376 at December 31, 2021 principally due to net proceeds received from the sale of subsidiary shares to non-controlling interests and net sales of investments, and the release of the company's debt service reserve account which was previously held to fund term loan interest payments, partially offset by purchases of subordinate voting shares for cancellation and net repayments of borrowings.

Restricted cash decreased to nil at December 31, 2021 from $16,315 at December 31, 2020 primarily due to the release of the company's debt service reserve account as discussed above.

Short term investments of $6,151 at December 31, 2021 (December 31, 2020 – nil) related to the reinvestment of a portion of the net proceeds from the sale of Other Public Indian Investments into Government of India 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 $3,576,708 at December 31, 2021 (December 31, 2020 – $3,066,020) see note 6 (Cash and Investments) of the consolidated financial statements for the year ended December 31, 2021.

Interest and dividends receivable increased from $1,911 at December 31, 2020 to $5,339 at December 31, 2021 primarily reflecting increased interest receivable from Other Indian Fixed Income securities and Government of India bonds and increased dividends receivable from Other Public Indian Investments.

Income taxes refundable decreased to $1,056 at December 31, 2021 from $2,803 at December 31, 2020, primarily due to the receipt of a corporate income tax refund during 2021.

Other assets decreased to $1,243 at December 31, 2021 from $2,264 at December 31, 2020, primarily due to the release of prepaid interest expense of $2,027 related to borrowings during 2021, partially offset by unamortized upfront costs related to the Revolving Credit Facility.

Total Liabilities and Equity

Total liabilities at December 31, 2021 of $681,912 (December 31, 2020 – $626,064) were principally comprised as follows:

Accrued interest expense of $8,611 at December 31, 2021 (December 31, 2020 – nil) was principally comprised of accrued interest expense for the Unsecured Senior Notes.

Payable to related parties increased from $14,428 at December 31, 2020 to $95,002 at December 31, 2021 principally as a result of a performance fee accrual of $84,716 (relating to the third calculation period ending on December 31, 2023) to Fairfax, partially offset by the settlement of the performance fee payable at December 31, 2020 of $5,217 (relating to the second calculation period ending on December 31, 2020).

Deferred income taxes increased from $63,477 at December 31, 2020 to $80,648 at December 31, 2021 primarily as a result of a provision for deferred income taxes primarily attributable to unrealized gains on Fairchem Organics, IIFL Wealth, IIFL Securities, CSB Bank, Saurashtra, and 5paisa, partially offset by a reversal of prior period deferred taxes realized on the company's investment in BIAL and Other Public Indian Investments.

Borrowings decreased to $496,785 at December 31, 2021 from $547,228 at December 31, 2020. At December 31, 2021 borrowings comprised of the Unsecured Senior Notes net of unamortized issuance costs (December 31, 2020 – comprised of the Secured Term Loan net of unamortized issuance costs). Refer to note 7 (Borrowings) to the consolidated financial statements for the year ended December 31, 2021.

Total equity at December 31, 2021 of $2,902,434 (December 31, 2020 – $2,446,934) was comprised of common shareholders' equity of $2,774,792 (December 31, 2020 – $2,446,934) and non-controlling interests of $127,642 (December 31, 2020 – nil). Non-controlling interests at December 31, 2021 primarily related to the sale of an 11.5% minority interest (on a fully-diluted basis) in Anchorage during 2021. Refer to note 8 (Total Equity, under the heading Non-controlling interests) to the consolidated financial statements for the year ended December 31, 2021.

Comparison of 2020 to 2019 – Total assets of $3,072,998 at December 31, 2020 (December 31, 2019 – $3,244,937) and total liabilities of $626,064 at December 31, 2020 (December 31, 2019 – $667,086) were primarily impacted by unrealized foreign currency translation losses and net unrealized losses on investments, which resulted in a net recovery of previously accrued performance fees. In addition, during 2020 the company had purchases of subordinate voting shares for cancellation, net sales of Government of India and Indian corporate bonds, and additional investments in Other Public Indian Investments and IH Fund.

Financial Risk Management

The primary goals of the company's financial risk management program are to ensure that the outcomes of activities involving elements of risk are consistent with the company's objectives and risk tolerance, while maintaining an appropriate balance between risk and reward and protecting the company's consolidated balance sheets from events that have the potential to materially impair its financial strength. There were no significant changes in the types of the company's risk exposures or the process used by the company for managing those risk exposures at December 31, 2021 compared to those identified at December 31, 2020, other than as outlined in note 11 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2021.

Capital Resources and Management

The company's objectives when managing capital are to protect its lenders, to safeguard its ability to continue as a going concern, and to maintain an optimal capital structure to reduce the cost of capital in order to optimize returns for common shareholders. The company will seek attractive risk-adjusted returns, but will at all times seek downside protection and attempt to minimize the loss of capital. Total capital (comprised of borrowings, common shareholders' equity and non-controlling interests) increased from $2,994,162 at December 31, 2020 to $3,399,219 at December 31, 2021 principally reflecting an increase in common shareholders' equity and non-controlling interests, partially offset by net repayments of borrowings, as described below.

Common shareholders' equity increased from $2,446,934 at December 31, 2020 to $2,774,792 at December 31, 2021 primarily reflecting net earnings attributable to shareholders of Fairfax India of $494,514 and the issuance of subordinate voting shares to Fairfax to settle the December 31, 2020 performance fee payable of $5,217, partially offset by purchases of subordinate voting shares for cancellation of $126,869 and unrealized foreign currency translation losses attributable to shareholders of Fairfax India of $44,842 in 2021.

Non-controlling interests of $127,642 at December 31, 2021 (December 31, 2020 – nil) primarily reflected the sale of an 11.5% minority interest in Anchorage to OMERS, resulting in the recognition of non-controlling interests of $129,076, partially offset by unrealized foreign currency translation losses attributable to non-controlling interests of $1,420 in 2021.

On February 26, 2021 the company completed an offering of $500,000 principal amount of 5.0% unsecured senior notes due February 26, 2028. On March 1, 2021 the company used the net proceeds from the offering and cash to repay $500,000 of its Secured Term Loan. On May 11, 2021 the company used a portion of the proceeds received from the sale of Privi Speciality common shares to repay the remaining $50,000 term loan principal.

On February 19, 2021 the company was assigned an issuer credit rating of BBB (low) by DBRS Morningstar.

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

Book Value per Share

Common shareholders' equity at December 31, 2021 was $2,774,792 (December 31, 2020 – $2,446,934). The book value per share at December 31, 2021 was $19.65 compared to $16.37 at December 31, 2020 representing an increase in 2021 of 20.0%, primarily reflecting net earnings attributable to shareholders of Fairfax India of $494,514 (primarily related to net change in unrealized gains and net realized gains on investments and dividend income, partially offset by performance fees, investment and advisory fees, provision for income taxes, and interest expense), partially offset by unrealized foreign currency translation losses attributable to shareholders of Fairfax India of $44,842. In addition, the company purchased for cancellation 8,781,482 subordinate voting shares during 2021 for a net cost of $126,869 ($14.45 per subordinate voting share) through its normal course issuer bid and substantial issuer bid which resulted in a further increase in book value per share.

The table below presents the book value per share and book value per share before cumulative performance fees for the period from the company's IPO date of January 30, 2015 to December 31, 2021, and the annual growth rate and the compound annual growth rate in book value per share and book value per share before cumulative performance fees.

