Exhibit "SAE1"

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Fairfax (Barbados) International Corp.

Parent Company Financial Statements
December 31, 2020
(expressed in thousands of U.S. dollars)

pwc

Independent auditor's report

To the Shareholder of Fairfax (Barbados) International Corp.

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fairfax (Barbados) International Corp. parent company (the "Company") as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the parent company balance sheet as at December 31, 2020;
- the parent company statement of changes in equity for the year then ended;
- the parent company statement of earnings for the year then ended;
- the parent company statement of cash flows for the year then ended; and
- the notes to the parent company financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the 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 International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

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

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In preparing the 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 ISAs 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Other matter

This report is made solely to the Company's shareholder, as a body corporate, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the Company's shareholder those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder as a body corporate, for our audit work, for this report, or for the opinion we have formed.

PricewaterhouseCoopers SRL

Bridgetown, Barbados
March 17, 2021

Fairfax (Barbados) International Corp.

Parent Company Balance Sheet

As at December 31, 2020

(expressed in thousands of U.S. dollars)

	2020 $	2019 $
Assets		
Cash and cash equivalents (note 4)	**330**	1,008
Short term investments (note 4)	**18,496**	3,824
Common stocks (note 4)	**22,142**	14,557
Derivatives (note 4)	**–**	2
Accrued interest	**–**	42
Accounts receivable and other	**790**	18
Due from affiliated companies (note 9)	**3,018**	13,149
Capital and other assets	**20**	31
Investments in subsidiaries and group affiliates (note 5)	**1,449,992**	1,519,567
Assets held for sale (note 6)	**–**	243,127
Investment in affiliate held for sale (fair value - $242,847, 2019 - $nil) (note 6)	**201,394**	–
Total assets	**1,696,182**	1,795,325
Liabilities		
Accounts payable and accrued liabilities	**2,365**	2,441
Due to affiliated companies (note 9)	**11**	–
Loans notes payable (note 10)	**133,920**	133,890
Total liabilities	**136,296**	136,331
Equity		
Share capital (note 7)	**1,193,480**	1,193,480
Capital contribution (note 7)	**177,098**	177,098
Retained earnings	**189,308**	288,416
	1,559,886	1,658,994
Total liabilities and equity	**1,696,182**	1,795,325

The accompanying notes are an integral part of these Parent Company financial statements.

Approved by the Board of Directors on March 15, 2021

________________ Director   Alistair Dent ________________ Director

Fairfax (Barbados) International Corp.

Parent Company Statement of Changes in Equity

For the year ended December 31, 2020

(expressed in thousands of U.S. dollars)

	2020 $	2019 $
Common stock - beginning of year	**1,193,480**	1,149,480
Issued during the year (note 7)	–	44,000
Common stock - end of year	**1,193,480**	1,193,480
Common contribution - beginning of year	**177,098**	153,712
Issued during the year (note 7)	–	23,386
Common contribution - end of year	**177,098**	177,098
Retained earnings - beginning of year	**288,416**	277,917
Net earnings for the year	**273,892**	389,222
Dividends paid (2020: $0.86 per share; 2019: $0.88 per share)	**(373,000)**	(378,723)
Retained earnings - end of year	**189,308**	288,416
Retained earnings and accumulated other comprehensive income	**189,308**	288,416
Total equity	**1,559,886**	1,658,994

The movement of common stock and capital contribution during the year is detailed in Note 7.

Dividends of $373,000 (2019: $378,723) comprises cash dividends totalling $10,000 (2019: $359,000) and non-cash dividends of $363,000 (2019: $19,723).

The accompanying notes are an integral part of these Parent Company financial statements.

Fairfax (Barbados) International Corp.

Parent Company Statement of Earnings

For the year ended December 31, 2020

(expressed in thousands of U.S. dollars)

	2020 $	2019 $
Revenue		
Interest and dividends, net of expenses (note 4)	**373,055**	384,018
Net (losses)/gains on investments (note 4)	**(85,953)**	17,226
	287,102	401,244
Expenses		
Interest expense on intercompany loans	**(10,844)**	(10,814)
General and administrative expenses	**(2,366)**	(1,208)
	(13,210)	(12,022)
Net earnings for the year	**273,892**	389,222

The Company has no comprehensive income or expense other than the net earnings for the year recognised in the Parent Company Statement of Earnings. Accordingly, a separate statement of total comprehensive income is not presented in these Parent Company financial statements.

The accompanying notes are an integral part of these Parent Company financial statements.

Fairfax (Barbados) International Corp.

Parent Company Statement of Cash Flows

For the year ended December 31, 2020

(expressed in thousands of U.S. dollars)

	2020 $	2019 $
Cash (used in)/provided by:		
Operating activities		
Net earnings for the year	**273,892**	389,222
Depreciation of capital assets	**24**	24
Bond (discount)/premium amortization	**3**	(39)
Dividends in specie from subsidiaries and group affiliates	**(363,000)**	(25,000)
Net losses/(gains) on investments	**86,047**	(17,184)
Net (purchases)/sales of securities classified as FVTPL:		
- Short term investments	**(14,673)**	(3,784)
- Common stocks	**100**	–
- Derivatives	**–**	1,217
	(17,607)	344,456
Changes in:		
- Due from affiliated companies	**10,131**	726
- Accrued interest	**42**	(42)
- Due to affiliated companies	**10**	1
- Accounts receivable and capital and other assets	**(760)**	32
- Accounts payable and accrued liabilities	**(65)**	187
Cash (used in)/provided by operating activities	**(8,249)**	345,360
Investing activities		
- Net disposal/(acquisition) of shares in subsidiaries and group affiliates	**17,571**	(68,490)
- Other investing activities	**–**	39
Cash provided by/(used in) investing activities	**17,571**	(68,451)
Financing activities		
- Common stock issuance	**–**	44,000
- Capital contribution	**–**	23,386
- Dividend paid	**(10,000)**	(359,000)
Cash used in financing activities	**(10,000)**	(291,614)
Decrease in cash and cash equivalents	**(678)**	(14,705)
Cash and cash equivalents - beginning of year	**1,008**	15,713
Cash and cash equivalents - end of year	**330**	1,008

Cash and cash equivalents are readily convertible into cash and have maturities from inception of three months or less.

The accompanying notes are an integral part of these Parent Company financial statements.

(expressed in thousands of U.S. dollars)

1 Incorporation and ownership

Fairfax (Barbados) Insurance Corp. (hereinafter referred to as "The Company", "Parent Company"," or "Fairfax Barbados") was incorporated as on May 14, 1999 under the laws of Barbados and was licensed under the Barbados Exempt Insurance Act, Cap. 308A (the Act). The Company surrendered its insurance license to the Supervisor of Insurance for cancellation on August 24, 2006. On the same day the Company was licensed as an International Business Company ("IBC") under the International Business Companies Act, 1991 - 24 and renamed Fairfax (Barbados) International Corp. The Company's immediate parent is FFHL Group Limited ("FFHL"), a private company incorporated under the laws in Canada. The ultimate beneficial owner of the Company is Fairfax Financial Holdings Group Limited ("Fairfax"), a public company incorporated under the laws in Canada. Effective January 1, 2019, the International Business Companies Act Cap. 77 was repealed and all companies licensed under this act prior to its repeal, will continue to be licensed under the Companies Act Cap. 308. Existing licensees will have until June 30, 2021 to transition into the regime and will have the benefit of grandfathering provisions until they do so under the International Business Companies (Repealed) Act 2018-40. In conjunction with the repeal of the International Business Companies Act Cap. 77, the Income Tax Act Cap. 73 was also amended. The amended Income Tax Act Cap. 73 applies new effective and staggered rates of tax from 2.5% - 5.5% based on a Company's net earnings.

2 Basis for presentation

These Parent Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies used to prepare the Parent Company financial statements comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Where IFRS does not contain clear guidance governing the accounting treatment of certain transactions IFRS requires judgment in developing and applying an accounting policy, which may include reference to another comprehensive body of accounting principles. In these cases, the Company considers the hierarchy of guidance in International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The Parent Company financial statements have been prepared on a historical cost basis, except for derivative financial instruments and fair value through the profit and loss (FVTPL) financial assets and liabilities that have been measured at fair value.

The balance sheet is presented on a non-classified basis. Assets expected to be realized and liabilities expected to be settled within the Company's normal operating cycle of one year would typically be considered as current, including the following balances: cash and cash equivalents, short term investments, accrued interest, accounts receivable and other, due from affiliated companies, assets held for sale, investment in affiliate held for sale, accounts payable and accrued liabilities and due to affiliated companies. The following balances are generally comprised of current and non-current amounts: common stocks, derivatives, loan notes payable and capital and other assets. The current and non-current portions of such balances are disclosed, where applicable, throughout the notes to the financial statements.

These separate Parent Company financial statements contain information about Fairfax Barbados as an individual company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption under IFRS 10, 'Consolidated financial statements', from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of its parent, Fairfax which is incorporated in Canada and its consolidated financial statements are publicly available from Fairfax's website.

(expressed in thousands of U.S. dollars)

2 Basis of presentation *... continued*

The principal accounting policies applied to the presentation of these Parent Company financial statements are set out below. These policies have been consistently applied to all periods presented unless otherwise stated.

3 Summary of significant accounting policies and estimates

Critical accounting estimates and judgements

In the preparation of the Company's Parent Company financial statements, management has made a number of estimates and judgments. The most critical of these estimates and judgments relates to the impairment assessment of investments in subsidiaries and group affiliates (note 5). Estimates and judgements 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.

Cash and cash equivalents

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

Short term investments

Short term investments are investments with maturity dates between three months and twelve months when purchased. Short term investments are classified as at FVTPL and their carrying values approximate fair value.

Investments in subsidiaries and group affiliates

Investments in subsidiaries and group affiliates are stated at cost unless their value has been other than temporarily impaired in which case they are written down to fair value. Impairment losses are recognised in the statement of earnings.

Assets held for sale and investment in affiliate held for sale

Non-current assets and investment in affiliate are classified as held for sale if their carrying amount will be recovered through sale rather than through continuing use. Classification as held for sale requires that management be committed to the sale, the sale is highly probable, the asset is available for immediate sale in its present condition, and the sale is expected to be completed within one year from the date of classification.

Non-current assets and investment in affiliate classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

When a sale is expected to result in loss of control of a subsidiary, all of the subsidiary's assets and liabilities are classified as held for sale even if the Company will retain an interest in its former subsidiary after the sale.

When a sale involves an investment in affiliate or a portion thereof, the portion to be sold is classified as held for sale.

(expressed in thousands of U.S. dollars)

3 Summary of significant accounting policies and estimates *... continued*

Foreign currency

Foreign currency transactions are translated into the functional currency of the Company, being U.S. dollars, 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 are recognized in the statement of earnings. 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 at the date the fair value is determined.

Statement of cash flows

The Company's statements of cash flows are prepared in accordance with the indirect method, classifying cash flows from operating, investment and financing activities.

Investments

Investments include cash and cash equivalents, short term investments, non-derivative financial assets and derivatives.

Due from/(to) affiliated companies

Amounts due from/(to) affiliated companies are carried at amortised cost. In accordance with IFRS 9, the Company calculates expected credit losses on all financial assets including intercompany loans within the scope of IFRS 9.

Financial instruments - classification, recognition and measurement

The Company's financial assets and liabilities are classified as at fair value through profit and loss (FVTPL). Financial assets at FVTPL are carried at fair value in the balance sheet with realized and unrealized gains and losses recorded in net gains (losses) on investments in the statement of earnings. Dividends and interest earned and interest incurred are included in interest and dividends in the statement of earnings. The Company recognizes purchases and sales of financial assets on the trade date, which is the date on which the Company commits to purchase or sell the asset. Transactions pending settlement are reflected in the balance sheet in capital and other assets or in accounts payable and accrued liabilities. Transaction costs related to financial assets classified or designated as at FVTPL are expensed as incurred. A financial asset 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 the risks and rewards of ownership of the asset.

(expressed in thousands of U.S. dollars)

3 Summary of significant accounting policies and estimates *...continued*

Classification of non-derivative financial assets

Investments in equity instruments and those debt instruments that do not meet the criteria for amortized cost (see below) are classified as at fair value through profit or loss ("FVTPL"). Financial assets at FVTPL are carried at fair value in the balance sheet with realized and unrealized gains and losses recorded in net gains (losses) on investments in the statement of earnings and as an operating activity in the statement of cash flows. Dividends and interest earned, net of interest incurred are included in the statement of earnings in interest and dividends and as an operating activity in the statement of cash flows.

A debt instrument is measured at amortized cost if (i) the objective of the Company's business model is to hold the instrument in order to collect contractual cash flows and (ii) the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Alternatively, debt instruments that meet the criteria for amortized cost may be designated at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces an accounting mismatch. The Company's business model currently does not permit any of its investments in debt instruments to be measured at amortized cost.

Investments in equity instruments that are not held for trading may be irrevocably designated at fair value through other comprehensive income ("FVTOCI") on initial recognition. The Company has not designated any of its equity instruments at FVTOCI.

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 the estimates of fair value. Accordingly, actual values realized in future market transactions may differ from the estimates presented in these financial statements. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value. The fair values of financial instruments are based on bid prices for financial assets and offer prices for financial liabilities. The Company categorizes its fair value measurements according to a three-level hierarchy described below:

Level 1 Inputs represent unadjusted quoted prices for identical instruments exchanged in active markets. The fair values of the majority of the Company's common stocks 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 value of the majority of the Company's investments in derivative contracts (e.g. foreign currency contracts etc.) are based on third party broker-dealer quotes.

The fair values of investments in certain limited partnerships classified as common stocks on the balance sheets are based on the net asset values received from the general partner, adjusted for liquidity as required and are classified as Level 2 when they may be liquidated or redeemed within three months or less of providing notice to the general partner. Otherwise, investments in limited partnerships are classified as Level 3 within the fair value hierarchy.

(expressed in thousands of U.S. dollars)

3 Summary of significant accounting policies and estimates *... continued*

Level 3 Inputs include unobservable inputs used in the measurement of financial instruments. Management is required to use its own assumptions regarding unobservable inputs as there is little, if any, market activity in these assets or liabilities or related observable inputs that can be corroborated at the measurement date.

Transfers between fair value hierarchy categories are considered effective from the beginning of the 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 comparisons with 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).

The Company engages an affiliated company with dedicated personnel responsible for 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.

Derivative financial instruments

Derivative financial instruments may include interest rate, credit default, currency and total return swaps, CPI-linked, futures, forwards, warrants and option contracts (foreign currency and equity index options) all of which derive their value mainly from changes in underlying interest rates, foreign exchange rates, credit ratings, commodity values or equity instruments. A derivative contract may be traded on an Exchange or over-the-counter ("OTC"). Exchange-traded derivatives are standardized and include futures and certain option contracts. OTC derivative contracts are individually negotiated between contracting parties.

The Company uses derivatives principally to mitigate financial risks arising from its investment holdings. Derivatives that are not specifically designated or that do not meet the requirements for hedge accounting are carried at fair value on the balance sheet with changes in fair value recorded in net gains (losses) on investments in the statement of earnings and as an operating activity in the statement of cash flows. Derivatives are monitored by the Company for effectiveness in achieving their risk management objectives. The determination of fair value for the Company's derivative financial instruments where quoted market prices in active markets are unavailable is described in the "Determination of fair value" section above. The Company has not designated any financial assets or liabilities (including derivatives) as accounting hedges.

The fair value of derivatives is presented on the balance sheet in derivatives in portfolio investments. The initial premium paid for a derivative contract, if any, would be recorded as a derivative asset and subsequently adjusted for changes in the market value of the contract at each balance sheet date. Changes in the market value of a contract are recorded as net gains (losses) on investments in the statement of earnings at each balance sheet date, with a corresponding adjustment to the carrying value of the derivative asset or liability.

(expressed in thousands of U.S. dollars)

3 Summary of significant accounting policies and estimates *...continued*

The Company's long equity total return swaps allow the Company to receive the total return on a notional amount of an equity index or individual equity security (including dividends and capital gains or losses) in exchange for the payment of a floating rate of interest on the notional amount. Conversely, short equity total return swaps allow the Company to pay the total return on a notional amount of an equity index or individual equity security in exchange for the receipt of a floating rate of interest on the notional amount.

The Company classifies dividends and interest paid or received related to its long and short equity total return swaps on a net basis within interest and dividends in the statement of earnings. The Company's equity and equity index total return swaps contain contractual reset provisions requiring counterparties to cash-settle on a quarterly basis any market value movements arising subsequent to the prior settlement.

Any cash amounts paid to settle unfavourable market value changes and, conversely, any cash amounts received in settlement of favourable market value changes, are recorded as net gains (losses) on investments in the statement of earnings. To the extent that a contractual reset date of a contract does not correspond to the balance sheet date, the Company records net gains (losses) on investments in the statement of earnings to adjust the carrying value of the derivative asset or liability associated with each total return swap contract to reflect its fair value at the balance sheet date. Final cash settlements of total return swaps are recognized as net gains (losses) on investments net of any previously recorded unrealized market value changes since the last quarterly reset date. Total return swaps require no initial net investment and at inception, their fair value is zero.

Accounts receivable and accounts payable

Accounts receivable and accounts payable are recognized initially at fair value. Due to their short-term nature, carrying value is considered to approximate fair value.

Revenue recognition

Dividend income is recognised when the Company's right to receive payment is established.

Equity

Common stock 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 repurchase for cancellation of equity instruments are recognized in equity. Dividends and other distributions to holders of equity instruments are recognized directly in equity.

Income taxes

The provision for income taxes for the period comprises current and deferred income tax. Income taxes are recognized in the statement of earnings. Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Barbados where the Company operates and generates taxable income.

(expressed in thousands of U.S. dollars)

3 Summary of significant accounting policies and estimates *...continued*

Income taxes*...continued*

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.

With the exception of initial recognition of deferred income tax arising from business combinations, changes in deferred income tax associated with components of other comprehensive income are recognized directly in other comprehensive income while all other changes in deferred income tax are included in the provision for income taxes in the statement of earnings.

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.

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

Contingencies and commitments

A provision is recognized for a contingent liability, commitment or financial guarantee when the Company has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted when the effect of the time value of money is considered significant.

New accounting pronouncements adopted in 2020

a) New standards, amendments and accounting pronouncements adopted by the Company in 2020:

The Company adopted the following new standards and amendments, effective January 1, 2020 in accordance with their applicable transition provisions and did not have a significant impact on the Parent Company financial statements.

