



SENVEST

Senvest Capital Inc.

Interim
Consolidated Financial Statements
March 31, 2010
Unaudited

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

U.S. equity markets performed well in the first quarter with the general indices returning gains in the single digits. Returns for Senvest, though, were markedly higher due to our high conviction and concentrated investments in mortgage insurers which benefited from continued positive economic and residential mortgage data along with evolving efforts to minimize home foreclosures led by the government and national banks. Radian Group's ("RDN") stock price gained over 100% in the quarter, Genworth Financial ("GNW") increased 60% and MGIC Investment ("MTG") moved up about 90%. GNW and RDN are top positions and together provided a significant contribution to the quarter's profits. Core investments in technology companies also helped Senvest outperform in the first quarter, with Radware ("RDWR") and Sandisk ("SNDK") stock prices up about 45% and 20%, respectively

The general economic data released for the housing sector in the first quarter supports our view that housing is bottoming, particularly at the low end. The largest jobs gain in three years in March, an improving unemployment rate, strengthening consumer spending and a continuing strong ISM manufacturing survey demonstrate positive directional trends for the economy and by extension housing. The March Case Shiller index showed a sequential gain in seasonally adjusted house prices. The government's Home Affordable Modification Program (HAMP) also showed progress with a report that permanent modifications almost doubled sequentially from January and more than 1.1 million trial modifications were underway. Mortgage delinquency reports for the fourth quarter 2009 from large mortgage servicers revealed a slight decline in early stage delinquencies contrary to what happens in this seasonally weak period. The most encouraging data in March, though, came from the Mortgage Insurance Companies of America ("MICA"), a trade organization for the mortgage insurance industry, which reported that mortgage insurers saw a net decline in defaulted mortgages – that is, cures of delinquent mortgages outstripped new delinquencies. Even though the first few months of a year are strong seasonally, this report surprised the market, as many are now starting to believe that the worst may be behind the mortgage insurers, a view that we have maintained for some time.

In addition to positive data that supports our views on housing and the mortgage insurers, banks and the government are beginning to address one of the major criticisms of loan modification efforts by initiating programs to forgive mortgage principal and curtail negative equity positions and strategic defaults (homeowners who can afford to make mortgage payments but choose not to make them). In early March, the FDIC announced plans for a program to reduce the principal owed by underwater borrowers on loans held by banks that have been taken over by the FDIC. Later in the month, Bank of America announced a program to forgive principal followed the next day by the government announcing changes to HAMP including debt forgiveness, temporary assistance for unemployed borrowers and a new refinancing program with the FHA. Finally, home equity loans - one of the major impediments to loan modifications and principal forgiveness - are now facing new political pressure. Rep. Barney Frank, chairman of the House Financial Services Committee, has publicly stated that banks need to write down their home equity holdings to reflect the sharp decline in house prices. He further stated that this would enable banks to be more accommodating in loan modifications.

The positive directional trends in loan modification programs and the hard economic and mortgage data combined with ongoing evidence of the government doing whatever it takes to stave off the potential foreclosure pipeline bolsters our conviction in our investments in the mortgage insurers. Despite data and

government and banking industry trends that support the mortgage insurers and even after a big move in their stock prices, GNW and RDN still trade at approximately 75% of publicly reported book value.

RESULTS OF OPERATIONS

Senvest Capital Inc. recorded net earnings of \$96,655,168 or \$39.62 per share for the period ended March 31, 2010. This compares to net loss of \$1,210,704 or (\$.46) per share for the first quarter of 2009. Total comprehensive income for the quarter was \$99,758,177 versus a comprehensive loss of \$543,327 in the previous year quarter. Book value at March 31, 2010 increased to \$123 per share from \$88 as at December 31, 2009.

Recognition of the change in the fair value of the financial instruments is reported in the statements of earnings if they have been classified as held for trading or in the statement of comprehensive income as accumulated other comprehensive income if they have been classified as available-for-sale.

The Company's portfolio of equity holdings continued their increase begun in March 2009. The net realized and unrealized gain on equity holdings totalled \$74,897,510 in the quarter. Although the Company had a very profitable first quarter in 2010 it seems that the markets will be remaining choppy for the short term and the Company will try to navigate this as best as it can.

The main assets included as part of investments subject to significant influence are the investments in Senvest Partners and Senvest Israel Partners. Of the \$151,189,929 million in this asset a total of \$148,283,243 is in these two funds. The Company's share of earnings from these two funds in the current quarter amounted to approximately \$37 million.

Included in the Company's net earnings of \$96,655,168 is \$1,337,403 of income (net of tax) that was transferred to the income statement from accumulated other comprehensive income. This item is noted as "reclassification to income as a result of disposal of available for sale assets". This transfer is due to the disposition by of assets classified as available for sale. The appreciation of these assets was captured in accumulated other comprehensive income and was not reflected in the income statement until their disposition. This appreciation though has been previously included in the shareholders' equity of the Company so it does not represent a net increase in shareholders' equity for the current quarter.