	Book value per share	Annual growth in book value per share	Book value per share before cumulative performance fees	Annual growth in book value per share before cumulative performance fees
January 30, 2015(1)	$10.00	–	$10.00	–
December 31, 2015	$ 9.50	(5.0)%	$ 9.50	(5.0)%
December 31, 2016	$10.25	7.9%	$10.25	7.9%
December 31, 2017	$14.46	41.1%	$15.24	48.7%
December 31, 2018	$13.86	(4.1)%	$14.59	(4.3)%
December 31, 2019	$16.89	21.9%	$18.11	24.1%
December 31, 2020	$16.37	(3.1)%	$17.29	(4.5)%
December 31, 2021	$19.65	20.0%	$21.50	24.3%
Compound annual growth in book value per share(2)		10.3%		11.7%

(1) *On January 30, 2015 Fairfax India completed its IPO at an offering price of $10.00 per share.*

(2) *The company's book value per share of $19.65 at December 31, 2021 represented a compound annual growth rate from the IPO price of $10.00 per share of 10.3% (a growth of 11.7% before cumulative performance fees).*

The company has had strong performance during the period from the closing of its IPO in January 2015 to December 31, 2021. As a result of that strong performance, the company's book value per share of $19.65 at December 31, 2021 represented a compound annual growth rate during that period of 10.3% (11.7% before cumulative performance fees described in note 12 (Related Party Transactions) to the consolidated financial statements for the year ended December 31, 2021) from the IPO price of $10.00 per share, outperforming the compound annual growth rate of the S&P USD BSE Sensex Index of 7.6% during the same period.

The company has issued and purchased common shares since it was federally incorporated on November 25, 2014 as follows:

Date	Number of subordinate voting shares	Number of multiple voting shares(1)	Total number of shares	Average issue/purchase price per share	Net proceeds/ (purchase cost)
2014 – issuance of shares	–	1	1	$10.00	–
2015 – issuance of shares	76,678,879	29,999,999	106,678,878	$ 9.62	1,025,825
2016 – purchase of shares	(1,797,848)	–	(1,797,848)	$11.78	(21,178)
2017 – issuance of shares	42,553,500	–	42,553,500	$11.60	493,504
2017 – purchase of shares	(1,900)	–	(1,900)	$14.21	(27)
2018 – issuance of shares(2)	7,663,685	–	7,663,685	$14.93	114,437
2018 – purchase of shares	(2,234,782)	–	(2,234,782)	$14.42	(32,218)
2019 – purchase of shares	(230,053)	–	(230,053)	$13.03	(2,998)
2020 – purchase of shares	(3,160,910)	–	(3,160,910)	$ 9.14	(28,905)
2021 – issuance of shares(3)	546,263	–	546,263	$ 9.55	5,217
2021 – purchase of shares	(8,781,482)	–	(8,781,482)	$14.45	(126,869)
	111,235,352	30,000,000	141,235,352		
Subsequent to 2021 – purchase of shares	(1,897,532)	–	(1,897,532)	$12.65	(24,010)
	109,337,820	30,000,000	139,337,820		

(1) *Multiple voting shares that may only be issued to Fairfax or its affiliates and are not publicly traded.*

(2) *Subordinate voting shares issued to Fairfax on March 9, 2018 for settlement of the performance fee accrued at December 31, 2017 of $114,437. Issuance of the subordinate voting shares was a non-cash transaction and were issued at the VWAP of $14.93 in accordance with the Investment Advisory Agreement.*

(3) *Subordinate voting shares issued to Fairfax on March 5, 2021 for settlement of the performance fee accrued at December 31, 2020 of $5,217. Issuance of the subordinate voting shares was a non-cash transaction and were issued at the VWAP of $9.55 in accordance with the Investment Advisory Agreement.*

On September 28, 2021 the company announced that the TSX accepted its intention to commence a normal course issuer bid to purchase up to 3,500,000 subordinate voting shares over a twelve month period from September 30, 2021 to September 29, 2022. Prior to the above announcement, the company had an existing normal course issuer bid to purchase up to 3,500,000 subordinate voting shares which commenced on September 30, 2020 and expired on September 29, 2021. Decisions regarding any future purchases will be based on market conditions, share price and other factors including opportunities to invest capital for growth. The Notice of Intention to Make a Normal Course Issuer Bid is available, without charge, by contacting the Corporate Secretary of the company.

In connection with the normal course issuer bid, the company also entered into an automatic share purchase plan with its designated broker to allow for the purchase of subordinate voting shares during times when the company normally would not be active in the market. Such purchases are determined by the broker in its sole discretion based on the parameters established by the company prior to commencement of the applicable trading black-out period.

During 2021, the total number of shares effectively outstanding decreased as a result of the purchase of 7,046,979 subordinate voting shares for cancellation under a substantial issuer bid completed in August 2021 for aggregate consideration of $105,000 and purchases for cancellation under the normal course issuer bid of 1,734,503 subordinate voting shares (2020 – 3,160,910) for a net cost of $21,869 (2020 – $28,905), partially offset by the issuance of 546,263 subordinate voting shares to Fairfax to settle the performance fee payable at December 31, 2020. At December 31, 2021 there were 141,235,352 common shares effectively outstanding.

Subsequent to December 31, 2021, under the terms of the normal course issuer bid, the company purchased 1,897,532 subordinate voting shares for cancellation for a net cost of $24,010, of which 1,397,532 subordinate voting shares were purchased under an automatic share purchase plan for a net cost of $18,000.

Liquidity

The undeployed cash and investments at December 31, 2021 provide adequate liquidity to meet the company's known significant commitments over the next twelve months, which are principally comprised of an additional investment in Maxop, purchases of subordinate voting shares for cancellation under its automatic share purchase plan, interest expense, investment and advisory fees, and general and administration expenses.

At December 31, 2021 the company's payment obligations which are due beyond one year primarily relate to the recurring nature of expenses described above and a principal repayment on the Unsecured Senior Notes due in February 2028, which bear interest at a fixed rate of 5.0% per annum, payable in semi-annual installments. In addition, under the Investment Advisory Agreement (defined in note 12 (Related Party Transactions) to the consolidated financial statements for the year ended December 31, 2021), if a performance fee is payable for the period ending on December 31, 2023, the performance fee will be payable in cash, or at Fairfax's option, in subordinate voting shares.

The company has the ability to sell a portion of its Indian Investments to supplement its liquidity requirements, by way of private placements or in public markets for its Public Indian Investments, or through private sales or IPOs for its Private Indian Investments. The fair values of cash and investments at December 31, 2021, including selling restrictions and financial risks related to the investments, are disclosed in note 6 (Cash and Investments) and note 11 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2021. At December 31, 2021 the company held common shares of Public Indian Investments which carry no selling restrictions with a fair value of $966,281, Government of India bonds with a fair value of $192,385 and short term investments of $6,151. The company expects to continue to receive investment income on its holdings of fixed income securities and dividends from its equity investments to supplement its cash and cash equivalents. To further augment its liquidity, the company can draw upon its Revolving Credit Facility. Accordingly, the company has adequate working capital to support its operations.

Highlights in 2021 (with comparisons to 2020) of major components of the statements of cash flows are presented in the following table:

	2021	2020
Operating activities		
Cash used in operating activities excluding the impact of changes in restricted cash and net sales (purchases) of investments	(46,667)	(34,991)
Decrease in restricted cash in support of borrowings	16,051	867
Decrease (increase) in restricted cash in support of investments	264	(267)
Purchases of short term investments	(6,283)	–
Purchases of investments	(316,753)	(185,911)
Sales of investments	414,477	231,193
Cash provided by operating activities	61,089	10,891
Financing activities		
Borrowings:		
Proceeds	500,000	–
Issuance costs	(3,650)	(5,545)
Repayments	(550,000)	–
Purchases of subordinate voting shares for cancellation	(126,869)	(28,905)
Sales of subsidiary shares to non-controlling interests	129,221	–
Cash used in financing activities	(51,298)	(34,450)
Increase (decrease) in cash and cash equivalents during the year	9,791	(23,559)

"Cash used in operating activities excluding the impact of changes in restricted cash and net sales (purchases) of investments" provides a measure of the cash generated by (used in) the company's head office operations, primarily comprised of cash inflows (outflows) from interest and dividend income, interest expense, investment and advisory fees, current income taxes and general and administration expenses, and excludes the impact of changes to restricted cash and purchases and sales of investments. Cash used in operating activities excluding the impact of changes in restricted cash and net sales (purchases) of investments of $46,667 in 2021 increased from $34,991 in 2020, primarily reflecting increased cash used to pay income tax and investment and advisory fees, partially offset by decreased interest payments and increased cash provided by dividend income.