Conceptual Framework for Financial Reporting ("Conceptual Framework")
The revised Conceptual Framework includes revised definitions of an asset and a liability as well as new guidance on measurement, derecognition, presentation and disclosure. It does not constitute an accounting pronouncement and did not result in any immediate change to IFRS and will be used by the IASB and IFRS Interpretations Committee in setting future standards. Adoption of the revised Conceptual Framework on January 1, 2020 did not have an impact on the Parent Company's financial statements. The revised Conceptual Framework will apply when the Company has to develop an accounting policy for an issue not addressed by IFRS.

(expressed in thousands of U.S. dollars)

3 Summary of significant accounting policies and estimates *...continued*

New accounting pronouncements adopted in 2020

a) New standards, amendments and accounting pronouncements adopted by the Company in 2020:

Definition of Material (Amendments to IAS 1 and IAS 8)
The amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarify the definition of "material". Prospective adoption of these amendments on January 1, 2020 did not have a significant impact on the Parent Company's financial statements.

b) New standards, amendments and interpretations issued but not yet adopted by the Company:

The following new standards and amendments which may be relevant to the Company's operations have been issued by the IASB and were not yet effective for the fiscal year beginning January 1, 2020. 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 for the purpose of 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 beginning of the annual reporting period in which the entity first applies the amendments. 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 Parent Company's 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 an entity includes when it applies the '10 per cent test' in assessing whether to derecognize a financial liability and an amendment to an illustrative example accompanying IFRS 16 *Leases* to clarify the treatment of lease incentives. 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 Parent Company's 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 which was to be applied retrospectively on or after January 1, 2022. On July 15, 2020, the IASB issued another amendment to IAS 1 *Presentation of Financial Statements* to defer the effective date of the January 2020 amendments to IAS 1 by one year to annual reporting periods beginning on or after January 1, 2023. The Company is currently evaluating the expected impact of these amendments on its financial statements.

(expressed in thousands of U.S. dollars)

4 Investments and investment income

Cash and cash equivalents, short term investments, common stocks and derivatives are shown in the table below:

	December 31, 2020		December 31, 2019	
	Classified as FVTPL $	**Total carrying value $**	**Classified as FVTPL $**	**Total Carrying value $**
Cash and cash equivalents	**330**	**330**	1,008	1,008
Short term investments	**18,496**	**18,496**	3,824	3,824
Common stocks	**22,142**	**22,142**	14,557	14,557
Derivatives	**–**	**–**	2	2
	40,968	**40,968**	19,391	19,391
Current	**18,826**	**18,826**	4,832	4,832
Non-current	**22,142**	**22,142**	14,559	14,559
Total	**40,968**	**40,968**	19,391	19,391

The estimated fair values of common stocks listed on a recognised stock exchange are based on quoted market values. Common stock includes investments in certain limited partnerships with a carrying value of $1,096 (2019 - $1,681).

Short term investments are treasury bills with original maturities of greater than three months but less than one year.

During December 31, 2020 and 2019 derivatives consisted of inflation floors.

All of the portfolio investments held are free of encumbrances with the exception of collateral assets pledged for short sale and derivative obligations.

(expressed in thousands of U.S. dollars)

4 Investments and investment income *...continued*

Derivative transactions analysed by cost, notional value, carrying value and maturity profile are as follows:

	December 31, 2020			December 31, 2019		
	Cost $	Notional value $	Carrying value $	Cost $	Notional value $	Carrying value $
Derivatives						
Inflation floors						
Between 1 to 5 years	–	100,000	–	–	100,000	2
	–	100,000	–	–	100,000	2

As at December 31, 2020, the Company is not exposed to significant market risk through its investing activities. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk. The Company's derivative contracts, with limited exceptions, are used for the purpose of managing these risks. Derivative contracts entered into by the Company are considered economic hedges and are not designated as hedges for financial reporting purposes.

(expressed in thousands of U.S. dollars)

4 Investments and investment income *...continued*

The following table summarises the fair value hierarchy for financial assets at fair value through profit and loss:

	December 31, 2020				December 31, 2019			
	Total fair value of assets $	Quoted prices (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Total fair value of assets $	Quoted prices (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $
Cash and cash equivalents	**330**	**330**	–	–	1,008	1,008	–	–
Short term investments:								
U.S. Treasury	**18,496**	**18,496**	–	–	3,824	3,824	–	–
	18,826	**18,826**	–	–	4,832	4,832	–	–
Common stocks:								
U.S.	–	–	–	–	1,681	–	–	1,681
European	**8,975**	**8,975**	–	–	12,836	12,836	–	–
Other	**13,167**	**1,316**	**10,755**	**1,096**	40	40	–	–
	22,142	**10,291**	**10,755**	**1,096**	14,557	12,876	–	1,681
Derivatives								
Inflation floors	–	–	–	–	2	–	–	2
Total investments	**40,968**	**29,117**	**10,755**	**1,096**	19,391	17,708	–	1,683

(expressed in thousands of U.S. dollars)

4 Investments and investment income *... continued*

The following table summarises the movement in investments using significant unobservable inputs (Level 3):

	December 31, 2020			December 31, 2019		
	Common stock $	Derivatives $	Total $	Common stock $	Derivatives $	Total $
Balance - beginning of year	**1,681**	**2**	**1,683**	2,034	24	2,058
Net sales	**(100)**	–	**(100)**	–	–	–
Included in net unrealised (losses)/gains on investments[1]	**(485)**	**(2)**	**(487)**	(353)	(22)	(375)
Balance - end of year	**1,096**	–	**1,096**	1,681	2	1,683

[1] Included within "net (losses)/gains on investments" in the statement of earnings.

Net sales of $100 (2019 - $Nil) of investments classified as Level 3 within the fair value hierarchy during the year comprises sales of a limited partnership investment. There were no transfers between Levels 1, 2 and 3 during the year.

Included in the Level 3 are investments in inflation floors and common shares of private companies. The inflation floors are classified within derivatives on the balance sheet and are valued using broker-dealer quotes which management has determined utilize market observable inputs except for the inflation volatility input which is not market observable. The private company common shares are classified within common stocks on the balance sheet. The fair value of the common shares are primarily valued using net asset value statements, the fair values of which are determined using quoted prices of the underlying assets and to a lesser extent, observable inputs where available and unobservable inputs in conjunction with industry accepted valuation models, where required. In some instances, private equity funds and limited partnerships are classified as Level 3 because they may require at least three months of notice to liquidate. Reasonably possible changes in the value of unobservable inputs would not significantly change the fair value of the investments classified as Level 3 in the fair value hierarchy.

The Level 3 fair value of the derivatives of $Nil (2019 - $2) was determined using the discounted cash flow valuation technique. The fair value of the common stocks of $1,096 (2019 - $1,681) was determined using the net asset value valuation technique.

(expressed in thousands of U.S. dollars)

4 Investments and investment income ... *continued*

Analysis of investment income

	December 31, 2020			December 31, 2019		
	FVTPL $	Other $	Total $	FVTPL $	Other $	Total $
Interest income/ (expense):						
Cash and short term investments	**57**	–	**57**	156	–	156
Dividends:						
Common stock	**47**	–	**47**	1	–	1
Group undertakings	–	**373,000**	**373,000**	–	384,000	384,000
	47	**373,000**	**373,047**	1	384,000	384,001
Expenses	–	**(49)**	**(49)**	–	(139)	(139)
Interest and dividends (net of expenses)	**104**	**372,951**	**373,055**	157	383,861	384,018

(expressed in thousands of U.S. dollars)

4 Investments and investment income *...continued*

	December 31, 2020			December 31, 2019		
	FVTPL	**Other**	**Total**	**FVTPL**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Net gains/(losses) on investments:						
Realised gains/(losses) on investments:						
Common Stock	**(70)**	–	**(70)**	–	–	–
Short term investments	**2**	–	**2**	1	–	1
Derivatives	–	–	–	(502)	–	(502)
Investments in subsidiaries and group affiliates	–	**(22,041)**	**(22,041)**	–	14,958	14,958
Investment in affiliate held for sale (note 6)	–	**(24,753)**	**(24,753)**	–	–	–
	(68)	**(46,794)**	**(46,862)**	(501)	14,958	14,457
Unrealised (losses)/ gains on investments:						
Common stock	**(2,559)**	–	**(2,559)**	2,695	–	2,695
Investments in subsidiaries and group affiliates	–	–	–	(808)	–	(808)
Derivatives	**23**	–	**23**	869	–	869
	(2,536)	–	**(2,536)**	2,755	–	2,755
Impairment of investments in subsidiaries and group Affiliates (note 5)	–	**(37,657)**	**(37,657)**	–	–	–
	(2,536)	**(37,657)**	**(40,193)**	2,755	–	2,755
Realised and Unrealized foreign Exchange (losses)/ gains	**1,102**	–	**1,102**	14	–	14
Net (losses)/gains on investments	**(1,502)**	**(84,451)**	**(85,953)**	2,268	14,958	17,226
Net investment income	**(1,398)**	**288,500**	**287,102**	2,425	398,819	401,244

(expressed in thousands of U.S. dollars)

5 Investments in subsidiaries and group affiliates

	Carrying value	
	2020	**2019**
	$	**$**
Investments in subsidiaries		
Fairfax Asia Limited	**997,751**	997,751
Fairbridge Capital (Mauritius) Limited	**176,680**	176,680
Wentworth Insurance Company Limited	**128,479**	128,479
Mohawk River Insurance SCC Limited	**2,553**	2,553
McEwan Enterprises Inc.	**5,618**	5,188
FFH Management Services Limited (i)	**–**	–
Colonnade Finance Sarl	**79,474**	79,474
	1,390,555	1,390,125
Investments in group affiliates		
Advent Re Holdings Limited	**–**	1,019
Southbridge Colombia (ii)	**–**	–
Fairfax India Holdings Corporation	**32,729**	54,216
Fairfax Africa Holdings Corporation	**–**	29,191
HWIC Asia Fund Class A	**9,288**	15,296
HWIC Asia Fund Class H	**9,515**	18,564
Apple Bidco Limited	**–**	2,136
HWIC Asia Fund Class G	**7,905**	9,020
	59,437	129,442
Total investments in subsidiaries and group affiliates	**1,449,992**	1,519,567

(i) The investment in FFH Management Services Limited is $1 dollar only.
(ii) The investment in Southbridge Colombia is $2.58 dollars only.

Fairfax Asia Limited ("Fairfax Asia")
Fairfax Asia is a holding company (registered in Barbados) which, through its subsidiaries, is principally engaged in property and casualty insurance conducted on a direct and reinsurance basis, and the associated investment management and insurance claims management.

In 2019, the Company increased its investment in Fairfax Asia by way of a capital contribution of $48,100 to fund operations and cover certain operating losses.

(expressed in thousands of U.S. dollars)

5 Investments in subsidiaries and group affiliates *...continued*

Fairfax Asia Limited ("Fairfax Asia") *...continued*
At December 31, 2020, the Company's investment in Fairfax Asia is carried at cost of $997,751 (2019 - $997,751). The Company's share of the reported shareholder's equity of Fairfax Asia, at December 31, 2020 is $978,668 (2019 - $1,364,455). The Company's total shareholding in Fairfax Asia is 100% as at December 31, 2020 (2019 - 100%).

Fairbridge Capital (Mauritius) Limited ("Fairbridge")
Fairbridge is a holding company (registered in Mauritius) for investment activities in India. At December 31, 2020 the Company's total investment in Fairbridge is carried at cost of $176,680 (2019 - $176,680). The Company's total shareholding in Fairbridge is 65.70% as at December 31, 2020 (2019 - 65.70%) and share of Fairbridge's reported shareholder's equity at the same date is $180,969 (2019 - $152,844).

At December 31, 2020, Fairbridge holds a 65.6% shareholding (2019 - 65.6%) in Thomas Cook India whereas the market value of the investment is $159,962 (2019 - $221,807) and a 31.75% shareholding (2019 - 31.78%) in Quess Corp Limited whereas the market value of the investment is $350,798 (2019 - $318,285) both based on the year end listed share price on the Mumbai Stock Exchange. This implies an underlying value of the Company's investment in Fairbridge of $335,569 (2019 - $354,840).

Wentworth Insurance Company Limited ("Wentworth")
Wentworth is a reinsurance company (registered in Barbados) whose primary operation is to reinsure property and casualty risks for fellow subsidiaries of Fairfax and third-party companies. On December 31, 2020, the Company's total investment in Wentworth is carried at $128,479 (2019 - $128,479). The Company holds 100% of the common stock of Wentworth at December 31, 2020 (2019 - 100%). The Company's share of Wentworth's reported shareholder's equity at December 31, 2020 is $267,309 (2019 - $360,268).

Mohawk River Insurance SCC Limited ("Mohawk")
Mohawk, formerly known as American Safety Assurance Limited is a segregated accounts company. It was incorporated under the laws of Bermuda in 2004 but subsequently filed Articles of Continuance under the Laws of Barbados in 2014 as a Segregated Cell Company under the Companies Act of Barbados where it was granted a license to operate as an Exempt Insurance Company under the Barbados Exempt Insurance Act, Cap. 308A.

Effective January 1, 2019, the Barbados Exempt Insurance Act was repealed and the Barbados Insurance Act Cap 310. was amended such that all licensees previously covered under the repealed Act are now covered under one insurance regime. Mohawk derives its income from fees charged to each segregated cell. The cells reinsure commercial and general liability risks of their respective cell owners.

At December 31, 2020, the Company's shareholding in Mohawk is carried at $2,553 (2019 - $2,553). The Company's share of Mohawk's reported shareholder's equity at December 31, 2020 is $3,600 (2019 - $3,566). The Company's total shareholding in Mohawk is 100% as at December 31, 2020 (2019 - 100%).

FFH Management Services Limited ("FFH Management Services")
FFH Management Services is a management services company registered in Ireland. On December 31, 2020, the Company's total investment in FFH Management Services is carried at $1 dollar only (2019 - $1). The Company holds 100% of the common stock of FFH Management Services at December 31, 2020 (2019 - 100%). The Company's share of FFH Management Services reported shareholder's equity at December 31, 2020 is $2,106 (2019 - $1,932).

(expressed in thousands of U.S. dollars)

5 Investments in subsidiaries and group affiliates *...continued*

Colonnade Finance Sarl ("Colonnade")
Colonnade is a holding and financing company (registered in Luxembourg) which is principally engaged in intercompany financing activities. It also holds participations in Fairfax European group companies and investments. The investment at December 31, 2020 is comprised of 36,203,536 (2019 - 36,203,536) ordinary shares in Colonnade.

In December 2019, a previous non-interest-bearing demand loan issued to Colonnade in the amount of $23.4 million was converted to a capital contribution to the ordinary share premium account of Colonnade with no additional shares of Colonnade issued to the Company. In addition, the Company contributed capital in the sum of $16.5 million (which was received from the distribution of the assets of Stonebridge) to the ordinary share premium of Colonnade, with no additional shares in the ordinary common stock of Colonnade issued to the Company.

At December 31, 2020 the Company's total investment in Colonnade is carried at a cost of $79,474 (2019 - $79,474). The Company's share of Colonnade's reported shareholder's equity at December 31, 2020 is $467,442 (2019 - $374,002).

Advent Re Holdings Limited ("Advent")
Advent is a UK registered company and is a wholly owned Fairfax subsidiary. Its principal activity is underwriting insurance and reinsurance products at Lloyd's of London. Advent is a sterling denominated investment. At December 31, 2018, the Company had a shareholding of 1.20% in Advent.

On July 11, 2018, Lloyd's approved Advent's plan to enter into run-off. On that basis, management have determined that the carrying value of the Company's holding in Advent should be reduced to the Company's share of Advent's shareholder equity at December 31, 2018 (being: $1,019). This has been reflected in the statutory financial statements of the Company.

On December 19, 2019 Fairfax Financial Holdings Limited ("FFHL") entered into an agreement with the Ontario Municipal Employees Retirement System ("OMERS"), the pension plan for municipal employees in the province of Ontario for OMERS to effectively purchase a 40% interest in FFHL's wholly owned European Run-off group (''European Run-off''). As a result, RiverStone Barbados Limited (''RiverStone Barbados''), was newly created and the ownership of RiverStone Insurance (UK) Limited, TIG Insurance (Barbados) Limited and Advent Capital Holdings Limited were all transferred to RiverStone Barbados on the closing date March 31, 2020. In exchange for the transfer of its shares in TIG Insurance (Barbados) Limited and Advent Capital, the Company received shares in RiverStone Barbados.

Southbridge Colombia ("Southbridge")
Southbridge Colombia is a property and casualty insurer based company in Bogota, Colombia. During 2018, the Company acquired 1 ordinary share with a value of $2.58 dollar only in Southbridge.

On December 31, 2020 the Company's total investment in Southbridge Colombia is carried at $2.58 dollars only (2019 - $2.58). The Company holds 0.000006% of Southbridge's ordinary shares as at December 31, 2020 (2019 - nil%).

(expressed in thousands of U.S. dollars)

5 Investments in subsidiaries and group affiliates *...continued*

Fairfax India Holdings Corporation ("FIH")
FIH is an investment holding company which invests in public and private equity securities, debt instruments and businesses in India or connected with India. On December 31, 2017, the Company acquired 2,238,300 ordinary shares in FIH at a cost of $34,134. On March 13, 2018, the Company acquired a further 1,171,000 ordinary shares in FIH at a cost of $20,082. The Company holds 2.27% of the voting rights attributable to FIH's ordinary shares as at December 31, 2020 (2019 - 2.23%).

On December 31, 2020, the Company's total investment in FIH is carried at $32,729 (2019 - $54,216). The Company's share of FIH's reported its fair market value at December 31, 2020 is $32,729 (2019 - $57,486). An impairment test was completed at December 31, 2020 and management is satisfied that an impairment of $21,487 (2019 - $nil) is reasonable, consequently, it is appropriate to carry the investment at its fair market value of $32,729 at December 31, 2020.

Fairfax Africa Holdings Corporation ("FAH")
FAH is an investment holding company which invests in public and private equities, debts instruments and business in Africa or connected with Africa. On December 31, 2017, the Company acquired 2,048,506 ordinary shares in FAH at a cost of $29,191.

