SENVEST

ANNUAL REPORT

2015

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 13, 2016 AT 10:00 A.M.

CONTENTS

SENVEST CAPITAL INC.
1000 RUE SHERBROOKE ST WEST, SUITE 2400
MONTREAL, (QUEBEC) H3A 3G4
(514) 281-8082

SELECTED FINANCIAL DATA

(In thousands, except per share amounts)
(years ended December 31)

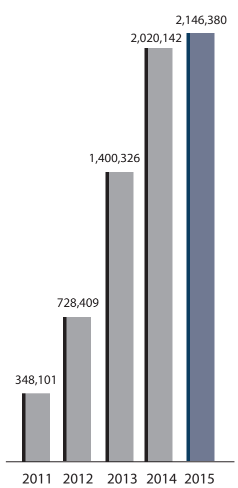
	2015	2014	2013	2012	2011
	$	$	$	$	$
SUMMARY OF OPERATIONS					
Total revenues and investment gains (loss)	(166,763)	297,551	489,676	154,035	(84,712)
Net income (loss)	(111,261)	141,179	243,324	81,470	(88,026)
Diluted earnings (loss) per share	(35.39)	41.26	73.20	25.65	(28.61)
FINANCIAL DATA					
Total assets	2,146,380	2 020,142	1 400,326	728,409	348,101
Total equity	856,290	821,740	630,362	358,831	284,685

COMMON STOCK INFORMATION

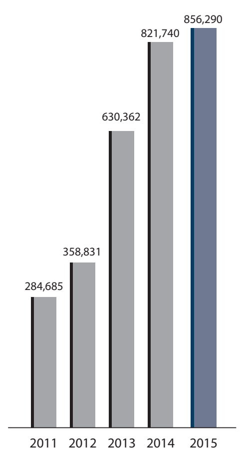
The company's common shares are listed on the Toronto Stock Exchange under the symbol SEC.

	2015		2014	
	$		$	
FISCAL QUARTER	High	Low	High	Low
First	169.00	151.07	163.75	136.56
Second	198.00	166.13	170.25	149.50
Third	200.00	160.25	154.00	142.03
Fourth	165.51	151.05	154.49	120.20

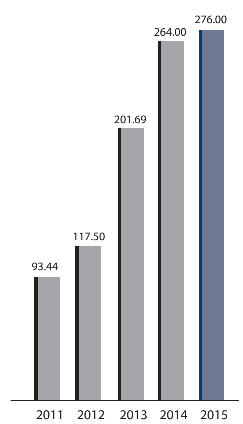
TOTAL ASSETS ($ thousands)



TOTAL EQUITY ($ thousands)



BOOK VALUE PER SHARE ($ thousands)



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

OVERALL PERFORMANCE

The fourth quarter began with equity markets increasing in October and the S&P 500 having its best monthly performance in four years. After tepid August and September U.S. macroeconomic data, job growth surged for October with a gain in payrolls far greater than expected (271k jobs vs. 180k according to a Reuter's poll of economists). Unemployment declined to 5% and perhaps more significantly, wages gained at an annual pace of 2.5%. Domestic markets reacted adversely to the good news, however, as equity indices initially dipped lower during November. After hitting monthly lows about half way through November, stocks rallied and the S&P turned slightly positive while the Russell 2000 gained enough to push into positive territory for the year albeit for only a brief time. There was no "Santa Claus" rally during the month of December and stocks, especially small caps, sank to finish the year on a negative note. The on-again, off-again Fed "lift-off" of short term interest rates was finally settled with an interest hike in December. Rather than settling the markets, the rate hike seemed to elicit a negative reaction with the market slide continuing into the 2016 year.

The "crash" in oil prices has certainly resulted in a depression in the US domestic energy exploration and production market. Shale oil producers have dramatically curtailed capital investment spending. This drop in spending, coupled with a strong U.S. dollar which makes U.S. manufactured products less competitive globally and decreases exports, have together resulted in an industrial decline in the U.S. The effects have also been borne out in weak manufacturing data reported in the last part of the year. While low oil prices have had an immediate negative effect on the industrial economy and the industrial labor market, over time the positive effects of lower oil prices on the broader economy will emerge principally through higher disposable income for consumers. A positive factor to consider is that the shape of the yield curve remained upward sloping (and had not inverted) at the end of the year. Since the 1950's an inverted curve has signaled every recession (Federal Reserve Bank of Dallas). Also employment growth, at an average of 280,000 jobs added per month in the fourth quarter of 2015 has remained quite strong.

Senvest Capital Inc. ("Senvest" or the "Company") had a difficult year in 2015. Most of the major benchmarks were flat to down for the year but our decline was significantly greater. The bulk of our losses in 2015 were unrealized, mark-to-market losses. Most of our 2015 loss occurred in the third quarter. Our fourth quarter yielded a small profit however the market volatility that started in the middle of 2015 carried over into the first quarter of 2016. Some of our largest holdings as at December 31, 2015 were, Tower Semiconductors, Depomed, NorthStar Realty Finance, Deckers Outdoors, Radware, and Ceva. Of these, Northstar Realty and Deckers both declined over 40% in 2015 and Radware declined 30%. The fourth quarter saw holdings both increase and decrease with the net result being a small increase in profit.

In light of the continuing market turmoil since August, we have made a conscious effort to focus on those investments that we felt offered the strongest bounce-back and risk-reward opportunity. As a result, we sold down some holdings, eliminated some remaining stub positions, trimmed certain core investments that hadn't suffered from declining prices and added selectively to other core positions. We also partly covered certain short positions as their stock prices traded lower. We continue to focus the portfolio on those investments that have suffered from declining stock prices and in which we have high conviction in their upside potential.