Decrease in restricted cash in support of borrowings of $16,051 in 2021 increased from $867 in 2020 primarily related to the release of restricted cash during 2021 upon the repayment of the Secured Term Loan. Refer to note 7 (Borrowings) to the consolidated financial statements for the year ended December 31, 2021 for additional details. Purchases of short term investments of $6,283 in 2021 related to the purchase of Government of India treasury bills. Purchases of investments of $316,753 in 2021 primarily related to purchases of Government of India bonds, Maxop, Fairchem Organics, 5paisa, and Other Indian Fixed Income. Purchases of investments of $185,911 in 2020 primarily related to the company's investments in Other Public Indian Investments, IH Fund and purchases of Government of India and Indian corporate bonds. Sales of investments of $414,477 in 2021 primarily related to sales of the company's investments in Privi Speciality, Other Public Indian Investments, the partial sale of Fairchem Organics, and Government of India bonds. Sales of investments of $231,193 in 2020 related to the sales of Government of India and Indian corporate bonds, and sales of Other Public Indian Investments. Refer to note 15 (Supplementary Cash Flow Information) to the consolidated financial statements for the year ended December 31, 2021 for details of purchases and sales of investments.

Proceeds from borrowings of $500,000 and issuance costs of $3,650 in 2021 related to the issuance of the Unsecured Senior Notes on February 26, 2021. Repayments of borrowings of $550,000 in 2021 related to the repayment of the Secured Term Loan. Issuance costs of $5,545 in 2020 related to the issuance costs on the Secured Term Loan amended on June 26, 2020. Refer to note 7 (Borrowings) to the consolidated financial statements for the year ended December 31, 2021 for additional details.

Purchases of subordinate voting shares for cancellation of $126,869 in 2021 (2020 – $28,905) related to the company's purchases of 8,781,482 subordinate voting shares (2020 – 3,160,910) under the terms of the normal course issuer bids and substantial issuer bid completed in 2021. Sales of subsidiary shares to non-controlling interests of $129,221 in 2021 related to the sale of an 11.5% non-controlling interest in Anchorage to OMERS. Refer to note 8 (Total Equity) to the consolidated financial statements for the year ended December 31, 2021 for additional details.

Contractual Obligations

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

On September 16, 2021 Fairfax India entered into an agreement to acquire, in aggregate, a 67.0% equity interest in Maxop in two transactions. The first transaction was completed on November 30, 2021. In the second transaction, the company shall invest an amount between approximately $9 million and $36 million based on period end exchange rates (700 million Indian rupees and 2.7 billion Indian rupees, respectively) for an additional 16.0% equity interest. The second transaction is expected to close in the second half of 2022, subject to customary closing conditions.

Under the terms of the Investment Advisory Agreement (defined in note 12 (Related Party Transactions) to the consolidated financial statements for the year ended December 31, 2021), the company and its subsidiaries are contractually obligated to pay Fairfax an investment and advisory fee and, if applicable, a performance fee. These fees will vary based on the company's common shareholders' equity and book value per share.

The investment and advisory fees are calculated and payable quarterly as 0.5% of the value of undeployed capital and 1.5% of the company's common shareholders' equity less the value of undeployed capital. The investment and advisory fees recorded in the consolidated statements of earnings (loss) for 2021 were $40,775 (2020 – $33,922).

At December 31, 2021 the company recorded a performance fee accrual of $84,716 related to the third calculation period (December 31, 2020 – payable of $5,217 relating to the second calculation period). Refer to note 12 (Related Party Transactions) to the consolidated financial statements for the year ended December 31, 2021 for discussion on the performance fee.

Subsequent to December 31, 2021

Pursuant to an agreement entered into on January 26, 2022, the company completed the purchase of a 70.0% equity interest in Jaynix for $32,504 (approximately 2.5 billion Indian rupees) on February 11, 2022.

Accounting and Disclosure Matters

Management's Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the company's management, including the company's CEO and CFO, the company conducted an evaluation of the effectiveness of its disclosure controls and procedures as of December 31, 2021, as required by Canadian securities legislation. Disclosure controls and procedures are designed to ensure that the information required to be disclosed by the company in the reports it files or submits under securities legislation is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and reported to management, including the company's CEO and CFO, as appropriate, to allow required disclosures to be made in a timely fashion. Based on their evaluation, the CEO and CFO have concluded that as of December 31, 2021, the company's disclosure controls and procedures were effective.

Management's Report on Internal Control Over Financial Reporting

The company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined under National Instrument 52-109). The company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). A company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS as issued by the IASB, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The company's management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2021. In making this assessment, the company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control – Integrated Framework (2013)*. Based on this assessment, the company's management, including the CEO and CFO, concluded that, as of December 31, 2021, the company's internal control over financial reporting was effective based on the criteria in *Internal Control – Integrated Framework (2013)* issued by COSO.

Critical Accounting Estimates and Judgments

Please refer to note 4 (Critical Accounting Estimates and Judgments) to the consolidated financial statements for the year ended December 31, 2021.

Significant Accounting Policy Changes

There were no significant accounting policy changes during 2021. Please refer to note 3 (Summary of Significant Accounting Policies) to the consolidated financial statements for the year ended December 31, 2021 for a detailed discussion of the company's accounting policies.

Future Accounting Changes

Certain new IFRS may have a significant impact on the company's consolidated financial reporting in the future. Each of those standards will require a moderate degree of implementation effort. The company does not expect to adopt any of these new standards in advance of their respective effective dates. New standards and amendments that have been issued but are not yet effective are described in note 3 (Summary of Significant Accounting Policies) to the consolidated financial statements for the year ended December 31, 2021.

Risk Management

Overview

The primary goals of the company's financial risk management program are to ensure that the outcomes of activities involving elements of risk are consistent with the company's objectives and risk tolerance, while maintaining an appropriate balance between risk and reward and protecting the company's consolidated balance sheets from events that have the potential to materially impair its financial strength. There were no significant changes in the types of the company's risk exposures or the process used by the company for managing those risk exposures at December 31, 2021 compared to those identified at December 31, 2020, other than as outlined in note 11 (Financial Risk Management) to the consolidated financial statements for the year ended December 31, 2021.

Risks

The following risks, among others, should be considered in evaluating the outlook for the company. Additional risks not currently known to the company or that are currently deemed immaterial may also impair business operations. The company, its consolidated subsidiaries, Fairfax and the Portfolio Advisor monitor these risks on an on-going basis and take actions as needed to mitigate their impact. For further detail about the risks relating to the company, please see Risk Factors in Fairfax India's most recent annual information form, which is available on SEDAR at www.sedar.com.

The COVID-19 Pandemic

Given the ongoing and evolving situation resulting from COVID-19, including subsequent variants, it is difficult to predict how significant the impact of the pandemic, including any responses to it, will be on the global economy and the company's Indian Investments in particular, or for how long any disruptions are likely to continue. The extent of such impact will depend on future developments, including new information which may emerge concerning the severity of COVID-19 and additional actions which may be taken to contain COVID-19. In particular, the potential resurgence of COVID-19 cases and its new variants, and consequently the extension or reintroduction of containment measures may contribute to further uncertainty and delay the recovery of economic activity. Such further developments could have a material adverse effect on the company's business, financial condition, results of operations and cash flows.