On July 10 2020, Fairfax Africa entered into a definitive agreement with Helios Holdings Limited for the combination of their complementary businesses on one unified platform. The Helios Holdings Group will contribute certain economic streams (from the management and performance fees arising from current and future Helios funds) to Fairfax Africa in exchange for a 45.9% equity and voting interest in the pro forma share capital of Fairfax Africa (the "Transaction"). Fairfax Financial Holdings Limited ("Fairfax Financial") will retain voting control of the combined entity.

On closing of the transaction, the new investment renamed Helios Fairfax Partners Corporation ("HFP") will continue to be listed on the Toronto Stock Exchange.

In light of the transaction, Fairfax determined that an impairment loss on Fairfax Africa as at the closing date will need to be recorded by the companies that hold the underlying shares. The calculation of impairment loss recorded by Fairfax Barbados is based on the original investment cost in Fairfax Africa and a market price of $3.92 per share as at December 8, 2020. This resulted in an impairment being recognized of $21.1 million on Fairfax Africa, leaving a carrying value for Helios Fairfax Partners of $8.0 million as at December 8, 2020. The new investment Helios Fairfax Partners was recognised at this value at December 8, 2020 and is carried at FVTPL of $10 million as a common stock at year end.

McEwan Enterprises Inc ("McEwan")
McEwan is a restaurant and food catering company in Canada. On December 31, 2018, the Company acquired 5,940 ordinary shares in McEwan at a cost of $4,693. Effective April 11, 2019, the Company acquired an additional 550 ordinary shares at a cost of $495 and an additional 495 ordinary shares at a cost of $429 on March 18, 2020.

On December 31, 2020 the Company's total investment in McEwan is carried at a cost of $5,618 (2019 - $5,188). The Company's share of McEwan's reported shareholder's equity at December 31, 2020 is $6,257 (2019 - 5,676). The Company holds 55% of McEwan's ordinary shares as at December 31, 2020 (2019 - 55.0%).

(expressed in thousands of U.S. dollars)

5 Investments in subsidiaries and group affiliates *...continued*

HWIC Asia Fund Class A ("HWIC A")
HWIC A was created for direct and indirect investment in India and other Asian countries. On March 22, 2018, the Company acquired 24,068 ordinary shares in HWIC A at a cost of $10,184. Effective December 20, 2019 the Company received a dividend of 24,068 shares in HWIC A with a cost of $5,277 from its wholly owned subsidiary Wentworth Insurance Company Limited.

On December 31, 2020 the Company's total investment in HWIC A is carried at $9,287 (2019 - $15,296). The Company's share of HWIC A's reported net asset value at December 31, 2020 is $9,287 (2019 - $10,332). The Company holds 4.42% of HWIC A's ordinary shares as at December 31, 2020 (2019 - 4.42%). An impairment test was completed at December 31, 2020 and management is satisfied that an impairment of $6,008 (2019 - $nil) is reasonable, consequently, it remains appropriate to carry the investment at its net asset value of $9,287 at December 31, 2020.

HWIC Asia Fund Class H ("HWIC H")
HWIC H was created for direct and indirect investment in India and other Asian countries. On December 29, 2017, the Company acquired 149,945 ordinary shares in HWIC H at a cost of $18,564.

On December 31, 2020 the Company's total investment in HWIC H is carried at $9,515 (2019 - $18,564). The Company's share of HWIC H's reported net asset value at December 31, 2020 is $9,515 (2019 - $10,611). The Company holds 5.72% of HWIC H's ordinary shares as at December 31, 2020 (2019 - 5.70%). An impairment test was completed at December 31, 2020 and management is satisfied that an impairment of $9,049 (2019 - $nil) is reasonable, consequently, it remains appropriate to carry the investment at its net asset value of $9,515 at December 31, 2020.

Apple Bidco Limited ("Apple Bidco")
Apple Bidco is a holding company established to maintain a shareholding in APR Energy. APR Energy is a Florida based company which sells electricity and generation capacity to utilities, countries, and industries that have critical power requirements. On December 12, 2017, the Company acquired 4,615,490 ordinary shares in Apple Bidco at a cost of $11,845. On March 15, 2018, the Company disposed of 3,896,600 ordinary shares in Apple Bidco for proceeds of $10,000, resulting in a realised gain of $291.

During the first quarter of 2020, Atlas Corp acquired Apple Bidco. Upon closing of the acquisition, the Company's investment in Apple Bidco with a carrying value of $2.1 million was derecognized and the fair value of Atlas Corp shares of $1.3 million were recognised within common stocks, and as a result, a realized loss on the disposition of Apple Bidco of $0.9 million was recorded.

HWIC Asia Fund Class G ("HWIC G")
HWIC G was created for direct and indirect investments in listed and unlisted entities in India and other Asian countries. On December 29, 2017, the Company acquired 138,185 ordinary shares in HWIC G at a cost of $9,020.

(expressed in thousands of U.S. dollars)

5 Investments in subsidiaries and group affiliates *...continued*

HWIC Asia Fund Class G ("HWIC G") *...continued*
On December 31, 2020 the Company's total investment in HWIC G is carried at $7,905 (2019 - $9,020). The Company's share of HWIC G's reported net asset value at December 31, 2020 is $7,905 (2019 - $8,755). The Company holds 9.77% of HWIC G's ordinary shares as at December 31, 2020 (2019 - 10.18%). An impairment test was completed at December 31, 2020 and management is satisfied that an impairment of $1,114 (2019 - $nil) is reasonable, consequently, it remains appropriate to carry the investment at its net asset value of $7,905 at December 31, 2020.

6 Assets held for sale and investment in affiliate held for sale

Assets held for sale and investment in affiliate held for sale

On December 20, 2019, Fairfax entered into an agreement to contribute its wholly owned European Run-Off group ("European Run-off") to Riverstone (Barbados) Ltd. ("Riverstone Barbados"), a newly created entity to be jointly managed with Ontario Municipal Employees Retirement System ("OMERS"). The European Run-off Group consists of RiverStone Insurance (UK) Limited, TIG Insurance (Barbados) Limited ("TIG Barbados") and Advent Capital Holdings Limited ("Advent"). Pursuant to the agreement, OMERS subscribed for a 40.0% equity interest in Riverstone Barbados, and at the closing date, the Company's investment in TIG Barbados and Advent were sold to OMERS and Riverstone Barbados.

Effective December 31, 2019, as a result of the pending sale, the Company reclassified its investments in TIG Barbados, from investment in subsidiaries and group affiliates to assets held for sale on the balance sheet, which was carried at the lower of cost and fair value less cost to sell of $243.1 million.

On closing date March 31, 2020, pursuant to an agreement, Fairfax contributed its wholly owned European Run-off group ("European Run-off") to Riverstone Barbados, a newly created joint venture entity. The Company acquired a 21.18% shareholding of Riverstone Barbados valued at $219.3 million, in exchange for its shares in TIG Barbados and Advent of $243.1 million and $1.0 million respectively. On the same date, the shareholding was reduced to 19.97% valued at $201.3 million, through the sale of 18 million shares to Fairfax for a consideration of $18.0 million. The Company realised a loss on the disposal of TIG Barbados and Advent of $24.753 million (See note 4).

On December 2, 2020, Fairfax and OMERS announced that they had entered into a binding agreement with CVC Capital Partners ("CVC") to sell their respective interests in Riverstone Europe, which is housed in Riverstone Barbados to CVC Strategic Opportunities Fund II. The transaction is subject to customary closing conditions and will conclude upon receipt of regulatory approvals.

Effective December 31, 2020, as a result of the pending sale, the Company reclassified its 19.97% investment in Riverstone Barbados from investment in subsidiaries and group affiliates to investment in affiliate held for sale at a carrying value which is measured at the lower of its carrying value and fair value less cost to sell of $201.3 million on its balance sheet at the time of the reclassification. The fair value of the investment in affiliate held for sale was $242.8 million as at December 31, 2020.

(expressed in thousands of U.S. dollars)

7 Share capital

	2020 $	2019 $
Authorized		
An unlimited number of common shares of no par value		
Issued		
431,927,156 common shares (2019 - 431,927,156)	**1,193,480**	1,193,480

The common stock of the Company increased by $nil (2019 - $44,000) during the year as a result of an issuance of common shares to Fairfax Financial Holdings Group Limited ("FFHL") of $nil (2019 - $44,000). They were capital contributions from FFHL of $nil (2019 - $23,386).

8 Corporation taxes

The Company was previously licensed under the International Business Companies Act Cap. 77 which has since been repealed. The Company continues its licensing under the Companies Act Cap. 308. which allows provision for the same previous benefits via grandfathering under the International Business Companies (Repealed) Act, 2018-40, until the Company transitions to the new regime on July 1, 2021.

On the repeal of the International Business Companies Act, Cap. 77., the Income Tax Act Cap. 73 was amended to apply new staggered tax rates from 2.5% to 5.5% based on the Company's income (2019 - 2.5%). (See note 1).

The Company reported a $nil tax charge for the years ended December 31, 2020 and 2019. At December 31, 2020 the Company had tax losses of $399,389 (2019 - $440,872), with expiration dates ranging from one year to seven years, available for offset against future taxable profits. The related deferred tax asset, $9,985 (2019 - $10,708) was not recorded due to uncertainty regarding the recoverability of these tax losses.

Year of income	Amount B/F	Utilised	Incurred	(Expired)	Amount C/F	Expiry Date
2012	54,081	–	–	(54,081)	–	2021
2013	58,275	–	–	–	58,275	2022
2016	83,040	–	–	–	83,040	2023
2017	163,788	–	–	–	163,788	2024
2018	69,118	–	–	–	69,118	2025
2019	12,570	–	–	–	12,570	2026
2020	–	–	12,598	–	12,598	2027
	440,872	–	12,598	(54,081)	399,389	

These losses are computed by the Company in its corporation tax return and have as yet neither been confirmed nor disputed by the Barbados Revenue Authority.

(expressed in thousands of U.S. dollars)

8 Corporation taxes... *continued*

	2020 $	2019 $
Net earnings for the year	**273,892**	389,222
Corporation tax at the Barbados rate of 2.5% (2019 - 2.5%)	**6,847**	9,731
Effect of:		
Non-taxable dividend income	**(9,325)**	(9,600)
Non-taxable other income not subject to tax	**–**	(463)
Expenses not deductible for tax	**2,163**	19
Deferred tax asset not recognized	**315**	314
Tax charge	**–**	–

9 Due from/to affiliate companies

	2020		2019	
	Due from affiliated companies $	Due to affiliated companies $	Due from affiliated companies $	Due to affiliated companies $
Colonnade Finance Sarl	**950**	–	–	–
Fairbridge Capital (Mauritius) Limited	**815**	–	815	–
TIG Barbados US	–	–	6,610	–
Fairbridge Capital (Private) Limited	–	–	380	–
Fairfax Middle East Holdings Inc	–	–	3,775	–
FFH Management Services Limited	**919**	–	1,235	–
Fairfax Financial Holdings Limited	**334**	**11**	334	–
	3,018	**11**	13,149	–

All balances noted above are unsecured, interest free with no fixed terms of repayment. IFRS 9 requires entities to recognise expected credit losses for all financial assets held at amortised cost, including most amounts due from affiliated companies from the perspective of the lender. In the context of the above listed intercompany loans, the likelihood of a material credit loss resulting is substantially mitigated by the fact that these amounts due to the Company are repayable on demand and each affiliate has sufficient liquid assets to repay the intercompany loans. Based on the above facts and circumstances, the probability of default has been assessed as minimal and therefore the expected credit loss on the loan is immaterial.

(expressed in thousands of U.S. dollars)

10 Loans notes payable

	2020 $	2019 $
RiverStone Insurance (UK) Limited	**114,672**	114,645
RiverStone Insurance (UK) Limited	**19,248**	19,245
	133,920	133,890

On August 17, 2010 the Company issued an unsecured on demand interest bearing loan note of $120,000 to nSpire Re Limited ("nSpire") in exchange for cash and cash equivalents. The loan note carried an interest rate of 8.75%. Immediately following its issuance, the unsecured on demand interest bearing loan note of $120,000 was assigned by nSpire to RiverStone Insurance (UK) Limited ("RIUK") in settlement of an intercompany balance between nSpire and RIUK.

On December 20, 2012 the Company repaid $9,000 of the loan note principle issued to RIUK. At December 31, 2020, the RIUK loan note is carried at $114,672 (2019 - $114,645) consisting of principle of $111,000 plus accrued interest of $3,672.

On October 19, 2012 the Company issued an unsecured on demand interest bearing loan note of $29,000 to RIUK in exchange for cash and cash equivalents. This loan note carried an interest rate of 5.8%. On December 20, 2012 the Company repaid $10,000 of the loan note principle issued. At December 31, 2020 the RIUK loan note is carried at $19,248 (2019 - $19,245) consisting of principle of $19,000 plus accrued interest of $248.

A letter of guarantee was also obtained from RiverStone Insurance (UK) Limited that they have no intentions to demand repayment of the loan from Fairfax (Barbados) International Corp within the next 18 months.

11 Compensation

Compensation of the Company's board of directors for the years ended December 31 are set out below:

	2020 $	2019 $
Retainers and fees	**71**	76

12 Financial risk management

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 risk/reward balance and protecting the Company's balance sheet from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through identifying risk appropriately, aligning risk tolerances with business strategy, diversifying risk, pricing appropriately for risk, mitigating risk through preventive controls and transferring risk to third parties.

(expressed in thousands of U.S. dollars)

12 Financial risk management... *continued*

The Company is exposed to risk of potential loss arising from its investment activities. These risks primarily relate to credit risk, liquidity risk and various market risks, including interest rate risk, equity market fluctuation risk and foreign currency risk.

Credit risk
Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and thereby causes financial loss to another party. The Company's exposure to credit risk is concentrated on the credit risk from investment assets, receivables and cash. The aggregate gross credit risk exposure at December 31, 2020 was $21,844 (2019 - $17,983) comprised of $Nil (2019 - $2) of derivatives, $3,018 (2019 - $13,149) due from affiliates, and $18,826 (2019 - $4,832) of cash and cash equivalents and short-term investments. The Company reviews on a regular basis the credit risk arising on these investments.

Cash and short-term investments
The Company's cash and cash equivalents and short-term investments are held at major financial institutions in the jurisdictions in which the Company operates. The Company monitors risks associated with cash and short-term investments by regularly reviewing the financial strength and creditworthiness of these financial institutions and more frequently during periods of economic volatility. As a result of these reviews, the Company may transfer balances from financial institutions where it perceives heightened credit risk to others considered to be more stable.

Due from affiliates
Credit risk on the Company's due from affiliated company balance existed at December 31, 2020 to the extent that any Fairfax group affiliate may be unable or unwilling to reimburse the Company for amounts owed. The Company regularly assesses the creditworthiness of affiliated companies from whom it advances funding.

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments. The purpose of liquidity management is to ensure that there will be sufficient cash to meet all financial commitments and obligations as they become due. To manage cash flow requirements, the Company maintains a portion of invested assets in liquid securities. In addition, the Company may from time to time receive funds from its ultimate Parent Company to settle obligations as they come due. The Company expects to continue to receive investment income on its holdings of cash.

Market risk
Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, the trading price of equity and other securities, and foreign currency exchange rates. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets and liabilities are traded. The following is a discussion of the Company's primary market risk exposures and how those exposures are currently managed.

(expressed in thousands of U.S. dollars)

12 Financial risk management... *continued*

Interest rate risk
Fluctuations in interest rates have a direct impact on the market valuation of the Company's fixed income securities portfolio. As interest rates rise, the market value of fixed income securities portfolios declines and, conversely, as interest rates decline, the market value of fixed income securities portfolios rises. Credit risk aside, the Company positions its fixed income securities portfolio based on its view of future interest rates and the yield curve, balanced with liquidity requirements, and may reposition the portfolio in response to changes in the interest rate environment.

Movements in the term structure of interest rates affect the level and timing of recognition in earnings and comprehensive income of gains and losses on securities held. Generally, the Company's investment income may be reduced during sustained periods of lower interest rates as higher yielding fixed income securities are called, mature, or are sold and the proceeds are reinvested at lower rates. During periods of rising interest rates, the market value of the Company's existing fixed income securities will generally decrease and gains on fixed income securities will likely be reduced. Losses are likely to be incurred following significant increases in interest rates. General economic conditions, political conditions and many other factors can also adversely affect the stock and bond markets and, consequently, the value of the equity securities and fixed income securities held. There were no fixed income positions held at December 31, 2020 or 2019.

Market price fluctuation
The Company's investment portfolios are managed with a long term, value-oriented investment philosophy emphasizing downside protection. The Company has policies to limit and monitor its individual issuer exposures and aggregate equity exposure.

As protection against a possible decline in the valuation level of worldwide equity markets, the Company holds short positions effected by way of equity index-based and security-based exchange traded securities consisting of inflation floors (2019: inflation floors). At December 31, 2020, the Company had aggregate equity holdings with a fair value of $22,142 (2019 - $14,557).

The table that follows summarizes the potential impact of a 10% change in the Company's equity holdings on the Company's net earnings for the year ended December 31, 2020. Certain shortcomings are inherent in the method of analysis presented, as the analysis is based on the assumptions that the equity holdings had increased/decreased by 10% with all other variables held constant and that all the Company's equity instruments moved according to a one-to-one correlation with the market.

	2020 **$**	**2019** **$**
Change in global equity markets:		
10% increase	**2,214**	1,456
10% decline	**(2,214)**	(1,456)

Generally, a 10% decline in global equity markets would decrease the value of the Company's equity investment holdings resulting in decreases in the Company's net earnings. Conversely, a 10% increase in global equity markets would generally increase the value of the Company's equity investment holdings resulting in increases in the Company's net earnings.

(expressed in thousands of U.S. dollars)

12 Financial risk management*...continued*

Foreign currency risk

Foreign currency risk is the possibility that changes in exchange rates produce an adverse effect on earnings and equity when measured in a Company's functional currency.

The Company's functional currency is the U.S. dollar. The Company operates internationally and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to the Canadian dollar, Hong Kong dollar and the Euro.

The Company's foreign currency risk management objective is to mitigate the net earnings impact of foreign currency rate fluctuations. The Company has a process to accumulate, on a consolidated basis, all significant asset and liability exposures in currencies other than the U.S. dollar. These exposures are matched and any net unmatched positions, whether long or short, are identified. The Company may then take action to address an unmatched position through the acquisition of a derivative contract or the purchase or sale of investment assets denominated in the exposed currency.

