SENVEST
ANNUAL REPORT

2014

CORPORATE PROFILE

SENVEST CAPITAL INC. AND ITS SUBSIDIARIES HAVE BUSINESS ACTIVITIES IN MERCHANT BANKING, ASSET MANAGEMENT, REAL ESTATE AND ELECTRONIC SECURITY.

ANNUAL MEETING

THE ANNUAL MEETING OF SHAREHOLDERS WILL BE HELD AT THE MONT-ROYAL CENTER, 2200 MANSFIELD STREET, MONTREAL, QUEBEC ON JUNE 5, 2015 AT 10:00 A.M.

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SENVEST CAPITAL INC.
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SELECTED FINANCIAL DATA

(In thousands, except per share amounts)

(years ended December 31)

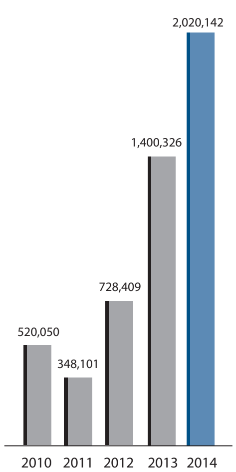
	2014	2013	2012	2011	2010
	$	$	$	$	$
SUMMARY OF OPERATIONS					
Total revenues and investment gains (loss)	297,551	489,676	154,035	(84,712)	156,579
Net income (loss)	141,179	243,329	81,470	(88,026)	120,046
Diluted earnings (loss) per share	41,26	73,20	25.65	(28.61)	36.81
FINANCIAL DATA					
Total assets	2,020,142	1,400,326	728,409	348,101	520,050
Total equity	821,740	630,362	358,831	284,685	372,636

COMMON STOCK INFORMATION

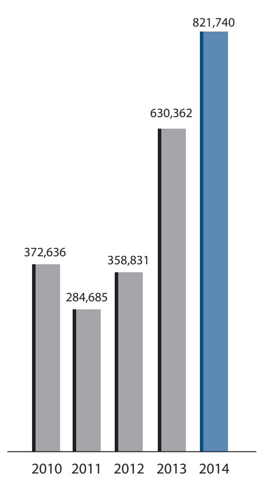
The company's common shares are listed on the Toronto Stock Exchange under the symbol SEC.

	2014		2013	
	$		$	
FISCAL QUARTER	High	Low	High	Low
First	163.75	136.56	74.00	68.01
Second	170.25	149.50	105.73	72.00
Third	154.00	142.03	104.00	96.00
Fourth	154.49	120.20	150.75	104.54

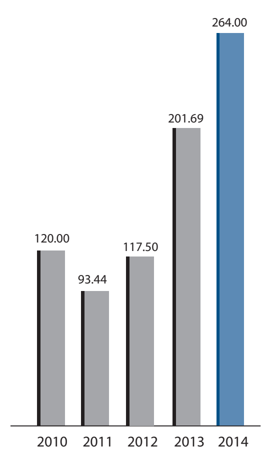
TOTAL ASSETS ($ thousands)



TOTAL EQUITY ($ thousands)



BOOK VALUE PER SHARE ($ thousands)



The numbers for 2011 and 2010 presented in the above tables are calculated prior to the adoption of IFRS 10

OVERALL PERFORMANCE

The stock market correction that was underway in October came to an abrupt halt and US equity markets snapped back and recovered their losses. In November, US domestic equity markets followed through on their late October bounce, spurred on by decent economic data. Bespoke Investment Group highlighted that new jobless claims continued to trend lower and firings were declining as U.S. worker productivity improved. The November ISM non-manufacturing survey reported its 58th month of consecutive growth. In a notable inflection point, net capital market inflows to long-term U.S. securities hit a record level in September, as overseas investors were attracted by a strengthening dollar, better economic prospects in the U.S. and relative stability (Ned Davis Research).

Oil prices continued their descent in December, dropping more than 20%. European Central Bank Chief Mario Draghi further prepped markets for quantitative easing and sovereign bond buying, which prompted the U.S. dollar to strengthen. The swoon in oil prices sparked debate among pundits and investors as to whether this would negatively or positively impact the U.S. economy. Much of the post-Great Recession growth in US domestic employment and capital spending has derived from the investment in domestic shale oil exploration, development and production. Oil prices at year end of around $50/barrel likely do not justify added investment for shale oil development and many oil companies announced cutbacks in capital spending of roughly 30% as well as layoffs. Offsetting this dent in the economy, though, is the savings of $150 billion for US consumers at the gas pump (BCA Research), not to mention lower home heating and manufacturing costs. In any event, U.S. equity markets in December showed a divergence in results, with the large cap S&P 500 index declining modestly and the small cap Russell 2000 index gaining more than 2%. This divergence may not be surprising given the relatively high domestic revenue mix of the Russell 2000, compared to the S&P 500. As a result, the small cap Russell 2000 companies should stand to benefit more from the "tax cut" of lower oil prices for U.S. consumers, face less of the negative impact of the stronger dollar on overseas profits and have lower energy sector exposure.

Senvest Capital Inc. ("Senvest" or the "Company") recorded net income attributable to the common shareholders of $117.3 million or $41.26 per diluted common share for the year ended December 31, 2014. This compares to net income attributable to common shareholders of $206.5 million or $73.2 per diluted common share for the 2013 year. The prior year 2013 was such a great year for the Company that it makes comparisons to that year quite difficult. The Company was profitable in the fourth quarter of 2014 after recording losses in the second and third quarters. Book value as at December 31, 2014 was approximately $264 per common share. The decline in the Canadian dollar versus the US dollar in the year resulted in a currency translation gain of almost $57 million to the income attributable to common shareholders. This amount is not reported in the Company's income statement rather it is reflected in the Comprehensive income. Senvest had profits in the first and fourth quarters and losses in the second and third quarters. The Company remains committed to being profitable over the long-term. However the volatility and choppiness of the markets will result in wide profit swings from year to year and from quarter to quarter.

The Company's income from equity investments in 2014 was the biggest contributor to the net earnings recorded. The net income on equity investments and other holdings totalled $233 million in the current year versus an income amount of $474 million the prior year. Radware Ltd the networking technology company was our largest holding at year end and one of top gainers both in the fourth quarter and for the 2014 year as a whole. Depomed, the specialty pharmaceuticals company, our second largest holding, was our best performing stock for the 2014 year. Bunker fuel supplier Aegean Marine Petroleum Network (which seemed to capitalize from the fourth quarter bankruptcy of its biggest competitor) and Ceva, the Israeli Digital Signal Processing (DSP) licensor, were two of our best performing stocks in the fourth quarter. Interactive gaming company Take Two Interactive was a strong performer both in the fourth quarter and the year as a whole with its stock price increasing more than 50% in 2014. Howard Hughes Corporation (HHC) and Senomyx were two significant holdings that experienced declines in the fourth quarter although they were both up for the year as a whole. One of HHC's biggest markets is Houston, TX, which has a local economy geared to the oil sector. The decline in oil prices has certainly changed the growth trajectory of the Houston economy. Aside from exposure to oil exploration and development however, Houston has a vibrant "downstream" oil and petrochemicals industry that actually benefits from lower oil prices.

We entered 2014 with a much higher net long bias than we ended the year with. Our short positions increased significantly in the latter part of the year. With equity markets six years into the recovery after the financial crisis, and the S&P 500 and Russell 2000 hitting all-time highs and at fairly full valuations, we felt it prudent to reduce our net long exposure. More importantly, we also found the market less forgiving when it came to short positions than it was in 2013. As a result, we were more aggressive in putting on short positions and also found more short opportunities. Note that we short stocks opportunistically rather than being forced to find shorts in order to achieve a targeted net long exposure. Short positions in an oil and gas exploration and development company and in some mortgage services companies contributed to our fourth quarter profitability.

The Company expanded its use of currencies in 2014 using them as a way to both protect and enhance the portfolio's returns for two main reasons. First, we believed that the U.S. was the place to invest, and that the U.S. economy was stronger than Europe's or Japan's. We further believed that risks to the U.S. economy were largely external, and that macro developments in Japan, Europe or China could derail the U.S. In such an event, the euro or yen could go lower as those economies would be under pressure. Therefore we increased our short positions against the euro and the yen. (Shorting the Chinese yuan wasn't as viable given its peg to the dollar.) A stressed Japan or Europe would also likely result in a flight to quality (U.S. Treasuries), also supportive of the U.S. dollar. Second, central bank policy in the U.S. started to diverge from that of Japan and Europe. Fed chief Janet Yellen started the process of ending quantitative easing, while Japan and Europe are going the opposite direction with increased easing. So from our fundamental point of view, U.S. Fed policy points to higher short-term interest rates while Japan and Europe point to lower interest rates. This interest rate differential creates more demand for US dollars and less demand for yen and the euro. Note that we felt comfortable with these short positions in light of their virtually zero cost of carry (due to close to zero percent short term interest rates). Our foreign exchange gain for 2014 was approximately $48 million.

The Senvest Partners fund is focused primarily on small and mid-cap companies. The fund recorded a gain 22% net of fees for the year 2014 with most of the gain coming in the fourth quarter. It is up over 2700% since inception in 1997. With most of the long portfolio invested in small and mid- cap stocks, the fund significantly outperformed its most relevant benchmark the Russell 2000, which gained about 5% for the year (including dividend reinvestment). The fund also outperformed the S&P 500 index although it does not consider that index as a benchmark. The Senvest Israel Partners fund was initiated in 2003 to focus on investing in Israel related companies. This fund recorded a small profit of just over 1% in 2014. This fund was down over 7% after nine months but made back the loss in the fourth quarter. The two funds had a total of approximately $900 million of net assets under management at December 31, 2014. Both of these funds are consolidated into the accounts of the Company.

As mentioned in prior letters our largest investment in the year was the single-stock fund we launched – the Senvest Cyprus Recovery Investment Partners, LP fund ("SCRIF"). This vehicle owns an investment in the Bank of Cyprus ("BOC") which completed a €1 billion recapitalization in 2014. In December BOC's stock was listed on the Cypriot and Athens stock exchanges and proceeded to trade lower with a year end price about 10% lower than the invested price. The concern with financial stocks on the Greek stock market in December led to declines in all stocks on that market across the board, even to stocks such as Bank of Cyprus that do not operate in Greece. It is anticipated that SCRIF will have about a three year life so the investment will be evaluated over that time period and not on a quarter to quarter basis. The stock market listing in December enabled the Bank of Cyprus stock to be classified a Level 1 holding at year end rather than a Level 3 holding. SCRIF had approximately $80 million of net assets under management at December 31, 2014. As with the other funds above, SCRIF is consolidated into the accounts of the Company.

The Company owns a 48.9% interest in Cross Point Realty Trust, a US real estate income trust (commonly referred to as a REIT). A REIT is an entity that owns and operates income-producing real estate and annually distributes to its holders at least 90% of its taxable income. Although some REITs are publicly traded, this one is a non-publicly traded REIT. The main asset of the REIT was an interest in a joint venture that held a commercial office property. This property was sold by the REIT in the year and most of the cash from the sale has been distributed to the REIT holders. The wind up of this REIT is expected to occur in 2015.

The Company has a portfolio of real estate investments, investing as a minority partner in selected properties. Real estate investments totalled $37 million as at December 31, 2014. Of this amount $21.4 million represents investments in different US REITs. These REITs are not publicly traded and there is no established market for them. The most likely scenario for a disposal of these holdings is an eventual sale of the underlying real estate properties of the REITs and the distribution to its holders. The remaining $15.5 million are minority interests in private entities whose main assets are real estate properties. As described above for the REITs, the most likely scenario for a disposal of these holdings is an eventual sale of the underlying real estate properties.

The Company made an investment in 2010 in a private placement offering by Talmer Bank (a private US bank) to raise funds to acquire assets of financial institutions through the Federal Deposit Insurance Corporation (FDIC). The Company made an additional investment in Talmer in 2012. In February 2014 Talmer went public and started trading on the Nasdaq stock exchange under the symbol TLMR. As a result this asset was reclassified from a Level 3 financial asset to a Level 1 financial asset during the year.