Oil Price Risk

India imports a majority of its requirements of petroleum oil and petroleum products. The Government of India has deregulated prices and has been reducing the subsidy in respect of certain oil products, resulting in international crude prices having a greater effect on domestic oil prices. Global oil prices continued to be volatile, any increase or volatility in oil prices, as well as the impact of Indian rupee depreciation, which makes imports more expensive, and the pass-through of such increases to Indian consumers could have a material adverse impact on the Indian economy, including a rise in inflation and market interest rates resulting in a significant impact on the profitability of certain Indian Investments.

Geographic Concentration of Investments

Substantially all of the company's investments will be made in India and in Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India. As a result, the company's performance is particularly sensitive to economic changes in India. The market value of the company's investments, the income generated by the company and the company's performance is particularly sensitive to changes in the economic condition and regulatory environment in India. Adverse changes in the economic condition or regulatory environment of India may have a material adverse effect on the company's business, cash flows, financial condition and net earnings.

Foreign Currency Fluctuation

All of the company's portfolio investments have been and will be made in India and in Indian businesses or other businesses with customers, suppliers or business primarily conducted in, or dependent on, India, and the financial position and results for these investments have been and are expected to be principally denominated in Indian rupees. The functional currency of the company and its consolidated subsidiaries is the Indian rupee and the company's presentation currency is the U.S. dollar. The company presents its consolidated financial statements in U.S. dollars to provide comparability with other North American investment entities. Accordingly, the income and expenses are translated at the average rates of exchange in effect during the applicable reporting period. Assets and liabilities are translated at the exchange rates in effect at the balance sheet date. As a result, the company's consolidated financial position is subject to foreign currency fluctuation risk, which could materially adversely impact its operating results and cash flows. Although the company may enter into currency hedging arrangements in respect of its foreign currency cash flows, there can be no assurance that the company will do so or, if it does, that the full amount of the foreign currency exposure will be hedged at any time.

Volatility of the Indian Securities Markets

Stock exchanges in India have, in the past, experienced substantial fluctuations in the prices of listed securities. The stock exchanges in India have also experienced temporary exchange closures, broker defaults, settlement delays and strikes by brokerage firm employees. In addition, the governing bodies of the stock exchanges in India have, from time to time, imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Furthermore, from time to time, disputes have occurred between listed businesses and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment. Such volatility in the trading performance may negatively affect the company's future income and earnings.

Investments May Be Made in Foreign Private Businesses Where Information is Unreliable or Unavailable

In pursuing the company's investment strategy, the company may seek to make investments in privately-held businesses as disclosed in note 5 (Indian Investments) to the consolidated financial statements for the year ended December 31, 2021. As minimal public information exists about private businesses, the company could be required to make investment decisions on whether to pursue a potential investment in a private business on the basis of limited information, which may result in an investment in a business that is not as profitable as the company initially suspected, if at all. Investments in private businesses pose certain incremental risks as compared to investments in public businesses, including that they:

- have reduced access to the capital markets, resulting in diminished capital resources and ability to withstand financial distress;
- may have limited financial resources and may be unable to meet their obligations under any debt securities that the company may hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of the company realizing any guarantees that it may have obtained in connection with its investment;

- may have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and changing market conditions, as well as general economic downturns;
- are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on a portfolio investment and, as a result, the company; and
- generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position.

Valuation Methodologies Involve Subjective Judgments

The company's financial assets and liabilities are valued in accordance with IFRS. Accordingly, the company is required to follow a specific framework for measuring the fair value of its investments and, in its audited consolidated financial statements, to provide certain disclosures regarding the use of fair value measurements.

The fair value measurement accounting guidance establishes a hierarchal disclosure framework that ranks the observability of market inputs used in measuring financial instruments at fair value. The observability of inputs depends on a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily quoted prices, or for which fair value can be measured from quoted prices in active markets, generally will have a high degree of market price observability and less judgment applied in determining fair value.

A portion of the company's portfolio investments are in the form of securities that are not publicly traded and thus have no readily ascertainable market prices. The fair value of securities and other investments that are not publicly traded may not be readily determinable. The company will value these securities quarterly at fair value as determined in good faith by the company and in accordance with the valuation policies and procedures under IFRS. The company may utilize the services of an independent valuation firm to aid it in determining the fair value of these securities. The types of factors that may be considered in fair value pricing of the company's investments include the nature and realizable value of any collateral, the portfolio business' ability to make payments and its earnings, the markets in which the portfolio investment does business, comparisons to publicly traded companies, discounted cash flows and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, such valuations may fluctuate over short periods of time and may be based on estimates. Thus, the company's determinations of fair value may differ materially from the prices that would have been obtained if a ready market for these securities existed. The value of the company's total assets could be materially adversely affected if the company's determinations regarding the fair value of its investments were materially higher than the values that it ultimately realizes upon the disposition of such securities.

The value of the company's investment portfolio may also be affected by changes in accounting standards, policies or practices. From time to time, the company will be required to adopt new or revised accounting standards or guidance. It is possible that future accounting standards that the company is required to adopt could change the valuation of the company's investments.

Due to a wide variety of market factors and the nature of certain securities to be held by the company, there is no guarantee that the fair value determined by the company or any third party valuation agents will represent the value that will be realized by the company on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment. Moreover, the valuations to be performed by the company or any third party valuation agents are inherently different from the valuation of the company's securities that would be performed if the company were forced to liquidate all or a significant portion of its securities, as liquidation valuation could be materially lower.

In addition, the values of the company's investments are subject to significant volatility, including due to a number of factors beyond the company's control. These include actual or anticipated fluctuations in the quarterly and annual results of these companies or companies in their industries, market perceptions concerning the availability of additional securities for sale, general economic, social or political developments, changes in industry conditions or government regulations, changes in management or capital structure and significant acquisitions or dispositions. In addition, because the company often holds substantial positions in its investees, the disposition of these securities often is delayed for, or takes place over, long periods of time, which can further expose the company to volatility risk. Even if the company holds an investment that may be difficult to liquidate in a single transaction, the company may not discount the market price of the security sufficiently for purposes of its valuations. If the company realizes value on an investment that is significantly lower that the value at which it was recorded in its balance sheet, the company would recognize investment losses.

Financial Market Fluctuations

The company invests in both private businesses and publicly traded businesses. With respect to publicly traded businesses, as disclosed in note 5 (Indian Investments) to the consolidated financial statements for the year ended December 31, 2021, fluctuations in the market prices of such securities may negatively affect the value of such investments. In addition, general instability in the public debt market and other securities markets may impede the ability of businesses to refinance their debt through selling new securities, thereby limiting the company's investment options with regard to a particular portfolio investment.

Global capital markets have experienced extreme volatility and disruption in recent years as evidenced by the failure of major financial institutions, significant write-offs suffered by the financial services sector, the re-pricing of credit risk, the unavailability of credit or the downgrading and the possibility of default by sovereign issuers, forced exit or voluntary withdrawal of countries from a common currency and/or devaluation. Despite actions of government authorities, these events have contributed to a worsening of general economic conditions, high levels of unemployment in certain Western economies and the introduction of austerity measures by certain governments.

Such worsening of financial market and economic conditions may have a negative effect on the valuations of, and the ability of the company to exit or partially divest from, investment positions. Adverse economic conditions may also decrease the value of collateral securing some of its positions, and require the company to contribute additional collateral.