Moreover, a portion of the Company's cash and investments are held in currencies other than the U.S. dollar. In general, the Company manages foreign currency risk on liabilities by investing in financial instruments and other assets denominated in the same currency as the liabilities to which they relate. The Company also monitors the exposure of invested assets to foreign currency risk and limits these amounts as deemed necessary. The Company may nevertheless, from time to time, experience gains or losses resulting from fluctuations in the values of these foreign currencies, which may favourably or adversely affect operating results.

The table that follows summarizes the potential impact of a 10% change in foreign exchange rates on the Company's net earnings for the years ended December 31, 2020 and 2019.

	2020			
	CAD	**EUR**	**HKD**	**Total**
	$	**$**	**$**	**$**
Change in currency rates				
10% appreciation	**626**	**898**	**5**	**1,529**
10% depreciation	**(626)**	**(898)**	**(5)**	**(1,529)**

	2019			
	CAD	EUR	HKD	Total
	$	$	$	$
Change in currency rates				
10% appreciation	568	1,340	4	1,912
10% depreciation	(568)	(1,340)	(4)	(1,912)

(expressed in thousands of U.S. dollars)

12 Financial risk management *... continued*

COVID-19 pandemic
The rapid spread of the COVID-19 virus, which was declared by the World Health Organization to be a pandemic on March 11, 2020, and actions taken globally in response to COVID-19, have significantly disrupted business activities throughout the world. The business activities of the Company's subsidiaries and associate investments rely, to a certain extent, on free movement of services and capital from around the world, which has been significantly restricted as a result of COVID-19.

Given the ongoing and dynamic nature of the circumstances surrounding COVID-19, it is difficult to predict how significant the impact of COVID-19, including any responses to it, will be on the global economy and the Company's business and investments in particular, or for how long any disruptions are likely to continue. The extent of such impact will depend on future developments, which are highly uncertain, rapidly evolving and difficult to predict, including new information which may emerge concerning the severity of COVID-19 and additional actions which may be taken to contain COVID-19 including the distribution of vaccines, as well as the timing of the re-opening of the economy in various parts of the world. Such further developments could have a material adverse effect on the Company's business interests, financial condition, results of operations and cash flows.

The Company's investments in 2020 were not materially affected by COVID-19 related losses. However, the Company, through its subsidiaries and associate investments, expects its underlying insurance operations to experience a reduction in premiums written in certain segments where premiums are directly or indirectly linked to economic activity as a result of COVID-19. It is likely that certain investments may experience increased loss activity due to COVID-19, while there are also certain investments that will likely experience improved loss experience due to reduced exposures to loss. Certain of the Company's non-insurance operations continue to experience reductions in revenue due to current economic conditions. The ultimate impact of COVID-19 on the Company will not be fully known for many months, perhaps years.

Capital management
The Company's main objective in managing capital is to maximize return to shareholders. Effective capital management includes measures designed to maintain capital above levels required to satisfy internally determined and calculated risk management levels.

Total capital at December 31, 2020 was $1,559,886 (2019 - $1,658,994).

13 Subsequent event

Capital injection

Effective January 2021, the Company provided a capital injection of US$11.5 million to Fairfax Middle East Holdings Inc, ("FFME") a former subsidiary, to facilitate FFME's purchase of additional shares in Gulf Insurance Group, in exchange for which the Company was issued with 11,500,000 ordinary common shares in FFME.

14 Comparatives

Certain prior year comparatives have been reclassified to conform with the current year's presentation.

Exhibit "SAE2"

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Fairfax (Barbados) International Corp.

Parent Company Financial Statements
December 31, 2021
(expressed in thousands of U.S. dollars)

Independent auditor's report

To the Shareholder of Fairfax (Barbados) International Corp.

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fairfax (Barbados) International Corp. parent company (the "Company") as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the parent company balance sheet as at December 31, 2021;
- the parent company statement of changes in equity for the year then ended;
- the parent company statement of earnings for the year then ended;
- the parent company statement of cash flows for the year then ended; and
- the notes to the parent company financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the 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 International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

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

In preparing the 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 ISAs 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Other matter

This report is made solely to the Company's shareholder, as a body corporate, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the Company's shareholder those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder as a body corporate, for our audit work, for this report, or for the opinion we have formed.

PricewaterhouseCoopers SRL

Bridgetown, Barbados
March 22, 2022

Fairfax (Barbados) International Corp.

Parent Company Balance Sheet

As at December 31, 2021

(expressed in thousands of U.S. dollars)

	2021 $	2020 $
Assets		
Cash and cash equivalents (note 4)	**16,198**	330
Short term investments (note 4)	**32,497**	18,496
Common stocks (cost: $103,824, 2020: $120,160) (note 4)	**85,211**	81,579
Derivatives (cost: $400, 2020: $400) (note 4)	**170**	–
Accounts receivable and other	**489**	790
Due from affiliated companies (note 10)	**9,650**	3,018
Capital and other assets	**13**	20
Investments in subsidiaries and group affiliates (note 5)	**1,642,885**	1,390,555
Investment in associate (note 6)	**144,293**	–
Investment in affiliate held for sale (fair value - $nil, 2020 - $242,847) (note 7)	–	201,394
Total assets	**1,931,406**	1,696,182
Liabilities		
Accounts payable and accrued liabilities	**685**	–
Due to affiliated companies (note 10)	**78**	11
Loan notes payable (note 11)	**133,920**	133,920
Income tax payable	**2,368**	2,365
Total liabilities	**137,051**	136,296
Equity		
Share capital (note 8)	**1,358,153**	1,193,480
Capital contribution	**177,098**	177,098
Retained earnings	**259,104**	189,308
	1,794,355	1,559,886
Total liabilities and equity	**1,931,406**	1,696,182

The accompanying notes are an integral part of these Parent Company financial statements.

Approved by the Board of Directors on March 21, 2022

Alistair Dent Director

Director

Fairfax (Barbados) International Corp.

Parent Company Statement of Changes in Equity

For the year ended December 31, 2021

(expressed in thousands of U.S. dollars)

	2021 $	2020 $
Share capital - beginning of year	**1,193,480**	1,193,480
Issued during the year (note 8)	**164,673**	–
Share capital - end of year	**1,358,153**	1,193,480
Capital contribution - beginning and end of year	**177,098**	177,098
Retained earnings - beginning of year	**189,308**	288,416
Net earnings for the year	**135,246**	273,892
Dividends paid (2021: $0.12 per share; 2020: $0.86 per share)	**(65,450)**	(373,000)
Retained earnings - end of year	**259,104**	189,308
Retained earnings and accumulated other comprehensive income	**259,104**	189,308
Total equity	**1,794,355**	1,559,886

The movement of share capital during the year is detailed in Note 7.

Dividends of $65,450 (2020 - $373,000) comprises cash dividends totalling $65,450 (2020 - $10,000) and non-cash dividends of $Nil (2020 - $363,000).

The accompanying notes are an integral part of these Parent Company financial statements.

Fairfax (Barbados) International Corp.

Parent Company Statement of Earnings
For the year ended December 31, 2021

(expressed in thousands of U.S. dollars)

	2021 $	2020 $
Revenue		
Interest and dividends, net of expenses (note 4)	**81,920**	373,055
Net gains/(losses) on investments (note 4)	**65,817**	(85,953)
	147,737	287,102
Expenses		
Interest expense on loan notes	**(10,846)**	(10,844)
General and administrative expenses	**(1,645)**	(2,366)
	(12,491)	(13,210)
Net earnings for the year	**135,246**	273,892

The Company has no comprehensive income or expense other than the net earnings for the year recognised in the Parent Company Statement of Earnings. Accordingly, a separate statement of total comprehensive income is not presented in these Parent Company financial statements.

The accompanying notes are an integral part of these Parent Company financial statements.

Fairfax (Barbados) International Corp.

Parent Company Statement of Cash Flows

For the year ended December 31, 2021

(expressed in thousands of U.S. dollars)

	2021 $	2020 $
Cash provided by/(used in):		
Operating activities		
Net earnings for the year	**135,246**	273,892
Depreciation of capital assets	**7**	24
Bond (discount)/premium amortization	**(6)**	3
Dividend income	**(81,963)**	(373,047)
Interest expense	**10,846**	10,844
Net (gains)/losses on investments	**(67,031)**	86,047
Net (purchases)/sales of securities classified as FVTPL:		
- Short term investments	**(13,962)**	(14,673)
- Common stocks	**41,537**	100
	24,674	(16,809)
Changes in:		
- Due from affiliated companies	**(6,382)**	10,131
- Accrued interest	**–**	42
- Due to affiliated companies	**67**	10
- Accounts receivable and capital and other assets	**51**	(760)
- Accounts payable and accrued liabilities	**688**	(65)
Cash provided by/(used in) operating activities	**19,098**	(7,451)
Investing activities		
- Net (acquisition)/disposal of shares in subsidiaries and group affiliates	**(142,925)**	17,571
- Net disposal of investment in affiliate held for sale	**214,628**	–
- Net acquisition of investment in associate	**(80,600)**	–
- Dividend received	**81,963**	10,047
Cash provided by investing activities	**73,066**	27,618
Financing activities		
- Interest paid	**(10,846)**	(10,844)
- Dividend paid	**(65,450)**	(10,000)
Cash used in financing activities	**(76,296)**	(20,844)
Increase/(decrease) in cash and cash equivalents	**15,868**	(678)
Cash and cash equivalents - beginning of year	**330**	1,008
Cash and cash equivalents - end of year	**16,198**	330

Non-cash transactions:
During the year, the Company issued 172,201,609 common shares to its Parent Company for a consideration of \$164,673 (note 8).

The accompanying notes are an integral part of these Parent Company financial statements.

Fairfax (Barbados) International Corp.

Notes to the Parent Company Financial Statements
December 31, 2021

(expressed in thousands of U.S. dollars)

1 Incorporation and ownership

Fairfax (Barbados) Insurance Corp. (hereinafter referred to as "The Company", "Parent Company"," or "Fairfax Barbados") was incorporated on May 14, 1999, under the laws of Barbados and was licensed under the Barbados Exempt Insurance Act, Cap. 308A (the Act). The Company surrendered its insurance license to the Supervisor of Insurance for cancellation on August 24, 2006. On the same day the Company was licensed as an International Business Company ("IBC") under the International Business Companies Act, 1991 - 24 and renamed Fairfax (Barbados) International Corp.

Effective January 1, 2019, the International Business Companies Act Cap. 77 was repealed, and all companies licensed under this act prior to its repeal were grandfathered until June 30, 2021 under the provisions of the International Business Companies (Repeal) Act 2018-40 of Barbados. As of July 1, 2021, the Company now operates under the Companies Act Cap. 308 and has applied to hold a Foreign Currency Permit under the Foreign Currency Permits Act, 2018-44. Additionally, and in conjunction with the Barbados Insurance (Amendment) Act 2018-52 as amended, the Company now holds a Class 3 license and is subject to amended effective tax rates based on the license categories provided for in the Insurance Act.

The Company's immediate parent is FFHL Group Limited ("FFHL"), a private company incorporated under the laws in Canada. The ultimate beneficial owner of the Company is Fairfax Financial Holdings Group Limited ("Fairfax"), a public company incorporated under the laws of Canada. The Company's principal activity is the holding of investments in subsidiary and affiliated companies. The registered office of the Company is located at #12 Pine Commercial, The Pine, St. Michael, Barbados.

These financial statements have been authorised by the Board of Directors on March 21, 2022. The Board of Directors has the power to amend these financial statements after issue, if required.

2 Basis for presentation

These Parent Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies used to prepare the Parent Company financial statements comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Where IFRS does not contain clear guidance governing the accounting treatment of certain transactions IFRS requires judgment in developing and applying an accounting policy, which may include reference to another comprehensive body of accounting principles. In these cases, the Company considers the hierarchy of guidance in International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The Parent Company financial statements have been prepared on a historical cost basis, except for derivative financial instruments and fair value through the profit and loss (FVTPL) financial assets and liabilities that have been measured at fair value. The balance sheet is presented on a non-classified basis. Assets expected to be realised and liabilities expected to be settled within the Company's normal operating cycle of one year would typically be considered as current, including the following balances: cash and cash equivalents, short term investments, accounts receivable and other, common stocks, due from affiliated companies, investment in affiliate held for sale, accounts payable and accrued liabilities and due to affiliated companies. The following balances are generally comprised of non-current amounts: derivatives, capital and other assets, investments in subsidiaries and group affiliates, investment in associate, loan notes payable and income tax payable. The current and non-current portions of other balances are disclosed, where applicable, throughout the notes to the financial statements.

(expressed in thousands of U.S. dollars)

2 Basis of presentation *...continued*

These separate Parent Company financial statements contain information about Fairfax Barbados as an individual company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption under IFRS 10, 'Consolidated financial statements', from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of its ultimate parent, Fairfax which is incorporated in Canada and its consolidated financial statements are publicly available on Fairfax's website.

The principal accounting policies applied to the presentation of these Parent Company financial statements are set out below. These policies have been consistently applied to all periods presented unless otherwise stated.

3 Summary of significant accounting policies and estimates

Critical accounting estimates and judgements

In the preparation of the Company's Parent Company financial statements, management has made a number of estimates and judgments. The most critical of these estimates and judgments relates to the impairment assessment of investments in subsidiaries and group affiliates (note 5). Estimates and judgements 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.

Cash and cash equivalents

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

Short term investments

Short term investments are investments with maturity dates between three months and twelve months when purchased. Short term investments are classified as at FVTPL and their carrying values approximate fair value.

Investments in subsidiaries and group affiliates

Investments in subsidiaries and group affiliates are stated at cost less impairment. Impairment losses are recognised in the Parent Company statement of earnings.

Investments in associates

Associates are all entities over which the Company has significant influence but not control or joint control. This is generally the case where the Company holds between 20% and 50% of the voting rights. Investments in associates are accounted for at cost less impairment under the provisions allowed by IAS 28 *Investments in Associates and Joint Ventures* paragraph 17.

(expressed in thousands of U.S. dollars)

3 Summary of significant accounting policies and estimates *...continued*

Assets held for sale and investment in affiliate held for sale

Non-current assets and investment in affiliate are classified as held for sale if their carrying amount will be recovered through sale rather than through continuing use. Classification as held for sale requires that management be committed to the sale, the sale is highly probable, the asset is available for immediate sale in its present condition, and the sale is expected to be completed within one year from the date of classification.

Non-current assets and investment in affiliate classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

When a sale is expected to result in loss of control of a subsidiary, all of the subsidiary's assets and liabilities are classified as held for sale even if the Company will retain an interest in its former subsidiary after the sale.

When a sale involves an investment in affiliate or a portion thereof, the portion to be sold is classified as held for sale.

Foreign currency

Foreign currency transactions are translated into the functional currency of the Company, being U.S. dollars, 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 are recognised in the statement of earnings. 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 at the date the fair value is determined.

Statement of cash flows

The Company's statements of cash flows are prepared in accordance with the indirect method, classifying cash flows from operating, investment and financing activities.

Investments

Investments include cash and cash equivalents, short term investments, non-derivative financial assets and derivatives.

Due from/(to) affiliated companies

Amounts due from/(to) affiliated companies are carried at amortised cost which approximates fair value. In accordance with IFRS 9, the Company calculates expected credit losses on all financial assets including intercompany loans within the scope of IFRS 9.

(expressed in thousands of U.S. dollars)

3 Summary of significant accounting policies and estimates *...continued*

Financial instruments - classification, recognition and measurement

The Company's financial investments are classified as at fair value through profit and loss (FVTPL). Financial investments at FVTPL are carried at fair value in the balance sheet with realised and unrealised gains and losses recorded in net gains (losses) on investments in the statement of earnings. Dividends and interest earned is included in interest and dividends in the statement of earnings. The Company recognises purchases and sales of financial assets on the trade date, which is the date on which the Company commits to purchase or sell the asset. Transactions pending settlement are reflected in the balance sheet in capital and other assets or in accounts payable and accrued liabilities. Transaction costs related to financial assets classified or designated as at FVTPL are expensed as incurred. A financial asset is derecognised when the rights to receive cash flows from the investment have expired or have been transferred and when the Company has transferred substantially the risks and rewards of ownership of the asset.

Classification of non-derivative financial assets

Investments in equity instruments and those debt instruments that do not meet the criteria for amortised cost (see below) are classified as at fair value through profit or loss ("FVTPL"). Financial assets at FVTPL are carried at fair value in the balance sheet with realised and unrealised gains and losses recorded in net gains (losses) on investments in the statement of earnings and as an operating activity in the statement of cash flows. Dividends and interest earned, net of interest incurred are included in the statement of earnings in interest and dividends and as an operating activity in the statement of cash flows.

A debt instrument is measured at amortised cost if (i) the objective of the Company's business model is to hold the instrument in order to collect contractual cash flows and (ii) the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Alternatively, debt instruments that meet the criteria for amortised cost may be designated at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces an accounting mismatch. The Company's business model currently does not permit any of its investments in debt instruments to be measured at amortised cost.

Investments in equity instruments that are not held for trading may be irrevocably designated at fair value through other comprehensive income ("FVTOCI") on initial recognition. The Company has not designated any of its equity instruments at FVTOCI.

(expressed in thousands of U.S. dollars)

3 Summary of significant accounting policies and estimates *...continued*

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 the estimates of fair value. Accordingly, actual values realised in future market transactions may differ from the estimates presented in these financial statements. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value. The fair values of financial instruments are based on bid prices for financial assets and offer prices for financial liabilities. The Company categorizes its fair value measurements according to a three-level hierarchy described below:

Level 1 Inputs represent unadjusted quoted prices for identical instruments exchanged in active markets. The fair values of the majority of the Company's common stocks 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 value of the majority of the Company's investments in derivative contracts (e.g. foreign currency contracts etc.) are based on third party broker-dealer quotes.

The fair values of investments in certain limited partnerships classified as common stocks on the balance sheets are based on the net asset values received from the general partner, adjusted for liquidity as required and are classified as Level 2 when they may be liquidated or redeemed within three months or less of providing notice to the general partner. Otherwise, investments in limited partnerships are classified as Level 3 within the fair value hierarchy.

Level 3 Inputs include unobservable inputs used in the measurement of financial instruments. Management is required to use its own assumptions regarding unobservable inputs as there is little, if any, market activity in these assets or liabilities or related observable inputs that can be corroborated at the measurement date.

Transfers between fair value hierarchy categories are considered effective from the beginning of the 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 comparisons with 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).

The Company engages an affiliated company with dedicated personnel responsible for 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.