Investors often overreact and are prone to alarm and drastic pessimism at times, focusing entirely on negative news flow and creating a negative feedback loop in the market. A common reaction for investors is to continue the negative trend by selling, while ignoring key variables and fundamentals that may indicate a company (or industry) will endure and be stronger in the long run. Our research strives to determine whether a company's prospects are actually better than what investors in the market are currently predicting, and whether conditions will improve significantly within our longer investment time horizon.

Senvest recorded a net loss attributable to the common shareholders of ($99.8) million or ($35.39) per diluted common share for the year ended December 31, 2015. This compares to net earnings attributable to common shareholders of $117.3 million or $41.26 per diluted common share for the 2014 year. The significant appreciation in the US dollar versus the Canadian dollar in the year resulted in a currency translation income of about $134 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. 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 loss from equity investments in 2015 was the biggest contributor to the net loss recorded. The net loss on equity investments and other holdings totaled ($225.1) million in the current year versus a gain of $233.1 million the prior year. The Company continued its use of currencies in 2015 to both protect and enhance the portfolio's returns. Due to the continued appreciation of the US dollar over other major currencies, our foreign exchange gain for the year was approximately $33.4 million.

The Senvest Partners fund is focused primarily on small and mid-cap companies. The fund recorded a loss of 17.3% net of fees for 2015. It is up over 2200% since inception in 1997. With most of the long portfolio invested in small and mid- cap stocks, the fund underperformed its most relevant benchmark the Russell 2000, which was down 12% for the year. The fund also underperformed the S&P 500 index for the year 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 gain of about 6.6% for the year. The two funds had a total of over $1 billion of net assets under management at December 31, 2015. Both of these funds are consolidated into the accounts of the Company.

Senvest Cyprus Recovery Investment Partners, LP fund ("SCRIF") owns an investment in the Bank of Cyprus ("BOC") which was purchased in 2014. In 2015 the Cypriot economy came out of recession and Cyprus GDP grew quarter over quarter over the last nine months of the year. The 2015 economic data was better than many analysts expected. Structural measures have been taken by the Cypriot government to help banks reduce non-performing loans (NPLs) with the implementation of a foreclosure law and an insolvency framework. There were also signs of significant investments in Cyprus by foreign investors in the last year. BOC's management continued to deliver on its strategic plan of increasing its capital levels as a result of reducing its risk weighted assets, producing organic capital generation, and disposing of non-core assets.

Despite a number of positive developments for the BOC and the Cypriot economy in 2015, there continues to be a considerable disconnect between the fundamental improvements of the BOC and the economy versus the performance of the BOC stock (down over 30% in 2015). Capital flight out of emerging markets seems to continue to affect market appetite for BOC shares and that has likely kept the shares trading at low levels. The Greek market turbulence continued to affect sentiment for Greek assets and for the BOC, despite the fact that the Bank has little exposure to Greece. However, we believe that management's plan to list BOC shares on the FTSE in 2016 will greatly improve liquidity of the shares and attract institutional investors. Together with investor recognition of continued improvements of its fundamentals (continued restructuring and reduction of NPLs, asset disposals, and a stronger Tier 1 capital ratio) as well as a new listing on the London exchange, could form a catalyst that may lift any overhang on the bank's stock price.

The Company has a portfolio of real estate investments, investing as a minority partner in selected properties. Real estate investments totaled $49.4 million as at December 31, 2015. About 60% of this amount 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 amounts 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.

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.

The Company has made significant investments in its US 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 its infrastructure and personnel. As a result the Company's operating costs have been increasing in the past year from historical levels.

The Company consolidates the Senvest Management LLC (formerly called Rima Senvest Management LLC), entity that serves as the investment manager of the Senvest funds. 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 totaled $80 million as at December 31, 2015 from $83.7 million as at December 31, 2014.

As part of an internal reorganization, in October 2015 the Company wound up its Senvest International LLC wholly-owned subsidiary and transferred significantly all of the net assets to a new wholly owned entity called Senvest Global (KY) LP. This new entity is now managed by Senvest Management LLC. As a result all of the employees of Senvest International became employees of Senvest Management. The results of Senvest Global will be consolidated into the accounts of the parent company the same way that Senvest International was.

At the end of December 31, 2015, Senvest had total consolidated assets of $2,146.4 million versus $2,020.1 million at the end of 2014. The main reason for this was the change in equity investments and other holdings. Equity investments and other holdings increased to $2,036.3 million from $1,770.5 million last December. The Company purchased $1,408.2 million of investment holdings in the year and sold $1,274.9 million of such holdings. Both amounts were more than the prior year. The Company's liabilities have correspondingly increased to $1,290.1 million versus $1,198.4 million at the end of 2014 primarily because of the increases in due to brokers and liability for redeemable units. The proceeds of equities sold short were $1,834.5 million and the amount of shorts covered was $2,116.9 million in the year. Both these figures were more than 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

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, 2015, the Company has listed sufficient equity securities that it can sell 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, equities sold short and derivative liabilities and accounts payable.

Equity price risk

Equity 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 equity holdings with quoted value, equities sold short and derivative liabilities as at December 31, 2015 would be as follows (in thousands):

	Fair value	Estimated fair value 30% price increase	Estimated fair value 30% price decrease
Equity holdings-listed securities	1,888,990	2,455,687	1,322,293
Equities sold short and derivative liabilities	(364,668)	(474,068)	(255,268)
Before-tax impact on net earnings		457,297	(457,297)

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 public holdings which can be liquidated in a relatively short time. Due to its large holding of liquid assets, the Company believes that it has sufficient resources to meet its obligations.

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. The liquidity risk related to these liabilities is managed by maintaining a portfolio of liquid investment assets.

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

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.

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 shareholders 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 (in millions):

	December 31, 2015	December 31, 2014
Total liabilities	$1,290.1	$ 1,198.4
Total common equity	$ 856.3	$ 821.7
Debt to Capital ratio	1.51	1.46

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 1.51 at the end of December 2015 from 1.46 at the end of 2014.