From time to time the Company enters into derivative financial instruments consisting primarily of options and warrants to purchase or sell equities, equity indices and currencies. All contracts are denominated in US dollars. There is deemed to be no credit risk for the options that are traded on exchanges. The warrant contracts are not exchange traded and allow the company to purchase underlying equities at a fixed price. The maximum exposure to credit risk associated with these warrants or with non-exchange traded options is their recorded amount.

Employee compensation expense (employee benefit expenses and share based compensation expense) was approximately $32 million for the current year versus over $43 million for the 2013 year. The Company made significant investments in 2014 (which will continue into 2015) in our New York operations, primarily in people, systems, technology and new office space. This investment represents a significant effort in a short amount of time to raise the quality of our infrastructure and personnel. The Company had a higher employee head count in 2014 than the prior year however employee compensation expense was lower in the current year as the bonus accruals were higher in 2013 due to the higher profitability achieved in that year. The change in the market price of Senvest shares in 2014 and the exercise of options results in a share based compensation expense that is included as part of employee benefits. This expense will fluctuate each period according to the change in the price of the Company's shares. The Company has not issued any new stock options since 2005 and all options issued in the past expire at the end of 2015.

The Company consolidates the RIMA Senvest Mangement LLC, entity that serves as the investment manager of Senvest Partners and Senvest Israel Partners. The portion of the expected residual returns of the entity that does not belong to the Company is reflected as non-controlling interest on the statement of financial position. This non-controlling interest is owned by an executive of the Company and totalled $83.7 million as at December 31, 2014 from $64.9 million as at December 31, 2013.

At the end of December 31, 2014, Senvest had total consolidated assets of $2,020.1 million versus $1,400.3 million at the end of 2013. The main reason for this change is the increase in equity investments and other holdings. This increase was due to purchasing additional securities as well as fair value gains in the portfolio. Equity investments and other holdings increased to $1,770.5 million from $1,312.4 million last December. The Company purchased $1,096.6 million of investment holdings in the year and sold $938.2 million of such holdings. Both were in excess of the prior year. The Company's liabilities have correspondingly increased to $1,198.4 million versus $770 million at the end of 2013 primarily because of the increases in the equities sold short and liability for redeemable units. The proceeds of equities sold short were $1,295.6 million and the amount of shorts covered was $813.1 million in the year. Both these figures were more than double the amounts for the prior year.

Functional currency

Items included in the financial statements of each of the company's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the parent company is the US dollar.

Presentation currency

The company has adopted the Canadian dollar as its presentation currency, which in the opinion of management is the most appropriate presentation currency. Historically, the company's consolidated financial statements have been presented in Canadian dollars, and since the company's shares are listed on a Canadian stock exchange, management believes it would better serve the use of shareholders to continue issuing consolidated financial statements in Canadian dollars. The US dollar consolidated financial statements are translated into the presentation currency as follows: assets and liabilities – at the closing rate at the date of the consolidated statement of financial position; and income and expenses – at the average rate for the period. All resulting changes are recognized in other comprehensive income (loss) as currency translation differences. Equity items are translated using the historical rate.

Risks

The Company is exposed to various financial risks arising from its financial investments. These include market risks relating to equity prices, interest rates and currency risk and liquidity risk. Additional information on these risks is included in notes of the year end consolidated financial statements.

Market risk

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 composed of interest rate risk, currency risk and equity price risk.

Interest rate risk

Interest rate risk refers to the risk that interest expense on floating rate debt will vary as a result of changes in underlying interest rates. The Company's entire debt is primarily based on floating rates. The Company does not have a long- term stream of cash flow that it can match against fixed debt so it prefers to use primarily short-term floating rate debt. The Company does not mitigate its exposure to interest rate fluctuation on floating debt. If the interest rates do spike up, then the Company could enter into interest rate swaps or more probably just reduce its debt level. The Company has public equity holdings that it can liquidate to reduce its floating rate debt to zero.

Currency risks

Currency risk refers to the risk that values of financial assets and liabilities denominated in foreign currencies will vary as a result of changes in underlying foreign exchange rates. The Company's functional currency is the US dollar. The following are the main financial assets and financial liabilities that have items denominated in currencies other than the US dollar: cash and cash equivalents, due from/to brokers, bank advances, equity and other holdings, real estate investments, other assets and accounts payable.

Equity price risk

Equity price risk refers to the risk that the fair value of equity investments and equities sold short will vary as a result of changes in the market prices of the holdings. The vast majority of the equity investments and all of the equities sold short are based on quoted market prices as of the statement of financial position date. Market prices are subject to fluctuation and represent the unrealized gain or loss on the statement of financial position date. This unrealized amount may not be the amount that is ultimately realized. Changes in the market price of quoted securities may be related to a change in the financial outlook of the investee entities or due to the market in general.

Equities sold short represent obligations of the Company to make future delivery of specific securities and create an obligation to purchase the security at market prices prevailing at the later delivery date. As a result this creates the risk that the Company's ultimate obligation to satisfy the delivery requirements may exceed the amount of the proceeds initially received or the liability recorded in the financial statements.

The Company's equity investments have a downside risk limited to their recorded value while the risk of the equities sold short is open-ended. The Company is subject to commercial margin requirements which act as a barrier to the open-ended risks of the equities sold short. The Company closely monitors both its equity investments and its equities sold short. The analysis below assumes that equity investments with quoted values and equities sold short would increase or decrease at the same rate. As the two portfolios are not hedged together, a change in market prices could affect each differently.

The impact of a 30% change in the market prices of the Company's equity holdings with quoted value and equities sold short as at December 31, 2014 would be as follows (in thousands):

	Fair value	Estimated fair value 30% price increase	Estimated fair value 30% price decrease
Equity holdings-listed securities	1,647,342	2,141,545	1,153,139
Equities sold short	(543,418)	(706,443)	(380,393)
Before-tax impact on net income		331,178	(331,178)

Liquidity risk

Liquidity risk is the risk the company will encounter in meeting its financial obligations. The company's largest assets are equity and other holdings. Most of this asset is made up of equities in public holdings which can be liquidated in a relatively short period of time. Due to the Company's large holding of liquid assets, it believes that it has sufficient resources to meet its obligations as they come due.

Credit risk

Credit risk refers to the risk that counterparty will fail to fulfill its obligations under a contract and will cause the company to suffer a loss. The majority of the holdings represent residual interests so they carry no credit risk.

From time to time the Company enters into derivative financial instruments consisting primarily of options and warrants to purchase or sell equities, equity indices and currencies. These derivative instruments were marked to market. There is deemed to be no credit risk for the options that are traded on exchanges. The warrant contracts are not exchange traded and allow the Company to purchase underlying equities at a fixed price. The maximum exposure to credit risk associated with these warrants is their recorded amount.

Capital risk management

The Company's objective when managing its capital is to maintain a solid capital structure appropriate for the nature of the Company's business. The Company considers its capital to be its Shareholders' Equity. The Liability for redeemable units is shown as part of the Liabilities on the consolidated financial statements. On the financial statements of the individual funds this item is shown as part of equity. The Company manages its Capital structure in light of changes in economic conditions. To maintain or adjust its capital structure the Company initiates normal issuer bids or can adjust the amount of dividends paid. The Company monitors capital on the basis of its debt to capital ratio. Its debt to capital ratio was as follows (in millions):

	December 31, 2014	December 31, 2013
Total liabilities	$1,198.4	$770.0
Total equity	$821.7	$630.4
Debt to Capital ratio	1.46	1.22

The Company's goal is to maintain a debt to Capital ratio below 2.0 in order to limit the amount of risk. The Company believes that limiting its debt to Capital ratio in this manner is the best way to control risk. The Company's debt to capital ratio was 1.46 at the end of December 2014 from 1.22 at the end of 2013. The Company increased its debt to capital ratio limit to 2.0 in 2014 from 1.5 in 2013 as it seeks to utilize greater leverage than in the past.

Critical accounting estimates and judgments

The company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the estimates applied by management that most significantly affect the company's consolidated financial statements. These estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Critical accounting judgments

Consolidation of entities in which the company holds less than 50% of the voting rights

Management considers that the company has de facto control of RIMA Senvest Management L.L.C. (RIMA), even though it has no shareholding in this structured entity, because of the Company's board representation and the contractual terms of the investment advisory agreement. RIMA is the investment adviser to the Funds, and in turn the company is the investment sub-adviser to the Funds. As compensation for its investment sub-advisory services, the company is entitled to receive 60% of the management and incentive fees earned by RIMA, its structured entity, each fiscal year.

Management considers that the company has control of Senvest Master Fund, L.P., and Senvest Israel Partners, L.P. even though the company has less than 50% of the voting rights in each of the Funds. The company assessed that the removal rights of non-affiliated unitholders are exercisable but not strong enough given the company's decision-making authority over relevant activities, the remuneration to which it is entitled and its exposure to returns. The company, through its structured entity, is the majority unitholder of each of the Funds and acts as a principal while there are no other unitholders forming a group to exercise their votes collectively.

Fair value estimates of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or by using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions.

To the extent practical, models use only observable data; however, areas such as credit risk (both the company's own credit risk and counterparty credit risk), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Financial instruments in Level 1

The fair value of financial assets and financial liabilities traded in active markets are based on quoted market prices at the close of trading on the year-end date. The quoted market price used for financial assets and financial liabilities held by the company is the close price. Investments classified in Level 1 include active listed equities and derivatives traded on an exchange. The financial assets classified as Level 1 were over 90% of the total financial assets.

Financial instruments in Level 2

Financial instruments classified with Level 2 trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or valuation techniques that use market data. These valuation techniques maximize the use of observable market data where available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. These include corporate bonds, thinly traded listed equities, over-the-counter derivatives and private equities.

The company uses a variety of methods and makes assumptions that are based on market conditions existing at each year-end date. Valuation techniques used for non-standardized financial instruments such as options and other over-the-counter derivatives include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses, option pricing models and other valuation techniques commonly used by market participants, making maximum use of market inputs and relying as little as possible on entity-specific inputs. The financial assets classified as Level 2 approximate 6% of the total financial assets.

Financial instruments in Level 3

Investments classified in Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments consist of unlisted equity investments and real estate investments. As observable prices are not available for these securities, the company has used valuation techniques to derive the fair value. The financial assets classified as Level 3 were under 5% of the total fair value of financial assets.

Level 3 valuations are reviewed by the Company's Chief Financial Officer (CFO), who reports directly to the Board on a quarterly basis in line with the Company's reporting dates. On an annual basis, close to the year-end date, the company obtains independent, third party appraisals to determine the fair value of the company's most significant Level 3 holdings. The company's CFO reviews the results of the independent valuations. Emphasis is placed on the valuation model used to determine its appropriateness, the assumptions made to determine whether it is consistent with the nature of the investment, and market conditions and inputs such as cash flow and discount rates to determine reasonableness.

As at December 31 2014, Level 3 instruments are in various entities and industries. At the start of the year the largest asset, which made up over half of the components of unlisted equity securities, was the investment in Talmer Bancorp, Inc. In February 2014 Talmer went public and started trading on the Nasdaq stock exchange under the symbol TLMR. In the third quarter the Company made an investment in the Bank of Cyprus (BOC) which was initially unlisted and shown as a Level 3 asset. In December 2014 the BOC shares were listed on both the Athens and Cypriot stock exchanges so the investment was moved to Level 1 for the December 31 2014 financial statements. The Real estate investments are made up of investments in private real estate companies and in real estate income trusts. The real estate companies are involved with various types of buildings in different geographical locations. For the main Level 3 instruments, the company relied on appraisals carried out by independent third party valuators. There was no established market for any of these investments, so the most likely scenario is a disposal of the underlying assets. For the investments in real estate income trusts, the company relied mainly on audited financial statements, valuing the assets at fair value. The most likely scenario is an eventual sale of the underlying properties and their subsequent distribution to the holders.