(expressed in thousands of U.S. dollars)

3 Summary of significant accounting policies and estimates *...continued*

Derivative financial instruments

Derivative financial instruments may include interest rate, credit default, currency and total return swaps, CPI-linked, futures, forwards, warrants and option contracts (foreign currency and equity index options) all of which derive their value mainly from changes in underlying interest rates, foreign exchange rates, credit ratings, commodity values or equity instruments. A derivative contract may be traded on an Exchange or over-the-counter ("OTC"). Exchange-traded derivatives are standardized and include futures and certain option contracts. OTC derivative contracts are individually negotiated between contracting parties.

The Company uses derivatives principally to mitigate financial risks arising from its investment holdings. Derivatives that are not specifically designated or that do not meet the requirements for hedge accounting are carried at fair value on the balance sheet with changes in fair value recorded in net gains (losses) on investments in the statement of earnings and as an operating activity in the statement of cash flows. Derivatives are monitored by the Company for effectiveness in achieving their risk management objectives. The determination of fair value for the Company's derivative financial instruments where quoted market prices in active markets are unavailable is described in the "Determination of fair value" section above. The Company has not designated any financial assets or liabilities (including derivatives) as accounting hedges.

The fair value of derivatives is presented on the balance sheet in derivatives in portfolio investments. The initial premium paid for a derivative contract, if any, would be recorded as a derivative asset and subsequently adjusted for changes in the market value of the contract at each balance sheet date. Changes in the market value of a contract are recorded as net gains (losses) on investments in the statement of earnings at each balance sheet date, with a corresponding adjustment to the carrying value of the derivative asset or liability.

The Company's long equity total return swaps allow the Company to receive the total return on a notional amount of an equity index or individual equity security (including dividends and capital gains or losses) in exchange for the payment of a floating rate of interest on the notional amount. Conversely, short equity total return swaps allow the Company to pay the total return on a notional amount of an equity index or individual equity security in exchange for the receipt of a floating rate of interest on the notional amount.

The Company classifies dividends and interest paid or received related to its long and short equity total return swaps on a net basis within interest and dividends in the statement of earnings. The Company's equity and equity index total return swaps contain contractual reset provisions requiring counterparties to cash-settle on a quarterly basis any market value movements arising subsequent to the prior settlement.

Any cash amounts paid to settle unfavourable market value changes and, conversely, any cash amounts received in settlement of favourable market value changes, are recorded as net gains (losses) on investments in the statement of earnings. To the extent that a contractual reset date of a contract does not correspond to the balance sheet date, the Company records net gains (losses) on investments in the statement of earnings to adjust the carrying value of the derivative asset or liability associated with each total return swap contract to reflect its fair value at the balance sheet date. Final cash settlements of total return swaps are recognised as net gains (losses) on investments net of any previously recorded unrealised market value changes since the last quarterly reset date. Total return swaps require no initial net investment and at inception, their fair value is zero.

As at December 31, 2021, the Company's derivatives consisted of equity warrants and inflation floors (2020 - inflation floors).

(expressed in thousands of U.S. dollars)

3 Summary of significant accounting policies and estimates *...continued*

Accounts receivable and accounts payable

Accounts receivable and accounts payable are recognised initially at fair value. Due to their short-term nature, carrying value is considered to approximate fair value.

Revenue recognition

Dividend income is recognised when the Company's right to receive payment is established.

Equity

Common stock 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 repurchase for cancellation of equity instruments are recognised in equity. Dividends and other distributions to holders of equity instruments are recognised directly in equity.

Income taxes

The provision for income taxes for the period comprises current and deferred income tax. Income taxes are recognised in the statement of earnings. Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Barbados where the Company operates and generates taxable income.

Deferred income tax is calculated under the liability method whereby deferred income tax assets and liabilities are recognised 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.

With the exception of initial recognition of deferred income tax arising from business combinations, changes in deferred income tax associated with components of other comprehensive income are recognised directly in other comprehensive income while all other changes in deferred income tax are included in the provision for income taxes in the statement of earnings.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

Contingencies and commitments

A provision is recognised for a contingent liability, commitment or financial guarantee when the Company has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted when the effect of the time value of money is considered significant.

(expressed in thousands of U.S. dollars)

3 Summary of significant accounting policies and estimates *...continued*

New accounting pronouncements adopted in 2021

a) New standards, amendments and accounting pronouncements adopted by the Company in 2021:

There were no new relevant standards, amendments and accounting pronouncements adopted by the Company in 2021.

b) New standards, amendments and interpretations issued but not yet adopted by the Company:

The following new standards and amendments which may be relevant to the Company's operations 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 recognised as an adjustment to opening equity at the date of initial application. The amendments are not expected to have a significant impact on the Parent Company's 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 included an amendment to *IFRS 9 Financial Instruments* to clarify which fees are considered when assessing whether to derecognise 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 the Parent Company's 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 Company is currently evaluating the expected impact of these amendments on the Parent Company's 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 which was to be applied retrospectively on or after January 1, 2022. On July 15, 2020, the IASB deferred the effective date of those amendments by one year to annual periods beginning on or after January 1, 2023. The Company is currently evaluating the expected impact of the amendments on the Parent Company's financial statements.

(expressed in thousands of U.S. dollars)

3 Summary of significant accounting policies and estimates *...continued*

New accounting pronouncements adopted in 2021

b) New standards, amendments and interpretations issued but not yet adopted by the Company *...continued*

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 Parent Company's 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 Parent Company's financial statements.

(expressed in thousands of U.S. dollars)

4 Investments and investment income

Cash and cash equivalents, short term investments, common stocks and derivatives are shown in the table below:

	December 31, 2021		December 31, 2020	
	Classified as FVTPL $	Total carrying value $	Classified as FVTPL $	Total Carrying value $
Cash and cash equivalents	**16,198**	**16,198**	330	330
Short term investments	**32,497**	**32,497**	18,496	18,496
Common stocks	**21,770**	**21,770**	22,142	22,142
Common stocks - affiliates	**63,441**	**63,441**	59,437	59,437
Derivatives	**170**	**170**	–	–
	134,076	**134,076**	100,405	100,405
Current	**71,070**	**71,070**	35,245	35,245
Non-current	**63,006**	**63,006**	65,160	65,160
Total	**134,076**	**134,076**	100,405	100,405

The estimated fair values of common stocks listed on a recognised stock exchange are based on quoted market values. Common stocks include investments in certain limited partnerships with a carrying value of $883 (2020 - $1,096).

Short term investments are treasury bills with original maturities of greater than three months but less than one year.

During December 31, 2021, derivatives consisted of equity warrants and inflation floors (2020 - inflation floors).

(expressed in thousands of U.S. dollars)

4 Investments and investment income *...continued*

Derivative transactions analysed by cost, notional value, carrying value and maturity profile are as follows:

	December 31, 2021			**December 31, 2020**		
	Cost $	**Notional value $**	**Carrying value $**	**Cost $**	**Notional value $**	**Carrying value $**
Derivatives						
Equity warrants						
Between 1 to 5 years	**–**	**35**	**170**	–	–	–
Inflation floors						
5 years	**400**	**100,000**	**–**	400	100,000	–
	400	**100,035**	**170**	400	100,000	–

The Company's derivative contracts, with limited exceptions, are used for the purpose of managing these risks. Derivative contracts entered into by the Company are considered economic hedges and are not designated as hedges for financial reporting purposes.

(expressed in thousands of U.S. dollars)

4 Investments and investment income ...*continued*

The following table summarises the fair value hierarchy for financial assets at fair value through profit and loss:

	December 31, 2021				December 31, 2020			
	Total fair value of assets $	**Quoted prices (Level 1) $**	**Significant other observable inputs (Level 2) $**	**Significant unobservable inputs (Level 3) $**	**Total fair value of assets $**	**Quoted prices (Level 1) $**	**Significant other observable inputs (Level 2) $**	**Significant unobservable inputs (Level 3) $**
Cash and cash equivalents	**16,198**	**16,198**	–	–	330	330	–	–
Short term investments:								
U.S. Treasury	**32,497**	**32,497**	–	–	18,496	18,496	–	–
	48,695	**48,695**	–	–	18,826	18,826	–	–
Common stocks:								
Canadian	**51,175**	**9,705**	**41,470**	–	44,754	7,398	37,356	–
European	**12,628**	**12,628**	–	–	8,975	8,975	–	–
Other	**21,408**	**42**	**7,342**	**14,024**	27,850	46	17,193	10,611
	85,211	**22,375**	**48,812**	**14,024**	81,579	16,419	54,549	10,611
Derivatives								
Equity warrants	**170**	–	–	**170**	–	–	–	–
Total investments	**134,076**	**71,070**	**48,812**	**14,194**	100,405	35,245	54,549	10,611

(expressed in thousands of U.S. dollars)

4 Investments and investment income *...continued*

The following table summarises the movement in investments using significant unobservable inputs (Level 3):

	December 31, 2021			December 31, 2020		
	Common stocks $	Derivatives $	Total $	Common stocks $	Derivatives $	Total $
Balance - beginning of year	**10,611**	**–**	**10,611**	1,681	2	1,683
Net sales	**(816)**	**–**	**(816)**	(100)	–	(100)
Transfers into level 3	**–**	**–**	**–**	9,515	–	9,515
Included in net unrealised gains/(losses) on investments[1]	**4,229**	**170**	**4,399**	(485)	(2)	(487)
Balance - end of year	**14,024**	**170**	**14,194**	10,611	–	10,611

(1) Included within "net (losses)/gains on investments" in the statement of earnings.

Net sales of $816 (2020 - $100) of investments classified as Level 3 within the fair value hierarchy during the year comprises sales of a limited partnership investment. There were transfers into Level 3 during the year of $Nil (2020 - $9,515).

Included in the Level 3 are investments in inflation floors, equity warrants and common shares of private companies. The inflation floors are classified within derivatives on the balance sheet and are valued using broker-dealer quotes which management has determined utilize market observable inputs except for the inflation volatility input which is not market observable. The private company common shares are classified within common stocks on the balance sheet. The fair value of the common shares are primarily valued using net asset value statements, the fair values of which are determined using quoted prices of the underlying assets and to a lesser extent, observable inputs where available and unobservable inputs in conjunction with industry accepted valuation models, where required. In some instances, private equity funds and limited partnerships are classified as Level 3 because they may require at least three months of notice to liquidate. Reasonably possible changes in the value of unobservable inputs would not significantly change the fair value of the investments classified as Level 3 in the fair value hierarchy.

The Level 3 fair value of the derivatives of $170 (2020 - $Nil) was determined using the discounted cash flow valuation technique. The fair value of the common stocks of $14,024 (2020 - $10,611) was determined using fair value adjusted net asset values.

(expressed in thousands of U.S. dollars)

4 Investments and investment income *...continued*

Analysis of investment income

	December 31, 2021			December 31, 2020		
	FVTPL $	**Other $**	**Total $**	**FVTPL $**	**Other $**	**Total $**
Interest income/ (expense):						
Cash and short term investments	**9**	**–**	**9**	57	–	57
Dividends:						
Common stocks	**60**	**–**	**60**	47	–	47
Group undertakings	**–**	**81,903**	**81,903**	–	373,000	373,000
	60	**81,903**	**81,963**	47	373,000	373,047
Expenses	**–**	**(52)**	**(52)**	–	(49)	(49)
Interest and dividends (net of expenses)	**69**	**81,851**	**81,920**	104	372,951	373,055

(expressed in thousands of U.S. dollars)

4 Investments and investment income ...*continued*

	December 31, 2021			December 31, 2020		
	FVTPL $	Other $	Total $	FVTPL $	Other $	Total $
Net gains/(losses) on investments:						
Realised gains/(losses) on investments:						
Common stocks	**(2,145)**	**(171)**	**(2,316)**	(70)	–	(70)
Short term investments	**34**	**–**	**34**	2	–	2
Investments in subsidiaries and group affiliates	**–**	**–**	**–**	–	(22,041)	(22,041)
Investment in affiliate held for sale (note 7)	**–**	**51,271**	**51,271**	–	(24,753)	(24,753)
	(2,111)	**51,100**	**48,989**	(68)	(46,794)	(46,862)
Unrealised (losses)/ gains on investments:						
Common stocks	**20,859**	**(577)**	**20,282**	(2,559)	–	(2,559)
Derivatives	**170**	**–**	**170**	23	–	23
	21,029	**(577)**	**20,452**	(2,536)	–	(2,536)
Impairment of investments in subsidiaries and group affiliates (note 5)	**–**	**(2,268)**	**(2,268)**	–	(37,657)	(37,657)
	21,029	**(2,845)**	**18,184**	(2,536)	(37,657)	(40,193)
Realised and unrealised foreign exchange (losses)/gains	**(1,356)**	**–**	**(1,356)**	1,102	–	1,102
Net gains/(losses) on investments	**17,562**	**48,255**	**65,817**	(1,502)	(84,451)	(85,953)
Net investment income	**17,631**	**130,106**	**147,737**	(1,398)	288,500	287,102

(expressed in thousands of U.S. dollars)

5 Investments in subsidiaries and group affiliates

	Carrying value	
	2021	**2020**
	$	**$**
Investments in subsidiaries		
Fairfax Asia Limited	**1,109,425**	997,751
Fairbridge Capital (Mauritius) Limited	**176,680**	176,680
Wentworth Insurance Company Limited	**128,479**	128,479
Mohawk River Insurance SCC Limited	**2,553**	2,553
McEwan Enterprises Inc.	**3,349**	5,618
FFH Management Services Limited (i)	**–**	–
Colonnade Finance Sarl	**222,399**	79,474
	1,642,885	1,390,555
Investments in group affiliates		
Southbridge Colombia (ii)	**–**	–
Total investments in subsidiaries and group affiliates	**1,642,885**	1,390,555

(i) The investment in FFH Management Services Limited is $1 dollar only.
(ii) The investment in Southbridge Colombia is $2.58 dollars only.

Fairfax Asia Limited ("Fairfax Asia")
Fairfax Asia is a holding company (registered in Barbados) which, through its subsidiaries, is principally engaged in property and casualty insurance conducted on a direct and reinsurance basis, and the associated investment management and insurance claims management.

In August 2021, a previous interest-bearing demand loan issued to Fairfax Asia with a payable balance of US$111.7 million was converted to a capital contribution to the ordinary share capital account of Fairfax Asia in exchange for shares in the ordinary common stock of Fairfax Asia.

At December 31, 2021, the Company's investment in Fairfax Asia is carried at a cost of $1,109,425 (2020 - $997,751). The Company's total shareholding in Fairfax Asia is 100% (2020 - 100%) as at December 31, 2021.

Fairbridge Capital (Mauritius) Limited ("Fairbridge")
Fairbridge is a holding company (registered in Mauritius) for investment activities in India. At December 31, 2021, the Company's total investment in Fairbridge is carried at a cost of $176,680 (2020 - $176,680). The Company's total shareholding in Fairbridge is 59.70% (2020 - 65.70%).

At December 31, 2021, Fairbridge holds a 65.6% (2020 - 65.6%) shareholding in Thomas Cook India whereas the market value of the investment is $198,962 (2020 - $159,962) and a 29.68% (2020 - 31.75%) shareholding in Quess Corp Limited whereas the market value of the investment is $505,456 (2020 - $350,798) both based on the year end listed share price on the Mumbai Stock Exchange. This implies an underlying value of the Company's investment in Fairbridge of $420,538 (2020 - $335,569).

(expressed in thousands of U.S. dollars)

5 Investments in subsidiaries and group affiliates *...continued*

Wentworth Insurance Company Limited ("Wentworth")
Wentworth is a reinsurance company (registered in Barbados) whose primary operation is to reinsure property and casualty risks for fellow subsidiaries of Fairfax and third-party companies. On December 31, 2021, the Company's total investment in Wentworth is carried at $128,479 (2020 - $128,479). The Company holds 100% (2020 - 100%) of the common stock of Wentworth at December 31, 2021.

Mohawk River Insurance SCC Limited ("Mohawk")
Mohawk, formerly known as American Safety Assurance Limited, is a segregated accounts company. It was incorporated under the laws of Bermuda in 2004 but subsequently filed Articles of Continuance under the Laws of Barbados in 2014 as a Segregated Cell Company under the Companies Act of Barbados and now holds a Class 1 License under the Barbados Insurance (Amendment) Act 2018-52. Mohawk derives income from net interest earned on funds held within its free portfolio. The cells ultimately reinsure commercial and general liability risks of their respective cell owners via reinsurance arrangements covering a Fairfax related company.

At December 31, 2021, the Company's shareholding in Mohawk is carried at $2,553 (2020 - $2,553). The Company's total shareholding in Mohawk is 100% (2020 - 100%) as at December 31, 2021.

FFH Management Services Limited ("FFH Management Services")
FFH Management Services is a management services company registered in Ireland. On December 31, 2021, the Company's total investment in FFH Management Services is carried at $1 (2020 - $1) dollar only. The Company holds 100% (2020 - 100%) of the common stock of FFH Management Services at December 31, 2021.

Colonnade Finance Sarl ("Colonnade")
Colonnade is a holding and financing company (registered in Luxembourg) which is principally engaged in intercompany financing activities. It also holds participations in Fairfax European group companies and investments. The investment at December 31, 2021 is comprised of 36,203,536 (2020 - 36,203,536) ordinary shares in Colonnade.

In July 2021, the Company increased its investment in Colonnade Finance by $142.9 million, arising from capital injections of EUR121.0 million to fund the acquisition of an interest in Euro Life by Colonnade, with no additional shares in the ordinary common stock of Colonnade issued to the Company.

At December 31, 2021 the Company's total investment in Colonnade is carried at a cost of $222,399 (2020 - $79,474). The Company's share of Colonnade's reported shareholder's equity at December 31, 2021 is $750,198 (2020 - $467,442).

Southbridge Colombia ("Southbridge")
Southbridge Colombia is a property and casualty insurer-based company in Bogota, Colombia. During 2018, the Company acquired 1 ordinary share with a value of $2.58 dollar only in Southbridge.

On December 31, 2021, the Company's total investment in Southbridge Colombia is carried at $2.58 dollars only (2020 - $2.58). The Company holds 0.000006% (2020 - 0.000006%) of Southbridge's ordinary shares as at December 31, 2021.

(expressed in thousands of U.S. dollars)

5 Investments in subsidiaries and group affiliates *...continued*

McEwan Enterprises Inc ("McEwan")
McEwan is a restaurant and food catering company in Canada. On December 31, 2018, the Company acquired 5,940 ordinary shares in McEwan at a cost of $4,693. Effective April 11, 2019, the Company acquired an additional 550 ordinary shares at a cost of $495 and an additional 495 ordinary shares at a cost of $429 on March 18, 2020.