Depending on market conditions, the company may incur substantial realized and unrealized losses in future periods, all of which may materially adversely affect its results of operations and the value of any investment in the company.

Pace of Completing Investments

The company's business is to identify, with the assistance of the Portfolio Advisor, suitable investment opportunities, pursuing such opportunities and consummating such investment opportunities. If the company is unable to source and manage its investments effectively, it would adversely impact the company's financial position and net earnings. There can be no assurance as to the pace of finding and implementing investment opportunities. Conversely, there may only be a limited number of suitable investment opportunities at any given time. This may cause the company, while it deploys cash proceeds not yet invested, to hold significant levels of cash, cash equivalents, short term U.S. treasury bills or Government of India or Indian corporate bonds. A lengthy period prior to which capital is deployed may adversely affect the company's overall performance.

Minority Investments

The company may make minority equity investments in which the company does not participate in the management or otherwise influence the business or affairs of such businesses. The company will monitor the performance of each investment and maintain an ongoing dialogue with each business' management team. However, day-to-day operations will primarily be the responsibility of each business' management team and the company may not have the right to influence such operations.

Reliance on Key Personnel and Risks Associated with the Investment Advisory Agreement

The management and governance of the company depends on the services of certain key personnel, including the Portfolio Advisor, Fairfax, as administrator, and certain executive officers of the company. The loss of the services of any key personnel, particularly V. Prem Watsa and Chandran Ratnaswami, could have a material adverse effect on the company and materially adversely affect the company's financial condition and net earnings.

The company relies on the Portfolio Advisor and any of its sub-advisors, from time to time, including Fairbridge, with respect to the sourcing and advising with respect to their investments. Consequently, the company's ability to achieve its investment objectives depends in large part on the Portfolio Advisor and its ability to identify and advise the company on attractive investment opportunities. This means that the company's investments are dependent upon the Portfolio Advisor's business contacts, its ability to successfully hire, train, supervise and manage its personnel and its ability to maintain its operating systems. If the company were to lose the services provided by the Portfolio Advisor or its key personnel or if the Portfolio Advisor fails to satisfactorily perform its obligations under the Investment Advisory Agreement, the company's investments and growth prospects may decline.

The company may be unable to duplicate the quality and depth of management from the Portfolio Advisor if the company were to source and manage its own investments or if it were to hire another investment advisor. If the Portfolio Advisor should cease for whatever reason to be the investment advisor of the company or if Fairfax should cease to provide investment administration services to the company, the cost of obtaining substitute services may be greater than the fees the company will pay the Portfolio Advisor and Fairfax under the Investment Advisory Agreement, and this may adversely affect the company's ability to meet its objectives and execute its strategy which could materially and adversely affect the company's cash flows, net earnings and financial condition.

Lawsuits

The company may, from time to time, become party to a variety of legal claims and regulatory proceedings in Canada, India, Mauritius or elsewhere. The existence of such claims against the company or its affiliates, directors or officers could have various adverse effects, including the incurrence of significant legal expenses defending such claims, even those claims without merit. The company manages day-to-day regulatory and legal risk primarily by implementing appropriate policies, procedures and controls. Internal and external legal counsel also work closely with the company to identify and mitigate areas of potential regulatory and legal risk. The company's results of operations, financial condition and liquidity could be materially adversely affected by any such legal risks.

Use of Leverage

The company may rely on the use of leverage when making its investments. As such, the ability to achieve attractive rates of return on such investments will significantly depend on the company's continued ability to access sources of debt financing on attractive terms. An increase in either market interest rates or in the risk spreads demanded by lenders would make it more expensive for the company to finance its investments and, in turn, would reduce net returns therein. Increases in interest rates could also make it more difficult for the company to locate and consummate investments because other potential buyers, including operating companies acting as strategic buyers, may be able to bid for an asset at a higher price due to a lower overall cost of capital. Availability of capital from debt capital markets is subject to significant volatility and the company may not be able to access those markets on attractive terms, or at all, when completing an investment. In addition, we are subject to a leverage covenant under the terms of the Unsecured Senior Notes. Any of the foregoing circumstances could have a material adverse effect on the financial condition and results of operations of the company.

Significant Ownership by Fairfax May Adversely Affect the Market Price of the Subordinate Voting Shares

At December 31, 2021 Fairfax, through its subsidiaries, owned 30,000,000 multiple voting shares (December 31, 2020 – 30,000,000) and owned and/or exercised control or direction over 23,030,285 subordinate voting shares (December 31, 2020 – 12,841,578) of Fairfax India. At December 31, 2021 Fairfax's aggregate ownership, control and/or direction of the subordinate voting shares and multiple voting shares represented a 94.5% voting interest and a 37.5% equity interest in Fairfax India (December 31, 2020 – 93.4% and 28.7%). In accordance with the Investment Advisory Agreement, the performance fee payable of $5,217 to Fairfax for the second calculation period (ending on December 31, 2020) was settled on March 5, 2021 by the company issuing 546,263 subordinate voting shares to Fairfax.

On February 15, 2022 Fairfax acquired an aggregate of 5,416,000 subordinate voting shares from existing shareholders. As of March 4, 2022, after giving effect to the above transaction and the company's purchases of subordinate voting shares for cancellation subsequent to December 31, 2021, Fairfax and its affiliates hold 95.0% and 41.9% voting and equity interests respectively, in the company through ownership of all of the 30,000,000 multiple voting shares and ownership, control and/or direction over 28,446,285 subordinate voting shares.

For so long as Fairfax, either directly or through one or more subsidiaries, maintains a significant voting interest in the company, Fairfax will have the ability to exercise substantial influence with respect to the company's affairs and significantly affect the outcome of shareholder votes, and may have the ability to prevent certain fundamental transactions.

Accordingly, the subordinate voting shares may be less liquid and trade at a relative discount compared to such subordinate voting shares in circumstances where Fairfax did not have the ability to significantly influence or determine matters affecting the company. Additionally, Fairfax's significant voting interest in the company may discourage transactions involving a change of control of the company, including transactions in which an investor, as a holder of subordinate voting shares, might otherwise receive a premium for its subordinate voting shares over the then-current market price.

Weather Risk

Certain Indian Investments are operating in industries exposed to weather risk. The revenues of these portfolio companies may be adversely affected during a period of severe weather conditions in India. Because weather events are unpredictable by nature, historical results of operations of certain Indian Investments may not be indicative of their future results of operations. As a result of the occurrence of one or more major weather catastrophes in any given period, the expected returns from Indian Investments impacted by weather risk may fall short of the company's expectations.

Taxation Risks

The company structures its business according to prevailing taxation law and practice in Canada, Mauritius and India. Any change in tax policy, tax legislation (including in relation to taxation rates), the interpretation of tax policy or legislation or practice could adversely affect the company's return earned on investments and on the capital available to be invested. Further, taxes and other constraints that would apply to the company and its consolidated subsidiaries in such jurisdictions may not apply to other parties, and such parties may therefore have a significantly lower effective cost of capital and a corresponding competitive advantage in pursuing investments. A number of other factors may increase the effective tax rates, which would have a negative impact on net earnings. These include, but are not limited to, changes in the valuation of our deferred tax assets and liabilities, and any reassessment of taxes by a taxation authority.

The company utilizes Fairfax's tax specialist personnel for assessing the income tax consequences of planned transactions and events and undertaking the appropriate tax planning. The company also consults with external tax professionals as needed. Tax legislation of each jurisdiction in which the company operates is interpreted to determine income taxes and expected timing of the reversal of deferred income tax assets and liabilities.