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 Senvest Management LLC (SML) and RIMA Senvest Master Fund GP LLC, two legal entities wholly owned by an executive of the Company, because of the Company's board representation and the contractual terms of the investment advisory agreement. SML is the investment adviser to the Funds, whereas RIMA Senvest Master Fund GP LLC is the General Partner. As compensation for its investment sub-advisory services, the company is entitled to receive 60% of the management and incentive fees earned by SML each fiscal year.

Management considers that the Company has control of Senvest Master Fund LP, Senvest Israel Partners LP and Senvest Cyprus Recovery Investment Partners LP 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 were about 5% 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 mainly 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 about 4% 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 2015, Level 3 instruments are in various entities and industries. 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 or on recent transactions. 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 which is 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 investments gain (loss)	Net income (loss) -owners of the parent	Earnings (loss) per share
2015-4	16,102	5,470	1.99
2015-3	(286,928)	(143,444)	(50.72)
2015-2	(50,115)	(29,819)	(10.87)
2015-1	154,178	67,967	24.21
2014-4	216,314	93,075	32.63
2014-3	(52,697)	(25,547)	(9.11)
2014-2	(16,237)	(19,793)	(7.09)
2014-1	150,171	69,563	4.83

CONTRACTUAL OBLIGATIONS

(In thousands)

	Less than 1 year	1-3 years	4-5 years	Total
Due to Brokers	236,310	-	-	236,310
Operating leases	1,421	2,707	2,694	6,822
Investment commitments	1,302	-	-	1,302
Total	239,033	2,707	2 694	244,434

SELECTED ANNUAL INFORMATION

(In thousands except for Earnings per share information)

	2015	2014	2013
Total revenue and investment gains (losses)	(166,763)	297,551	489,676
Net income (loss) – common shares	(99,826)	117,298	206,516
Earnings (loss) per share	(35.39)	41.26	73.20
Total assets	2,146,380	2,020,142	1,400,326

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. As a significant majority of the Company's assets are in custody with four prime brokers, such losses could be significant.

On June 25, 2015 Senvest commenced a new normal course issuer bid to purchase a maximum of 130,000 of its own common shares before June 24, 2016. The Company has repurchased 17,400 shares under its new bid. The number of common shares outstanding as at December 31, 2015 was 2,817,624 and as at March 15, 2016 was 2,816,724. There were no stock options outstanding as at December 31 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 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

There were important tax changes to parts of Canada's foreign affiliate regime effective January 1, 2015. These changes have an effect on the mechanism by which certain foreign income of the Company is taxed in Canada. They will negatively impact the Company's income tax expense and income tax liability, as well as the Company's cash flow, for current and future taxation years.

Related party transactions

The Company consolidates the Senvest Management LLC (formerly called Rima Senvest Management 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 totaled $80 million as at December 31, 2015 from $83.7 million as at December 31, 2014.

Significant Equity Investments

For information on a summary of financial information from certain significant investees please refer to the 2015 annual report. The accounts of Senvest Partners, Senvest Israel Partners and 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", "likely" 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 29, 2016 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 Senvest Management's US SEC section 13 and section 16 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, 2015 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, 2015 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 (2013). There have been no changes in the Company's ICFR during the year ended December 31, 2015, 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 29, 2016

(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, 2015, and should be read in conjunction with the 2015 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, 2015 and December 31, 2014, 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 29, 2016

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, 2015 and 2014 and the consolidated statements of income (loss), 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.

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. and its subsidiaries as at December 31, 2015 and 2014 and their financial performance and their 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. A125840

Montréal, Quebec
March 29, 2016

Consolidated Statements of Financial Position

AS AT DECEMBER 31, 2015 AND 2014

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	2015	2014
		$	$
Assets			
Cash and cash equivalents	4	29,926	16,263
Restricted short-term investments	5(a)	458	455
Due from brokers	5(b)	11,449	177,659
Equity investments and other holdings	6	2,036,287	1,770,540
Investments in associates	7	14,047	11,164
Real estate investments	8	49,362	36,983
Income taxes receivable		127	162
Deferred income tax assets	10(b)	-	607
Other assets		4,724	6,309
Total assets		2,146,380	2,020,142
Liabilities			
Bank advances		252	-
Trade and other payables		8,876	30,348
Due to brokers	5(b)	236,310	16,541
Equities sold short and derivative liabilities	6	364,668	555,901
Redemptions payable		1,869	1,819
Subscriptions received in advance		3,086	5,858
Income taxes payable		1,191	4,115
Liabilities under cash-settled share-based payments	12	-	6,233
Deferred income tax liabilities	10(b)	42,501	36,209
Liability for redeemable units		631,337	541,378
Total liabilities		1,290,090	1,198,402
Equity			
Equity attributable to owners of the parent			
Share capital	11	23,376	16,091
Accumulated other comprehensive income		203,142	68,683
Retained earnings		549,774	653,232
Total equity attributable to owners of the parent		776,292	738,006
Non-controlling interests		79,998	83,734
Total equity		856,290	821,740
Total liabilities and equity		2,146,380	2,020,142

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.