Liability for redeemable units

Liability for redeemable units represents the units in the consolidated funds that are not owned by the company. One class of units may be redeemed as of the end of the first calendar quarter that occurs not less than one year after the date that such units were purchased and at the end of each calendar quarter thereafter. A second class may be redeemed as of the end of the first month that occurs not less than 25 months after the date such units were purchased and at the end of each calendar quarter thereafter. A third class may be redeemed as of the end of any calendar month; provided, however, that redemptions made within the first 24 months will be subject to a redemption fee payable to the funds. In addition there are notice periods of 30 to 60 days that must be given prior to any redemption. A fourth class may only be redeemed after two years. These units are recognized initially at fair value, net of any transaction costs incurred, and subsequently measured at redemption amount. At the individual fund level this item is not shown as a liability but as part of shareholders equity. It is deemed to be a liability only for the consolidated financial statements as they are prepared from the point of view of the parent company.

Income taxes

The company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provisions for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

QUARTERLY RESULTS

(In thousands except for earnings (loss) per share information)

Year	Total revenue and investment gain (loss)	Net income (loss)	Earnings (loss) per share
2014-4	216,314	109,666	32.63
2014-3	(52,697)	(30,072)	(9.11)
2014-2	(16,237)	(19,772)	(7.09)
2014-1	150,171	81,357	24.83
2013-4	146,918	57,020	17.15
2013-3	98,395	48,042	13.69
2013-2	83,615	45,272	13.83
2013-1	160,748	92,995	28.53

CONTRACTUAL OBLIGATIONS

(In thousands)

	Less than 1 year	1-3 years	4-5 years	Total
Due to Brokers	16,541	-	-	16,541
Operating leases	1,174	2,150	1,894	5,218
Investment commitments	5,007	-	-	5,007
Total	22,722	2,150	1,894	26,766

SELECTED ANNUAL INFORMATION

(In thousands except for Net earnings (loss) per share information)

	2014	2013	2012
Total revenue and investment gains (loss)	297,551	489,676	154,035
Net income (loss)	141,179	243,329	81,470
Earnings (loss) per share	41.26	73.20	25.65
Total assets	2,020,142	1,400,326	728,409

The Company maintains accounts with several major financial institutions in the U.S. who function as the Company's main prime brokers. The Company has assets with the prime brokers pledged as collateral for leverage. Although the prime brokers are large financial institutions there is no guarantee that any financial institution will not become insolvent. In addition there may be practical or time problems associated with enforcing the Company's rights to its assets in the case of such insolvency.

While both the U.S. Bankruptcy Code and the Securities Investor Protection Act seek to protect customer property in the event of a failure, insolvency or liquidation of a broker dealer, there is no certainty that, in the event of a failure of a broker dealer that has custody of the Company's assets, the company would not incur losses due to its assets being unavailable for a period of time, ultimately less than full recovery of its assets, or both. A significant majority of the Company's assets are in custody with four prime brokers, such losses could be significant.

On June 25, 2014 Senvest commenced a new normal course issuer bid to purchase a maximum of 130,000 of its own common shares before June 24, 2015. The Company has repurchased 12,800 shares in the year. The number of common shares outstanding as at December 31, 2014 was 2,794,324 and as at March 1, 2015 was 2,793,424. The number of stock options outstanding totalled 48,000 as at December 31 2014 and as at March 1, 2015. There were no new stock options granted in 2014, none have been granted since 2005 and all options issued in the past expire at the end of 2015.

The Company' has a credit facility with a bank composed of a credit facility and a guarantee facility. The Company also has margin facilities with brokers. The Company has available a 12 million euro guarantee facility that would allow standby letters of credit to be issued on behalf of the Company. In June 2013, the Company drew upon and received a 12 million euro letter of credit secured by a term deposit in the amount of $16.8 million Canadian. This letter of credit expired in February 2014 and was not renewed. In addition, a first ranking movable hypothec in the amount of $30 million on all of its assets has been granted as collateral for both of the facilities. According to the terms of the facilities, the Company is required to comply with certain financial covenants. During the period, the Company met the requirements of all the covenants.

Impact of New Income Tax Rules

On February 11, 2014, the federal Minister of Finance presented the majority government's 2014 Federal Budget (the "Budget"). The Budget proposed income tax changes to parts of Canada's foreign affiliate regime effective January 1, 2015. These proposals became law in December 2014. These changes will have an effect on the mechanism by which certain foreign income of the Company is taxed in Canada. These changes did not have an effect for the period covered by the Company's 2014 financial statements. However they will negatively impact the Company's income tax expense and income tax liability, as well as the Company's cash flow, for 2015 and future taxation years. As these changes relate to future taxation years, the Company cannot quantify the potential impact of these changes at the current time.

Related party transactions

The Company consolidates the RIMA Senvest Mangement LLC, entity that serves as the investment manager of Senvest Partners and Senvest Israel Partners. The portion of the expected residual returns of the entity that does not belong to the Company is reflected as non-controlling interest on the statement of financial position. This non-controlling interest is owned by an executive of the Company and totalled $83.7 million as at December 31, 2014 from $64.9 million as at December 31, 2013.

Significant Equity Investments

For information on a summary of financial information from certain significant investees please refer to the 2014 annual report. The accounts of Senvest Partners, Senvest Israel Partners and (now) Senvest Cyprus recovery Investment Fund are consolidated with the Company's accounts.

FORWARD LOOKING STATEMENTS

This MD&A contains "forward looking statements" which reflect the current expectations of management regarding our future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "may", "would", "could", "will", "anticipate","believe", "plan", "expect", "intend", "estimate", "aim", "endeavour" and similar expressions have been used to identify these forward looking statements. These statements reflect our current beliefs with respect to future events and are based on information currently available to us. Forward looking statements involve significant known and unknown risks, uncertainties and assumptions. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward looking statements including, without limitation, those Risk Factors listed in the Company's annual information form. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward looking statements contained in this MD&A. These forward looking statements are made as of March 30, 2015 and will not be updated or revised except as required by applicable securities law.

OTHER FINANCIAL INFORMATION

There is additional financial information about the Company on Sedar at www.sedar.com, as well the Company's (or RIMA Senvest) US SEC filings on www.sec.gov and on the Company's website at www.senvest.com.

INTERNAL CONTROLS

The Company's President and Chief Executive Officer and its Vice-President and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures. After evaluating the effectiveness of the Company's disclosure controls and procedures as at December 31, 2014 they have concluded that the Company's disclosure controls and procedures are adequate and effective to ensure that material information relating to the company and its subsidiaries would have been known to them.

Internal control over financial reporting (ICFR) is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with Generally Accepted Accounting Principles in its financial statements. The President and Chief Executive Officer and the Vice-President and Chief Financial Officer have supervised the evaluation of the design and effectiveness of the Company's internal controls over financial reporting as of December 31 2014 and believe the design and effectiveness to be adequate to provide such reasonable assurance using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. There have been no changes in the Company's ICFR during the year ended December 31, 2014, that have materially affected, or are reasonably likely to materially affect, the effectiveness of the ICFR.

Victor Mashaal
Chairman of the Board and President

March 30, 2015

(Management Discussion and Analysis ("MD&A") provides a review of Senvest Capital Inc.'s operations, performance and financial condition for the period ended December 31, 2014, and should be read in conjunction with the 2014 annual report. Readers are also requested to read the Annual Information Form as well as visit the SEDAR website at www.sedar.com for additional information. This MD&A also contains certain forward-looking statements with respect to the Corporation. These forward-looking statements, by their nature necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. We consider the assumptions on which these forward-looking statements are based to be reasonable, but caution the reader that these assumptions regarding future events, many of which are beyond our control may ultimately prove to be incorrect.)

Management's Report

The consolidated financial statements for the fiscal year ended December 31, 2014 and December 31, 2013, were prepared by the management of Senvest Capital Inc., reviewed by the Audit Committee and approved by the Board of Directors. They were prepared in accordance with International Financial Reporting Standards and are consistent with the company's business.

The company and its subsidiaries maintain a high quality of internal controls, designed to provide reasonable assurance that the financial information is accurate and reliable. The information included in this Annual Report is consistent with the financial statements contained herein.

The financial statements have been audited by PricewaterhouseCoopers LLP, the company's auditors, whose report is provided below.

Victor Mashaal
Chairman of Board and President
Senvest Capital Inc.
March 30, 2015

Independent Auditor's Report

To the Shareholders of Senvest Capital Inc.

We have audited the accompanying consolidated financial statements of Senvest Capital Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Senvest Capital Inc. as at December 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP[1]

[1] CPA auditor, CA, public accountancy permit No. A131762

Montréal, Quebec
March 30, 2015

Consolidated Statements of Financial Position

As at December 31, 2014 and 2013

(in thousands of Canadian dollars)

	Note	2014	2013
		$	$
Assets			
Cash and cash equivalents	4	16,263	12,518
Restricted short-term investments	5(a)	455	16,908
Due from brokers	5(b)	177,659	625
Equity investments and other holdings	6	1,770,540	1,312,406
Investments in associates	7	11,164	18,458
Real estate investments	8	36,983	32,441
Income taxes receivable		162	-
Deferred income tax assets	10(b)	607	607
Other assets		6,309	6,363
Total assets		2,020,142	1,400,326
Liabilities			
Trade and other payables		30,348	35,585
Due to brokers	5(b)	16,541	184,177
Equities sold short and derivative liabilities	6	555,901	111,572
Redemptions payable		1,819	17,441
Subscriptions received in advance		5,858	9,753
Income taxes payable		4,115	5,302
Liabilities under cash-settled share-based payments	12	6,233	6,192
Deferred income tax liabilities	10(b)	36,209	24,439
Liability for redeemable units		541,378	375,503
Total liabilities		1,198,402	769,964
Equity			
Equity attributable to owners of the parent			
Share capital	11	16,091	15,499
Accumulated other comprehensive income		68,683	11,798
Retained earnings		653,232	537,760
Total equity attributable to owners of the parent		738,006	565,057
Non-controlling interests		83,734	65,305
Total equity		821,740	630,362
Total liabilities and equity		2,020,142	1,400,326

Approved by the Board of Directors

Victor Mashaal, Director

Frank Daniel, Director

The notes on pages 15 to 45 are an integral part of these consolidated financial statements.