Management fees earned for investment advisory services rendered to the two funds for the quarter increased to \$10,401,785 million versus \$187,747 in March 2009. The Senvest Partners fund is focused primarily on small and mid-cap companies. The fund recorded a profit of 36% net of fees in the first quarter and is up 1,318% since inception in 1997. The Senvest Israel Partners fund was initiated in 2003 to focus on investing in Israel related companies. This fund recorded a 2010 first quarter profit of 20% and is up 402% since inception. The two funds had a total of approximately \$355 million of net assets under management at March 31, 2010.

The Company has a portfolio of real estate holdings, investing as a minority partner in selected properties. Real estate investments totalled \$15,166,821 at March 31, 2010 compared to \$15,269,199 held at December 31, 2009. Real estate holdings throughout many parts of the globe experienced declines in 2008 and 2009 and our investments have been no exception. A provision of \$945,000 was taken against certain real estate investments in the fourth quarter of 2008 and a further provision of \$423,000 was taken in the 2009 to reflect what the Company believes is not a temporary decline. Historically most of the Company's real estate investments have been in the US. However over the last few years the Company

has diversified and invested in real estate opportunities in Spain and in Argentina. These projects have a relatively longer term horizon and the Company does not expect a realization of these investments in the short term.

General and administrative expenses were \$12,030,178 for the quarter ending March 31, 2010 compared to \$1,280,471 for the first quarter of 2009. The increase is primarily due to accruals for performance bonuses in the current year. The Company records certain option related compensation directly on its financial statements as an expense and a corresponding liability. The change in the market price of Senvest shares in 2010 resulted in a stock option expense of \$2,257,800 for the year versus a recovery of \$1,359,500 in the prior year first quarter. This amount will fluctuate each period according to the change in the price of the Company's shares. The Company has not issued any new stock options since 2005.

Senvest Capital has also adopted Accounting Guideline 15 (AcG15) –Consolidation of Variable Interest Entities (VIEs). AcG-15 addresses consolidation and disclosure by reporting enterprises of variable interest entities. AcG-15 provides a framework for identifying a VIE and requires a primary beneficiary to consolidate a VIE. A Primary beneficiary is the enterprise that receives a majority of the VIE's expected residual returns or absorbs the majority of the expected losses or both. The Company consolidates a VIE that serves as the manager of Senvest Partners and Senvest Israel Partners. The portion of the expected residual returns of the VIE that does not belong to the Company is reflected as Non-controlling interest on the balance sheet. This interest is owned by an executive of the Company and totalled \$36,350,347 at March 31, 2010 up from \$24,315,111 as at December 31, 2009.

FINANCIAL POSITION, LIQUIDITY, AND CAPITAL RESOURCES

At the end of March 31, 2010, Senvest had total consolidated assets of \$510,929,317 versus \$402,851,134 at the end of 2009. The main reason for this change is the increase in equity holdings to \$311,727,588 from \$256,810,950 last December. The Company's liabilities have stayed relatively the same during this period even though the Company's due to brokers decreased to \$55,610,685 from \$70,954,607 at year end. The short portfolio increased from \$12,863,767 at the end of 2009 to \$14,283,742 as at March 31 2010 and cash and cash equivalents stood at \$746,898.

Risks

The company is exposed to various financial risks arising from its financial investments. These include market risks relating to equity prices, interest rates and currency risk and liquidity risk.

Market risk

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

Interest rate risk

Interest rate risk refers to the risk that interest expense on floating rate debt will vary as a result of changes in underlying interest rates. The company's entire debt is all based on floating rates. The company has no fixed rate debt as this type of debt is usually used to lock in long-term liabilities. The company does not have a long- term stream of cash flow 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 debt. If the interest rates do spike up, then the company could enter into interest rate swaps or more probably just reduce its debt level. The company has public equity holdings of over \$300 million as at March 31, 2010. At any time it can liquidate enough securities to reduce its floating rate debt to zero. As at March 31, 2010, a 1% increase in interest rates would increase interest expense by approximately \$612,000 over the next 12 months.

Currency risks

Currency risk refers to the risk that values of monetary financial assets and liabilities denominated in foreign currencies will vary as a result of changes in underlying foreign exchange rates. The company is primarily exposed to currency risk due to potential variations in the US dollar. The following are the main monetary assets and liabilities denominated in US dollars as at March 31, 2010 (presented at their equivalent in Canadian dollars):

Cash and cash equivalents	745,773
Bank advances	(4,702)
Due from brokers	232,976
Due to brokers	(54,645,983)
Equity and other holdings	302,037,693
Equities sold short	(14,283,741)

As at March 31, 2010, the affect of a 10% change in the US/Canadian dollar exchange rate would affect pre-tax earnings by approximately \$23.4 million.

Equity price risk

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

Equities sold short represent obligations of the company to make future delivery of specific securities and create an obligation to purchase the security at market prices prevailing at the later delivery date. As a result this creates the risk that the company's ultimate obligation to satisfy the delivery requirements may exceed the amount of the proceeds initially received or the liability recorded in the financial statements (which is based on the year end closing ask price).