Consolidated Statements of Income (loss)

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE DATA)

	Note	2015	2014
		$	$
Revenue			
Interest income		3,285	2,790
Net dividend income		11,920	8,811
Other income		346	534
		15,551	12,135
Investment gains (losses)			
Net change in fair value of equity investments and other holdings		(225,105)	233,058
Net change in fair value of real estate investments		6,973	2,541
Share of profit of associates	7	2,373	1,870
Foreign exchange gain		33,445	47,947
		(182,314)	285,416
Total revenue and net investment gains (losses)		(166,763)	297,551
Operating costs and other expenses			
Employee benefit expense		12,563	31,616
Share-based compensation expense	12(a)	228	62
Interest expense		17,088	5,125
Transaction costs		9,042	7,572
Other operating expenses		16,867	10,316
		55,788	54,691
Change in redemption amount of redeemable units		(116,873)	80,407
Income (loss) before income tax		(105,678)	162,453
Income tax expense	10(a)	5,583	21,274
Net income (loss) for the year		(111,261)	141,179
Net income (loss) attributable to:			
Owners of the parent		(99,826)	117,298
Non-controlling interests		(11,435)	23,881
Earnings (loss) per share attributable to owners of the parent:			
Basic	13(a)	(35.39)	41.91
Diluted	13(b)	(35.39)	41.26

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, 2015 AND 2014

(IN THOUSANDS OF CANADIAN DOLLARS)

	2015 $	2014 $
Net income (loss) for the year	(111,261)	141,179
Other comprehensive income		
Currency translation differences	149,104	63,397
Comprehensive income for the year	37,843	204,576
Comprehensive income attributable to:		
Owners of the parent	34,633	174,183
Non-controlling interests	3,210	30,393

Other comprehensive income is composed solely of items that will not be reclassified subsequently to net income (loss).

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, 2015 AND 2014

(IN THOUSANDS OF CANADIAN DOLLARS)

		Equity attributable to owners of the parent					
	Note	Share capital $	Accumulated other comprehensive income $	Retained earnings $	Total $	Non-controlling interests $	Total equity $
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
Net loss for the year		-	-	(99,826)	(99,826)	(11,435)	(111,261)
Other comprehensive income		-	134,459	-	134,459	14,645	149,104
Comprehensive income (loss) for the year		-	134,459	(99,826)	34,633	3,210	37,843
Repurchase of common shares	11	(172)	-	(3,632)	(3,804)	-	(3,804)
Exercise of options	11	7,457	-	-	7,457	-	7,457
Distributions to non-controlling interests		-	-	-	-	(6,946)	(6,946)
Balance – December 31, 2015		23,376	203,142	549,774	776,292	79,998	856,290

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, 2015 AND 2014

(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	2015 $	2014 $
Cash flows provided by (used in)			
Operating activities			
Net income (loss) for the year		(111,261)	141,179
Adjustments for non-cash items	14(a)	92,707	(148,408)
Purchase of equity investments and other holdings held for trading		(1,408,240)	(1,096,593)
Purchase of equities sold short and derivative liabilities		(2,116,922)	(813,059)
Proceeds on sale of equity investments and other holdings held for trading		1,274,906	938,205
Proceeds from equities sold short and derivative liabilities		1,834,513	1,295,623
Dividends and distributions received from real estate investments		6,061	6,603
Changes in working capital items	14(b)	359,734	(353,355)
Net cash used in operating activities		(68,502)	(29,805)
Investing activities			
Transfers to restricted short-term investments		78	17,131
Purchase of real estate investments		(4,127)	(5,951)
Proceeds on sale of real estate investments		-	366
Purchase of equity investments and other holdings designated as fair value through profit or loss		(12,547)	(1,893)
Proceeds on sale of equity investments and other holdings designated as fair value through profit or loss		922	871
Proceeds from investments in associates		1,178	10,411
Net cash provided by (used in) investing activities		(14,496)	20,935
Financing activities			
Distributions paid to non-controlling interests		(6,946)	(11,964)
Increase in bank advances		233	-
Proceeds on exercise of options		7,457	661
Repurchase of common shares		(3,804)	(1,895)
Repurchase of share options		(665)	-
Proceeds from issuance of redeemable units		120,989	69,251
Amounts paid on redemption of redeemable units		(24,685)	(44,504)
Net cash provided by financing activities		92,579	11,549
Increase in cash and cash equivalents during the year		9,581	2,679
Effect of changes in foreign exchange rates on cash and cash equivalents		4,082	1,066
Cash and cash equivalents – Beginning of year		16,263	12,518
Cash and cash equivalents – End of year	4	29,926	16,263
Amounts of cash flows classified in operating activities:			
Cash paid for interest		8,385	2,782
Cash paid for dividends on equities sold short		10,488	4,220
Cash received on interest		3,272	2,548
Cash received on dividends		19,015	12,534
Cash paid for income taxes		6,011	12,127

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

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 (IASB) 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 29, 2016.

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 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 consolidated 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 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 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.

Financial liabilities at amortized cost

c) *Classification*

Financial liabilities at amortized cost comprise bank advances, 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 fair value. Subsequently, trade and other payables are measured at amortized cost using the effective interest method. Bank advances, 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 at amortized 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.

Where terms in the prime brokerage agreements permit the prime broker to settle margin balances with cash accounts or collateral, the due from brokers cash balances are offset against the due to brokers margin balances at each prime broker.

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.

Provision

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

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 will apply when it is expected that the related deferred income tax asset will be realized or the deferred income tax liability 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.

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 standard adopted in 2015

The Company presents the standards and amendments that are relevant to its activities and transactions. The following standard and amendment has been adopted by the Company for the first time for the financial year beginning on January 1, 2015:

- IFRS 8, Operating Segments, has been amended to require disclosure of judgments made 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 for years beginning on or after July 1, 2014. The adoption of this amendment did not have a significant impact on the consolidated financial statements.

Accounting standards and amendments issued but not yet applied

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, 2016 and have not been applied in preparing these consolidated financial statements. The Company has not early adopted any new standards or amendments.

- 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, 2018 and earlier application is permitted. The Company is assessing the impact of IFRS 15.