Any amendments to the capital gains and permanent establishment articles in the India-Mauritius Double Taxation Avoidance Agreement may result in capital gains derived from the company or its investments in India becoming subject to tax in India, which could have a material adverse effect on the company's business, financial condition and net earnings. During the second quarter of 2016, India and Mauritius amended their India-Mauritius tax treaty. As a result, capital gains realized by Mauritius residents on dispositions of shares of Indian companies acquired on or after April 1, 2017 and disposed of after March 31, 2019 will be subject to tax in India at the full India domestic tax rate. Capital gains realized by Mauritius residents on dispositions of shares of Indian companies acquired prior to April 1, 2017 remain exempt from capital gains tax in India.

On March 29, 2018 India enacted the Finance Act 2018 which repealed, with effect from April 1, 2018, the long term capital gains tax exemption which was available in respect of transfers of equity shares of Indian companies on which Securities Transaction Tax was paid at the time of acquisition and transfer of such shares. As a result, long term capital gains realized on such transfers will generally be taxed at a rate of 10.0%. However, grandfathering of the long term capital gains exemption in respect of any accrued gain on such shares held as of January 31, 2018 will generally be available to the extent of the accrued gain as of January 31, 2018. Capital gains realized by a tax resident of Mauritius on a transfer of equity shares of an Indian company which were acquired prior to April 1, 2017 will continue to be exempt from capital gains tax in India by virtue of the India-Mauritius tax treaty, notwithstanding the repeal of the long term capital gains tax exemption under Indian domestic law.

At December 31, 2021 the company evaluated the potential impact of the application of capital gains tax in India on any future dispositions of investments in equity shares held by FIH Mauritius, FIH Private and Anchorage. and recorded deferred income taxes primarily related to unrealized gains on the company's investment in equity shares acquired subsequent to April 1, 2017 (see note 10 (Income Taxes) to the consolidated financial statements for the year ended December 31, 2021). The company will continue to evaluate the potential impact of the Indian capital gains tax as it relates to any future dispositions of investments in equity shares of its Indian Investments.

On March 27, 2020 India enacted the Finance Act 2020 which amended the regulations pertaining to dividend income. Dividend income which was received by the company from an Indian company on or before March 31, 2020 was exempt from tax in India, while dividend income received by the company from an Indian company subsequent to March 31, 2020 will be taxable. The Indian company is liable to withhold the appropriate tax.

There is a risk that Canadian or foreign tax laws, or the interpretation thereof, could change in a manner that adversely affects the company. Canada, together with approximately 140 other countries comprising the Organisation for Economic Co-operation and Development ("OECD") and the G20 Inclusive Framework on Base Erosion and Profit Shifting ("BEPS"), approved in principle in 2021 certain base erosion tax initiatives including the introduction of a 15% global minimum tax which is intended to be effective in 2023. Canada has not yet released any domestic legislation in respect of the introduction of a global minimum tax. In February 2022, the Department of Finance Canada released for public comment draft legislative proposals which, if enacted, may limit the deductibility of interest and financing expenses for Canadian tax purposes. The draft legislative proposals are generally intended to apply in respect of taxation years beginning on or after January 1, 2023. Comments on the draft legislative proposals are invited until May 5, 2022. The company will continue to monitor the BEPS and interest deductibility limitation proposals, which may result in an increase in future taxes and an adverse affect on the company.

Emerging Markets

The company's investment objective is to achieve long term capital appreciation, while preserving capital, by investing in Indian Investments. Foreign investment risk is particularly high given that the company invests in securities of issuers based in or doing business in an emerging market country.

The economies of emerging market countries have been and may continue to be adversely affected by economic conditions in the countries with which they trade. The economies of emerging market countries may also be predominantly based on only a few industries or dependent on revenues from particular commodities. In addition, custodial services and other investment-related costs may be more expensive in emerging markets than in developed markets, which could reduce the company's income from securities or debt instruments of emerging market country issuers.

There is a heightened possibility of imposition of withholding taxes on interest or dividend income generated from emerging market securities. Governments of emerging market countries may engage in confiscatory taxation or expropriation of income and/or assets to raise revenues or to pursue a domestic political agenda. In the past, emerging market countries have nationalized assets, companies and even entire sectors, including the assets of foreign investors, with inadequate or no compensation to the prior owners. There can be no assurance that the company will not suffer a loss of any or all of its investments or, interest or dividends thereon, due to adverse fiscal or other policy changes in emerging market countries.

Governments of many emerging market countries have exercised and continue to exercise substantial influence over many aspects of the private sector. In some cases, the government owns or controls many companies, including some of the largest in the country. Accordingly, government actions could have a significant effect on economic conditions in an emerging country and on market conditions, prices and yields of securities in the company's portfolio.

Bankruptcy law and creditor reorganization processes may differ substantially from those in Canada and the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain emerging market countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain. In addition, it may be impossible to seek legal redress against an issuer that is a sovereign state.

Also, because publicly traded debt instruments of emerging market issuers represent a relatively recent innovation in the world debt markets, there is little historical data or related market experience concerning the attributes of such instruments under all economic, market and political conditions.

Other heightened risks associated with emerging markets investments include without limitation: (i) risks due to less social, political and economic stability, including the risk of war, terrorism, nationalization, limitations on the removal of funds or other assets, or diplomatic developments that affect investments in these countries; (ii) the smaller size of the market for such securities and a lower volume of trading, resulting in a lack of liquidity and in price volatility; (iii) certain national policies which may restrict the company's investment opportunities, including restrictions on investing in issuers or industries deemed sensitive to relevant national interests and requirements that government approval be obtained prior to investment by foreign persons; (iv) certain national policies that may restrict the company's repatriation of investment income, capital or the proceeds of sales of securities, including temporary restrictions on foreign capital remittances; (v) the lack of uniform accounting and auditing standards and/or standards that may be significantly different from the standards required in Canada; (vi) less publicly available financial and other information regarding issuers; (vii) potential difficulties in enforcing contractual obligations; and (viii) higher rates of inflation, higher interest rates and other economic concerns. The company may invest to a substantial extent in emerging market securities that are denominated in Indian rupees, subjecting the company to a greater degree of foreign currency risk. Also, investing in emerging market countries may entail purchases of securities of issuers that are insolvent, bankrupt or otherwise of questionable ability to satisfy their payment obligations as they become due, subjecting the company to a greater amount of credit risk and/or high yield risk. Additionally, the demand for securities of the company may be more volatile due to general market volatility in demand for investments in emerging markets.

As reflected in the above discussion, investments in emerging market securities involve a greater degree of risk than, and special risks in addition to the risks associated with, investments in domestic securities or in securities of foreign developed countries.

MLI

Under a mandate given by G20 nations to address global tax avoidance, in 2015, the OECD developed 15 action plans aimed at tackling BEPS strategies. Action Plan 15 of the BEPS project envisaged a multilateral instrument ("MLI") for modifying the global tax treaty network in a timely and synchronized manner.

On June 2017, India proposed to modify its existing 93 comprehensive tax treaties when it joined 66 other countries (including Canada and Mauritius) in signing the MLI. On June 25, 2019, the Government of India deposited its instrument of ratification of the MLI with the OECD. Mauritius deposited its instrument of ratification of the MLI with the OECD on October 18, 2019, but has excluded India from its covered tax agreements. Accordingly, the MLI currently does not apply in respect of the India-Mauritius tax treaty. This position could, however, change in the future based on inter-government negotiations. If Mauritius includes India as one of its covered tax agreements, the effect of the inclusion would need to be assessed. A loss of treaty benefits could have a material adverse effect on the company's business and financial conditions and results of operations.