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

The impact of a 30% change in the market prices of the Company's equity holdings with quoted value and equities sold short as at March 31, 2010 would be as follows:

	Fair value	Estimated fair value 30% price increase	Estimated fair value 30% price decrease
Equity holdings with quoted values- held for trading	302,447,468	393,181,708	211,713,228
Equities sold short	14,283,742	18,568,865	9,998,619
Before-tax impact on net earnings		86,449,118	(86,449,118)

Liquidity risk

Liquidity risk is the risk the company will encounter in meeting its financial obligations. The company's largest assets are equity and other holdings. Most of this asset is made up of equities in public holdings which can be liquidated in a relatively short period of time. The company's liabilities are mostly short-term. As at March 31 2010 they totalled \$101,263,645 and included bank advances, due to brokers, equities sold short, and accounts payable. Due to the company's large holding of liquid assets, it believes that it has sufficient resources to meet its obligations.

Credit risk

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

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

The company has loans receivable outstanding with a carrying value of \$1,082,822. A provision of \$535,529 has been taken in prior years against the original balance of these loans. The maximum exposure to credit risk associated with financial assets is the carrying value of these loans.

The company had cash and cash equivalents of \$746,898. All cash and cash equivalents are held at regulated banks and registered brokers in the US and Canada.

Capital disclosures

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

	March 31, 2010	December 31, 2009
Total liabilities	123,693,526	126,424,873
Total equity	350,885,444	252,111,150
Debt to Capital ratio	0.35	0.50

The Company's goal is to maintain a debt to Capital ratio below 1:1. The Company believes that limiting its debt to Capital ratio in this manner is the best way to control risk. The Company does not have any restricted covenants or capital requirements.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known. The following accounts include estimates that can have an effect on the reported amounts on the balance sheet and on the statement of earnings:

- Equity holdings with quoted values are considered financial instruments and are carried at the bid price at the balance sheet date. Changes in the fair value of financial instruments which are classified as held for trading are recognized directly in the consolidated statements of earnings as unrealized gain (loss) on equity holdings. Changes in the fair value of financial instruments classified as available for sale are included in the consolidated balance sheets in accumulated other comprehensive income and in the consolidated statements of comprehensive income, and are transferred to the consolidated statements of earnings upon other than temporary impairment or disposal.
- Equity holdings without quoted value represent available for sale financial assets that are carried at cost, except where there has been a provision for possible loss in value that is other than a temporary decline, in which case the holdings are written down to recognize a loss.
- Investments in entities which the company has significant influence are accounted for using the equity method. The company's share of earnings of such entities and the company's share of other comprehensive income is included in the company's financial statements. These numbers are based on the estimates that the investee entities used in preparing their financial statements.
- Real estate holdings are initially recorded at cost and accounted for using the cost method. Holdings accounted for at cost are adjusted for any loss in value that is other than a temporary decline, in which case the holdings are written down to recognize the loss. The holdings carried at cost represent available

for sale financial assets that do not have a quoted value. Loans to real estate entities are initially measured at fair value and are subsequently carried at amortized cost less allowances for uncollectible amounts.

- Income taxes. The company applies the liability method in accounting for income taxes. Under this method, future income taxes are determined using the difference between the accounting and tax bases of assets and liabilities. The tax rate that is anticipated to be in effect when these differences reverse is used to calculate future income taxes at the balance sheet date. Future income tax assets are recognized when it is more likely than not that the assets will be realized.

- Accrued liabilities – an estimate of accrued expenses in the financial statements.

These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

The Company's financial instruments as at December 31, 2009 included cash and cash equivalents, due from and due to brokers, equity and other holdings, real estate investments, bank advances, accounts payable and accrued liabilities and accrued stock option-based compensation.

The carrying value of cash and cash equivalents, due from and due to brokers, bank advances and accounts payable and accrued liabilities and accrued stock option-based compensation approximates their fair value due to the short term nature of these instruments.

Almost all of the equity holdings are recorded at fair value and based on quoted market prices as at March 31, 2010. Equity holdings designated as available for sale are included in the balance sheet at fair value, with any movement being recorded as a component of other comprehensive income in shareholders' equity. Securities designated as held for trading are included in the balance sheet at fair value, with any change being recorded as unrealized gain/loss in the statement of earnings.

A fair value hierarchy has been established that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). As detailed in the notes to the financial statements most of the financial instruments have been classified as level 1 asset.

Quarterly Results

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

Year	Total revenue (loss)	Net earnings (loss)	Net earnings (loss) per share
2010-1	126,951	96,655	39.62
2009-4	17,688	5,557	1.12
2009-3	143,584	112,947	40.38
2009-2	69,193	51,733	19.26
2009-1	(926)	(1,210)	(0.46)
2008-4	(38,031)	(33,123)	(12.64)
2008-3	(19,663)	(18,363)	(7.00)
2008-2	6,060	3,133	1.19

The company maintains an account with Barclays Capital in the U.S. who functions as the Company's main prime broker. The company has assets with the prime broker pledged as collateral for leverage. Although the prime broker is a very large financial institution there is no guarantee that any financial institution will not become insolvent. In addition there may be practical or time problems associated with enforcing the company's rights to its assets in the case of such insolvency.