- In July 2014, the IASB issued the complete version of IFRS 9, first issued in November 2009, which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. All financial assets, including hybrid contracts, are measured as at FVTPL, fair value through OCI or amortized cost. For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39. IFRS 9 also introduces an expected loss impairment model for all financial assets not as at FVTPL. The model has three stages: (1) on initial recognition, 12-month expected credit losses are recognized in profit or loss and a loss allowance is established; (2) if credit risk increases significantly and the resulting credit risk is not considered to be low, full lifetime expected credit losses are recognized; and (3) when a financial asset is considered impaired, interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount. Finally, IFRS 9 introduces a new hedge accounting model that aligns

- the accounting for hedge relationships more closely with an entity's risk management activities, permits hedge accounting to be applied more broadly to a greater variety of hedging instruments and risks and requires additional disclosures. The Company is currently assessing the impact of this standard on the consolidated financial statements.

- IFRS 16, Leases, was published in January 2016 by the IASB. This standard will replace the current guidance in IAS 17 and require lessees to recognize an asset and a lease liability reflecting a "right-of-use asset" and future lease payments, respectively, for virtually all lease contracts. The standard applies to annual periods beginning on or after January 1, 2019, with earlier application permitted if IFRS 15, Revenue from Contracts with Customers, is adopted.

- IFRS 10, Consolidated Financial Statements, and IAS 28, Investments in Associates and Joint Ventures, were amended in September 2014 to address an inconsistency between those standards when accounting for the sale or a contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when the transaction involves a business combination, whereas a partial gain is recognized when the transaction involves assets that do not constitute a business. The mandatory effective date of this amendment will be determined by the IASB at a future date. Voluntary application is permitted.

- IAS 1, Presentation of Financial Statements, was amended in December 2014, to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. These amendments are required to be applied for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

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 Senvest Management L.L.C. (RIMA) and RIMA Senvest Master Fund GP, L.L.C., two legal entities wholly owned by an executive of the Company, because of the Company's board representation and the contractual terms of the investment advisory agreement. RIMA is the investment adviser to the Funds, whereas RIMA Senvest Master Fund GP, L.L.C. is the General Partner. As compensation for its investment sub-advisory services, the Company is entitled to receive 60% of the management and incentive fees earned by RIMA each fiscal year.

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 entities, 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.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

4 Cash and cash equivalents

	2015	2014
	$	$
Cash on hand and on deposit	29,658	16,223
Short-term investments	268	40
	29,926	16,263

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, 2015, $252 was outstanding (2014 – 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.

Guarantee facility

The Company also has available a 450 thousand euro guarantee facility (2014 – 450 thousand 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 million 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. As at December 31, 2015, no standby letters of credit were outstanding; however, the Company has provided a $458 (2014 – $455) 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, 2015 and 2014, the Company met the requirements of all the covenants.

b) Due from and due to brokers

The Company has margin facilities with its prime brokers. As at December 31, 2015 and 2014, 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, 2015, listed equity securities and due from brokers amounting to $1,897 have been pledged as collateral (2014 – $1,825). 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.

Due to and due from brokers balances are presented on a net basis by broker in the consolidated statements of financial position. Under the prime broker agreements, the broker may upon events of default offset, net and or regroup any amounts owed by the Company to the broker by amounts owed to the Company by the broker. The following tables set out the offsetting of the Company's various accounts with prime brokers.

			2015
	Gross amounts due from brokers	Gross amounts due to brokers	Net Amount
	$	$	$
Due from brokers	11,449	-	11,449
Due to brokers	67,338	303,648	(236,310)

			2014
	Gross amounts due from brokers	Gross amounts due to brokers	Net Amount
	$	$	$
Due from brokers	616,783	439,124	177,659
Due to brokers	7,660	24,201	(16,541)

(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	2015 $	2014 $
Assets			
Financial assets held for trading			
Equity securities		1,883,412	1,645,233
Debt securities		62,774	64,141
Derivative financial assets	6(a)	33,129	36,490
		1,979,315	1,745,864
Financial assets designated as fair value through profit or loss			
Equity securities		1,850	2,109
Unlisted equity securities		8,931	6,544
Structured fixed income fund units	6(b)	4,484	3,883
Private investments	6(c)	41,707	12,140
		2,036,287	1,770,540
Current portion		1,979,315	1,745,864
Non-current portion		56,972	24,676

Equities sold short and derivative liabilities	Note	2015 $	2014 $
Liabilities			
Financial liabilities held for trading			
Equities sold short			
Listed equity securities (proceeds $376,819; 2014 – $603,510)		350,777	543,418
Derivative financial liabilities (proceeds $14,857; 2014 – $14,006)	6(a)	13,891	12,483
		364,668	555,901

(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, 2015				For the year ended December 31, 2015
	Notional Value $	Fair value of derivative financial assets $	Notional Value $	Fair value of derivative financial liabilities $	Net change in fair value $
Equity options	98,104	3,728	123,926	13,891	(5,012)
Warrants and rights	12,782	240	-	-	147
Foreign currency options	732,219	29,161	-	-	17,365
		33,129		13,891	12,500

	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

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) 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:

	2015 $	2014 $
Aggregate carrying amount of individually immaterial associates	14,047	11,164
Aggregate amounts of the Company's share of:		
Net income from continuing operations and comprehensive income	2,373	1,870

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	2015 $	2014 $
Financial assets designated as fair value through profit or loss			
Investments in private entities	8(a)	20,120	15,542
Investments in real estate income trusts	8(b)	29,242	21,441
		49,362	36,983
Non-current portion		49,362	36,983

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 2015 and 2014, distributions received from interests in private entities represented a return of capital and were deducted from the cost of the investments.