During the years 2020 and 2021, McEwan suffered declining revenues primarily due to the negative impact of the COVID-19 pandemic on the restaurant industry. The value derived for the investment at December 31, 2021 is $3.3 million (2020 - $6.2 million) and hence the investment suffered an impairment of $2.3 million. The Company holds 55% (2020 - 55%) of McEwan's ordinary shares as at December 31, 2021.

6 Investment in associate

Effective January 5, 2021, the Company provided a capital injection of $11.5 million to Fairfax Middle East Holdings Inc, ("FFME") a former subsidiary, to facilitate FFME's purchase of additional shares in Gulf Insurance Group ("Gulf"), in exchange for which the Company was issued with 11,500,000 ordinary common shares in FFME which represents a 4.88% shareholding of FFME.

During Q2 2021, Fairfax conducted an assessment which considered FFME's voting rights ascribed to Fairfax with respect to the Board of Directors appointed to FFME. This resulted in the Company having significant influence over FFME and as a result, the investment in FFME was transferred from Common stocks to an Investment in Associate at a fair market value of $10.7 million.

Effective August 23, 2021, the Company provided an additional capital injection of $80.6 million to FFME, to facilitate an additional purchase of shares in Gulf, in exchange for 80,600,000 ordinary common shares in FFME. The Company then owned 92,100,000 shares in FFME representing a 29.13% shareholding.

Effective December 1, 2021, FFHL Group Ltd. (Parent Company) assigned its holding of 60,527,842 shares in FFME to the Company with a value of $53.0 million in exchange for shares issued of the same value to the Parent Company. The Company then owned 48.27% of FFME.

As at December 31, 2021, the Company owns a total of 152,627,842 shares of FFME representing a shareholding of 48.27% with a carrying value of $144.3 million.

(expressed in thousands of U.S. dollars)

7 Assets held for sale and investment in affiliate held for sale

Effective March 31, 2020, Fairfax contributed its wholly owned European Run-off group ("European Run-off") to Riverstone Barbados Limited ("Riverstone Barbados"), a newly created joint venture entity. The Company acquired a 21.18% shareholding of Riverstone Barbados valued at $219.3 million, in exchange for its shares in TIG Barbados and Advent of $243.1 million and $1.0 million respectively. On the same date, the Company reduced its shareholding to 19.97% valued at $201.3 million, through the sale of 18 million shares to Fairfax for a consideration of $18.0 million. The Company realised a loss on the disposal of TIG Barbados and Advent of $24.8 million (See note 4).

On December 2, 2020, Fairfax announced that they had entered into a binding agreement with CVC Capital Partners ("CVC") to sell their interests in Riverstone Europe, which was housed in Riverstone Barbados, to CVC Strategic Opportunities Fund II.

Effective December 31, 2020, as a result of the pending sale, the Company reclassified its 19.97% investment in Riverstone Barbados from investment in subsidiaries and group affiliates to investment in affiliate held for sale with a carrying value of $201.3 million.

On the closing date of August 23, 2021, the Company completed the disposition of its holding in Riverstone Barbados to CVC for a total consideration of $252.7 million and realised a gain of $51.3 million on the disposal.

8 Share capital

	2021 **$**	**2020** **$**
Authorized		
An unlimited number of common shares of no par value		
Issued		
604,128,765 common shares (2020 - 431,927,156)	**1,358,153**	1,193,480

The share capital of the Company increased by (164,673) (2020 - Nil) during the year as a result of an issuance of common shares to Fairfax Financial Holdings Group Limited ("FFHL") of $164,673 (2020 - $Nil) in exchange for shares in FFME and a demand loan receivable from FFA.

(expressed in thousands of U.S. dollars)

9 Corporation taxes

With the repeal of the International Business Companies Act, Cap. 77., the Income Tax Act Cap. 73 was amended to apply new effective rates of tax based on the license categories provided for in the amended Income Tax Act. Under the new license class structure, the Company is now subject to a tax rate of 2% based on the Company's License Class. (See note 1).

The Company reported a $nil tax charge for the years ended December 31, 2021 and 2020. At December 31, 2021 the Company had tax losses of $409,987 (2020 - $452,034), with expiration dates ranging from one year to seven years, available for offset against future taxable profits. The related deferred tax asset, $8,200 (2020 - $11,301) was not recorded due to uncertainty regarding the recoverability of these tax losses.

Income year	Amount B/F $	Utilised $	Incurred $	(Expired) $	Amount C/F $	Expiry date
2012	54,081	–	–	(54,081)	–	2021
2013	58,275	–	–	–	58,275	2022
2016	83,040	–	–	–	83,040	2023
2017	163,788	–	–	–	163,788	2024
2018	69,118	–	–	–	69,118	2025
2019	12,570	–	–	–	12,570	2026
2020	11,162	–	–	–	11,162	2027
2021	–	–	12,034	–	12,034	2028
	452,034	–	**12,034**	**(54,081)**	**409,987**	

These losses are computed by the Company in its corporation tax return and have as yet neither been confirmed nor disputed by the Barbados Revenue Authority.

	2021 $	2020 $
Net earnings for the year	**135,246**	273,892
Corporation tax at the Barbados rate of 2.0% (2020 - 2.5%)	**2,705**	6,847
Effect of:		
Non-taxable dividend income	**(1,638)**	(9,325)
Non-taxable other income not subject to tax	**(1,389)**	(28)
Expenses not deductible for tax	**81**	2,226
Deferred tax asset not recognised	**241**	280
Tax charge	**–**	–

(expressed in thousands of U.S. dollars)

10 Due from/(to) affiliate companies

	2021		2020	
	Due from affiliated companies $	**Due to affiliated companies $**	**Due from affiliated companies $**	**Due to affiliated companies $**
Colonnade Finance Sarl	–	–	950	–
Fairbridge Capital (Mauritius) Limited	–	–	815	–
CRC Reinsurance Limited	**7,400**	–	–	–
Fairfax Asia Limited	**2,000**	–	–	–
Fairfax Middle East Holdings Inc	**250**	–	–	–
FFH Management Services Limited	–	–	919	–
Fairfax Financial Holdings Limited	–	**78**	334	11
	9,650	**78**	3,018	11

All balances noted above are unsecured, interest free with no fixed terms of repayment. IFRS 9 requires entities to recognise expected credit losses for all financial assets held at amortised cost, including most amounts due from affiliated companies from the perspective of the lender. In the context of the above listed intercompany loans, the likelihood of a material credit loss resulting is substantially mitigated by the fact that these amounts due to the Company are repayable on demand and each affiliate has sufficient liquid assets to repay the intercompany loans. Based on the above facts and circumstances, the probability of default has been assessed as minimal and therefore the expected credit loss on the loan is immaterial.

11 Loans notes payable

	2021 $	**2020 $**
RiverStone Insurance (UK) Limited	**114,672**	114,672
RiverStone Insurance (UK) Limited	**19,248**	19,248
	133,920	133,920

On August 17, 2010, the Company issued an unsecured on demand interest bearing loan note of $120,000 to nSpire Re Limited ("nSpire") in exchange for cash and cash equivalents. The loan note carried an interest rate of 8.75%. Immediately following its issuance, the unsecured on demand interest bearing loan note of $120,000 was assigned by nSpire to RiverStone Insurance (UK) Limited ("RIUK") in settlement of an intercompany balance between nSpire and RIUK.

(expressed in thousands of U.S. dollars)

11 Loans notes payable *...continued*

On December 20, 2012, the Company repaid $9,000 of the loan note principle issued to RIUK. At December 31, 2021, the RIUK loan note is carried at $114,672 (2020 - $114,672) consisting of principle of $111,000 plus accrued interest of $3,672.

On October 19, 2012, the Company issued an unsecured on demand interest bearing loan note of $29,000 to RIUK in exchange for cash and cash equivalents. This loan note carried an interest rate of 5.8%. On December 20, 2012, the Company repaid $10,000 of the loan note principle issued. As at December 31, 2021, the RIUK loan note is carried at $19,248 (2020 - $19,248) consisting of principle of $19,000 plus accrued interest of $248.

A letter of intent was also obtained from RiverStone Insurance (UK) Limited that they have no intentions to demand repayment of the loan from Fairfax (Barbados) International Corp within the next 18 months.

12 Compensation

Compensation of the Company's Board of Directors for the years ended December 31 are set out below:

	2021	**2020**
	$	**$**
Retainers and fees	**382**	71

13 Financial risk management

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 risk/reward balance and protecting the Company's balance sheet from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through identifying risk appropriately, aligning risk tolerances with business strategy, diversifying risk, pricing appropriately for risk, mitigating risk through preventive controls and transferring risk to third parties.

The Company is exposed to the risk of potential loss arising from its investment activities. These risks primarily relate to credit risk, liquidity risk and various market risks, including interest rate risk, equity market fluctuation risk and foreign currency risk.

Credit risk
Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and thereby causes financial loss to another party. The Company's exposure to credit risk is concentrated on the credit risk from investment assets, receivables and cash. The aggregate gross credit risk exposure at December 31, 2021 was $59,004 (2020 - $22,634) comprised of $170 (2020 - $Nil) of derivatives, $9,650 (2020 - $3,018) due from affiliates, $48,695 (2020 - $18,826) of cash and cash equivalents and short-term investments and $489 (2020 - $790) of accounts receivables. The Company assesses the expected credit loss by assessing the credit quality of the counterparties, taking into account their financial position, past experience and other factors. Management considers the credit risk for the balances to be low, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses, as the affiliated companies are expected to be capable of meeting their contractual cash flow obligations in the near term.

(expressed in thousands of U.S. dollars)

13 Financial risk management *...continued*

Cash and short-term investments
The Company's cash and cash equivalents and short-term investments are held at major financial institutions in the jurisdictions in which the Company operates. The Company monitors risks associated with cash and short-term investments by regularly reviewing the financial strength and creditworthiness of these financial institutions and more frequently during periods of economic volatility. As a result of these reviews, the Company may transfer balances from financial institutions where it perceives heightened credit risk to others considered to be more stable.

Due from affiliates
Credit risk on the Company's due from affiliated company balance existed at December 31, 2021 to the extent that any Fairfax group affiliate may be unable or unwilling to reimburse the Company for amounts owed. The Company regularly assesses the creditworthiness of affiliated companies to whom it advances funding.

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments. The purpose of liquidity management is to ensure that there will be sufficient cash to meet all financial commitments and obligations as they become due. To manage cash flow requirements, the Company maintains a portion of invested assets in liquid securities. In addition, the Company may from time to time receive funds from its ultimate Parent Company to settle obligations as they come due. The Company expects to continue to receive investment income on its holdings of cash and short-term investments. The Company's accounts payable and accrued liabilities and due to affiliated Companies are due within one and five years. The terms of the Company's loan notes payable are disclosed in note 11.

The following tables set out the maturity profile of the Company's financial liabilities based on the expected undiscounted cash flows from the end of the year to the contractual maturity date or the settlement date:

	Less than 1 year $	1 - 5 years $	Total $
Accounts payable and accrued liabilities	27	658	685
Amount due to related companies	78	–	78
Loan notes payable	–	133,920	133,920
Income tax payable	–	2,368	2,368
	105	136,946	137,051

(expressed in thousands of U.S. dollars)

13 Financial risk management *...continued*

Liquidity risk ...continued

	Less than 1 year $	1 - 5 years $	Total $
Accounts payable and accrued liabilities	–	–	–
Amount due to related companies	11	–	11
Loan notes payable	–	133,920	133,920
Income tax payable	–	2,365	2,365
	11	136,285	136,296

The timing of loss payments is not fixed and represents the Company's best estimate.

Market risk
Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, the trading price of equity and other securities, and foreign currency exchange rates. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets and liabilities are traded. The following is a discussion of the Company's primary market risk exposures and how those exposures are currently managed.

Interest rate risk
Fluctuations in interest rates have a direct impact on the market valuation of the Company's fixed income securities portfolio. As interest rates rise, the market value of fixed income securities portfolios declines and, conversely, as interest rates decline, the market value of fixed income securities portfolios rises. Credit risk aside, the Company positions its fixed income securities portfolio based on its view of future interest rates and the yield curve, balanced with liquidity requirements, and may reposition the portfolio in response to changes in the interest rate environment.

Movements in the term structure of interest rates affect the level and timing of recognition in earnings and comprehensive income of gains and losses on securities held. Generally, the Company's investment income may be reduced during sustained periods of lower interest rates as higher yielding fixed income securities are called, mature, or are sold and the proceeds are reinvested at lower rates. During periods of rising interest rates, the market value of the Company's existing fixed income securities will generally decrease and gains on fixed income securities will likely be reduced. Losses are likely to be incurred following significant increases in interest rates. General economic conditions, political conditions and many other factors can also adversely affect the stock and bond markets and, consequently, the value of the equity securities and fixed income securities held. There were no fixed income positions held at December 31, 2021 or 2020.

(expressed in thousands of U.S. dollars)

13 Financial risk management...*continued*

Market price fluctuation

The Company's investment portfolios are managed with a long term, value-oriented investment philosophy emphasizing downside protection. The Company has policies to limit and monitor its individual issuer exposures and aggregate equity exposure.

As protection against a possible decline in the valuation level of worldwide equity markets, the Company holds short positions effected by way of equity index-based and security-based exchange traded securities consisting of inflation floors and equity warrants (2020 - inflation floors). At December 31, 2021, the Company had aggregate equity holdings with a fair value of $85,211 (2020 - $81,579).

The table that follows summarizes the potential impact of a 10% change in the Company's equity holdings on the Company's net earnings for the years ended December 31, 2021 and 2020. Certain shortcomings are inherent in the method of analysis presented, as the analysis is based on the assumptions that the equity holdings has increased/decreased by 10% with all other variables held constant and that all the Company's equity instruments moved according to a one-to-one correlation with the market.

	2021 $	2020 $
Change in global equity markets:		
10% increase	**8,521**	8,158
10% decrease	**(8,521)**	(8,158)

Generally, a 10% decline in global equity markets would decrease the value of the Company's equity investment holdings resulting in decreases in the Company's net earnings. Conversely, a 10% increase in global equity markets would generally increase the value of the Company's equity investment holdings resulting in increases in the Company's net earnings.

Foreign currency risk

Foreign currency risk is the possibility that changes in exchange rates produce an adverse effect on earnings and equity when measured in a Company's functional currency.

The Company's functional currency is the U.S. dollar. The Company operates internationally and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to the Canadian dollar, the Hong Kong dollar and the Euro dollar.

The Company's foreign currency risk management objective is to mitigate the net earnings impact of foreign currency rate fluctuations. The Company has a process to accumulate, on a consolidated basis, all significant asset and liability exposures in currencies other than the U.S. dollar. These exposures are matched and any net unmatched positions, whether long or short, are identified. The Company may then take action to address an unmatched position through the acquisition of a derivative contract or the purchase or sale of investment assets denominated in the exposed currency.

(expressed in thousands of U.S. dollars)

13 Financial risk management*...continued*

Foreign currency risk ...continued
Moreover, a portion of the Company's cash and investments are held in currencies other than the U.S. dollar. In general, the Company manages foreign currency risk on liabilities by investing in financial instruments and other assets denominated in the same currency as the liabilities to which they relate. The Company also monitors the exposure of invested assets to foreign currency risk and limits these amounts as deemed necessary. The Company may nevertheless, from time to time, experience gains or losses resulting from fluctuations in the values of these foreign currencies, which may favourably or adversely affect operating results.

The table that follows summarizes the potential impact of a 10% change in foreign exchange rates on the Company's net earnings for the years ended December 31, 2021 and 2020.

	2021			
	CAD **$**	**EUR** **$**	**HKD** **$**	**Total** **$**
Change in currency rates				
10% appreciation	**335**	**1,263**	**4**	**1,602**
10% depreciation	**(335)**	**(1,263)**	**(4)**	**(1,602)**

	2020			
	CAD $	EUR $	HKD $	Total $
Change in currency rates				
10% appreciation	626	898	5	1,529
10% depreciation	(626)	(898)	(5)	(1,529)

COVID-19 Pandemic
The Company's investments in 2021 were not materially affected by COVID-19 related losses. However, the Company, through its subsidiaries and associate investments, expects its underlying insurance operations to experience a reduction in premiums written in certain segments where premiums are directly or indirectly linked to economic activity as a result of COVID-19. It is likely that certain investments may experience increased loss activity due to COVID-19, while there are also certain investments that will likely experience improved loss experience due to reduced exposures to loss. Certain of the Company's non-insurance operations continue to experience reductions in revenue due to current economic conditions. The ultimate impact of COVID-19 on the Company will not be fully known for many months, perhaps years.

Capital management
The Company's main objective in managing capital is to maximize return to shareholders. Effective capital management includes measures designed to maintain capital above levels required to satisfy internally determined and calculated risk management levels.

Total capital at December 31, 2021 was $1,794,355 (2020 - $1,559,886).

(expressed in thousands of U.S. dollars)

14 Subsequent events

Dividends paid
Effective February 15, and 23, 2022, following approval by the Company's Board of Directors, the Company paid a dividend in the amount of $40,000 and $50,000 respectively to its immediate Parent Company FFHL Group Limited.

15 Comparatives

Certain prior year comparatives have been reclassified to conform with the current year's presentation. These adjustments had no effect on the reported results of operations.

Balance Sheet
An adjustment has been made to the Balance Sheet for the year ended December 31, 2020, to reclassify investments in affiliate common stocks of $59,437 from Investment in subsidiaries and group affiliates to Common stocks. The investment in subsidiaries and group affiliates and common stocks were reported previously as $1,449,992 and $22,142 respectively.

Exhibit "SAE3"

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Fairfax (Barbados) International Corp.

Parent Company Financial Statements
December 31, 2022
(expressed in thousands of U.S. dollars)

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Independent auditor's report

To the Shareholder of Fairfax (Barbados) International Corp.

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fairfax (Barbados) International Corp. parent company (the Company) as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs).

What we have audited

The Company's financial statements comprise:

- the parent company balance sheet as at December 31, 2022;
- the parent company statement of changes in equity for the year then ended;
- the parent company statement of earnings for the year then ended;
- the parent company statement of cash flows for the year then ended; and
- the notes to the parent company financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the 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 International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

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

In preparing the 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 ISAs 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

pwc

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.