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

On June 23, 2009 Senvest commenced a new normal course issuer bid to purchase a maximum of 130,000 of its own common shares before June 22, 2010. The Company has purchased a total of 18,700 common shares under this bid. The number of common shares outstanding as at March 31, 2010 was 2,848,924 and 2,838,324 as at May 3, 2010. The number of stock options outstanding totalled 160,000 as at March 31 2010 and May 3, 2010. There were no new stock options granted in 2010 and none have been granted since 2005.

Related party transactions

The company provides investment advisory services to and earns management fees from the two funds that it manages, Senvest Partners and Senvest Israel Partners. These two funds were established by The company and the company is also an investor. The company earned \$10,401,785 in management fees from the funds in the quarter. The company's investment in Senvest Partners as at March 31, 2010 is \$129,169,915 and the investment in Senvest Israel Partners as at March 31, 2010 is \$19,113,328. These investments are accounted for using equity method.

The Company has made non-interest bearing loans to employees and senior executives amounting to \$4,836,327 as at March 31, 2010. The discount rate used is the rate on the company's line of credit. Shares of the company have been provided as collateral and the company has full recourse against the borrowers with respect to these loans.

Senvest Capital has also adopted Accounting Guideline 15 (AcG15) –Consolidation of Variable Interest Entities (VIEs). AcG-15 addresses consolidation and disclosure by reporting enterprises of variable interest entities. AcG-15 provides a framework for identifying a VIE and requires a primary beneficiary to consolidate a VIE. . The Company consolidates a VIE that serves as the manager of Senvest Partners and Senvest Israel Partners. The portion of the expected residual returns of the VIE that does not belong to the Company is reflected as Non-controlling interest on the balance sheet. This interest is owned by an executive of the Company and totalled \$36,350,347 at March 31, 2010.

Significant Equity Investments

For information on a summary of financial information from certain significant investees please refer to the 2009 annual report.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008 the CICA Accounting Standards Board confirmed that International Financial Reporting Standards (IFRS) will replace Canadian GAAP in 2011 for profit oriented Canadian publicly accountable enterprises. Commencing in 2011 IFRS will replace Canadian GAAP for those enterprises. As the Company will be required to report its results in accordance with IFRS starting in 2011, the Company is assessing the potential impacts of this changeover and developing its plan accordingly.

The Company's auditors provided input to the Company for IFRS and they will continue to do so throughout the remaining part of the implementation period.

The Company has identified the following IFRS standards as those with the most significant potential impact on the financial statements and disclosures of the Company, both in transition and reporting:

- IFRS 1 -First time adoption of IFRS
- IAS 1 -Presentation of financial statements
- IAS 39 -Financial instruments: classification and measurement
- IAS 27 -Consolidated financial statements
- IAS 28 -Investments in associates
- IAS 21 -Foreign currencies

The Company is currently reviewing the quantitative impact of these major issues to on the financial statements. While work is still being undertaken on all areas of IFRS (and IFRS itself is constantly changing), it is not believed that any other decisions, other than those noted above, will have a material impact on the financial statements of the Company in transition.

It is expected that the significant work during the next phase of IFRS to be undertaken by the Company, in consultation with its audit firm, will commence in late June 2010 and continue to the end of the year. As a result the Company does not currently have any further update to its IFRS plan from what was included in its 2009 year end Management Discussion and Analysis (MDA) issued at the end of March 2010. Following this time line would indicate that the Company will have a minimal amount of information to update in its second quarter MDA as the significant work will only be commenced in late June. The Company intends to have a much more meaningful update in its third quarter MDA.

Summarized below is a description of our progress towards completion of selected key activities of our IFRS changeover plan as at March 31 2010, which is at the same point as that reported in our 2009 year end filings. At this time we cannot quantify the impact that the future adoption of IFRS will have on our financial statements, however, such impact may be material. We also expect the changeover to IFRS to impact internal control over financial reporting (ICFR), disclosure controls and procedures (DC&P), and IT systems and procedures. Additional information will be provided as we approach the changeover date.

