SENVEST

ANNUAL REPORT

2018

CORPORATE PROFILE

SENVEST CAPITAL INC. AND ITS SUBSIDIARIES HAVE BUSINESS ACTIVITIES IN ASSET MANAGEMENT, REAL ESTATE AND EQUITY HOLDINGS.

ANNUAL MEETING

THE ANNUAL MEETING OF SHAREHOLDERS WILL BE HELD AT THE MONT-ROYAL CENTER, 2200 MANSFIELD STREET, MONTREAL, QUEBEC ON JUNE 7, 2019 AT 10:00 A.M.

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)

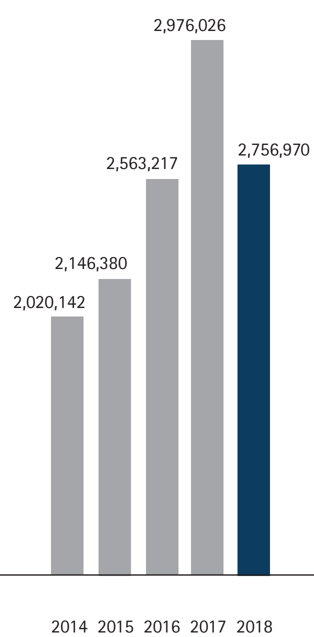
	2018 $	2017 $	2016 $	2015 $	2014 $
SUMMARY OF OPERATIONS					
Total revenues and investment gains (loss)	(316,619)	488,972	335,828	(166,763)	297,551
Net income (loss) attributable to common shareholders	(140,086)	165,967	96,783	(99,826)	117,298
Diluted earnings (loss) per share	(51.72)	60.03	34.50	(35.39)	41.26
FINANCIAL DATA					
Total assets	2,756,970	2,976,026	2,563,217	2,146,380	2,020,142
Total equity	969,421	1,063,385	942,562	856,290	821,740

COMMON STOCK INFORMATION

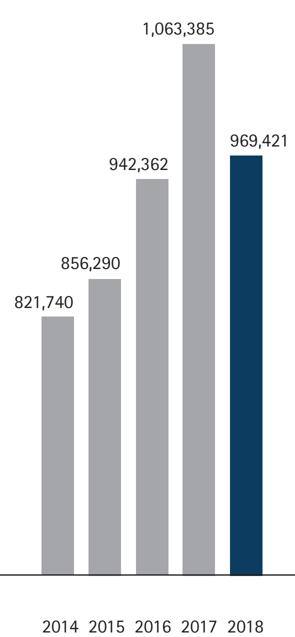
The company's common shares are listed on the Toronto Stock Exchange under the symbol SEC.

	2018 $		2017 $	
FISCAL QUARTER	High	Low	High	Low
First	250.00	216.00	175.64	162.99
Second	259.94	218.23	211.05	171.00
Third	230.00	205.00	231.55	210.43
Fourth	220.00	160.00	250.00	226.13

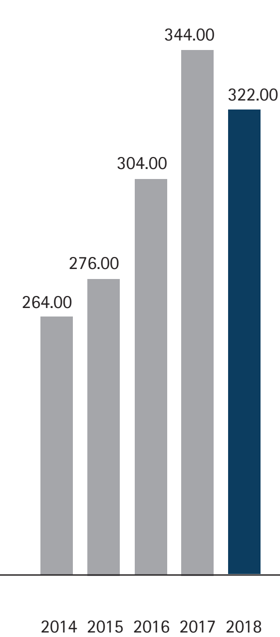
TOTAL ASSETS ($ thousands)



TOTAL EQUITY ($ thousands)



BOOK VALUE PER SHARE



OVERALL PERFORMANCE

Equity markets started the fourth quarter with a significant decline in October. The broader S&P 500 index had its worst month since September 2011 and its second worst month since 2000, suffering an aggregate $1.7 trillion loss. The Russell 2000 index, comprised of small cap stocks entered correction territory with a loss in excess of -10%. The Russell 2000 also had its worst month since September 2011 and its fifth worst month in ten years. Tech stocks especially had it tough, with market darlings such as Amazon and Netflix plummeting more than -20%. However this was just a prelude. The worst was yet to come as the market went on to experience its worst December since the great depression.