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 2015 and 2014, distributions received from a REIT are included in net change in fair value of real estate investments on the consolidated statements of income.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

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

	2015				
	Assets (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	-	-	29,926	-	29,926
Restricted short-term investments	-	-	458	-	458
Due from brokers	-	-	11,449	-	11,449
Equity investments and other holdings	1,979,315	56,972	-	-	2,036,287
Real estate investments	-	49,362	-	-	49,362
Other assets*	-	-	271	-	271
Bank advances	-	-	-	(252)	(252)
Trade and other payables	-	-	-	(8,876)	(8,876)
Due to brokers	-	-	-	(236,310)	(236,310)
Equities sold short and derivative liabilities	(364,668)	-	-	-	(364,668)
Redemptions payable	-	-	-	(1,869)	(1,869)
Subscriptions received in advance	-	-	-	(3,086)	(3,086)
	1,614,647	106,334	42,104	(250,393)	1,512,692
Amounts recognized in consolidated statement of income (loss)					
Net change in fair value	(228,514)	10,382	-	-	(218,132)
Interest income (expense)	3,085	72	128	(17,030)	(13,745)
Net dividend income	8,839	3,081	-	-	11,920
	(216,590)	13,535	128	(17,030)	(219,957)

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

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

	Assets (liabilities) at fair value through profit or loss				2014
	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)

10 Income taxes

a) Income tax expense

	2015 $	2014 $
Current tax		
Current tax on income for the year	6,958	11,665
Adjustments in respect of prior years	(1,401)	459
	5,557	12,124
Deferred tax		
Origination and reversal of temporary differences	26	9,150
	5,583	21,274

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:

	2015 $	2014 $
Income (loss) before income tax	(105,678)	162,453
Income tax expense (recovery) based on statutory rate of 26.9% (2014 – 26.9%)	(28,427)	43,700
Prior year adjustments	(406)	703
Difference in tax rate	3,481	(14,703)
Portion of income taxable (recoverable) in hands of non controlling interests	3,076	(6,423)
Non-taxable dividend	(804)	-
Non-taxable portion of capital gain	(2,871)	(6,422)
Non-deductible expenses	230	226
Foreign exchange	31,817	2,949
Recognition of previously unrecognized deferred income tax assets	(196)	813
Other	(317)	431
Income tax expense	5,583	21,274

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 had an effect on the mechanism by which certain foreign income of the Company is taxed in Canada. These changes have had a negative impact on the Company's 2015 income tax expense, income tax liabilities and cash flows.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

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

	2015 $	2014 $
Deferred income tax assets		
Deferred tax assets to be settled		
After more than 12 months	-	607
Within 12 months	-	-
Deferred income tax assets	-	607
Deferred income tax liabilities		
Deferred tax liabilities to be settled		
After more than 12 months	42,501	36,209
Within 12 months	-	-
Deferred income tax liabilities	42,501	36,209

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 $	Investments in associates $	Real estate investments $	Tax loss carry-forward $	Other $	Total $
As at December 31, 2013	332	-	367	381	-	1,080
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
Credited (charged) to consolidated statement of loss	256	100	12	130	458	956
Foreign exchange differences	39	8	77	11	37	172
As at December 31, 2015	385	108	487	141	495	1,616

(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 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
Foreign exchange differences	130	2,081	80	394	2,685
As at December 31, 2014	2,034	27,976	774	5,307	36,091
Charged (credited) to consolidated statement of loss	1,185	(441)	908	(674)	978
Foreign exchange differences	489	5,366	224	969	7,048
As at December 31, 2015	3,708	32,901	1,906	5,602	44,117

Deferred income tax assets for temporary differences totalling $2,405 (2014 – $4,567) and non-expiring capital loss carryforwards totalling $4,211 (2014 – nil) have not been recognized in the consolidated financial statements.

Deferred income tax liabilities have not been recognized on unremitted earnings totalling $63,495 as at December 31, 2015 (2014 – $52,916) with respect to the investment in subsidiaries, branches and associates and interest in joint arrangements because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in a foreseeable future.

11 Share capital

Authorized

Unlimited number of common shares, without par value

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

	2015		2014	
	Number of shares $	Amount $	Number of shares	Amount
Balance – Beginning of year	2,794,324	16,091	2,801,624	15,499
Shares repurchased	(21,700)	(172)	(12,800)	(69)
Issued for exercise of options	45,000	7,457	5,500	661
Balance – End of year	2,817,624	23,376	2,794,324	16,091

In 2015, the Company began a normal course issuer bid to purchase a maximum of 130,000 of its own common shares before June 24, 2016. In 2015, the Company purchased 21,700 common shares (2014 – 12,800) for a total cash consideration of $3,804 (2014 – $1,895). 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 2015 or 2014.

(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 (2014 – 441,000), leaving a balance of 79,000 shares available to be issued under the plan (2014 – 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:

	2015		2014	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Options outstanding – Beginning of year	48,000	21.50	53,500	21.13
Exercised for shares	(45,000)	21.50	(5,500)	17.00
Redeemed and cancelled for cash	(3,000)	21.50	-	-
Options outstanding – End of year	-	-	48,000	21.50
Options exercisable – End of year	-	-	48,000	21.50

For the year ended December 31, 2015, the weighted average share price at the time of exercise was $165.78 (2014 – $120.20), the weighted average share price at the time the options were redeemed and cancelled for cash was $195.00.

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 $228; (2014 – $62). The total value of the liability for vested benefits is nil as all options have been exercised in 2015 (2014 – $6,233).

b) There are no options outstanding as at December 31, 2015. Options outstanding as at December 31, 2014, all of which were exercisable, were as follows:

2014			
Options outstanding			
Range of exercise price $	Number of options	Weighted average remaining contractual life	Weighted remaining exercise $
21.50	48,000	1.0	21.50
	48,000		21.50

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

13 Earnings per share

a) Basic

	2015 $	2014 $
Net income (loss) attributable to owners of the parent	(99,826)	117,298
Weighted average number of outstanding common shares	2,820,974	2,799,016
Basic earnings (loss) per share	(35.39)	41.91

b) Diluted

	2015 $	2014 $
Net income (loss) attributable to owners of the parent	(99,826)	117,298
Removal of share-based compensation expense due to assumption that all options were exercised, net of tax recovery	-	62
Net income (loss) used to determine diluted earnings per share	(99,826)	117,360
Weighted average number of outstanding common shares issued	2,820,974	2,799,016
Weighted average number of common shares issued on assumed exercise of share options	-	52,445
Common shares repurchased and cancelled under assumption of normal course issuer bid	-	(7,295)
Weighted average number of outstanding common shares for diluted earnings (loss) per share	2,820,974	2,844,166
Diluted earnings (loss) per share	(35.39)	41.26

All options are deemed to be antidilutive for the year ended December 31, 2015 due to the reported net loss attributable to the owners of the parent. Accordingly, diluted loss per share is equal to basic loss per share for that year.