IFRS CHANGEOVER PLAN

Key Activities	Milestones and Progress to date
<p>Accounting Policies</p> <ul style="list-style-type: none"> -Identification of differences in Canadian GAAP and IFRS accounting policies -Selection of IFRS accounting policies and IFRS 1 accounting policy choices -Quantification of changes in accounting policy choices -IFRS disclosures 	<ul style="list-style-type: none"> - To be finalized before commencement of IFRS reporting in 2011. Assessment ongoing until reporting date but expected to be finalized in the fourth quarter of 2010. IFRS 1 accounting policy choices identified and critical items under review. Major company specific accounting policy choices identified. Disclosures under IFRS to be performed internally in 2010.
<p>Information technology</p> <ul style="list-style-type: none"> -Running of general ledger for 2010 for both Canadian GAAP and IFRS 	<ul style="list-style-type: none"> - To be completed for parallel processing of 2010 general ledgers in second quarter 2010.
<p>Internal control over financial reporting and disclosure controls and procedures</p> <ul style="list-style-type: none"> -Accounting policy determination, documentation and implementation -Review of accounting policy determination documentation and implementation and assess impact on disclosure controls and procedures 	<ul style="list-style-type: none"> - Selection of IFRS accounting policies has been reviewed by management. For changes to accounting policies identified, the design and effectiveness implications will be reviewed. Approval by management and audit committee expected in fourth quarter 2010. CEO/CFO certification process to be updated by fourth quarter 2010.
<p>Expertise and training</p> <ul style="list-style-type: none"> -Expertise identified and developed at all levels in the business -Engage subject matter experts to assist in the transition 	<ul style="list-style-type: none"> -Development ongoing until reporting date. Training and education has been undertaken on all aspects of transition disclosures. The company has been obtaining outside consultation on IFRS from the company's audit firm
<p>Business activities and external communication</p> <ul style="list-style-type: none"> -Compensation arrangements, covenants and capital requirements -Communicate progress of changeover plan to external stakeholders of the company 	<ul style="list-style-type: none"> - Incentive schemes to be recalculated under IFRS during the transition period in 2010. Covenants and capital requirements not expected to be impacted. These are not expected to be major issues for the Company. Updates will be communicated externally in 2010.

The Company's auditors provided input to the Company in 2009 for IFRS and it is expected that they will continue to do so throughout the remaining part of the implementation period.

INTERNAL CONTROLS

The Company's President and Chief Executive Officer and its Vice-President and Chief Financial Officer is 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 March 31, 2010 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 March 31 2010 and believe the design and effectiveness to be adequate to provide such reasonable assurance using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. There have been no changes in the Company's ICFR during the quarter ended March 31, 2010 that have materially affected, or are reasonably likely to materially affect, the effectiveness of the ICFR.

(Signed)

Victor Mashaal
Chairman of the Board and President

May 7, 2010

(Management Discussion and Analysis ("MD&A") provides a review of Senvest Capital Inc.'s operations, performance and financial condition for the period ended March 31, 2010, and should be read in conjunction with the 2009 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.)

Senvest Capital Inc.
Consolidated Balance Sheets
As at March 31, 2010 and December 31, 2009

	(unaudited) March 31, 2010 \$	(audited) December 31, 2009 \$
Assets		
Cash and cash equivalents	746,898	200,879
Due from brokers	1,863,850	1,765,131
Management fee receivable	19,753,445	9,935,237
Equity and other holdings	311,727,588	256,810,950
Investments subject to significant influence	151,189,929	108,802,514
Real estate investments	15,166,821	15,269,199
Future income taxes	4,520,000	4,090,000
Other assets	5,960,786	5,977,224
	510,929,317	402,851,134
Liabilities		
Bank advances	5,571,424	3,140,816
Due to brokers	55,610,685	70,954,607
Equities sold short	14,283,742	12,863,767
Accounts payable and accrued liabilities	25,797,794	21,301,255
Income taxes payable	3,951,331	4,638,878
Future income taxes	11,100,000	8,320,000
Accrued option-based compensation	7,378,550	5,205,550
	123,693,526	126,424,873
Non-controlling interest	36,350,347	24,315,111
Shareholders' Equity		
Capital stock	12,895,590	12,964,930
Retained earnings	327,838,370	232,097,745
Accumulated other comprehensive income	10,151,484	7,048,475
	350,885,444	252,111,150
	510,929,317	402,851,134

On behalf of the Board

(Signed)
Victor Mashaal, Director

(Signed)
Frank Daniel, Director

Notice of No Auditor Review of Interim Consolidated Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors PriceWaterHouseCoopers LLP have not reviewed the unaudited interim consolidated financial statements as at and for the three month period ended March 31, 2010

Senvest Capital Inc.
Consolidated Statements of Shareholders Equity
For the three months ended March 31, 2010 and 2009

	(unaudited) 2010 \$	(unaudited) 2009 \$
Capital Stock		
Balance – Beginning of year	12,964,930	8,390,628
Repurchase of common shares	(69,340)	(3,846)
Balance – End of period	12,895,590	8,386,782
Retained earnings		
Balance – Beginning of year	232,097,745	63,274,470
Net earnings (loss) for the period	96,655,168	(1,210,704)
	328,752,913	62,063,766
Premium on repurchase of common shares	(914,543)	(18,852)
Balance – End of period	327,838,370	62,044,914
Accumulated other comprehensive income		
Balance – Beginning of year	7,048,475	25,231,753
Net change in unrealized gains (losses) on available-for-sale financial assets, net of future income tax of \$290,000; (2009-\$348,000)	3,955,016	489,374
Unrealized gains or loss on translation of financial statements of self-sustaining foreign operations	(92,272)	133,469
Non-controlling interest	(759,735)	44,534
Balance – End of period	10,151,484	25,899,130
Represented by		
Net unrealized gains on available-for-sale financial assets	10,243,756	25,765,661
Foreign currency translation adjustments	(92,272)	133,469
Total retained earnings and accumulated other comprehensive income	337,989,854	87,944,044

Senvest Capital Inc.