There were plenty of reasons to choose from in explaining the end of year swoon: 1) a hawkish Fed raising interest rates and imposing quantitative tightening in the face of weakening global economic growth, stoking fears of a policy error; 2) a flattening yield curve; 3) Trump administration tariffs and a trade war with China; 4) a partial government shut-down; 5) hedge fund de-leveraging; and 6) tax loss selling. Headlines in the middle of December such as "Investors flee U.S. stock funds at record pace" probably did not help investor sentiment as liquidity dried up. J.P. Morgan reported that "…monthly fund flows (mutual funds and ETFs)…in December posted the largest outflows since 2008." Apparently it could have been worse. Offsetting these outflows JP Morgan went on to note, "A complete disaster was averted by fixed-weight portfolio rebalances (e.g., pension funds) that were buying a significant amount of stocks during the last week of the year…[and] both retail outflows and pension inflows were among the largest in history (only 2008 and 1987 saw larger flows)." The resulting whipsaw in prices in December probably didn't help investor confidence. In any event, the year 2018 ended up as the worst for stocks in 10 years.

The price of West Texas Intermediate crude oil ("WTI"), started the 2018 year around $60 per barrel, steadily moved higher and peaked at around $76 per barrel in early October. The belief was that oil price gains were driven by global economic growth spurring higher demand and a unified OPEC effort to control supply. Geopolitical issues also helped shape supply perceptions with the anticipation of US sanctions on Iran starting in November. Waivers on the purchase of Iranian oil, however, surprised market participants, especially Saudi Arabia, which had boosted supply to offset expected Iranian market withdrawal. US shale producers also started to see a boost in their production in the latter part of the year. The combination of a supply surge right at the time that global growth began to stall and equity markets to tumble resulted in a swift collapse in oil prices. WTI ended December at about $46/barrel, almost 40% off its highs of the year set only two months earlier.

Senvest Capital ("Senvest" or the "Company") recorded a loss for the 2018 year, and lagged broader equity indices. Senvest recorded a net loss attributable to common shareholders of ($140.1) million or ($51.72) per basic and diluted common share for the year ended December 31, 2018. For the fourth quarter the net loss attributable to common shareholders was ($152.2) million or ($56.19) per basic and diluted common share. The negative results in the fourth quarter were responsible for the 2018 annual loss. This compares to a net income attributable to common shareholders of $165.9 million or $60.03 per basic and diluted common share for 2017. The corresponding net income attributable to common shareholders for the fourth quarter of 2017 was $491 or $0.29 per basic and diluted share. For the year, the US dollar strengthened against the Canadian dollar and the result was a currency translation gain of about $72.9 million from the net loss attributable to common shareholders. A large part of this gain, or about $44.2 million, was triggered in the fourth quarter. This amount is not reported in the Company's income statement rather it is reflected in its Comprehensive income. As a result the comprehensive loss attributable to common shareholders was ($67.2) million for the year.

The Company's income from equity investments in 2018 was the biggest contributor to the results. The net change in equity investments and other holdings including securities sold short and derivative liabilities totalled ($368.8) million in the current year versus $485.9 million in 2017.

Some of the largest holdings as at December 31, 2018 were, Marriot Vacations (VAC), Radware (RDWR), Mellanox Technologies (MLNX), Tower Semiconductors (TSEM), Northstar Realty Europe (NRE), Paramount Resources (POU), Seven Generations Energy (VII), and TrueCar (TRUE). (When the Company refers to its portfolio of holdings, the reference is to its aggregate portfolio including those in the funds that are consolidated into the accounts of the Company).

Our Canadian oil and gas exploration and production companies Paramount Resources ("POU") and Seven Generations Energy Ltd ("VII") were responsible for a vast chunk of the fourth quarter loss declining 53% and 28% respectively. The price of WTI dropped -36% in the quarter. WTI represents the most recognized, widely traded commodity against which condensate, a natural gas liquid, is generally benchmarked for pricing. Condensate and other natural gas liquids provide the majority of POU's revenue. While Alberta condensate historically has traded in line with WTI, starting in September wider differentials compared to WTI began to surface and then worsened into the fourth quarter. The wider differential appeared to stem from an unusual confluence of factors including transport bottlenecks; historically wide differentials between WTI and Canadian oil sands crude oil which resulted in a slowdown of Canadian oil sands production and in turn a decline in demand for condensate, which is used as a diluent for the heavy oil produced from oil sands; competition with U.S. condensate under purchase contracts with oil sands producers; and seasonal refinery shutdowns in the U.S., leading to a decline in demand for oil in general. Compounding the demand issues, condensate supply in Canada accelerated. The Alberta government then mandated short term production cuts on large oil producers in order to ease storage constraints and bring the market into balance. As a result, the desired-for impact on differentials began to take hold, with Western Canada Select – WTI differentials collapsing from an all-time low of -$50 in October to about -$16 by year end. Many market participants believe that the differential between Alberta condensate and WTI will stay around historical norms in 2019 as contracts for imported US condensate roll off; crude by rail initiatives aid in the growth of oil sands production; and as pipeline bottlenecks improve (for example, Enbridge Line 3 although delayed, expected to turn on sometime in 2020).