Economic Risk

The Indian economy has grown rapidly during the past several years and there is no assurance that this growth rate will be maintained. India may experience substantial (and, in some cases, extremely high) rates of inflation or economic recessions causing a negative effect on the Indian economy. India may also impose restrictions on the exchange or export of currency, institute adverse currency exchange rates or experience a lack of available currency hedging instruments. Any of these events could have a material adverse effect on the Indian economy.

Trading Price of Subordinate Voting Shares Relative to Book Value per Share

The company is neither a mutual fund nor an investment fund, and due to the nature of its business and investment strategy, and the composition of its investment portfolio, the market price of its subordinate voting shares, at any time, may vary significantly from its book value per share. This risk is separate and distinct from the risk that the market price of the subordinate voting shares may decrease.

Other

Quarterly Data (unaudited)

Years ended December 31

US$ thousands, except per share amounts	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Full Year**
2021					
Income (loss)	340,101	313,303	186,020	(145,885)	693,539
Expenses	76,393	61,637	37,460	(15,481)	160,009
Provision for (recovery of) income taxes	8,282	26,772	16,655	(12,679)	39,030
Net earnings (loss)	255,426	224,894	131,905	(117,725)	494,500
Net earnings (loss) attributable to shareholders	255,426	224,894	131,910	(117,716)	494,514
Net earnings (loss) per share	$ 1.71	$ 1.51	$ 0.91	$ (0.83)	$ 3.38
Net earnings (loss) per diluted share	$ 1.66	$ 1.43	$ 0.85	$ (0.83)	$ 3.22
2020					
Income (loss)	(295,364)	72,723	99,448	110,221	(12,972)
Expenses	(29,368)	16,181	16,643	22,552	26,008
Provision for (recovery of) income taxes	(12,187)	4,158	5,153	5,372	2,496
Net earnings (loss)	(253,809)	52,384	77,652	82,297	(41,476)
Net earnings (loss) attributable to shareholders	(253,809)	52,384	77,652	82,297	(41,476)
Net earnings (loss) per share	$ (1.67)	$ 0.35	$ 0.52	$ 0.55	$ (0.27)
Net earnings (loss) per diluted share	$ (1.67)	$ 0.35	$ 0.52	$ 0.55	$ (0.27)

Years ended December 31

Indian rupees and in millions, except per share amounts[(1)]	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2021					
Income (loss)	24,791	23,118	13,857	(10,499)	51,267
Expenses	5,568	4,552	2,792	(1,085)	11,827
Provision for (recovery of) income taxes	604	1,967	1,235	(920)	2,886
Net earnings (loss)	18,619	16,599	9,830	(8,494)	36,554
Net earnings (loss) attributable to shareholders	18,619	16,599	9,830	(8,494)	36,554
Net earnings (loss) per share	124.65	111.11	67.58	(60.07)	249.72
Net earnings (loss) per diluted share	120.98	105.75	63.71	(60.07)	238.16
2020					
Income (loss)	(21,403)	4,894	7,364	8,183	(962)
Expenses	(2,128)	1,150	1,234	1,671	1,927
Provision for (recovery of) income taxes	(883)	288	382	398	185
Net earnings (loss)	(18,392)	3,456	5,748	6,114	(3,074)
Net earnings (loss) attributable to shareholders	(18,392)	3,456	5,748	6,114	(3,074)
Net earnings (loss) per share	(120.71)	22.84	38.21	40.79	(20.36)
Net earnings (loss) per diluted share	(120.71)	22.84	38.21	40.64	(20.28)

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

Loss from income of $145,885 in the fourth quarter of 2021 compared to income of $110,221 in the fourth quarter of 2020 primarily as a result of net change in unrealized losses on investments, partially offset by increased realized gains on investments related to the partial sale of Fairchem Organics common stock, and increased dividend income. Net change in unrealized losses on investments of $186,133 in the fourth quarter 2021 primarily included net unrealized losses on common stocks of $185,433 (principally related to unrealized losses on CSB Bank, IIFL Wealth, Sanmar and Fairchem Organics, in addition to the reversal of prior period gains on Fairchem Organics as a result of its partial sale, partially offset by unrealized gains on Saurashtra and NSE). Net change in unrealized gains on investments of $102,670 in the fourth quarter of 2020 included net unrealized gains on common stocks of $102,366 (principally related to unrealized gains on IIFL Finance, Other Public Indian Investments, Fairchem Organics, IIFL Securities, Seven Islands and IIFL Wealth, partially offset by unrealized losses on CSB Bank, NCML and Privi Speciality). In addition, loss from income in the fourth quarter of 2021 was impacted by net foreign exchange losses compared to net foreign exchange gains in the fourth quarter of 2020, principally as a result of the weakening of the Indian rupee relative to the U.S. dollar in the fourth quarter of 2021, whereas the Indian rupee strengthened relative to the U.S. dollar in the fourth quarter of 2020.

Total recovery from expenses of $15,481 in the fourth quarter of 2021 compared to total expenses of $22,552 in the fourth quarter of 2020, primarily as a result of a performance fee recovery of $32,976 recorded in the fourth quarter of 2021 (fourth quarter of 2020 – performance fee of $5,143) and decreased interest expense, partially offset by increased investment and advisory fees.

The company reported a net loss attributable to shareholders of Fairfax India of $117,716 (a net loss of $0.83 per basic and diluted share) in the fourth quarter of 2021 compared to net earnings attributable to shareholders of Fairfax India of $82,297 (net earnings of $0.55 per basic and diluted share) in the fourth quarter of 2020. The decrease in profitability in the fourth quarter of 2021 primarily reflected net unrealized losses on investments, net foreign exchange losses, and increased investment and advisory fees, partially offset by a performance fee recovery, increased net realized gains on investments, a recovery of income taxes, and increased interest and dividend income recorded in the fourth quarter of 2021.

Individual quarterly results have been (and are expected to continue to be) significantly impacted by net unrealized gains (losses) on the company's Indian Investments and net foreign exchange gains (losses), the timing of which is not predictable. Individual quarterly results have been (and may in the future be) affected by increased expenses impacted by the change in fair value of the company's Indian Investments which would result in a higher performance fee, if applicable, and investment and advisory fees.

Stock Prices and Share Information

At March 4, 2022 the company had 109,337,820 subordinate voting shares and 30,000,000 multiple voting shares outstanding (an aggregate of 139,337,820 common shares effectively outstanding). Each subordinate voting share carries one vote per share at all meetings of shareholders except for separate meetings of holders of another class of shares. Each multiple voting share carries fifty votes per share at all meetings of shareholders except for separate meetings of holders of another class of shares. Fairfax, through its subsidiaries, owns all the issued and outstanding multiple voting shares, which are not publicly traded.

The table that follows presents the TSX high, low and closing U.S. dollar prices of the subordinate voting shares of Fairfax India, trading under the symbol FIH.U, for each quarter of 2021 and 2020.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2021		(US$)		
High	12.97	13.50	14.90	13.90
Low	9.65	11.96	12.74	11.43
Close	12.44	13.50	13.10	12.61
2020				
High	13.86	9.35	9.49	10.97
Low	5.28	5.60	6.80	6.84
Close	6.55	8.40	6.84	9.60

Compliance with Corporate Governance Rules

Fairfax India is a Canadian reporting issuer with securities listed on the TSX and trading in U.S. dollars under the symbol FIH.U. It has in place corporate governance practices that comply with all applicable rules and substantially comply with all applicable guidelines and policies of the Canadian Securities Administrators and the practices set out therein.

The company's Board of Directors has adopted a set of Corporate Governance Guidelines (which include a written mandate of the Board), established an Audit Committee and Governance, Compensation and Nominating Committee, approved written charters for all of its committees, approved a Code of Business Conduct and Ethics applicable to all directors, officers and employees of the company and established, in conjunction with the Audit Committee, a Whistleblower Policy. The company continues to monitor developments in the area of corporate governance as well as its own procedures.