Consolidated Statements of Earnings (Loss) For the three months ended March 31, 2010 and 2009

	(unaudited) 2010 \$	(unaudited) 2009 \$
Revenue		
Net gain (loss) on equity and other holdings	16,764,959	(11,007,366)
Change in unrealized gain on equity holdings	58,132,551	10,738,596
Income (loss) from entities subject to significant influence	38,746,232	(2,012,112)
Gain on derivative financial instruments	1,016,981	51,905
Income from real estate investments	37,778	107,170
Management fees	10,401,785	187,747
Interest Income	237,631	198,667
Dividend income	1,470,057	656,553
Other income	143,053	152,655
	126,951,027	(926,185)
Operating costs and expenses		
General and administrative expenses	12,030,178	1,280,471
Stock option compensation expense (recovery)	2,257,800	(1,359,500)
Interest and bank charges	348,830	84,128
Dividends on equities sold short	81,268	17,268
Foreign exchange loss (gain)	(1,905,226)	9,122
	12,812,850	31,489
Earnings (loss) before income taxes	114,138,177	(957,674)
Provision for income taxes	6,207,508	566,057
Non-controlling interest	11,275,501	(313,027)
Net earnings (loss) for the period	96,655,168	(1,210,704)
Fully diluted net earnings (loss) per share	39.62	(0.46)
Net earnings (loss) per share	40.68	(0.46)

Senvest Capital Inc.

Consolidated Statements of Comprehensive Income (Loss) For the three months ended March 31, 2010 and 2009

	(unaudited) 2010 \$	(unaudited) 2009 \$
Net earnings (loss) for the period	96,655,168	(1,210,704)
Reclassification to income from disposal of available-for-sale assets, net of income taxes of \$170,000	(1,337,403)	-
Unrealized gain on available-for-sale financial assets, net of future income taxes \$460,000; (2009 - \$348,000)	5,292,419	489,374
Unrealized gains (loss) on translation of financial statements of self-sustaining foreign operations	(92,272)	133,469
Non-controlling interest	(759,735)	44,534
Comprehensive income (loss)	99,758,177	(543,327)

Senvest Capital Inc.
Consolidated Statements of Cash Flows
For the three months ended March 31, 2010 and 2009

	(unaudited) 2010 \$	(unaudited) 2009 \$
Cash flows from		
Operating activities		
Net earnings (loss) for the period	96,655,168	(1,210,704)
Adjustments for		
Net loss (gain) on equity holdings longs	(16,764,959)	11,007,366
Change in realized gain on derivative financial instruments	(1,016,981)	(51,905)
Change in unrealized gain on equity holdings	(58,132,551)	(10,738,596)
Income (loss) from entities subject to significant influence, net of distributions received	(38,589,575)	2,185,562
Income from real estate investments	(37,778)	(107,170)
Stock option compensation expense (recovery)	2,257,800	(1,359,500)
Future income taxes	2,060,000	(34,000)
Non-controlling interest	11,275,501	(313,027)
Purchase of equity and other holdings	(55,440,393)	(47,705,711)
Purchase of equities sold short	(11,688,110)	(15,049,514)
Proceeds on sale of equity and other holdings	76,940,761	47,289,029
Proceeds on Equities sold short	12,960,473	12,964,893
Increase in Management Fee Receivable	(9,818,208)	-
Increase (decrease) in accounts payable and accrued liabilities	4,496,539	(64,488)
Decrease in income taxes payable	(687,547)	(241,310)
	14,470,140	(3,429,075)
Investing activities		
Increase in due from brokers	(98,719)	(146,983)
Purchase of real estate investments	(48,733)	(822,815)
Distributions received on real estate investments	188,890	195,460
Decrease (increase) in other assets	16,438	(23,961)
	57,876	(798,299)
Financing activities		
Increase in bank advances	2,430,608	1,010,812
Increase (decrease) in due to brokers	(15,343,922)	3,245,343
Repurchase of common shares	(983,883)	(22,698)
Repurchase of options	(84,800)	-
	(13,981,997)	4,233,457
Increase in cash and cash equivalents during the period	546,019	6,083
Cash and cash equivalents – Beginning of year	200,879	819,997
Cash and cash equivalents – End of period	746,898	826,080

Senvest Capital Inc.

Selected notes to Consolidated Financial Statements As at March 31, 2010

1 Significant Accounting Policies

These interim financial statements follow the same accounting policies and methods of their application as the most recent annual audited financial statements. Readers are requested to refer to the most recent audited annual financial statements for more information.