(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	2015 $	2014 $
Net change in fair value of equity investments and other holdings		225,105	(233,058)
Net change in fair value of real estate investments		(6,973)	(2,541)
Share of profit of associates, adjusted for distributions received		(2,373)	(1,870)
Share-based compensation expense, adjusted for settlements paid		(6,205)	(496)
Change in redemption amount of redeemable units		(116,873)	80,407
Deferred income tax	10(a)	26	9,150
		92,707	(148,408)

b) Changes in working capital items are as follows:

	2015 $	2014 $
Decrease (increase) in		
Due from brokers	185,229	(168,541)
Income taxes receivable	62	(154)
Other assets	3,043	548
Increase (decrease) in		
Trade and other payables	(25,247)	(8,061)
Due to brokers	200,082	(175,558)
Income taxes payable	(3,435)	(1,589)
	359,734	(353,355)

(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, 2015, the Company has listed equity securities of $1,885,262 (2014 – $1,647,342). It can sell these securities to reduce its floating rate debt. As at December 31, 2015, a 1% (2014 – 1%) increase or decrease in interest rates, with all other variables remaining constant, would impact interest expense by approximately $2,366 over the next 12 months (2014 – $165).

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

	2015	2014
Cash and cash equivalents	Between nil and 1.25%	Between nil and 1.12%
Restricted short-term investments	Between 0.15% and 1.18%	Between 0.3% and 1.42%
Debt securities	Between 1.459% and 12.0%	Between 1.579% and 11.0%
Loans to employees	Non-interest bearing	Non-interest bearing
Credit facilities		
Bank advances	Prime rate plus 0.25%	Prime rate plus 0.20%
Guarantee facility	1.0%	1.0%
Trade and other payables	Non-interest bearing	Non-interest bearing
Due to brokers	0.00% to 3.81%	0.00% to 4.12%

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

The Company also holds debt securities held for trading of $62,774 (2014 – $64,141). 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:

	2015 $	2014 $
An increase of 100 basis points in the yield to maturity	(1,752)	(2,192)
A decrease of 100 basis points in the yield to maturity	1,837	2,316

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:

				2015
	Financial assets $	Financial liabilities $	Net exposure $	Net effect of a 10% increase or decrease $
Canadian dollar	1,052	(28,616)	(27,564)	(2,756)
Euro	5,600	(218,114)	(212,514)	(21,251)
Israeli shekel	-	(19,352)	(19,352)	(1,935)
British pound sterling	-	(7,378)	(7,378)	(738)
Norwegian krone	-	(4,440)	(4,440)	(444)
	6,652	(277,900)	(271,248)	(27,124)

				2014
	Financial assets $	Financial liabilities $	Net exposure $	Net effect of a 10% increase or decrease $
Japanese yen	-	(141,489)	(141,489)	(14,149)
Swiss franc	-	(56,937)	(56,937)	(5,694)
Canadian dollar	5,669	(20,301)	(14,632)	(1,463)
Euro	198	(204,078)	(203,880)	(20,388)
Israeli shekel	-	(14,362)	(14,362)	(1,436)
British pound sterling	150	(3)	147	15
Norwegian krone	-	(6,890)	(6,890)	(689)
Argentine peso	335	-	335	34
	6,352	(444,060)	(437,708)	(43,770)

(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 traded 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, equities sold short and derivative liabilities would be as follows:

		2015	
	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	1,888,990	2,455,687	1,322,293
Equities sold short and derivative liabilities	(364,668)	(474,068)	(255,268)
Pre-tax impact on net income		457,297	(457,297)

		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	1,665,310	2,164,903	1,165,71
Equities sold short and derivative liabilities	(555,901)	(722,671)	(389,131)
Pre-tax impact on net income		332,823	(332,823)

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 investments 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	2015	2014
		$	$
Cash and cash equivalents	A	29,926	16,263
Restricted short-term investments	A	458	455
Due from brokers	A	11,449	177,659
Debt securities	B	4,186	3,096
Debt securities	CCC and below	58,588	61,045

Counterparties without external credit rating	2015	2014
	$	$
Loans to employees*	271	326

* 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 come 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 (2014 – 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:

	2015	2014
Total liabilities	$1,290,090	$1,198,402
Total equity	$856,290	$821,740
Debt-to-capital ratio	1.51	1.46

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, other than those included in the credit facilities (note 5).

Fair value estimation

The tables below analyze financial instruments carried at fair value, by the inputs used in 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, 2015 and 2014:

2015	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Financial assets held for trading				
Equity securities	1,880,980	2,432	-	1,883,412
Debt securities	-	62,774	-	62,774
Derivative financial assets	-	33,129	-	33,129
Financial assets designated as fair value through profit or loss				
Equity securities	1,795	13,075	42,102	56,972
Real estate investments	-	-	49,362	49,362
	1,882,775	111,410	91,464	2,085,649
Liabilities				
Financial liabilities held for trading				
Equity holdings sold short	350,777	-	-	350,777
Derivative liabilities	-	13,891	-	13,891
	350,777	13,891	-	364,668

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

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 and derivatives, 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, 2015 and 2014, Level 3 instruments are in various entities and industries.