For the years ended December 31, 2014 and 2013

(in thousands of Canadian dollars, except per share data)

	Note	2014	2013
		$	$
Revenue			
Interest income		2,790	6,158
Net dividend income		8,811	10,197
Other income		534	455
		12,135	16,810
Investment gains (losses)			
Net change in fair value of equity investments and other holdings		233,058	474,337
Net change in fair value of real estate investments		2,541	(142)
Share of profit (loss) of associates	7	1,870	(9,909)
Foreign exchange gain		47,947	8,580
		285,416	472,866
Total revenue and net investment gains		297,551	489,676
Operating costs and other expenses			
Employee benefit expense		31,616	38,927
Share-based compensation expense	12(a)	62	4,273
Interest expense		5,125	3,483
Transaction costs		7,572	6,714
Other operating expenses		10,316	6,030
		54,691	59,427
Change in redemption amount of redeemable units		80,407	162,001
Income before income tax		162,453	268,248
Income tax expense	10(a)	21,274	24,919
Net income for the year		141,179	243,329
Net income attributable to:			
Owners of the parent		117,298	206,516
Non-controlling interests		23,881	36,813
Earnings per share attributable to owners of the parent:			
Basic	13(a)	41.91	73.20
Diluted	13(b)	41.26	73.20

The notes on pages 15 to 45 are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2014 and 2013

(in thousands of Canadian dollars)

	2014 $	2013 $
Net income for the year	141,179	243,329
Other comprehensive income		
Currency translation differences	63,397	32,600
Comprehensive income for the year	204,576	275,929
Comprehensive income attributable to:		
Owners of the parent	174,183	236,084
Non-controlling interests	30,393	39,845

The notes on pages 15 to 45 are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2014 and 2013

(in thousands of Canadian dollars)

	Note	Share capital $	Accumulated other comprehensive income (loss) $	Retained earnings $	Total $	Non-controlling interests $	Total equity $
		Equity attributable to owners of the parent					
Balance – December 31, 2012		12,983	(17,770)	336,203	331,416	27,415	358,831
Net income for the year		-	-	206,516	206,516	36,813	243,329
Other comprehensive income		-	29,568	-	29,568	3,032	32,600
Comprehensive income for the year		-	29,568	206,516	236,084	39,845	275,929
Repurchase of common shares	11	(266)	-	(4,959)	(5,225)	-	(5,225)
Exercise of options	11	2,782	-	-	2,782	-	2,782
Distributions to non-controlling interests		-	-	-	-	(1,955)	(1,955)
Balance – December 31, 2013		15,499	11,798	537,760	565,057	65,305	630,362
Net income for the year		-	-	117,298	117,298	23,881	141,179
Other comprehensive income		-	56,885	-	56,885	6,512	63,397
Comprehensive income for the year		-	56,885	117,298	174,183	30,393	204,576
Repurchase of common shares	11	(69)	-	(1,826)	(1,895)	-	(1,895)
Exercise of options	11	661	-	-	661	-	661
Distributions to non-controlling interests		-	-	-		(11,964)	(11,964)
Balance – December 31, 2014		16,091	68,683	653,232	738,006	83,734	821,740

The notes on pages 15 to 45 are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2014 and 2013

(in thousands of Canadian dollars)

	Note	2014	2013
		$	$
Cash flows provided by (used in)			
Operating activities			
Net income for the year		141,179	243,329
Adjustments for non-cash items	14(a)	(148,408)	(284,187)
Purchase of equity investments and other holdings held for trading		(1,096,593)	(922,670)
Purchase of equities sold short and derivative liabilities		(813,059)	(396,080)
Proceeds on sale of equity investments and other holdings held for trading		938,205	847,714
Proceeds from equities sold short and derivative liabilities		1,295,623	418,532
Dividends and distributions received from real estate investments		6,603	2,483
Repurchase of share options		-	(1,326)
Changes in working capital items	14(b)	(353,355)	100,242
Net cash provided by (used in) operating activities		(29,805)	8,037
Investing activities			
Transfers to (from) restricted short-term investments		17,131	(16,800)
Purchase of real estate investments		(5,951)	(3,750)
Proceeds on sale of real estate investments		366	4,064
Purchase of equity investments and other holdings designated as fair value through profit or loss		(1,893)	(1,807)
Proceeds on sale of equity investments and other holdings designated as fair value through profit or loss		871	4,690
Purchase of investments in associates		-	(9,631)
Proceeds from investments in associates		10,411	-
Net cash provided by (used in) investing activities		20,935	(23,234)
Financing activities			
Distributions paid to non-controlling interests		(11,964)	(1,955)
Decrease in bank advances		-	(143)
Proceeds on exercise of options		661	2,782
Repurchase of common shares		(1,895)	(5,225)
Proceeds from issuance of redeemable units		69,251	55,654
Amounts paid on redemption of redeemable units		(44,504)	(24,891)
Net cash provided by (used in) financing activities		11,549	26,222
Increase (decrease) in cash and cash equivalents during the year		2,679	11,025
Effect of changes in foreign exchange rates on cash and cash equivalents		1,066	891
Cash and cash equivalents – Beginning of year		12,518	602
Cash and cash equivalents – End of year	4	16,263	12,518
Amounts of cash flows classified in operating activities:			
Cash paid for interest		2,782	3,457
Cash paid for dividends on equities sold short		4,220	1,272
Cash received on interest		2,548	7,204
Cash received on dividends		12,534	10,073
Cash paid for income taxes		12,127	2,631

The notes on pages 15 to 45 are an integral part of these consolidated financial statements.

(In thousands of Canadian dollars unless otherwise stated)

1 General information

Senvest Capital Inc. (the "Company") was incorporated under Part I of the Canada Corporations Act on November 20, 1968 under the name Sensormatic Electronics Canada Limited, and was continued under the Canada Business Corporations Act under the same name effective July 23, 1979. On April 21, 1991, the Company changed its name to Senvest Capital Inc. The Company and its subsidiaries hold investments in equity and real estate holdings that are located predominantly in the United States. The Company's head office and principal place of business is located at 1000 Sherbrooke Street West, Suite 2400, Montréal, Quebec H3A 3G4. The Company's shares are traded on the Toronto Stock Exchange under the symbol "SEC". Refer to note 16 for the composition of the Company.

2 Summary of significant accounting policies

Basis of preparation

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board as set out in Part I of the Chartered Professional Accountants of Canada (CPA Canada) Handbook – Accounting.

The Board of Directors (Board) approved these consolidated financial statements for issue on March 26, 2015.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities held at fair value through profit or loss, including derivative instruments and liabilities under cash-settled share-based payments which have been measured at fair value.

Consolidation

The financial statements of the Company consolidate the accounts of the Company, its subsidiaries and its structured entities. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. Where applicable, amounts reported by subsidiaries, associates and structured entities have been adjusted to conform with the Company's accounting policies.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Investments in associates

Associates are entities over which the Company has significant influence but not control, generally accompanying a holding of between 20% to 50% of the voting rights. The financial results of the Company's investments in its associates are included in the Company's consolidated financial statements according to the equity method.

Subsequent to the acquisition date, the Company's share of profits or losses of associates is recognized in the consolidated statement of income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Dilution gains and losses arising from changes in interests in investments in associates are recognized in the consolidated statement of income.

The Company assesses at each year-end whether there is any objective evidence that its interests in associates are impaired. If impaired, the carrying value of the Company's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less cost to sell and value in use) and charged to the consolidated statement of income. In accordance with International Accounting Standard (IAS) 36, Impairment of Assets, impairment losses are reversed in subsequent years if the recoverable amount of the investment subsequently increases and the increase can be related objectively to an event occurring after the impairment was recognized.

Liability for redeemable units

Liability for redeemable units represents the units in Senvest Master Fund, L.P., Senvest Israel Partners, L.P. and Senvest Cyprus Recovery Investment Partners, L.P. Fund (the Funds or individually the Fund) that are not owned by the Company. Senvest Master Fund, L.P. and Senvest Israel Partners, L.P. have one class of units that may be redeemed as of the end of the first calendar quarter that occurs not less than one year after the date that such units were purchased and at the end of each calendar quarter thereafter. A second class may be redeemed as of the end of the first month that occurs not less than 25 months after the date such units were purchased and at the end of each calendar quarter thereafter. A third class may be redeemed as of the end of any calendar month; however, redemptions made within the first 24 months will be subject to a redemption fee of 3% to 5% which is payable to Senvest Master Fund, L.P. and Senvest Israel Partners, L.P. In addition

(In thousands of Canadian dollars unless otherwise stated)

there are notice periods of 30 to 60 days that must be given prior to any redemption. Senvest Cyprus Recovery Investment Partners, L.P. Fund has units that cannot be redeemed for at least two years. These units are recognized initially at fair value, net of any transaction costs incurred, and subsequently units are measured at the redemption amount.

Redeemable units are issued and redeemed at the holder's option at prices based on each Fund's net asset value per unit at the time of subscription or redemption. Each Fund's net asset value per unit is calculated by dividing the net assets attributable to the holders of each class of redeemable units by the total number of outstanding redeemable units for each respective class. In accordance with the provisions of the Funds' offering documents, investment positions are valued at the close price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Non-controlling interests

Non-controlling interests represent equity interests in the structured entity owned by outside parties. The share of net assets of the structured entity attributable to non-controlling interests is presented as a component of equity. Their share of net income and comprehensive income is recognized directly in equity. Changes in the parent Company's ownership interest in the structured entity that do not result in a loss of control are accounted for as equity transactions.

Foreign currency translation

Functional currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the parent Company is the US dollar.

Transactions and balances

Foreign currency transactions are translated into the relevant functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statement of income.

All foreign exchange gains and losses are presented in the consolidated statement of income in foreign exchange gain.

Consolidation and foreign operations

The financial statements of an entity that has a functional currency different from that of the parent Company are translated into US dollars as follows: assets and liabilities – at the closing rate at the date of the consolidated statement of financial position; and income and expenses – at the average rate for the period (as this is considered a reasonable approximation of actual rates). All resulting changes are recognized in other comprehensive income as currency translation differences.

When an entity disposes of its interest in a foreign operation, or loses control or significant influence over a foreign operation, the foreign exchange gains or losses accumulated in other comprehensive income related to the foreign operation are recognized in net income. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign exchange gains or losses accumulated in other comprehensive income related to the subsidiary are reallocated between controlling and non-controlling interests.

Presentation currency

The Company has adopted the Canadian dollar as its presentation currency, which in the opinion of management is the most appropriate presentation currency. Historically, the Company's consolidated financial statements have been presented in Canadian dollars, and since the Company's shares are listed on a Canadian stock exchange, management believes it would better serve the use of shareholders to continue issuing consolidated financial statements in Canadian dollars. The US dollar consolidated financial statements described above are translated into the presentation currency as follows: assets and liabilities – at the closing rate at the date of the consolidated statement of financial position; and income and expenses – at the average rate for the period. All resulting changes are recognized in other comprehensive income as currency translation differences. Equity items are translated using the historical rate.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less

Financial instruments

At initial recognition, the Company classifies its financial instruments in the following categories, depending on the purpose for which the instruments were acquired:

a) Financial assets and financial liabilities at fair value through profit or loss

Classification

The Company classifies its equity investments and other holdings, real estate investments and equities sold short and derivative liabilities as financial assets or financial liabilities at fair value through profit or loss. This category has two subcategories: financial assets or financial liabilities held for trading and those designated at fair value through profit or loss.

i) Financial assets and financial liabilities held for trading

A financial asset or financial liability is classified as held

(In thousands of Canadian dollars unless otherwise stated)

for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition it is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorized as held for trading. The Company does not classify any derivatives as hedges in a hedging relationship.

The Company makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions.

From time to time, the Company enters into derivative financial instruments for speculative purposes. These instruments are marked to market, and the corresponding gains and losses for the year are recognized in the consolidated statement of income. The carrying value of these instruments is fair value, which approximates the gain or loss that would be realized if the position were closed out as at the consolidated statement of financial position date. The fair value is included in equity investments and other holdings if in an asset position or equities sold short and derivative liabilities if in a liability position.

ii) Financial assets designated as fair value through profit or loss

Financial assets designated as fair value through profit or loss are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Company's documented investment strategy.

The Company's policy requires management to evaluate the information about these financial assets and financial liabilities on a fair value basis together with other related financial information.

Recognition, derecognition and measurement

Regular purchases and sales of investments are recognized on the trade date – the date on which the Company commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognized at fair value. Transaction costs are expensed as incurred in the consolidated statement of income.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of financial assets or financial liabilities at fair value through profit or loss are presented in the consolidated statement of income in net change in fair value of equity investments and other holdings or net change in fair value of real estate investments in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated statement of income as net dividend income when the Company's right to receive payment is established. Dividend expense on equities sold short is included in net dividend income. Interest on debt securities at fair value through profit or loss is recognized in the consolidated statement of income in interest income based on the effective interest rate.

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and when there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

b) Loans and receivables

Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise cash and cash equivalents, restricted short-term investments and due from brokers, as well as loans to employees, which are included in other assets.

Recognition, derecognition and measurement

Loans and receivables are initially recognized at the amount expected to be received less, when applicable, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss as follows:

- The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.
- Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

(In thousands of Canadian dollars unless otherwise stated)

c) Financial liabilities at amortized cost

Classification

Financial liabilities at amortized cost comprise trade and other payables, due to brokers,redemptions payable and subscriptions received in advance.