2 Equity and other holdings

- a) Equity and other holdings as at March 31, 2010 and December 31, 2009 have been classified as either held-for-trading financial assets or available-for-sale financial assets, as follows:

	2010 \$	2009 \$
Held-for-trading financial assets – at fair value (i)		
Shares with quoted values (cost \$196,995,439; 2009 – \$200,002,273)	302,447,468	247,877,842
Available-for-sale financial assets – at fair value (i)		
Shares with quoted values (cost \$2,225,167; 2009 – \$2,225,167)	5,842,755	5,495,743
Available-for-sale financial assets – at cost		
Equity holdings, at cost (ii)	1,296,365	1,296,365
Structure bond fund units (iii)	2,141,000	2,141,000
	311,727,588	256,810,950

- i) The net gain on equity holdings of held-for-trading financial assets was \$18,826,286.
- ii) The available-for-sale financial assets that do not have a quoted value are carried at cost, except where there has been a provision for possible loss in value that is other than a temporary decline, in which case the holdings are written down to recognize a loss. These holdings are in private entities whose securities do not trade in an active market; therefore, they are carried at cost. There is no established market for these securities. The most likely scenario of a disposition of these holdings is an eventual sale of the underlying entity.
- iii) This holding is an investment in a fund 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. This holding represents an available-for-sale financial asset that does not have a quoted value and is carried at cost, except where there has been a provision for possible loss in value that is other than a temporary decline, in which case it would be written down to recognize this loss.
- iv) The dividend income from held-for-trading financial assets was \$1,433,901 and the dividend income from equity holdings of available-for-sale financial assets was \$36,156.
- v) The change in unrealized gain on equity holdings from held-for-trading financial assets is \$57,211,291.

Senvest Capital Inc.

Selected notes to Consolidated Financial Statements As at March 31, 2010

- b) From time to time, the company enters into derivative financial instruments consisting primarily of options and warrants to purchase or sell equities and of futures to purchase precious metals and equity indices and futures to sell currencies. All contracts had been denominated in US dollars and converted into Canadian dollars using the foreign exchange rate as at the balance sheet date. In 2010, the company recorded a realized gain of \$1,016,981 and an unrealized gain of \$929,558 from these derivatives.

3 Investments subject to significant influence

Included in investments subject to significant influence are the following:

	2010	2009
	\$	\$
Equity holdings		
Senvest Partners (i)	129,169,915	90,119,368
Senvest Israel Partners (ii)	19,113,328	15,564,451
Roadpost (iii)	225,324	349,681
Real estate holdings (iv)		
Crosspoint Partners	2,681,361	2,769,013
G&G Partners	1	1
	<hr/>	<hr/>
	151,189,929	108,802,514

- i) Senvest Partners is a fund established by the company in which the latter is also an investor. The company provides investment advisory services to the fund. The fund had a net asset value of \$314,863,467 as at March 31, 2010 based on the fair market value of shares of publicly traded companies. The company's investment in the Senvest Partners fund is 129,169,915. The carrying value of this investment is equal to its fair market value.

The company's share of the fund's income for the year is \$35,092,151. This amount is included in income (loss) from entities subject to significant influence in the consolidated statements of earnings (loss). The company's share of the fund's other comprehensive gain is \$3,958,397, and this amount is included in the consolidated statements of comprehensive income (loss) under unrealized gain (loss) on available-for-sale financial assets. During the year, the Senvest Partners fund, in its normal course of business, disposed of certain financial assets previously classified as available for sale. The company's share of the realized gain is \$142,436. This realized gain was reclassified from accumulated other comprehensive income to the consolidated statements of earnings (loss).

- ii) Senvest Israel Partners is a fund established by the company in which the latter is also an investor. The company provides investment advisory services to the fund. The fund had a net asset value of \$40,011,211 as at March 31, 2010 based on the fair market value of its investment in shares of publicly traded companies. The company's investment in the Senvest Israel Partners fund is \$19,113,328. The carrying value of this investment is equal to its fair market value.

Senvest Capital Inc.

Selected notes to Consolidated Financial Statements As at March 31, 2010

The company's share of the fund's income for the year is \$2,101,866. This amount is included in income (loss) from entities subject to significant influence in the consolidated statements of earnings (loss). The company's share of its other comprehensive income is \$1,447,011, and this amount is included in the consolidated statements of comprehensive income (loss) under unrealized gain (loss) on available-for-sale financial assets. During the year, the Senvest Israel Partners fund, in its normal course of business, disposed of certain financial assets previously classified as available for sale. The company's share of the realized gain is \$1,364,967. This realized gain was reclassified from accumulated other comprehensive income to the consolidated statements of earnings (loss).

- iii) The company's share of Roadpost's loss for the year is \$124,357. This amount is included in income (loss) from entities subject to significant influence in the consolidated statements of earnings (loss).
- iv) The company's share of earnings and distributions from real estate holdings subject to significant influence are \$169,169 and \$164,549.

4 Number of shares outstanding

The net earnings (loss) per share and fully diluted net earnings (loss) per share are calculated using the weighted average number of shares outstanding. This number totaled 2,375,902 (2009 -2630,965) for net earnings per share and 2,483,139 (2009 -2,630,965) for the fully diluted net earnings per share. The number of common shares outstanding as at March 31, 2010 was 2,848,924 and 2,838,324 as at May 3, 2010. The number of stock options outstanding totalled 160,000 as at March 31 2010 and as at May 3, 2010. There were no new stock options granted so far in 2010.

5 Financial Instruments

The Company's financial instruments as at March 31, 2010 included cash and cash equivalents, due from and due to brokers, equity and other holdings, loans to employees, real estate investments and real estate loans, bank advances and accounts payable and accrued liabilities.

The carrying value of cash and cash equivalents, due from and due to brokers, bank advances, and accounts payable and accrued liabilities approximates their respective fair value due to the short-term nature of these instruments.