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 tables present the changes in Level 3 instruments:

	2015		
	Real estate investments $	Unlisted securities $	Total $
As at December 31, 2014	36,983	13,197	50,180
Purchases	4,127	20,956	25,083
Sales proceeds	-	(864)	(864)
Distributions	(6,061)	(2,921)	(8,982)
Gains (losses) recognized in net income			
On financial instruments held at end of year	6,973	6,956	13,929
On financial instruments disposed of during the year	-	225	225
Currency translation adjustments	7,340	4,553	11,893
As at December 31, 2015	49,362	42,102	91,464

	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

During the year ended December 31, 2014, Talmer Bancorp completed its initial public offering; therefore, the investment was transferred out of Level 3.

(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, 2015:

Description	Fair value (rounded) 2015 $	Valuation technique	Significant unobservable inputs	Weighted average input	Reasonably possible shifts+/−	Change in value $
Unlisted private equity holdings – Software developers	17,000	Comparable company approach	Revenue estimate Revenue multiple M&A multiple	$34,000 1.74-2.03 4.13	$1,000-$3,000 10% 10%	+/-400-900 +/-400-500 +/-700
Unlisted private equity holdings – Internet services	15,000	Comparable company approach	Number of users EV/User	80M 96.80	10M 10%	+/-900 +/-700
Unlisted private equity holdings – Other	10,000	Comparable company approach	Revenue estimate Revenue multiple M&A multiple	$4,000-$6,000 2.06-4.16 3.11	$1,000 10% 10%	+/-200-300 +/-100 +/-200
Real estate income trusts (REITs)	29,000	Discounted cash flows	Discount rate Capitalization rate Discounted cash flow term Rental growth rate	7.5%-20% 4.6%-9% 3-33 years (16.7)-26.3	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.	
Real estate investments in private entities	20,000	Capitalization model	Rate of return	7.0%	1.0%	+1,900 -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, 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

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, bank advances, credit facilities, trade and other payables, due to brokers, redemptions payable, 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, 2015 and 2014. The principal operating subsidiaries and structured entities and their activities are as follows.

Name	Country of incorporation	% Interest held 2015	% Interest held 2014	Nature of business
Senvest International L.L.C.	United States	-	100	Investment company
Senvest Global (KY) L.P.	Cayman Islands	100	-	Investment company
Senvest Global L.P.	United States	100	-	Investment company
RIMA Senvest Master Fund GP L.L.C.	United States	-	-	General partner of Senvest Master Fund, L.P.
Senvest Global GP Inc.	Canada	-	-	General partner of Senvest Global (KY) L.P and Senvest Global L.P
Argentina Capital Inc.	Canada	100	100	Real estate
Pennsylvania 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 company
Senvest Management L.L.C.	United States	-	-	Investment manager of the Funds
Senvest Master Fund, L.P.	Cayman Islands	41	44	Investment fund
Senvest Israel Partners, L.P.	United States	44	48	Investment fund
Senvest Cyprus Recovery Investment Partners, L.P. Fund	Cayman Islands	59	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	100	Real estate

The total non-controlling interest for the year is $3,210 (2014 – $30,393), which is mostly attributed to Senvest Management L.L.C. The change in redemption amount of liability for redeemable units for the year is $(116,873) (2014 – $80,407), all of which is attributed to the Funds.

As part of an internal reorganization, on October 1, 2015, the Company wound up its Senvest International L.L.C. wholly owned subsidiary and transferred significantly all of the net assets to a new wholly owned entity Senvest Global (KY) L.P. This new entity will now be managed by Senvest Management L.L.C. going forward. As a result all of the employees of Senvest International became employees of Senvest Management. The results of Senvest Global will be consolidated into the accounts of the parent company the same way that Senvest International was.

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:

	2015	2014
	$	$
Salaries and other short-term employee benefits	1,458	16,983
Post-employment benefits – Defined contribution	38	36
Share-based payments	749	1,118
	2,245	18,137

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 amount invested by these participants totals $56,693 (2014 – $53,078).

18 Commitments

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

	$
2016	1,421
2017	1,427
2018	1,280
2019	1,319
2020	1,375
Thereafter	1,177

b) As required by certain of the Company's equity investments and other holdings, the Company has capital commitments of $526.

c) As required by certain of the Company's real estate investments and other holdings, the Company has capital commitments of $776.

(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:

2015

	United States $	Canada $	Rest of European Union $	Great Britain $	Argentina $	Other $	Total $
Revenue							
Net dividend income	7,723	(11)	1,473	(89)	119	2,705	11,920
Interest income	2,749	166	121	15	-	234	3,285
Other income	23	303	20	-	-	-	346

2014

	United States $	Canada $	Rest of 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

Board of Directors

Victor Mashaal
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.

*Member of the Audit Committee

Officers

Victor Mashaal
Chairman of the Board & President

Frank Daniel
Secretary-Treasurer

Richard Mashaal
Vice-President

George Malikotsis C.A., C.P.A.
Vice-President, Finance

Investor Information

AUDITORS
PricewaterhouseCoopers L.L.P.
Montréal (Canada)

LEGAL COUNSEL
Howard M. Levine
Blake, Cassels & Graydon L.L.P.
600, de Maisonneuve West, Suite 2200
Montréal (Québec) H3A 3J2

TRANSFER AGENT & REGISTRAR
Computershare Trust Company of Canada
1500 Robert-Bourassa Boulevard
7th Floor
Montréal (Québec) H3A 3S8

Computershare Trust Company of Canada
1000 University Street
Toronto (Ontario) M5J 2Y1

Senvest Capital Inc.
1000 Sherbrooke West, Suite 2400
Montréal (Québec) H3A 3G4
(514) 281-8082