Other matter

This report is made solely to the Company's shareholder, as a body corporate, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the Company's shareholder those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder as a body corporate, for our audit work, for this report, or for the opinion we have formed.

PricewaterhouseCoopers SRL

Bridgetown, Barbados
March 27, 2023

Fairfax (Barbados) International Corp.

Parent Company Balance Sheet
As at December 31, 2022

(expressed in thousands of U.S. dollars)

	2022 $	2021 $
Assets		
Cash and cash equivalents (note 4)	**940**	16,198
Short term investments (note 4)	**8,676**	32,497
Common stocks (note 4)	**79,282**	85,211
Derivatives (note 4)	**82**	170
Accounts receivable and other	**-**	489
Due from affiliated companies (note 9)	**-**	9,650
Capital and other assets	**13**	13
Investments in subsidiaries (note 5)	**1,692,846**	1,642,885
Investment in associate (note 6)	**144,387**	144,293
Total assets	**1,926,226**	1,931,406
Liabilities		
Accounts payable and accrued liabilities	**822**	685
Due to affiliated companies (note 9)	**2**	78
Loan notes payable (note 10)	**-**	133,920
Income tax payable	**-**	2,368
Total liabilities	**824**	137,051
Equity		
Share capital (note 7)	**1,491,668**	1,358,153
Capital contribution	**177,098**	177,098
Retained earnings	**256,636**	259,104
	1,925,402	1,794,355
Total liabilities and equity	**1,926,226**	1,931,406

The accompanying notes are an integral part of these Parent Company financial statements.

Approved by the Board of Directors on March 24, 2023

Alistair Dent ________ Director   Jane Bird ________ Director

Fairfax (Barbados) International Corp.

Parent Company Statement of Changes in Equity
For the year ended December 31, 2022

(expressed in thousands of U.S. dollars)

	2022 $	2021 $
Share capital - beginning of year	**1,358,153**	1,193,480
Issued during the year (note 7)	**133,515**	164,673
Share capital - end of year	**1,491,668**	1,358,153
Capital contribution - beginning and end of year	**177,098**	177,098
Retained earnings - beginning of year	**259,104**	189,308
Net earnings for the year	**87,532**	135,246
Dividends paid (2022: $0.15 per share; 2021: $0.12 per share)	**(90,000)**	(65,450)
Retained earnings - end of year	**256,636**	259,104
Retained earnings and accumulated other comprehensive income	**256,636**	259,104
Total equity	**1,925,402**	1,794,355

The accompanying notes are an integral part of these Parent Company financial statements.

Fairfax (Barbados) International Corp.

Parent Company Statement of Earnings

For the year ended December 31, 2022

(expressed in thousands of U.S. dollars)

	2022 $	2021 $
Revenue		
Interest and dividends, net of expenses (note 4)	**104,180**	81,920
Net (losses)/gains on investments (note 4)	**(4,293)**	65,817
	99,887	147,737
Expenses		
Interest expense on loan notes	**(10,691)**	(10,846)
General and administrative expenses	**(1,664)**	(1,645)
	(12,355)	(12,491)
Net earnings for the year	**87,532**	135,246

The Company has no comprehensive income or expense other than the net earnings for the year recognised in the Parent Company Statement of Earnings. Accordingly, a separate statement of total comprehensive income is not presented in these Parent Company financial statements.

The accompanying notes are an integral part of these Parent Company financial statements.

Fairfax (Barbados) International Corp.

Parent Company Statement of Cash Flows

For the year ended December 31, 2022

(expressed in thousands of U.S. dollars)

	2022 $	2021 $
Cash provided by/(used in):		
Operating activities		
Net earnings for the year	**87,532**	135,246
Depreciation of capital assets	**–**	7
Bond (discount)/premium amortization	**(22)**	(6)
Dividend income	**(104,060)**	(81,963)
Interest expense	**10,692**	10,846
Net (gains)/losses on investments	**4,675**	(67,031)
Purchases of securities classified as FVTPL:		
- Short term investments	**(9,657)**	(196,893)
Sales of securities classified as FVTPL:		
- Short term investments	**33,499**	182,931
- Common stocks	**816**	41,537
	23,475	24,674
Changes in:		
- Due from affiliated companies	**9,650**	(6,382)
- Due to affiliated companies	**(76)**	67
- Accounts receivable and capital and other assets	**489**	51
- Accounts payable and accrued liabilities	**137**	688
- Taxes paid	**(2,368)**	–
Cash provided by operating activities	**31,307**	19,098
Investing activities		
- Net acquisition of shares in subsidiaries	**(50,000)**	(142,925)
- Net disposal of investment in affiliate held for sale	**565**	214,628
- Net acquisition of investment in associate	**–**	(80,600)
- Return of capital from investment in associate	**23,172**	–
- Dividend received	**104,060**	81,963
Cash provided by investing activities	**77,797**	73,066
Financing activities		
- Common stock issued	**110,250**	–
- Loan and interest paid	**(144,612)**	(10,846)
- Dividend paid	**(90,000)**	(65,450)
Cash used in financing activities	**(124,362)**	(76,296)

Fairfax (Barbados) International Corp.

Parent Company Statement of Cash Flows ...*continued*
For the year ended December 31, 2022

(expressed in thousands of U.S. dollars)

	2022 $	2021 $
(Decrease)/increase in cash and cash equivalents	**(15,258)**	15,868
Cash and cash equivalents - beginning of year	**16,198**	330
Cash and cash equivalents - end of year	**940**	16,198

Non-cash transactions:
During the year, the Company issued 15,737,249 (2021: 172,201,609) common shares to its Parent Company for a consideration of $23,265 (2021: $164,673). (note 7).

The accompanying notes are an integral part of these Parent Company financial statements.

(expressed in thousands of U.S. dollars)

1 Incorporation and ownership

Fairfax (Barbados) Insurance Corp. (hereinafter referred to as "The Company", "Parent Company"," or "Fairfax Barbados") was incorporated on May 14, 1999, under the laws of Barbados and was licensed under the Barbados Exempt Insurance Act, Cap. 308A (the Act). The Company surrendered its insurance license to the Supervisor of Insurance for cancellation on August 24, 2006. On the same day the Company was licensed as an International Business Company ("IBC") under the International Business Companies Act, 1991 - 24 and renamed Fairfax (Barbados) International Corp.

Effective January 1, 2019, the International Business Companies Act Cap. 77 was repealed, and all companies licensed under this act prior to its repeal were grandfathered until June 30, 2021, under the provisions of the International Business Companies (Repeal) Act 2018-40 of Barbados. As of July 1, 2021, the Company now operates under the Companies Act Cap. 308 and has applied to hold a Foreign Currency Permit under the Foreign Currency Permits Act, 2018-44. Additionally, and in conjunction with the Barbados Insurance (Amendment) Act 2018-52 as amended, the Company now holds a Class 3 license and is subject to amended effective tax rates based on the license categories provided for in the Insurance Act.

The Company's immediate parent is FFHL Group Limited ("FFHL"), a private company incorporated under the laws in Canada. The ultimate beneficial owner of the Company is Fairfax Financial Holdings Group Limited ("Fairfax"), a public company incorporated under the laws of Canada. The Company's principal activity is the holding of investments in subsidiary and affiliated companies. The registered office of the Company is located at #12 Pine Commercial, The Pine, St. Michael, Barbados.

These financial statements have been authorised by the Board of Directors on March 24, 2023. The Board of Directors has the power to amend these financial statements after issue, if required.

2 Basis for presentation

These Parent Company financial statements have been prepared in accordance with the 'International Financial Reporting Standard for Small and Medium-sized Entities' (IFRS for SMEs).

The Parent Company financial statements have been prepared on a historical cost basis, except for derivative financial instruments and fair value through the profit and loss (FVTPL) financial assets and liabilities that have been measured at fair value. The balance sheet is presented on a non-classified basis. Assets expected to be realised and liabilities expected to be settled within the Company's normal operating cycle of one year would typically be considered as current, including the following balances: cash and cash equivalents, short term investments, accounts receivable and other, due from affiliated companies, accounts payable and accrued liabilities and due to affiliated companies. The following balances are generally comprised of non-current amounts: derivatives, capital and other assets, investments in subsidiaries, investment in associate, loan notes payable and income tax payable. The current and non-current portions of other balances are disclosed, where applicable, throughout the notes to the financial statements.

(expressed in thousands of U.S. dollars)

2 Basis of presentation *... continued*

These separate Parent Company financial statements contain information about Fairfax Barbados as an individual company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption under IFRS for SMEs section 9 'Consolidated and separate financial statements', from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of its ultimate parent, Fairfax which is incorporated in Canada and its consolidated financial statements are publicly available on Fairfax's website.

The principal accounting policies applied to the presentation of these Parent Company financial statements are set out below. These policies have been consistently applied to all periods presented unless otherwise stated.

Application of the IFRS for SMEs
The Company's financial statements for the year ended December 31, 2022 are the first annual financial statements which have been prepared under accounting policies that comply with the IFRS for SMEs.

The Company's transition date is January 1, 2021 and the Company prepared its opening IFRS for SMEs balance sheet position at that date. The impact of the adoption on the opening balance sheet and on the prior year financial results is $Nil.

3 Summary of significant accounting policies and estimates

Critical accounting estimates and judgements

In the preparation of the Company's Parent Company financial statements, management has made a number of estimates and judgments. The most critical of these estimates and judgments relates to the impairment assessment of investments in subsidiaries (note 5). Estimates and judgements 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.

Cash and cash equivalents

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

Short term investments

Short term investments are investments with maturity dates between three months and twelve months when purchased. Short term investments are classified as at FVTPL.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less impairment. Impairment losses are recognised in the Parent Company statement of earnings.

(expressed in thousands of U.S. dollars)

3 Summary of significant accounting policies and estimates *...continued*

Investments in associates

Associates are all entities over which the Company has significant influence but not control or joint control. This is generally the case where the Company holds between 20% and 50% of the voting rights. Investments in associates are accounted for at cost less impairment under the provisions allowed by IFRS for SMEs section 14.

Foreign currency

Foreign currency transactions are translated into the functional currency of the Company, being U.S. dollars, 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 are recognised in the statement of earnings. 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 at the date the fair value is determined.

Statement of cash flows

The Company's statement of cash flows is prepared in accordance with the indirect method, classifying cash flows from operating, investment and financing activities.

Investments

Investments include cash and cash equivalents, short term investments, common stocks and derivatives.

Due from/(to) affiliated companies

Amounts due from/(to) affiliated companies are carried at amortised cost which approximates fair value.

Financial instruments - classification, recognition and measurement

The Company's financial investments are classified as at fair value through profit and loss (FVTPL) as the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's investment strategy. Financial investments at FVTPL are carried at fair value in the balance sheet with realised and unrealised gains and losses recorded in net gains (losses) on investments in the statement of earnings. Dividends and interest earned is included in interest and dividends in the statement of earnings. The Company recognises purchases and sales of financial assets on the trade date, which is the date on which the Company commits to purchase or sell the asset. Transactions pending settlement are reflected in the balance sheet in accounts receivable and other assets or in accounts payable and accrued liabilities. Transaction costs related to financial assets classified or designated as at FVTPL are expensed as incurred. A financial asset is derecognised when the rights to receive cash flows from the investment have expired or have been transferred and when the Company has transferred substantially the risks and rewards of ownership of the asset.

(expressed in thousands of U.S. dollars)

3 Summary of significant accounting policies and estimates *...continued*

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 the estimates of fair value. Accordingly, actual values realised in future market transactions may differ from the estimates presented in these financial statements. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value. The fair values of financial instruments are based on bid prices for financial assets and offer prices for financial liabilities.

Valuation techniques used by the Company's independent pricing service providers and third-party broker-dealers include comparisons with 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).

The Company engages an affiliated company with dedicated personnel responsible for 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.

Derivative financial instruments

Derivative financial instruments may include interest rate, credit default, currency and total return swaps, CPI-linked, futures, forwards, warrants and option contracts (foreign currency and equity index options) all of which derive their value mainly from changes in underlying interest rates, foreign exchange rates, credit ratings, commodity values or equity instruments. A derivative contract may be traded on an Exchange or over-the-counter ("OTC"). Exchange-traded derivatives are standardized and include futures and certain option contracts. OTC derivative contracts are individually negotiated between contracting parties.

The Company uses derivatives principally to mitigate financial risks arising from its investment holdings. Derivatives that are not specifically designated or that do not meet the requirements for hedge accounting are carried at fair value on the balance sheet with changes in fair value recorded in net gains (losses) on investments in the statement of earnings and as an operating activity in the statement of cash flows. Derivatives are monitored by the Company for effectiveness in achieving their risk management objectives. The determination of fair value for the Company's derivative financial instruments where quoted market prices in active markets are unavailable is described in the "Determination of fair value" section above. The Company has not designated any financial assets or liabilities (including derivatives) as accounting hedges.

The fair value of derivatives is presented on the balance sheet in derivatives in portfolio investments. The initial premium paid for a derivative contract, if any, would be recorded as a derivative asset and subsequently adjusted for changes in the market value of the contract at each balance sheet date. Changes in the market value of a contract are recorded as net gains (losses) on investments in the statement of earnings at each balance sheet date, with a corresponding adjustment to the carrying value of the derivative asset or liability.

(expressed in thousands of U.S. dollars)

3 Summary of significant accounting policies and estimates *...continued*

The Company's long equity total return swaps allow the Company to receive the total return on a notional amount of an equity index or individual equity security (including dividends and capital gains or losses) in exchange for the payment of a floating rate of interest on the notional amount. Conversely, short equity total return swaps allow the Company to pay the total return on a notional amount of an equity index or individual equity security in exchange for the receipt of a floating rate of interest on the notional amount.

The Company classifies dividends and interest paid or received related to its long and short equity total return swaps on a net basis within interest and dividends in the statement of earnings. The Company's equity and equity index total return swaps contain contractual reset provisions requiring counterparties to cash-settle on a quarterly basis any market value movements arising subsequent to the prior settlement.

Any cash amounts paid to settle unfavourable market value changes and, conversely, any cash amounts received in settlement of favourable market value changes, are recorded as net gains (losses) on investments in the statement of earnings. To the extent that a contractual reset date of a contract does not correspond to the balance sheet date, the Company records net gains (losses) on investments in the statement of earnings to adjust the carrying value of the derivative asset or liability associated with each total return swap contract to reflect its fair value at the balance sheet date. Final cash settlements of total return swaps are recognised as net gains (losses) on investments net of any previously recorded unrealised market value changes since the last quarterly reset date. Total return swaps require no initial net investment and at inception, their fair value is zero.

As at December 31, 2022 and 2021, the Company's derivatives consisted of equity warrants and inflation floors.

Accounts receivable and accounts payable

Accounts receivable and accounts payable are recognised initially at fair value. Due to their short-term nature, carrying value is considered to approximate fair value.

Revenue recognition

Dividend income is recognised when the Company's right to receive payment is established.

Equity

Common stock 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 repurchase for cancellation of equity instruments are recognised in equity. Dividends and other distributions to holders of equity instruments are recognised directly in equity.

Income taxes

The provision for income taxes for the period comprises current and deferred income tax. Income taxes are recognised in the statement of earnings. Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Barbados where the Company operates and generates taxable income.

(expressed in thousands of U.S. dollars)

3 Summary of significant accounting policies and estimates *...continued*

Income taxes ...*continued*

Deferred income tax is calculated under the liability method whereby deferred income tax assets and liabilities are recognised 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.

Current and deferred tax is recognised in the statement of earnings, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

Contingencies and commitments

A provision is recognised for a contingent liability, commitment or financial guarantee when the Company has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted when the effect of the time value of money is considered significant.

New accounting pronouncements adopted in 2022

There were no new standards or amendments effective in the current year which would have a significant impact on the Company.

(expressed in thousands of U.S. dollars)

4 Investments and investment income

Cash and cash equivalents, short term investments, common stocks and derivatives are shown in the table below:

	December 31, 2022		December 31, 2021	
	Classified as FVTPL $	Total carrying value $	Classified as FVTPL $	Total Carrying value $
Cash and cash equivalents	**940**	**940**	16,198	16,198
Short term investments	**8,676**	**8,676**	32,497	32,497
Common stocks	**21,956**	**21,956**	21,770	21,770
Common stocks - affiliates	**57,326**	**57,326**	63,441	63,441
Derivatives	**82**	**82**	170	170
	88,980	**88,980**	134,076	134,076
Current	**33,234**	**33,234**	71,070	71,070
Non-current	**55,746**	**55,746**	63,006	63,006
Total	**88,980**	**88,980**	134,076	134,076

The estimated fair values of common stocks listed on a recognised stock exchange are based on quoted market values. Common stocks include investments in certain limited partnerships with a carrying value of $229 (2021 - $883).

Short term investments are treasury bills with original maturities of greater than three months but less than one year.

At December 31, 2022, derivatives consisted of equity warrants and inflation floors (2021 - equity warrants and inflation floors).

(expressed in thousands of U.S. dollars)

4 Investments and investment income *... continued*

Derivative transactions analysed by cost, notional value, carrying value and maturity profile are as follows:

	December 31, 2022			December 31, 2021		
	Cost $	Notional value $	Carrying value $	Cost $	Notional value $	Carrying value $
Derivatives						
Equity warrants						
Between 1 to 5 years	–	**35**	**82**	–	35	170
Inflation floors						
5 years	**400**	**100,000**	–	400	100,000	–
	400	**100,035**	**82**	400	100,035	170

The Company's derivative contracts, with limited exceptions, are used for the purpose of managing these risks. Derivative contracts entered into by the Company are considered economic hedges and are not designated as hedges for financial reporting purposes.