Section 3862 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Senvest Capital Inc.
Selected notes to Consolidated Financial Statements
As at March 31, 2010

The three levels of the fair value hierarchy under section 3862 are as follows:

Level 1

Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the company has the ability to assess at the measurement date;

Level 2

Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3

Inputs that are not based on observable market data.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information as well as other factors the determination of what constitutes “observable” requires significant judgment by the company. The company considers observable data to be market data which 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.

The following table presents the financial instruments as at March 31, 2010 by caption and by level within the valuation hierarchy:

	Total \$	Level 1 \$	Level 2 \$	Level 3 \$
Assets				
Financial instruments required to be classified as held for trading:				
Cash and cash equivalents	746,898	746,898	-	-
Securities held for trading:				
Common stock	237,330,869	236,581,690	749,179	-
Preferred stock	38,443,516	38,443,516	-	-
Debt instruments	24,637,892	759	24,637,133	-
Derivative financial instruments	2,035,191	94,343	1,940,848	-
Total financial instruments held for trading	302,447,468	275,120,308	27,327,160	-
Financial instruments classified as available for sale:				
Common stock	5,842,755	5,732,713	110,042	-
Total	309,037,121	281,599,919	27,437,202	-
Liabilities				
Financial instruments required to be classified as held for trading:				
Bank advances	5,571,424	5,571,424	-	-
Equity holdings sold short				
Common stock	14,283,742	13,374,093	909,649	-
Total	19,855,166	18,945,517	909,649	-

Senvest Capital Inc.

Selected notes to Consolidated Financial Statements As at March 31, 2010

Risks

The company is exposed to various financial risks arising from its financial investments. These include market risk, liquidity risk and credit risk.

Market risk

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

Interest rate risk

Interest rate risk refers to the risk that interest expense on floating rate debt will vary as a result of changes in underlying interest rates.

The company's entire debt is all based on floating rates. The company has no fixed rate debt as this type of debt is usually used to lock in long-term liabilities. The company does not have a long-term stream of cash flow 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 debt. If the interest rates do spike up, then the company could enter into interest rate swaps or more probably just reduce its debt level. The company has public equity holdings of over \$300 million as at March 31, 2010. At any time it can liquidate enough securities to reduce its floating rate debt to zero. As at March 31, 2010, a 1% increase in interest rates would increase interest expense by approximately \$612,000 over the next 12 months.

Currency risks

Currency risk refers to the risk that values of monetary financial assets and 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 the US dollar. The following are the main monetary assets and liabilities denominated in US dollars as at March 31, 2010 (presented at their equivalent in Canadian dollars):

Cash and cash equivalents	745,773
Bank Advances	(4,702)
Due from brokers	232,976
Due to brokers	(54,645,983)
Equities and other holdings	302,037,693
Equities sold short	(14,283,741)

As at March 31, 2010, the affect of a 10% change in the US/Canadian dollar exchange rate would affect pre-tax earnings by approximately \$23.4 million.

In addition, the company has investments in real estate holdings in Spain and Argentina. The largest component of the Spanish holdings is in the form of loans receivable denominated in Euros which totalled approximately \$1,082,822 million as at March 31, 2010. The effect of a 10% change in the euro/Canadian dollar exchange rate would affect pre-tax earnings by approximately \$108,000.

Senvest Capital Inc.

Selected notes to Consolidated Financial Statements As at March 31, 2010

Equity price risk

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

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

The impact of a 30% change in the market prices of the Company's equity holdings with quoted value and equities sold short as at March 31, 2010 would be as follows:

	Fair value	Estimated fair value 30% price increase	Estimated fair value 30% price decrease
Equity holdings with quoted values	302,447,468	393,181,708	211,713,228
Equities sold short	14,283,742	18,568,865	9,998,619
Before-tax impact on net earnings		86,449,118	(86,449,118)

The above analysis assumes that the equity holdings with quoted values and the equities sold short would increase or decrease at the same rate. As the two portfolios are not hedged together, the reality is that such a change in market prices will affect each one in a different way.

Liquidity risk

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

The following table summarizes the financial obligations of the company:

Bank advances	5,571,424
Due to brokers	55,610,685
Equities sold short	14,283,742
Accounts payable and accrued liabilities	25,797,794

Senvest Capital Inc.

Selected notes to Consolidated Financial Statements As at March 31, 2010

Credit risk

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

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

The company has loans receivable outstanding with a carrying value of \$1,082,822. A provision of \$535,529 has been taken in prior years against the original balance of these loans. The maximum exposure to credit risk associated with financial assets is the carrying value of these loans.

The company had cash and cash equivalents of \$746,898. All cash and cash equivalents are held at regulated banks and registered brokers in the US and Canada.

6 Capital Disclosure

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

	March 31, 2010	December 31, 2009
Total liabilities	123,693,526	126,424,873
Total equity	350,885,444	252,111,150
Debt to Capital ratio	0.35	0.25

The Company's goal is to maintain a debt to Capital ratio below 1:1. 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 does not have any restricted covenants or capital requirements.