Analog semiconductor foundry Tower Semiconductor ("TSEM") lost -32% and was our biggest decliner outside of the resource industry. The stock faded during October in line with the Philadelphia Semiconductor Index ("SOX") until a sharp selloff at the end of October after TSEM reported financial results which missed analyst expectations and included a cut in guidance for the year. Management cited overall market softness coupled with a slower than expected ramp in new higher margin products which were supposed to replace lower margin business the company had elected to walk away from. We believe that management made the right decision with respect to its customer and product roadmap and expect that growth should resume in the years ahead.

A relatively new core holding in timeshare operator Marriot Vacations ("VAC") has become our biggest position. VAC is the exclusive worldwide developer, marketer, seller and manager of timeshare resorts under the brand names Marriott and Ritz-Carlton Destination Club. The company was spun out of Marriott International ("MAR") in November 2011 and in September 2018 completed a transformational merger with a former core holding, ILG, Inc ("ILG"). This merger added the Westin, Sheraton and Hyatt brands to create the largest portfolio of upper-upscale and luxury brands in the timeshare industry, in addition to the second largest exchange network in the world, Interval International. In late 2016, the merger of hotel giants MAR and Starwood Hotels & Resorts ("STWD"), likely catalyzed the VAC-ILG combination since the MAR-STWD merger created inefficient dynamics by having two competing, separate brand licensees in the timeshare business. For example, the MAR and STWD loyalty programs provide a valuable source of timeshare leads and after combining into one program, the rules of providing sales leads became more complicated. With a combined loyalty program of about 100 million members, on a unified basis with ILG, VAC now has a better opportunity to penetrate this customer base further as it has a combined membership of only about 2 million following the ILG deal.

Through our ownership of ILG we have gained an appreciation for the quality of the branded timeshare business. As opposed to the historical product which involved buying a fixed week at a specific resort, VAC sells "points" which can be used at any Marriott Vacations resort in a vast system. Timeshare customers can also transfer points into hotel stays, cruises or other entertainment options. This flexibility has helped nurture a satisfied customer base, which provides an efficient source of future sales for VAC, as existing customers typically represent ~50% of timeshare sales. While some may have a biased impression of the timeshare industry, we believe such a view is unfounded. The fact that existing customers comprise such a meaningful percentage of timeshare sales demonstrates the high customer satisfaction with the product.

Our opinion is the primary driver of weakness in VAC shares has been its perceived cyclicality, which we believe is misunderstood. Less than 20% of VAC's EBITDA is derived directly from selling timeshare to customers, with more recurring revenue from annual exchange fees, resort management fees, consumer financing and resort operations making up the remaining ~80%. VAC has also evolved to a less capital intensive business than in prior cycles, as it sources inventory on a "just in time" basis. These characteristics should make VAC's earnings more resilient than the market is pricing in and allow the company to prosper through business cycles.

Data center networking interconnect equipment provider Mellanox Technologies ("MLNX") was the best performing stock in the portfolio for the fourth quarter as it had a stock price gain of about +25%. CNBC reported that the company "...hired a financial advisor to explore a sale after receiving takeover interest from at least two companies." This report did not come as a total surprise given MLNX's leading technology and rapidly growing market share in the gigabit Ethernet interconnect market which it recently entered. Furthermore, we believe that MLNX would be attractive to a number of potential suitors.

At Senvest we have bought "bottoms" in the past in sectors such as technology, financials, and real estate. It is no easy task which requires conviction and stable capital, both of which we are fortunate to have. As Stan Druckenmiller, the legendary investor who we admire greatly recently said in a December 2018 Bloomberg interview, "I've never made a buy at a low that I didn't just feel terrible and scared to death making it". We have yet to see the payoff from our energy investments as the bottoming process can take longer than expected. We believe that our core holdings offer excellent risk-reward and upside potential through a combination of change and execution effected by management and rising revenues and earnings. Finally, as long time shareholders know, when we have conviction in our core holdings and their stock prices decline, we typically increase our ownership, which we believe can further augment the upside.