Recognition, derecognition and measurement

Trade and other payables are initially recognized at the amount required to be paid less, when applicable, a discount to reduce the payables to fair value. Subsequently, trade and other payables are measured at amortized cost using the effective interest method. Due to brokers, redemptions payable and subscriptions received in advance are recognized initially at fair value, net of any transaction costs incurred (where applicable), and subsequently atamortized cost using the effective interest method.

Due from and to brokers

Amounts due from and to brokers represent positive and negative cash balances or margin accounts, and pending trades on the purchase or sale of securities.

A provision for impairment of amounts due from brokers is established when there is objective evidence that the Company will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganization, and default in payments are considered indicators that the amount due from brokers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of income except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated statement of financial position date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the consolidated statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Interest income and dividend income

Interest income

Interest income is recognized using the effective interest method. It includes interest income from cash and cash equivalents and interest on debt securities at fair value through profit or loss.

Dividend income

Dividend income is recognized when the Company's right to receive payments is established.

Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment.

Transaction costs related to financial assets and financial liabilities at fair value through profit or loss are expensed as incurred. Transaction costs for all other financial instruments are capitalized, except for instruments with maturity dates, in which case transaction costs are amortized over the expected life of the instrument using the effective interest method.

(In thousands of Canadian dollars unless otherwise stated)

Employee benefits

Post-employment benefit obligations

Employees of companies included in these consolidated financial statements have entitlements under Company pension plans which are defined contribution pension plans. The cost of defined contribution pension plans is charged to expense as the contributions become payable and is included in the same line item as the related compensation cost in the consolidated statement of income.

Share-based payments

The Company grants stock options to certain employees, directors and senior executives. Stock options vest on the grant date and expire after 10 years. The fair value of each award is measured at the date of grant using the Black-Scholes option pricing model. The stock option plan allows the employees, directors and senior executives the choice whether to settle in cash or equity instruments. The liability incurred is measured at fair value, and the Company recognizes immediately the compensation expense and a liability payable for the option. The fair value of the liability is remeasured at each reporting date and at the settlement date. Any changes in fair value are recognized in profit or loss as share-based compensation expense for the year. If the entity pays in cash on settlement rather than by issuing equity instruments, that payment will be applied to settle the liability in full.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new common shares or options are recorded in equity as a deduction, net of tax, from the proceeds.

Dividend distribution

Dividends on the Company's common shares are recognized in the Company's consolidated statement of changes in equity in the year in which the dividends are declared and approved by the Company's Board.

Earnings per share

Basic earnings per share is calculated by dividing the net income for the year attributable to equity owners of the parent by the weighted average number of common shares outstanding during the year.

Diluted earnings per share are calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potentially dilutive instruments. The Company's potentially dilutive common shares comprise stock options granted to employees, directors and senior executives. In calculating diluted earnings per share, the assumed proceeds on exercise of options are regarded as having been used to repurchase common shares at the average market price during the year.

New and amended accounting standards adopted in 2014

The following standards have been adopted by the Company for the first time for the financial year beginning on January 1, 2014:

- Amendment to IAS 32, Financial Instruments: Presentation, clarifies the circumstances in which financial assets and financial liabilities may be offset on the consolidated statement of financial position. The amendment is effective for years beginning on or after January 1, 2014. The adoption of the amendment to IAS 32 did have a significant impact on the consolidated financial statements (note 5(b)).

- Amendment to IFRS 2, Share-based Payment, clarifies the definition of vesting conditions. The amendment applies to share-based payment transactions for which the grant date is on or after July 1, 2014. The adoption of the amendment to IFRS 2 did not have a significant impact on the consolidated financial statements.

- Amendment to IAS 36, Impairment of Assets, relates to impaired asset disclosure requirements that will be effective for the years beginning on or after January 1, 2014. The adoption of the amendment to IAS 36 did not have a significant impact on the consolidated financial statements.

- IFRS 12, Disclosure of Interests in Other Entities, and IAS 27, Separate Financial Statements (amended in 2011), are amended to introduce disclosures that an investment entity needs to make. These amendments are effective for years beginning on or after January 1, 2014 and did not have a significant impact on the consolidated financial statements.

Accounting standards and amendments issued but not yet applied

The following improvements were effective for years beginning on or after July 1, 2014 and are not expected to have a significant impact on the consolidated financial statements:

- IFRS 8, Operating Segments, has been amended to require disclosure of judgments made by management in aggregating segments and to require a reconciliation of segment assets to the entity's assets when segment assets are reported. This amendment was effective on July 1, 2014.

- IAS 24, Related Party Disclosures, has been amended to revise the definition of related party to include an entity that provides key management personnel services to the reporting entity or its parent, and to clarify the related disclosure requirements.

The Company presents the developments that are relevant to its activities and transactions. The following revised standard and amendments are effective for annual periods beginning on or after January 1, 2015 and have not been applied in preparing these consolidated financial statements. The Company has not early adopted this standard and amendments.

(In thousands of Canadian dollars unless otherwise stated)

- Amends IAS 27 to restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

- Amends IFRS 1 to permit use of the business combinations exemption for investments in subsidiaries accounted for using the equity method in the separate financial statements of the first-time adopter.

- IFRS 15, Revenue from Contracts with Customers, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2017 and earlier application is permitted. The Company is assessing the impact of IFRS 15.

- IFRS 9, Financial Instruments, was issued in November 2009. It addresses classification, measurement and recognition of financial assets and financial liabilities and replaces the multiple category and measurement models for debt instruments in IAS 39, Financial Instruments: Recognition and Measurement, with a new mixed measurement model with only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

  Requirements for financial liabilities were added in October 2010, and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit or loss would generally be recorded in other comprehensive income. The effective date of this standard is January 1, 2018.

  IFRS 9 was amended in November 2013, mainly to include guidance on hedge accounting; allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk from financial liabilities designated under the fair value option in other comprehensive income (without having to adopt the remainder of IFRS 9); and remove the previous mandatory effective date of January 1, 2015, although the standard is available for early adoption. The Company is currently assessing the impact of this standard on the consolidated financial statements.

3 Critical accounting estimates and judgments

Critical accounting estimates

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the estimates applied by management that most significantly affect the Company's consolidated financial statements. These estimates have a significant risk of causing a significant adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of financial instruments

The fair value of financial instruments where no active market exists or where listed prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or by using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. To the extent practical, models use only observable data; however, areas such as credit risk (both the Company's own credit risk and counterparty credit risk), volatilities and correlations require management to make estimates.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Refer to note 15 for risk sensitivity information for financial instruments.

Income taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the consolidated provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

Critical accounting judgments

Consolidation of entities in which the Company holds less than 50% of the voting rights

Management considers that the Company has de facto control of RIMA Senvest Management L.L.C. (RIMA), even though it has no shareholding in this structured entity, because of the Company's board representation and the contractual terms of the investment advisory agreement. RIMA is the investment adviser to the Funds, and in turn the Company is the investment sub-adviser to the Funds. As compensation for its investment sub-advisory services, the Company is entitled to receive 60% of the management and incentive fees earned by RIMA, its structured entity, each fiscal year.

(In thousands of Canadian dollars unless otherwise stated)

Management considers that the Company has control of Senvest Master Fund, L.P., Senvest Israel Partners, L.P. and Senvest Cyprus Recovery Investment Partners, L.P. even though the Company has less than 50% of the voting rights in each of the Funds. The Company assessed that the removal rights of non-affiliated unitholders are exercisable but not strong enough given the Company's decision-making authority over relevant activities, the remuneration to which it is entitled and its exposure to returns. The Company, through its structured entity, is the majority unitholder of each of the Funds and acts as a principal while there are no other unitholders forming a group to exercise their votes collectively.

4 Cash and cash equivalents

	2014	2013
	$	$
Cash on hand and on deposit	16,223	12,452
Short-term investments	40	66
	16,263	12,518

5 Credit facilities and due to brokers

a) Credit facilities

Bank advances

In 2013, the Company renegotiated its credit facility with a bank and has available a demand revolving loan (credit facility) and a guarantee facility. The credit facility is in the amount of $3,000 and is payable on demand. As at December 31, 2014, nil was outstanding (2013 – nil). Under the credit facility, the Company may, upon delivery of a required notice, opt to pay interest at the bank's prime rate plus 0.25%, the bank's US base rate plus 0.25% or LIBOR plus 1.75% per annum. All of the credit facility available is also available by way of banker's acceptances plus a stamping fee of 1.75% per annum, or by US dollar advances. As at December 31, 2014 and 2013, no banker's acceptances were outstanding.

Guarantee facility

The Company also has available a 450,000 euro guarantee facility (2013 – 12,250,000 euros) to issue standby letters of credit on behalf of the Company. A fee of 1.0% per annum on the face amount of each standby letter of credit applies. All amounts paid by the bank under the guarantee facility are payable on demand. In February 2014, a 12,000,000 euro letter of credit entered into in June 2013 was terminated and the restricted funds that were used to secure the letter of credit became available for general use. At December 31, 2014, no standby letters of credit were outstanding; however, the Company has provided a $455 (2013 – $16,908) term deposit to guarantee future letters of credit. This term deposit has been disclosed in restricted short-term investments on the consolidated statement of financial position.

In addition, a first ranking movable hypothec in the amount of $30,000 on all of the Company's assets has been granted as collateral for both the credit and guarantee facilities. According to the terms of the facilities, the Company is required to comply with certain financial covenants. During the years ended December 31, 2014 and 2013, the Company met the requirements of all the covenants.

b) Due to brokers

The Company has margin facilities with its prime brokers. As at December 31, 2014 and 2013, the Company's amounts due to brokers have no specific repayment terms, and they are governed by the margin terms set forth in the prime brokerage agreements. As at December 31, 2014, listed equity securities and due from brokers amounting to $1,825,001 have been pledged as collateral (2013 – $1,159,982). The fair value of the collateral listed equity securities is calculated daily and compared to the Company's margin limits. The prime brokers can at any time demand full or partial repayment of the margin balances and any interest thereon or demand the delivery of additional assets as collateral.

Amendments to IAS 32 which were adopted by the Company on January 1, 2014 clarified the circumstances in which financial assets and financial liabilities may be offset on the consolidated statement of financial position, including the legal right to offset and the intention to settle on a net basis. The terms in the prime brokerage agreements permit the prime broker to settle margin balances with cash accounts or collateral. As a result, the Company adopted IAS 32 and netted cash balances (due from broker) against margin balances (due to broker) held at the same broker. Adjustments to the December 31, 2013 consolidated statement of financial position changed the due from broker balance to $625 from $24,446 and total assets to $1,400,326 from $1,424,147 and the due to broker balance to $184,177 from $207,998 and total liabilities to $769,964 from $793,785.