Analysis of investment income

	December 31, 2022			December 31, 2021		
	FVTPL $	Other $	Total $	FVTPL $	Other $	Total $
Interest income/ (expense):						
Cash and short term investments	**169**	–	**169**	9	–	9
Dividends:						
Common stocks	**60**	–	**60**	60	–	60
Group undertakings	–	**104,000**	**104,000**	–	81,903	81,903
	60	**104,000**	**104,060**	60	81,903	81,963
Expenses	–	**(49)**	**(49)**	–	(52)	(52)
Interest and dividends (net of expenses)	**229**	**103,951**	**104,180**	69	81,851	81,920

(expressed in thousands of U.S. dollars)

4 Investments and investment income *...continued*

	December 31, 2022			December 31, 2021		
	FVTPL $	Other $	Total $	FVTPL $	Other $	Total $
Net gains/(losses) on investments:						
Realised gains/(losses) on investments:						
Common stocks	–	**(133)**	**(133)**	(2,145)	(171)	(2,316)
Short term investments	–	–	–	34	–	34
Investments in subsidiaries	–	**918**	**918**	–	–	–
Investment in affiliate held for sale (note 7)	–	–	–	–	51,271	51,271
	–	**785**	**785**	(2,111)	51,100	48,989
Unrealised (losses)/ gains on investments:						
Common stocks	**(4,476)**	**(260)**	**(4,736)**	20,859	(577)	20,282
Derivatives	**(88)**	–	**(88)**	170	–	170
	(4,564)	**(260)**	**(4,824)**	21,029	(577)	20,452
Impairment of investments in subsidiaries and group affiliates (note 5)	–	–	–	–	(2,268)	(2,268)
	(4,564)	**(260)**	**(4,824)**	21,029	(2,845)	18,184
Realised and unrealised foreign exchange losses	**(254)**	–	**(254)**	(1,356)	–	(1,356)
Net gains/(losses) on investments	**(4,818)**	**525**	**(4,293)**	17,562	48,255	65,817
Net investment income	**(4,588)**	**104,475**	**99,887**	17,631	130,106	147,737

(expressed in thousands of U.S. dollars)

5 Investments in subsidiaries

	Carrying value	
	2022	**2021**
	$	**$**
Investments in subsidiaries		
Fairfax Asia Limited	**1,109,425**	1,109,425
Fairbridge Capital (Mauritius) Limited	**176,680**	176,680
Wentworth Insurance Company Limited	**178,479**	128,479
Mohawk River Insurance SCC Limited	**2,553**	2,553
McEwan Enterprises Inc.	**3,310**	3,349
FFH Management Services Limited (i)	**–**	–
Colonnade Finance Sarl	**222,399**	222,399
Total investments in subsidiaries	**1,692,846**	1,642,885

i) The investment in FFH Management Services Limited is $1 dollar only.

Fairfax Asia Limited ("Fairfax Asia")
Fairfax Asia is a holding company (registered in Barbados) which, through its subsidiaries, is principally engaged in property and casualty insurance conducted on a direct and reinsurance basis, and the associated investment management and insurance claims management.

At December 31, 2022, the Company's investment in Fairfax Asia is carried at a cost of $1,109,425 (2021 - $1,109,425). The Company's total shareholding in Fairfax Asia is 100% (2021 - 100%) as at December 31, 2021.

Fairbridge Capital (Mauritius) Limited ("Fairbridge")
Fairbridge is a holding company (registered in Mauritius) for investment activities in India. At December 31, 2022, the Company's total investment in Fairbridge is carried at a cost of $176,680 (2021 - $176,680). The Company's total shareholding in Fairbridge is 59.70% (2021 - 59.70%).

At December 31, 2022, Fairbridge holds a 72.34% (2021 - 65.6%) shareholding in Thomas Cook India whereas the market value of the investment is $292,837 (2021 - $198,962) and a 29.61% (2021 - 29.68%) shareholding in Quess Corp Limited whereas the market value of the investment is $218,427 (2021 - $505,456) both based on the year end listed share price on the Mumbai Stock Exchange. This implies an underlying value of the Company's investment in Fairbridge of $305,224 (2021 - $420,538).

Wentworth Insurance Company Limited ("Wentworth")
Wentworth is a reinsurance company (registered in Barbados) whose primary operation is to reinsure property and casualty risks for fellow subsidiaries of Fairfax and third-party companies.

In December 2022, the company increased its investment in Wentworth by $50.0 million in exchange for an additional fifty million shares in the company.

On December 31, 2022, the Company's total investment in Wentworth is carried at $178,429 (2021 - $128,479). The Company holds 100 % (2021 - 100%) of the common stock of Wentworth at December 31, 2022.

(expressed in thousands of U.S. dollars)

5 Investments in subsidiaries*...continued*

i) The investment in FFH Management Services Limited is $1 dollar only. *...continued*

Mohawk River Insurance SCC Limited ("Mohawk")

Mohawk, formerly known as American Safety Assurance Limited, is a segregated accounts company. It was incorporated under the laws of Bermuda in 2004 but subsequently filed Articles of Continuance under the Laws of Barbados in 2014 as a Segregated Cell Company under the Companies Act of Barbados and now holds a Class 1 License under the Barbados Insurance (Amendment) Act 2018-52. Mohawk derives income from net interest earned on funds held within its free portfolio. The cells ultimately reinsure commercial and general liability risks of their respective cell owners via reinsurance arrangements covering a Fairfax related company.

At December 31, 2022, the Company's shareholding in Mohawk is carried at $2,553 (2021 - $2,553). The Company's total shareholding in Mohawk is 100% (2021 - 100%) as at December 31, 2022.

FFH Management Services Limited ("FFH Management Services")

FFH Management Services is a management services company registered in Ireland. On December 31, 2022, the Company's total investment in FFH Management Services is carried at $1 (2021 - $1) dollar only. The Company holds 100% (2021 - 100%) of the common stock of FFH Management Services at December 31, 2022.

Colonnade Finance Sarl ("Colonnade")

Colonnade is a holding and financing company (registered in Luxembourg) which is principally engaged in intercompany financing activities. It also holds participations in Fairfax European group companies and investments. The investment at December 31, 2022 is comprised of 36,203,536 (2021 - 36,203,536) ordinary shares in Colonnade.

At December 31, 2022 the Company's total investment in Colonnade is carried at a cost of $222,399 (2021 - $222,399). The Company's share of Colonnade's reported shareholder's equity at December 31, 2022 is $750,117 (2021 - $750,198).

McEwan Enterprises Inc ("McEwan")

McEwan is a restaurant and food catering company in Canada. On December 31, 2018, the Company acquired 5,940 ordinary shares in McEwan at a cost of $4,693. Effective April 11, 2019, the Company acquired an additional 550 ordinary shares at a cost of $495 and an additional 495 ordinary shares at a cost of $429 on March 18, 2020.

During April 2022, the company underwent an amalgamation whereby 2864785 Ontario Corp (a company owned by the same equity holders; (Fairfax Barbados owned 55% of McEwan Enterprises Inc. and also owned 55% of 2864785 Ontario Corp.) ultimately acquired all shares and assets of McEwan Enterprises Inc and would continue to trade under the same name McEwan Enterprises Inc. upon amalgamation of the entities.

The Company's 55% investment in the new entity McEwan Enterprises Inc is carried at a cost of $3.3 million which represents the fair value of the shares received in the new entity upon amalgamation.

On December 31, 2022, the Company's total investment in McEwan is carried at $3,310 (2021 - $3,349). The Company holds 55 % (2021 - 55%) of the common stock of McEwan at December 31, 2022.

(expressed in thousands of U.S. dollars)

6 Investment in associate

Effective January 5, 2021, the Company provided a capital injection of $11.5 million to Fairfax Middle East Holdings Inc, ("FFME") a former subsidiary, to facilitate FFME's purchase of additional shares in Gulf Insurance Group ("Gulf"), in exchange for which the Company was issued with 11,500,000 ordinary common shares in FFME which represented a 4.88% shareholding of FFME.

During Q2 2021, Fairfax conducted an assessment which considered FFME's voting rights ascribed to Fairfax with respect to the Board of Directors appointed to FFME. This resulted in the Company having significant influence over FFME and as a result, the investment in FFME was transferred from Common stocks to an Investment in Associate at a fair market value of $10.7 million.

Effective August 23, 2021, the Company provided an additional capital injection of $80.6 million to FFME, to facilitate an additional purchase of shares in Gulf, in exchange for 80,600,000 ordinary common shares in FFME. The Company then owned 92,100,000 shares in FFME representing a 29.13% shareholding.

Effective December 1, 2021, FFHL Group Ltd. (Parent Company) assigned its holding of 60,527,842 shares in FFME to the Company with a value of $53.0 million in exchange for shares issued of the same value to the Parent Company. The Company then owned 48.27% of FFME.

During March 2022, the Company increased its' investment in FFME by $23,265 due to a valuation adjustment required to correctly fair value the 60,527,842 shares assigned to the Company by FFHL Group Ltd during December 2021.

Effective December 22, 2022, the Company received a return of capital from FFME in the amount of $23,171 and hence reduced the carrying value of the investment by this amount on that date.

As at December 31, 2022, the Company owns a total of 152,727,842 (2021 - 152,727,842) shares of FFME representing a shareholding of 48.27% (2021 - 48.27%) with a carrying value of $144,387.

(expressed in thousands of U.S. dollars)

7 Share capital

	2022 $	2021 $
Authorized		
An unlimited number of common shares of no par value		
Issued		
730,116,014 common shares (2021 - 604,128,765)	**1,491,668**	1,358,153

The share capital of the Company increased by $133,515 (2021 - $164,673) during the year as a result of an issuance of common shares to Fairfax Financial Holdings Group Limited ("FFHL") in exchange for shares in FFME and cash of $110,250.

The non-cash increase in share capital of $23,265 is in relation to 60,627,842 shares of FFME contributed to the Company by FFHL in December 2021 which were recorded at a deemed value of $53,000. Upon further analysis and the receipt of updated valuation details of the shares at December 31, 2021, it was determined that the fair value of the shares received was $76,265. As a result, an additional, $23,265 of capital was issued to reflect the value of shares received and the value of the investment was increased by this amount.

(expressed in thousands of U.S. dollars)

8 Corporation taxes

With the repeal of the International Business Companies Act, Cap. 77., the Income Tax Act Cap. 73 was amended to apply new effective rates of tax based on the license categories provided for in the amended Income Tax Act. Under the new license class structure, the Company is now subject to a tax rate of 2% based on the Company's License Class. (See note 1).

The Company reported a $Nil tax charge for the years ended December 31, 2022 and 2021. At December 31, 2022 the Company had tax losses of $364,567 (2021 - $411,496), with expiration dates ranging from one year to seven years, available for offset against future taxable profits. The related deferred tax asset, $7,291 (2021 - $8,230) was not recorded due to uncertainty regarding the recoverability of these tax losses.

Income year	Amount B/F $	Utilised $	Incurred $	(Expired) $	Amount C/F $	Expiry date
2013	58,275	–	–	(58,275)	–	2022
2016	83,040	–	–	–	83,040	2023
2017	163,788	–	–	–	163,788	2024
2018	69,118	–	–	–	69,118	2025
2019	12,570	–	–	–	12,570	2026
2020	11,162	–	–	–	11,162	2027
2021	13,543	–	–	–	13,543	2028
2022	–	–	11,346	–	11,346	2029
	411,496	**–**	**11,346**	**(58,275)**	**364,567**	

These losses are computed by the Company in its corporation tax return and have as yet neither been confirmed nor disputed by the Barbados Revenue Authority.

	2022 $	2021 $
Net earnings for the year	**87,532**	135,246
Corporation tax at the Barbados rate of 2.0% (2021 - 2.0%)	**1,751**	2,705
Effect of:		
Non-taxable dividend income	**(2,080)**	(1,638)
Non-taxable other net losses not deductible for tax	**85**	–
Non-taxable other income not subject to tax	**–**	(1,389)
Expenses not deductible for tax	**17**	81
Deferred tax asset not recognised	**227**	241
Tax charge	**–**	–

(expressed in thousands of U.S. dollars)

9 Due from/(to) affiliate companies

	2022		2021	
	Due from affiliated companies $	**Due to affiliated companies $**	**Due from affiliated companies $**	**Due to affiliated companies $**
CRC Reinsurance Limited	–	–	7,400	–
Fairfax Asia Limited	–	–	2,000	–
Fairfax Middle East Holdings Inc	–	–	250	–
Fairfax Financial Holdings Limited	–	2	–	78
	–	2	9,650	78

10 Loans notes payable

	2022 $	2021 $
RiverStone Insurance (UK) Limited	–	114,672
RiverStone Insurance (UK) Limited	–	19,248
	–	133,920

On August 17, 2010, the Company issued an unsecured on demand interest bearing loan note of $120,000 to nSpire Re Limited ("nSpire") in exchange for cash and cash equivalents. The loan note carried an interest rate of 8.75%. Immediately following its issuance, the unsecured on demand interest bearing loan note of $120,000 was assigned by nSpire to RiverStone Insurance (UK) Limited ("RIUK") in settlement of an intercompany balance between nSpire and RIUK.

On December 20, 2012, the Company repaid $9,000 of the loan note principle issued to RIUK.

On October 19, 2012, the Company issued an unsecured on demand interest bearing loan note of $29,000 to RIUK in exchange for cash and cash equivalents. This loan note carried an interest rate of 5.8%. On December 20, 2012, the Company repaid $10,000 of the loan note principle issued.

Effective November 30, 2022, Fairfax Financial Holdings Ltd. (FFH) purchased the outstanding loan notes from RIUK and the principal and interest balance owed at that date of $132,926 was reclassed to an intercompany loan payable. On December 29, 2022, the Company settled the loan note and interest balance due to FFH in full in the amount of $133,797.

(expressed in thousands of U.S. dollars)

11 Compensation

Compensation of the Company's Board of Directors for the years ended December 31 are set out below:

	2022 $	2021 $
Retainers and fees	**75**	382

12 Financial risk management

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 risk/reward balance and protecting the Company's balance sheet from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through identifying risk appropriately, aligning risk tolerances with business strategy, diversifying risk, pricing appropriately for risk, mitigating risk through preventive controls and transferring risk to third parties.

The Company is exposed to the risk of potential loss arising from its investment activities. These risks primarily relate to credit risk, liquidity risk and various market risks, including interest rate risk, equity market fluctuation risk and foreign currency risk.

Credit risk
Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and thereby causes financial loss to another party. The Company's exposure to credit risk is concentrated on the credit risk from investment assets, receivables and cash. The aggregate gross credit risk exposure at December 31, 2022 was $9,698 (2021 - $59,004) comprised of $82 (2021 - $170) of derivatives, $Nil (2021 - $9,650) due from affiliates, $9,616 (2021 - $48,695) of cash and cash equivalents and short-term investments and $Nil (2021 - $489) of accounts receivables. The Company assesses the expected credit loss by assessing the credit quality of the counterparties, taking into account their financial position, past experience and other factors. Management considers the credit risk for the balances to be low.

Cash and short-term investments
The Company's cash and cash equivalents and short-term investments are held at major financial institutions in the jurisdictions in which the Company operates. The Company monitors risks associated with cash and short-term investments by regularly reviewing the financial strength and creditworthiness of these financial institutions and more frequently during periods of economic volatility. As a result of these reviews, the Company may transfer balances from financial institutions where it perceives heightened credit risk to others considered to be more stable.

Due from affiliates
Credit risk on the Company's due from affiliated company balance existed at December 31, 2022 to the extent that any Fairfax group affiliate may be unable or unwilling to reimburse the Company for amounts owed. The Company regularly assesses the creditworthiness of affiliated companies to whom it advances funding.

(expressed in thousands of U.S. dollars)

12 Financial risk management *...continued*

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments. The purpose of liquidity management is to ensure that there will be sufficient cash to meet all financial commitments and obligations as they become due. To manage cash flow requirements, the Company maintains a portion of invested assets in liquid securities. In addition, the Company may from time to time receive funds from its ultimate Parent Company to settle obligations as they come due. The Company expects to continue to receive investment income on its holdings of cash and short-term investments. The Company's accounts payable and accrued liabilities and due to affiliated companies are due within one and five years. The terms of the Company's loan notes payable are disclosed in note 10.

Market risk
Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, the trading price of equity and other securities, and foreign currency exchange rates. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets and liabilities are traded. The following is a discussion of the Company's primary market risk exposures and how those exposures are currently managed.

Interest rate risk
Fluctuations in interest rates have a direct impact on the market valuation of the Company's fixed income securities portfolio. As interest rates rise, the market value of fixed income securities portfolios declines and, conversely, as interest rates decline, the market value of fixed income securities portfolios rises. Credit risk aside, the Company positions its fixed income securities portfolio based on its view of future interest rates and the yield curve, balanced with liquidity requirements, and may reposition the portfolio in response to changes in the interest rate environment.

Movements in the term structure of interest rates affect the level and timing of recognition in earnings and comprehensive income of gains and losses on securities held. Generally, the Company's investment income may be reduced during sustained periods of lower interest rates as higher yielding fixed income securities are called, mature, or are sold and the proceeds are reinvested at lower rates. During periods of rising interest rates, the market value of the Company's existing fixed income securities will generally decrease and gains on fixed income securities will likely be reduced. Losses are likely to be incurred following significant increases in interest rates. General economic conditions, political conditions and many other factors can also adversely affect the stock and bond markets and, consequently, the value of the equity securities and fixed income securities held. There were no fixed income positions held at December 31, 2022 or 2021.

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

(expressed in thousands of U.S. dollars)

12 Financial risk management *...continued*

Foreign currency risk
Foreign currency risk is the possibility that changes in exchange rates produce an adverse effect on earnings and equity when measured in a Company's functional currency.

The Company's functional currency is the U.S. dollar. The Company operates internationally and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to the Canadian dollar, the Hong Kong dollar and the Euro.

The Company's foreign currency risk management objective is to mitigate the net earnings impact of foreign currency rate fluctuations. The Company has a process to accumulate, on a consolidated basis, all significant asset and liability exposures in currencies other than the U.S. dollar. These exposures are matched and any net unmatched positions, whether long or short, are identified. The Company may then take action to address an unmatched position through the acquisition of a derivative contract or the purchase or sale of investment assets denominated in the exposed currency.

Moreover, a portion of the Company's cash and investments are held in currencies other than the U.S. dollar. In general, the Company manages foreign currency risk on liabilities by investing in financial instruments and other assets denominated in the same currency as the liabilities to which they relate. The Company also monitors the exposure of invested assets to foreign currency risk and limits these amounts as deemed necessary. The Company may nevertheless, from time to time, experience gains or losses resulting from fluctuations in the values of these foreign currencies, which may favourably or adversely affect operating results.

Capital management
The Company's main objective in managing capital is to maximize return to shareholders. Effective capital management includes measures designed to maintain capital above levels required to satisfy internally determined and calculated risk management levels.

Total capital at December 31, 2022 was $1,925,402 (2021 - $1,794,355).

13 Subsequent events

Dividends paid
Effective February 3, 2023, following approval by the Company's Board of Directors, the Company paid a dividend in the amount of $4,000 respectively to its immediate Parent Company FFHL Group Limited.