Forward-Looking Statements

This annual report may contain forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements may relate to the company's or an Indian Investment's future outlook and anticipated events or results and may include statements regarding the financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividends, plans and objectives of the company. Particularly, statements regarding future results, performance, achievements, prospects or opportunities of the company, an Indian Investment, or the Indian market are forward-looking statements. In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will" or "will be taken", "occur" or "be achieved".

Forward-looking statements are based on our opinions and estimates as of the date of this annual report and they are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements, including but not limited to the following factors that are described in greater detail elsewhere in this annual report: the COVID-19 pandemic; oil price risk; geographic concentration of investments; foreign currency fluctuation; volatility of the Indian securities markets; investments may be made in foreign private businesses where information is unreliable or unavailable; valuation methodologies involve subjective judgments; financial market fluctuations; pace of completing investments; minority investments; reliance on key personnel and risks associated with the Investment Advisory Agreement; lawsuits; use of leverage; significant ownership by Fairfax may adversely affect the market price of the subordinate voting shares; weather risk; taxation risks; emerging markets; MLI; economic risk; and trading price of subordinate voting shares relative to book value per share risk. Additional risks and uncertainties are described in the company's annual information form 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 Annual Report, which have been used consistently and disclosed regularly in the company's Annual Reports and interim financial reporting, do not have a prescribed meaning under IFRS 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 consolidated financial statements for the year ended December 31, 2021.

Non-GAAP Financial Measures

Book value per share prior to the performance fee – This measure adjusts common shareholders' equity in the book value per share calculation to remove the performance fee accrued at the end of the current reporting period as presented in note 12 (Related Party Transactions) within the consolidated financial statements for the year ended December 31, 2021, and is a key performance measure.

Book value per share before cumulative performance fees – This measure adjusts the common shareholder's equity in the book value per share calculation to add the performance fee accrued or payable at the end of the reporting period and adjusts the common shares outstanding at the end of the reporting period to remove the subordinate voting shares issued to settle performance fees in prior periods. The company issued 7,663,685 and 546,263 subordinate voting shares in connection with the first and second calculation periods, respectively. The company uses this measure to monitor the company's performance had it not been impacted by any performance fees.

Cash used in operating activities excluding the impact of changes in restricted cash and net sales (purchases) of investments – The company uses this measure to monitor the cash generated by (used in) the company's head office operations, primarily comprised of cash inflows (outflows) from interest and dividend income, interest expense, investment and advisory fees, current income taxes and general and administration expenses, and excludes the impact of changes to restricted cash and purchases and sales of investments. This measure is a component of cash provided by (used in) operating activities as presented in the consolidated statement of cash flows within the consolidated financial statements for the year ended December 31, 2021.

Cash and marketable securities – The company uses this measure to monitor short term liquidity risk. This measure is calculated by the company as the sum of cash, cash equivalents, short term investments, Government of India bonds and Other Public Indian Investments. Those amounts are presented in note 6 (Cash and Investments) within the consolidated financial statements for the year ended December 31, 2021.

Compound annual growth rate ("CAGR") – The company uses the CAGR to measure performance of certain of the above-noted metrics over a specified period of time. CAGR is calculated using the formula: (ending value / beginning value) ^ (1 / number of years) – 1.

Other Financial Measures related to Indian Investments

The Annual Report contains certain unaudited financial information related to Indian Investments (and related financial measures derived therefrom) which are prepared under Indian Accounting Standards (Ind AS), with the exception of the financial statements of CSB Bank prepared in accordance with Indian Generally Accepted Accounting Principles (Indian GAAP), unless otherwise noted. Such unaudited financial information is prepared by and is the responsibility of the respective Indian Investments' management teams. Fairfax India is limited with respect to the amount of independent verification it is able to perform on the Indian Investments' unaudited financial information.

Certain financial measures related to Indian Investments included in the Annual Report do not have a prescribed meaning under IFRS as issued by the IASB and may not be comparable to similar measures presented by the company or other companies.

Appendix to the Letter to Shareholders

Management analyzes and assesses the financial position of the consolidated company in various ways. Certain of the measures included in its letter to shareholders do not have a prescribed meaning under IFRS as issued by the IASB and may not be comparable to similar measures presented by other companies. Those measures are described below.

Supplementary Financial Measures

Return on equity – The company uses this measure to assess profitability for shareholders. This measure is calculated based on net earnings attributable to the company's shareholders divided by the average common shareholders' equity for the period. These amounts are presented on the consolidated balance sheet and consolidated statements of earnings (loss), respectively, within the consolidated financial statements.

Proportion of the publicly listed investments in Fairfax India – The company uses this measure to determine the proportion of the company's Indian Investments with fair values based on published quotes in active markets, an important risk measure. This measure is calculated as the total fair value of the company's Public Indian Investments plus the fair value of the company's share of Chemplast Sanmar Limited (a publicly listed subsidiary of Sanmar, approximately $277.5 million), divided by the total fair value of the company's Indian Investments.

Internal rate of return – The company uses this measure to assess the performance of its investments. This measure represents the U.S. dollar annualized rate of return and is calculated for each of the company's Indian Investments based on its fair value at a point of time, taking into account the timing of cash flows (including cost of purchases, proceeds on sales, dividends received and returns of capital) over the period of the company's investment.

Total debt to equity – The company uses this measure to monitor and manage its capital. This measure is calculated as total principal of Borrowings outstanding divided by common shareholders' equity at a point in time. These amounts are presented in note 7 (Borrowings) and the consolidated balance sheet, respectively, within the consolidated statements.

Non-GAAP Financial Measures

Undeployed cash and investments – The company uses this measure to monitor short term liquidity risk. This measure is calculated by the company as the sum of cash, cash equivalents, restricted cash, short term investments, Government of India bonds and Other Public Indian Investments. These amounts are presented in note 6 (Cash and Investments) within the consolidated financial statements.

Directors of the Company

Anthony F. Griffiths
Corporate Director

Christopher D. Hodgson
President
Ontario Mining Association

Alan D. Horn
President and Chief Executive Officer
Rogers Telecommunications Limited

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

Deepak Parekh
Chairman
Housing Development Finance Corporation Limited

Satish Rai
Chief Investment Officer
Ontario Municipal Employees' Retirement System (OMERS)

Chandran Ratnaswami
Chief Executive Officer of the Company

Gopalakrishnan Soundarajan
Chief Operating Officer of the Company

Lauren C. Templeton
President
Templeton and Phillips Capital Management, LLC

Benjamin P. Watsa
Chief Executive Officer
Marval Capital Ltd.

V. Prem Watsa
Chairman of the Company

Operating Management

FIH Mauritius Investments Ltd.

Amy Tan
Chief Executive Officer

Officers of the Company

Jennifer Allen
Vice President

Jennifer Pankratz
General Counsel and Corporate Secretary

Chandran Ratnaswami
Chief Executive Officer

Amy Sherk
Chief Financial Officer

Gopalakrishnan Soundarajan
Chief Operating Officer

John Varnell
Vice President, Corporate Affairs

V. Prem Watsa
Chairman

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Website: www.fairfaxindia.ca

Auditor

PricewaterhouseCoopers LLP

Transfer Agent and Registrar

Computershare Trust Company of Canada,
Toronto

Share Listing

Toronto Stock Exchange
Stock Symbol: FIH.U

Annual Meeting

The annual meeting of the shareholders of Fairfax India Holdings Corporation will be held on Thursday, April 21, 2022 at 2:00 p.m. (Toronto time) at Roy Thomson Hall, 60 Simcoe Street, Toronto, Canada M5J 2H5 and as a virtual conference call