(In thousands of Canadian dollars unless otherwise stated)

6 Equity investments and other holdings, equities sold short and derivative liabilities

Equity investments and other holdings

	Note	2014 $	2013 $
Assets			
Financial assets held for trading			
Equity securities		1,645,233	1,159,138
Debt securities		64,141	89,650
Derivative financial assets	6(a)	36,490	15,458
		1,745,864	1,264,246
Financial assets designated as fair value through profit or loss			
Equity securities		2,109	2,853
Unlisted equity securities		6,544	5,676
Structured fixed income fund units	6(b)	3,883	3,257
Talmer Bancorp, Inc.	6(c)	-	30,949
Other	6(d)	12,140	5,425
		1,770,540	1,312,406
Current portion		1,745,864	1,263,222
Non-current portion		24,676	49,184

Equities sold short and derivative liabilities

	Note	2014 $	2013 $
Liabilities			
Financial liabilities held for trading			
Equities sold short			
Listed equity securities (proceeds $603,510; 2013 – $88,433)		543,418	108,402
Derivative financial liabilities (proceeds $14,006; 2013 – $6,835)	6(a)	12,483	3,170
		555,901	111,572

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

a) From time to time, the Company enters into derivative financial instruments consisting primarily of warrants and options to purchase or sell equity indices and currencies. The following tables list the notional amounts, fair values of derivative financial assets and financial liabilities and net change in fair value by contract type, including options, warrants, rights and options sold short included in equity investments and other holdings or equities sold short and derivative liabilities:

				As at December 31, 2014	For the year ended December 31, 2014
	Notional value $	Fair value of derivative financial assets $	Notional value $	Fair value of derivative financial liabilities $	Net change in fair value $
Equity options	126,294	17,968	128,945	12,483	3,510
Warrants and rights	78,134	5,831	-	-	136
Foreign currency options	613,763	12,691	-	-	5,364
		36,490		12,483	9,010

				As at December 31, 2013	For the year ended December 31, 2013
	Notional value $	Fair value of derivative financial assets $	Notional value $	Fair value of derivative financial liabilities $	Net change in fair value $
Equity options	103,806	12,545	79,078	3,170	12,771
Rights	537	-	-	-	(17)
Warrants	13,997	380	-	-	1,589
Foreign currency options	478,620	2,533	-	-	(983)
		15,458		3,170	13,360

b) This holding is an investment in shares of a private entity that invests in US residential mortgage-backed securities (RMBS) – structured bonds that represent claims on the cash flows from pools of residential mortgage loans. There is no established market for this investment.

c) In February 2014, Talmer Bancorp, Inc. went public and started trading on the NASDAQ stock exchange under the symbol TLMR. This holding is included with the equity securities under financial assets held for trading as at December 31, 2014.

d) These holdings are in private entities whose shares/units do not trade in an active market. There is no established market for these securities. The most likely scenario of a disposal of these holdings is an eventual sale of the underlying entities.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

7 Investments in associates

The Company has invested in a number of individually insignificant associates that are accounted for using the equity method. The aggregated financial information on these associates are as follows:

	2014 $	2013 $
Aggregate carrying amount of individually immaterial associates	11,164	18,458
Aggregate amounts of the Company's share of:		
Profit (loss) from continuing operations	1,870	(9,909)
Total comprehensive income (loss)	1,870	(9,909)

Commitments, contingent liabilities and borrowing arrangements of associates

There are no commitments, contingent liabilities or borrowing arrangements relating to the Company's interests in the associates.

8 Real estate investments

Real estate investments comprise the following:

	Note	2014 $	2013 $
Financial assets designated as fair value through profit or loss			
Investments in private entities	8(a)	15,542	12,862
Investments in real estate income trusts	8(b)	21,441	19,579
		36,983	32,441
Non-current portion		36,983	32,441

a) These investments are minority interests in private entities whose main assets are real estate properties. There is no established market for these investments. The most likely scenario for a disposal of these investments is an eventual sale of the underlying real estate properties.

In 2014 and 2013, distributions received from interests in private entities represented a return of capital and were deducted from the cost of the investments on the consolidated statement of income.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

b) These real estate investments are US real estate income trusts (commonly referred to as REITs). A REIT is an entity that owns and operates income-producing real estate and annually distributes to its holders at least 90% of its taxable income. The Company's investments are non-publicly traded REITs. There is no established market for these REITs. The most likely scenario for a disposal of these holdings is an eventual sale of the underlying real estate properties of the REITs and the distribution to their holders.

In 2014 and 2013, distributions received from a REIT are included in net change in fair value of real estate investments on the consolidated statements of income.

9 Financial instruments by category and related income, expenses and gains and losses

	2014				
	Assests (liabilities) at fair value through profit or loss				
	Held for trading $	Designated $	Loans and receivables $	Financial liabilities at amortized cost $	Total $
Assets (liabilities) as per consolidated statement of financial position					
Cash and cash equivalents	-	-	16,263	-	16,263
Restricted short-term investments	-	-	455	-	455
Due from brokers	-	-	177,659	-	177,659
Equity investments and other holdings	1,745,864	24,676	-	-	1,770,540
Real estate investments	-	36,983	-	-	36,983
Other assets*	-	-	326	-	326
Trade and other payables	-	-	-	(30,348)	(30,348)
Due to brokers	-	-	-	(16,541)	(16,541)
Equities sold short and derivative liabilities	(555,901)	-	-	-	(555,901)
Redemptions payable	-	-	-	(1,819)	(1,819)
Subscriptions received in advance	-	-	-	(5,858)	(5,858)
	1,189,963	61,659	194,703	(54,566)	1,391,759
Amounts recognized in consolidated statement of income					
Net change in fair value	228,464	7,135	-	-	235,599
Interest income (expense)	2,741	-	49	(5,125)	(2,335)
Net dividend income	8,648	163	-	-	8,811
	239,853	7,298	49	(5,125)	242,075

* Includes loans to employees, but excludes capital assets and other non-financial assets.

(In thousands of Canadian dollars unless otherwise stated)

	2013				
	Assests (liabilities) at fair value through profit or loss				
	Held for trading $	Designated $	Loans and receivables $	Financial liabilities at amortized cost $	Total $
Assets (liabilities) as per consolidated statement of financial position					
Cash and cash equivalents	-	-	12,518	-	12,518
Restricted short-term investments	-	-	16,908	-	16,908
Due from brokers	-	-	625	-	625
Equity investments and other holdings	1,264,246	48,160	-	-	1,312,406
Real estate investments	-	32,441	-	-	32,441
Other assets*	-	-	1,209	-	1,209
Trade and other payables	-	-	-	(35,585)	(35,585)
Due to brokers	-	-	-	(184,177)	(184,177)
Equities sold short and derivative liabilities	(111,572)	-	-	-	(111,572)
Redemptions payable	-	-	-	(17,441)	(17,441)
Subscriptions received in advance	-	-	-	(9,753)	(9,753)
	1,152,674	80,601	31,260	(246,956)	1,017,579
Amounts recognized in consolidated statement of income					
Net change in fair value	463,639	10,556	-	-	474,195
Interest income (expense)	6,115	-	43	(3,450)	2,708
Net dividend income	9,839	358	-	-	10,197
	479,593	10,914	43	(3,450)	487,100

* Includes loans to employees, but excludes capital assets and other non-financial assets.

10 Income taxes

a) Income tax expense

	2014 $	2013 $
Current tax		
Current tax on income for the year	11,665	8,780
Adjustments in respect of prior years	459	172
	12,124	8,952
Deferred tax		
Origination and reversal of temporary differences	9,150	15,967
	21,274	24,919

(in thousands of Canadian dollars unless otherwise stated)

The tax on the Company's income before income tax differs from the theoretical amount that would arise using the federal and provincial statutory tax rate applicable to income of the consolidated entities as follows:

	2014 $	2013 $
Income before income tax	162,453	268,248
Income tax expense based on statutory rate of 26.9% (2013 – 26.9%)	43,700	72,159
Prior year adjustments	703	173
Difference in tax rate	(20,589)	(39,101)
Portion of income taxable in hands of non controlling interests	(6,423)	(9,909)
Non-deductible expenses	226	1,361
Foreign exchange	2,949	-
Unrecognized deferred income tax assets	813	-
Other	(105)	236
Income tax expense	21,274	24,919

TThe applicable statutory tax rate is 26.9% in 2014 (2013 – 26.9%). The Company's applicable statutory tax rate is the Canadian federal and provincial combined rate applicable in the jurisdictions in which the Company operates.

On February 11, 2014, the federal Minister of Finance presented the majority government's 2014 Federal Budget (the "Budget"). The Budget proposed income tax changes to parts of Canada's foreign affiliate regime effective January 1, 2015. These proposals came into law in December 2014. These changes will have an effect on the mechanism by which certain foreign income of the Company is taxed in Canada. These changes did not have an effect for the period covered by the Company's 2014 financial statements. However, they will negatively impact the Company's income tax expense and income tax liability, as well as the Company's cash flow, for 2015 and future taxation years. As these changes relate to future taxation years, the Company cannot quantify the potential impact of these changes at the current time.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

b) The analysis of deferred income tax assets and liabilities is as follows:

	2014 $	2013 $
Deferred income tax assets		
Deferred tax assets to be settled		
After more than 12 months	607	607
Within 12 months	-	-
Deferred income tax assets	607	607
Deferred income tax liabilities		
Deferred tax liabilities to be settled		
After more than 12 months	36,209	24,439
Within 12 months	-	-
Deferred income tax liabilities	36,209	24,439

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows.

Deferred income tax assets	Equity Investments and other holdings $	Deferred performance compensation $	Investments in associates $	Real estate investments $	Tax loss carry-forward $	Other $	Total $
As at December 31 2012	331	1,775	1,097	354	1,680	27	5,264
Credited (charged) to consolidated statement of income	(22)	(1,836)	(1,136)	(11)	(1,371)	(29)	(4,405)
Foreign exchange differences	23	61	39	24	72	2	221
As at December 31 2013	332	-	-	367	381	-	1,080
Credited (charged) to consolidated statement of income	(259)	-	-	(2)	(396)	-	(657)
Foreign exchange differences	17	-	-	33	15	-	65
As at December 31 2014	90	-	-	398	-	-	488

(In thousands of Canadian dollars unless otherwise stated)

Deferred income tax liabilities	Equity investments and other holdings $	Investments in associates $	Real estate investments $	Other $	Total $
As at December 21, 2012	201	11,149	786	-	12,136
Charged (credited) to consolidated statement of income	597	7,190	255	3,519	11,561
Foreign exchange differences	34	1,004	63	114	1,215
As at December 31, 2013	832	19,343	1,104	3,633	24,912
Charged (credited) to consolidated statement of income	1,072	6,552	(410)	1,280	8,494
Exchange differences	130	2,081	80	394	2,685
As at December 31, 2014	2,034	27,976	774	5,307	36,091

Deferred income tax liabilities of $7,110 (2013 – $5,180) have not been recognized for the withholding and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totalled $52,916 as at December 31, 2014 (2013 – $41,109).

11 Share capital

Authorized
Unlimited number of common shares, without par value

Movements in the Company's share capital are as follows:

	2014		2013	
	Number of shares	Amount $	Number of shares	Amount $
Balance – Beginning of year	2,801,624	15,499	2,820,424	12,983
Shares repurchased	(12,800)	(69)	(51,800)	(266)
Issued for exercise of options	5,500	661	33,000	2,782
Balance – End of year	2,794,324	16,091	2,801,624	15,499

In 2014, the Company began a normal course issuer bid to purchase a maximum of 130,000 of its own common shares before June 24, 2015. In 2014, the Company purchased 12,800 common shares (2013 – 51,800) for a total cash consideration of $1,895 (2013 – $5,225). The excess of the consideration paid over the stated capital was charged to retained earnings in the consolidated statement of changes in equity.

No dividends were declared in 2014 or 2013.

(In thousands of Canadian dollars unless otherwise stated)

12 Share-based payments

The Company has two fixed share option plans which were established for employees, directors and senior executives. Under the first plan, the Company may grant options for up to 335,500 common shares, all of which have been fully granted to date. Under the second plan, the Company may grant options for up to 520,000 common shares, of which 441,000 options for common shares have been granted to date (2013 – 441,000), leaving a balance of 79,000 shares available to be issued under the plan (2013 – 79,000). Under both plans, options vest on the grant date. The plans permit employees, directors and senior executives to require that the Company settle the intrinsic fair value of the options for cash. The exercise price of each option may not be lower than the market price of the Company's shares on the day preceding the date of grant. The options expire after 10 years.

a) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2014		2013	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Options outstanding – Beginning of year	53,500	21.13	98,000	20.23
Exercised for shares	(5,500)	17.00	(33,000)	18.95
Redeemed and cancelled for cash	-	-	(11,500)	21.02
Options outstanding – End of year	48,000	21.50	53,500	21.13
Options exercisable – End of year	48,000	21.50	53,500	21.13

For the year ended December 31, 2014, the weighted average share price at the time of exercise was $120.20 (2013 – $88.06).

Under both plans, a liability for each option is calculated based on the fair value of the options at the consolidated statement of financial position date. As a result, the related share-based compensation expense for the year was $62 (2013 – $4,273). The total value of the liability for vested benefits is $6,233 (2013 – $6,192).

b) Outstanding options, all of which are exercisable, are as follows:

2014				2013			
Options outstanding				Options outstanding			
Range of exercise price $	Number of options	Weighted average remaining contractual life (in years)	Weighted average exercise price $	Range of exercise price $	Number of options	Weighted average remaining contractual life (in years)	Weighted average exercise price $
-	-	-	-	17.00	5,500	1.0	17.00
21.50	48,000	1.0	21.50	21.50	48,000	2.0	21.50
	48,000		21.50		53,500		21.13

(in thousands of Canadian dollars unless otherwise stated)

13 Earnings per share

a) Basic

	2014 $	2013 $
Net income attributable to owners of the parent	117,298	206,516
Weighted average number of outstanding common shares	2,799,016	2,821,446
Basic earnings per share	41.91	73.20

b) Diluted

	2014 $	2013 $
Net income attributable to owners of the parent	117,298	206,516
Removal of share-based payments due to assumption that all options were exercised, net of tax recovery	62	4,684
Net income used to determine diluted earnings per share	117,360	211,200
Weighted average number of outstanding common shares issued	2,799,016	2,821,446
Weighted average number of common shares issued on assumed exercise of share options in excess of common shares assumed repurchased	52,445	77,681
Common shares repurchased and cancelled under assumption of normal course issuer bid	(7,295)	(16,368)
Weighted average number of outstanding common shares for diluted earnings per share	2,844,166	2,882,759
Diluted earnings per share	41.26	73.20

(In thousands of Canadian dollars unless otherwise stated)

14 Supplementary information to consolidated statements of cash flows

a) Adjustments for non-cash items are as follows:

	Note	2014 $	2013 $
Net change in fair value of equity investments and other holdings		(233,058)	(474,337)
Amortization of discounts and premiums		-	21
Net change in fair value of real estate investments		(2,541)	142
Share of profit (loss) of associates, adjusted for distributions received		(1,870)	9,909
Share-based compensation expense, adjusted for settlements paid		(496)	2,110
Change in redemption amount of redeemable units		80,407	162,001
Deferred income tax	10(a)	9,150	15,967
		(148,408)	(284,187)

b) Changes in working capital items are as follows:

	2014 $	2013 $
Decrease (increase) in		
Due from brokers	(168,541)	1,376
Income taxes receivable	(154)	-
Other assets	548	(1,379)
Increase (decrease) in		
Trade and other payables	(8,061)	26,511
Due to brokers	(175,558)	68,220
Income taxes payable	(1,589)	5,514
	(353,355)	100,242

(in thousands of Canadian dollars unless otherwise stated)

15 Financial risks and fair value

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk, currency risk and equity price risk), credit risk and liquidity risk.

The Company's overall risk management program seeks to maximize the returns derived for the level of risk to which the Company is exposed and seeks to minimize potential adverse effects on the Company's financial performance. Managing these risks is carried out by management under policies approved by the Board.

The Company uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

Market risk

Fair value and cash flow interest rate risks

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The majority of the Company's debt is based on floating rates which expose the Company to cash flow interest rate risk. The Company does not have a long-term stream of cash flows that it can match against this type of fixed debt, so it prefers to use short-term floating rate debt. The Company does not mitigate its exposure to interest rate fluctuation on floating rate debt. If interest rates spike, then the Company could enter into interest rate swaps or more probably just reduce its debt level. As at December 31, 2014, the Company has listed equity securities of $1,647,342 (2013 – $1,159,357). It can sell these securities to reduce its floating rate debt. As at December 31, 2014, a 1%, (2013 – 1%) increase or decrease in interest rates, with all other variables remaining constant, would impact interest expense by approximately $165 over the next 12 months (2013 – $1,842).

The company's exposure to interest rate risk is summarized as follows:

	2014 $	2013 $
Cash and cash equivalents	Between nil and 1.12%	Between nil and 1.25%
Restricted short-term investments	Between 0.3% and 1.42%	Between 1.1% and 1.3%
Debt securities	Between 1.579% and 11.0%	Between 4.0% and 8.875%
Loans to employees	Non-interest bearing	Non-interest bearing
Credit facilities		
Bank advances	Prime rate plus 0.20%	Prime rate plus 0.25%
Guarantee facility	1.0%	1.0%
Trade and other payables	Non-interest bearing	Non-interest bearing
Due to brokers	0.00% to 4.12%	0.1% to 3.7%

(In thousands of Canadian dollars unless otherwise stated)

The Company also holds debt securities held for trading of $64,141 (2013 – $89,650). Debt securities are usually highly sensitive to interest rate changes. Theoretically, when interest rates rise, it causes the value of debt securities to decline. The opposite generally happens when interest rates fall, then debt securities usually rise in value. However, interest rates are only one factor affecting the value of debt securities. Other factors such as the creditworthiness of the issuer and the spreads attached thereto, the state of the economy or market sentiment can also have a significant effect on debt securities. At any time, one or more factors may have more or less of an effect on the fair value of debt securities than the change in interest rates. If all other factors are assumed not to change, then a change of 100 basis points in the yield to maturity will affect the fair value of the debt securities held for trading as follows.

Estimated effect on the fair value of debt securities due to:

	2014 $	2013 $
An increase of 100 basis points in the yield to maturity	(2,192)	(4,359)
A decrease of 100 basis points in the yield to maturity	2,316	4,610

Currency risk

Currency risk is the risk that the value of monetary financial assets and financial liabilities denominated in foreign currencies will vary as a result of changes in underlying foreign exchange rates. The Company is exposed to currency risk due to potential variations in currencies other than the US dollar. The following tables summarize the Company's main monetary financial assets and financial liabilities whose fair value is predominantly determined in currencies other than the US dollar, the Company's functional currency, and the effect on pre-tax net income of a 10% change in currency exchange rates:

2014	Financial assets $	Financial liabilities $	Net exposure $	Net effect of a 10% increase or decrease $
Japanese yen	-	(141,489)	(141,489)	(14,149)
Canadian dollar	20,097	(48,774)	(28,677)	(2,868)
Euro	155,542	(204,078)	(48,536)	(4,854)
Israeli shekel	18,955	(14,362)	4,593	459
British pound sterling	5,490	(3)	5,487	549
Swiss franc	9,395	(56,937)	(47,542)	(4,754)
Norwegian krone	9,264	(6,890)	2,374	237
Argentine peso	13,337	-	13,337	1,334
Mexican peso	243	(4,086)	(3,843)	(384)
	232,323	(476,619)	(244,296)	(24,430)

2013	Financial assets $	Financial liabilities $	Net exposure $	Net effect of a 10% increase or decrease $
Japanese yen	-	(55,862)	(55,862)	(5,586)
Canadian dollar	28,901	(49,830)	(20,929)	(2,093)
Euro	30,785	(21,169)	9,616	961
Israeli shekel	17,200	(10,352)	6,848	685
British pound sterling	8,610	(3,459)	5,151	515
Swiss franc	7,660	(3,810)	3,850	385
Argentine peso	12,000	-	12,000	1,200
	105,156	(144,482)	(39,326)	(3,933)

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

Price risk

Price risk is the risk that the fair value of equity investments and other holdings and equities sold short and derivative liabilities will vary as a result of changes in the market prices of the holdings. The majority of the Company's equity investments and other holdings and all of the equities sold short are based on quoted market prices as at the consolidated statement of financial position date. Changes in the market price of quoted securities may be related to a change in the financial outlook of the investee entities or due to the market in general. Where non-monetary financial instruments – for example, equity securities – are denominated in currencies other than the US dollar, the price, initially expressed in a foreign currency and then converted into US dollars, will also fluctuate because of changes in foreign exchange rates.

Equities sold short represent obligations of the Company to make future delivery of specific securities and create an obligation to purchase the security at market prices prevailing at the later delivery date. This creates the risk that the Company's ultimate obligation to satisfy the delivery requirements will exceed the amount of the proceeds initially received or the liability recorded in the consolidated financial statements.

The Company's equity investments and other holdings have a downside risk limited to their carrying value, while the risk of equities sold short and derivative liabilities is open ended. The Company is subject to commercial margin requirements which act as a barrier to the open-ended risks of the equities sold short and derivative liabilities. The Company closely monitors both its equity investments and other holdings and its equities sold short and derivative liabilities.

The impact of a 30% change in the market prices of the Company's listed equity investments and equities sold short would be as follows:

			2014
	Fair value $	Estimated fair value with a 30% price increase $	Estimated fair value with a 30% price decrease $
Equity investments and other holdings			
Listed equity securities	1,647,342	2,141,545	1,153,139
Equities sold short	(543,418)	(706,443)	(380,393)
Pre-tax impact on net income		331,178	(331,178)

			2013
	Fair value $	Estimated fair value with a 30% price increase $	Estimated fair value with a 30% price decrease $
Equity investments and other holdings			
Listed equity securities	1,159,357	1,507,164	811,550
Equities sold short	(108,402)	(140,923)	(75,881)
Pre-tax impact on net income		315,286	(315,286)

The above analysis assumes that listed equity investments and equities sold short would increase or decrease at the same rate. As these portfolios are not hedged together, a change in market prices will affect each differently.

(In thousands of Canadian dollars unless otherwise stated)

Credit risk

Credit risk is the risk that a counterparty will fail to fulfill its obligations under a contract and will cause the Company to suffer a loss.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is executed only once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

The Company is also exposed to counterparty credit risk on its cash and cash equivalents, restricted short term investment and due from brokers.

The Company manages counterparty credit risk by dealing only with parties approved by the Board.

From time to time, the Company enters into derivative financial instruments consisting primarily of warrants and options to purchase or sell equity indices and currencies. These derivative instruments are marked to market. There is deemed to be no credit risk for the options because they are traded on exchanges. The warrant contracts are not traded on an exchange and allow the Company to purchase underlying equities at a fixed price.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available on Standard & Poor's, Moody's or Fitch ratings agencies) or to historical information about counterparty default rates. Credit ratings are presented using Standard & Poor's rating scale as follows:

Financial Instrument	Rating	2014	2013
		$	$
Cash and cash equivalents	A	16,263	12,518
Restricted short-term investments	A	455	16,908
Due from brokers	A	177,659	625
Debt securities	A	-	5,071
Debt securities	B	3,096	-
Debt securities	CCC and below	61,045	84,579

Counterparties without external credit rating	2014	2013
	$	$
Loans to employees*	326	1,209

* Related parties with which the Company has not experienced defaults in the past.

(In thousands of Canadian dollars unless otherwise stated)

Liquidity risk

Liquidity risk is the risk the Company will encounter difficulties in meeting its financial obligations. The Company's largest assets are equity investments and other holdings. Most of these assets are made up of equities in listed companies which can be liquidated in a relatively short time. Due to its large investments in liquid assets, the Company believes that it has sufficient resources to meet its obligations as they came due.

All financial liabilities other than equities sold short and derivative liabilities as at the consolidated statement of financial position date mature or are expected to be repaid within one year (2013 – one year). The liquidity risk related to these liabilities is managed by maintaining a portfolio of liquid investment assets.

Capital risk management

The Company's objective when managing its capital is to maintain a solid capital structure appropriate for the nature of its business. The Company considers its capital to be its equity. The Company manages its capital structure in light of changes in economic conditions. To maintain or adjust its capital structure, the Company initiates normal course issuer bids or adjusts the amount of dividends paid. The Company monitors capital on the basis of its debt-to-capital ratio, which is as follows:

	2014	2013
Total liabilities	$1,198,402	$769,964
Total equity	$821,740	$630,362
Debt-to-capital ratio	1.46	1.22

The Company's objective is to maintain a debt-to-capital ratio below 2.0. The Company believes that limiting its debt-to-capital ratio in this manner is the best way to monitor risk. The Company does not have any externally imposed restrictive covenants or capital requirements.

Fair value estimation

The tables below analyze financial instruments carried at fair value, by the valuation method. The different levels have been defined as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices)
Level 3 – Inputs that are not based on observable market data

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgment by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

(In thousands of Canadian dollars unless otherwise stated)

The following tables analyze within the fair value hierarchy the Company's financial assets and financial liabilities measured at fair value as at December 31, 2014 and 2013:

				2014
	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Financial assets held for trading				
Equity securities	1,644,772	461	-	1,645,233
Debt securities	-	64,141	-	64,141
Derivative financial assets	-	36,490	-	36,490
Financial assets designated as fair value through profit or loss				
Equity securities	2,109	9,370	13,197	24,676
Real estate investments	-	-	36,983	36,983
	1,646,881	110,462	50,180	1,807,523
Liabilities				
Financial liabilities held for trading				
Equity holdings sold short	543,418		-	543,418
Derivative liabilities	-	12,483	-	12,483
	543,418	12,483	-	555,901

				2013
	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Financial assets held for trading				
Equity securities	1,136,237	21,882	1,019	1,159,138
Debt securities	2,926	86,724	-	89,650
Derivative financial assets	-	15,458	-	15,458
Financial assets designated as fair value through profit or loss				
Equity securities	1,238	9,336	37,586	48,160
Real estate investments	-	-	32,441	32,441
	1,140,401	133,400	71,046	1,344,847
Liabilities				
Financial liabilities held for trading				
Equity holdings sold short	101,551	6,851	-	108,402
Derivative financial liabilities	-	3,170	-	3,170
	101,551	10,021	-	111,572

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

Financial instruments in Level 1

The fair value of financial assets and financial liabilities traded in active markets are based on quoted market prices at the close of trading on the year-end date. The quoted market price used for financial assets and financial liabilities held by the Company is the close price. Investments classified in Level 1 include active listed equities and derivatives traded on an exchange.

Financial instruments in Level 2

Financial instruments classified with Level 2 trade in markets that are not considered to be active but are valued based on quoted market prices, broker quotations or valuation techniques such as financial models that use market data. These valuation techniques maximize the use of observable market data where available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. These include corporate bonds, thinly traded listed equities, over-the-counter derivatives and private equities.

The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each year-end date. Valuation techniques used for non-standardized financial instruments such as options and other over-the-counter derivatives include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses, option pricing models and other valuation techniques commonly used by market participants, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Description	Valuation technique
Equity securities	Quoted market prices or broker quotes for similar instruments
Private equities	Valuation techniques or net asset value based on observable inputs
Debt securities	Quoted market prices or broker quotes for similar instruments
Derivatives	Quoted market prices or broker quotes for similar instruments

Financial instruments in Level 3

Investments classified in Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments consist of unlisted equity investments and real estate investments. As observable prices are not available for these securities, the Company has used valuation techniques to derive the fair value.

Level 3 valuations are reviewed by the Company's chief financial officer (CFO), who reports directly to the Board on a quarterly basis in line with the Company's reporting dates. The Board considers the appropriateness of the valuation models and inputs used. On an annual basis, close to the year-end date, the Company obtains independent, third party appraisals to determine the fair value of the Company's most significant Level 3 holdings. The Company's CFO reviews the results of the independent valuations. Emphasis is placed on the valuation model used to determine its appropriateness, the assumptions made to determine whether it is consistent with the nature of the investment, and market conditions and inputs such as cash flow and discount rates to determine reasonableness.

As at December 31, 2014 and 2013, Level 3 instruments are in various entities and industries. The largest asset held at December 31, 2013, which made up over half of the balance of unlisted equity securities, was the investment in Talmer Bancorp, Inc. (note 6(c)). In February 2014, Talmer went public and began trading on the NASDAQ stock exchange under the symbol TLMR. This investment was transferred out of Level 3 into Level 1.

Real estate investments are disclosed in more detail in note 8, comprising investments in private real estate companies and in real estate income trusts. The real estate companies are involved with various types of buildings in different geographical locations. For the main Level 3 instruments, the Company relied on appraisals carried out by independent third party valuators. There was no established market for any of these investments, so the most likely scenario is a disposal of the underlying assets. For the investments in real estate income trusts, the Company relied mainly on audited financial statements, valuing the assets at fair value. The most likely scenario is an eventual sale of the underlying properties and their subsequent distribution to the holders.

(In thousands of Canadian dollars unless otherwise stated)

The following table presents the changes in Level 3 instruments:

			2014
	Real estate investments $	Unlisted securities $	Total $
As at December 31, 2013	32,441	38,605	71,046
Transfers out of Level 3	-	(33,207)	(33,207)
Purchases	5,951	1,893	7,844
Sales proceeds	(366)	(829)	(1,195)
Distributions	(6,603)	-	(6,603)
Gains (losses) recognized in net income			
On financial instruments held at end of year	2,541	4,314	6,855
On financial instruments disposed of during the year	-	297	297
Currency translation adjustments	3,019	2,124	5,143
As at December 31, 2014	36,983	13,197	50,180

			2013
	Real estate investments $	Unlisted securities $	Total $
As at December 31, 2012	33,183	29,988	63,171
Purchases	3,750	2,020	5,770
Sales proceeds	(4,064)	(4,690)	(8,754)
Distributions	(2,483)	-	(2,483)
Gains (losses) recognized in net income			
On financial instruments held at end of year	(295)	8,087	7,792
On financial instruments disposed of during the year	153	924	1,077
Currency translation adjustments	2,197	2,276	4,473
As at December 31, 2013	32,441	38,605	71,046

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

The table below presents the investments whose fair values are measured using valuation techniques classified as Level 3 as at December 31, 2014:

Description	Fair value (rounded) 2014 $	Valuation technique	Significant unobservable inputs	Weighted average input	Reasonably possible shifts+/–	Change in value $
Unlisted private equity holdings	13,000	Comparable company valuation multiples	Revenue multiple	2.51x	10%	+/-400
			Revenue estimate	$21,000	$3,000	+/-700
Real estate income trusts (REITs)	21,000	Discounted cash flows	Discount rate	7.7%-11.1%	The REITS consist of numerous investments in commercial and residential properties, each with different unobservable inputs tailored to best estimate their fair value. The inputs disclosed cover the range used for all the real estate holdings in the REITs. A general analysis of the change in inputs would not reveal a fair change in value.	
			Capitalization rate	6.0%-8.0%		
			Discounted cash flow term	10 years		
			Rental growth rate	0.0%-10%		
Real estate investments in private entities	16,000	Capitalization model	Rate of return	6.0%	1.0%	+2,000 -1,400

(In thousands of Canadian dollars unless otherwise stated)

The table below presents the investments whose fair values are measured using valuation techniques classified as Level 3 as at December 31, 2013:

Description	Fair value (rounded) 2013 $	Valuation technique	Significant unobservable inputs	Weighted average input	Reasonably possible shifts+/–	Change in value $
Unlisted equity holding in Talmer Bancorp, Inc.	31,000	Comparable company valuation multiples	Price to book value	1.34x	10%	+/-1,520
			Price to tangible book value	1.51x	10%	+/-1,660
			Price to earnings per share	14.2x	10%	+/-1,450
			Liquidity discount	10%	10%	+/-3,000
Other unlisted private equity holdings	7,000	Comparable company valuation multiples	Revenue multiple	1.1x	10%	+/-300
			Revenue estimate	$17,000	$3,000	+/-500
Real estate income trusts (REITs)	20,000	Discounted cash flows	Discount rate	7.0%-12.0%	The REITS consist of numerous investments in commercial and residential properties, each with different unobservable inputs tailored to best estimate their fair value. The inputs disclosed cover the range used for all the real estate holdings in the REITs. A general analysis of the change in inputs would not reveal a fair change in value.	
			Capitalization rate	6.5%-9.0%		
			Discounted cash flow term	10 years		
			Rental growth rate	1.8%-11.4%		
Real estate investments in private entities	13,000	Capitalization model	Rate of return	7.0%	1.0%	+1,700 -1,300

Assets and liabilities not carried at fair value but for which fair value is disclosed

The carrying amount of cash and cash equivalents, restricted short-term investments, due from brokers, credit facilities, trade and other payables, due to brokers, redemptions payables, and subscriptions received in advance represent a reasonable approximation of their respective fair value due to their short-term nature.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

16 Disclosure of the composition of the company

Principal subsidiaries and structured entities

The consolidated financial statements include the accounts of the Company and all of its subsidiaries and structured entities as at December 31, 2014 and 2013. The principal operating subsidiaries and structured entities and their activities are as follows.

Name	Country of incorporation	% Interest held 2014	2013	Nature of business
Senvest International LLC	United States	100	100	Investment company
Argentina Capital Inc.	Canada	100	100	Real estate
Pennslvania Properties Inc.	United States	100	100	Real estate
Senvest Equities Inc.	Canada	100	100	Investment company
Senvest Fund Management Inc.	United States	100	100	Investment advisor
RIMA Senvest Management L.L.C.	United States	-	-	Investment manager and general partner of the Funds
Senvest Master Fund, L.P.	Cayman Islands	44	43	Investment fund
Senvest Israel Partners, L.P.	United States	48	49	Investment fund
Senvest Cyprus Recovery Investment Partners, L.P. Fund	Cayman Islands	59	-	Investment fund
Senvest ARU Investments Ltd.	Canada	100	100	Investment company
A.R.U. Cyprus Equities and Investments Ltd.	Cyprus	80	80	Investment company
Punto Box SL	Spain	100	-	Real estate

The total non-controlling interest for the year is $30,393 (2013 – $39,845), which is mostly attributed to RIMA. The change in redemption amount of liability for redeemable units for the year is $80,407 (2013 – $162,001), all of which is attributed to the Funds.

No guarantees or collateral were provided to the subsidiaries and structured entities. The Company is not liable for any contingent liabilities arising in its subsidiaries and structured entities and will not settle any liabilities on their behalf.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

17 Related party transactions

Key management compensation

Key management includes the Board, the president and chief executive officer, the vice president, the secretary treasurer and the chief financial officer. The compensation paid or payable to key management for employee services is as follows:

	2014 $	2013 $
Salaries and other short-term employee benefits	16,983	19,441
Post-employment benefits – Defined contribution	36	36
Share-based payments	1,118	6,187
	18,137	25,664

Management fees

Certain employees and related parties that have invested in the Funds do not pay management fees that are charged to outside investors. The invested amount by these participants totals $53,078 (2013 – $38,000).

18 Commitments

a) The future minimum rental payments for premises under long-term leases are as follows:

	$
2015	1,174
2016	1,075
2017	1,075
2018	947
2019	947
Thereafter	5,287

b) As required by certain of the Company's equity investments and other holdings, the Company has capital commitments of $822.

c) As required by certain of the Company's real estate investments and other holdings, the Company has capital commitments of $4,185.

(in thousands of Canadian dollars unless otherwise stated)

19 Segmented and geographical information

The company operates in a single reportable segment, which is the management of its own investments and those of the Funds.

The following tables summarize the company's revenues by geographical area for the years ended December 31:

							2014
	United States $	Canada $	European Union $	Great Britain $	Argentina $	Other $	Total $
Revenue							
Net dividend income	8,480	(1,201)	1,246	24	148	114	8,811
Interest income	2,188	196	323	7	-	76	2,790
Other income	110	381	43	-	-	-	534

							2013
	United States $	Canada $	European Union $	Great Britain $	Argentina $	Other $	Total $
Revenue							
Net dividend income	8,739	435	346	110	517	50	10,197
Interest income	2,379	156	63	3,560	-	-	6,158
Other income	25	430	-	-	-	-	455

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Chairman of the Board & President
Senvest Capital Inc.

*Ronald G. Assaf
Business Executive

Frank Daniel
Secretary-Treasurer
Senvest Capital Inc.

*David E. Basner
Business Executive

*Jeffrey L. Jonas
Partner, Brown Rudnick Verlack Israel L.L.P.

Richard Mashaal
Vice-President, Senvest Capital Inc.
President, Senvest International L.L.P

*Member of the Audit Committee

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