The Senvest Master Fund (Senvest Partners Fund) is focused primarily on small and mid-cap companies. The fund recorded a loss of -24.9% net of fees in the fourth quarter and a loss of -24.1% for the year. 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 also down but by a lower amount. The fund also underperformed the S&P 500 index for the year, but does not consider this 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 loss of -5.7% net of fees for the fourth quarter and was up 2.3% for the year (monthly results of both funds can be found on the Company's website). Effective January 1st, 2019, the Israel Fund broadened its geographic investment mandate to focus on global technology investments. To better reflect the evolving global complexion of its technology investments, the Israel Fund underwent a name change, and is now known as Senvest Technology Partners. After investing in Israel-related technology for 15 years, its holdings extend across the global technology universe. The Technology Fund will maintain the same investment philosophy and continue to leverage the existing diligence and understanding of global technology and end markets. The two funds had approximately $1.5 billion of net assets under management at December 31, 2018. Both of these funds are consolidated into the accounts of the Company.

The Company has a portfolio of real estate investments as at December 31, 2018. One part of this amount represents investments in different US REITs and partnerships. These REITs and partnerships 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 partnerships and the distribution to its holders. Also, there are minority interests in private entities whose main assets are real estate properties. As described above for the REITs and partnerships, the most likely scenario for a disposal of these holdings is an eventual sale of the underlying real estate properties.

The Company also has investment properties in lands and buildings. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties were remeasured at fair value, using the fair value model. The fair value is based on external valuations from third party valuators. Gains or losses arising from changes in fair value of investment properties will be included in the Company's net profit or loss. The Company acquired a majority of these properties pursuant to a business combination. The Company (the acquirer) purchased 100% of the voting and equity interests of Bogas Costa Del Sol SL, Globalbox Arganda SL, Globalbox Rivas SL and Coldstream SL (the acquirees) on January 16, 2017. The payment was cash consideration of approximately $9.9 million. The transaction was accounted for under the purchase method. The net assets of the acquired companies were valued at fair value and there was no resulting goodwill on the purchase. There was no contingent consideration nor any non-controlling interests that arose due to the transaction. In April 2018 all the aforementioned companies were merged into one legal entity called Coldstream SL.

The Company consolidates the Senvest Management LLC entity that serves as the investment manager of Senvest Partners and Senvest Israel Partners as well as the general partners of the funds. The portion of the expected residual returns of structured entities that do not belong to the Company is reflected as a non-controlling interest on the statement of financial position. This non-controlling interest is owned by an executive of the Company and totalled $104.8 million as at December 31, 2018 from $119.9 million as at December 31, 2017.

At the end of December 31, 2018, Senvest had total consolidated assets of $2,757.0 million versus $2,976.0 million at the end of 2017. Equity investments and other holdings decreased to $2,155.2 million from $2,533.2 million in December 2017. The Company purchased $2,143.8 million of investment holdings in the year and sold $2,315.8 million of such holdings. The Company's liabilities decreased to $1,787.5 million this year versus $1,912.6 million in 2017. The main contributor to this reduction was a $168.5 million decrease in securities sold short and derivative liabilities. The proceeds of securities sold short were $3,901.1 million and the amount of shorts covered was $4,061.9 million in the period. Both these figures were more than the corresponding amounts for the prior year. As a whole, the 2018 year has been more volatile than 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, 2018, the Company had 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 monetary 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 Company has foreign currency exposure to the Canadian dollar, the British pound sterling, the Euro, the Swedish krone, and the Israeli shekel.

Equity price risk

Equity price risk is the risk that the fair value of equity investments and other holdings and equities sold short and derivatives 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 securities 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 and derivatives 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.

Securities 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. In addition, the Company has entered into derivative financial instruments, which have a notional value greater than their fair value, which is recorded in the financial statements. This creates a risk that the Company could settle these instruments at a value greater or less than the amount that they have been recorded in the 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 derivatives is open-ended. The Company is subject to commercial margin requirements which act as a barrier to the open-ended risks of the securities sold short and derivatives. The Company closely monitors both its equity investments and other holdings and its equities sold short and derivatives.

The impact of a 30% change in the market prices of the Company's equity holdings with quoted value and derivatives, securities sold short and derivative liabilities as at December 31, 2018 would be as follows (in thousands):

	Fair value	Estimated fair value 30% price increase	Estimated fair value 30% price decrease
Equity investments and other holdings			
Listed equity securities and derivatives	1,949,989	2,534,985	1,364,993
Securities sold short and derivative liabilities	(675,468)	(878,108)	(472,828)
Pre-tax impact on net earnings		382,356	(382,356)

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 securities sold short and derivative liabilities, liability for redeemable units and some other payables 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 options and warrants to purchase or sell equities, equity indices and currencies, equity swaps, foreign currency forward contracts, and foreign currency futures contracts. These derivative instruments are marked to market. There is deemed to be no credit risk for futures and certain options that are traded on exchanges. The warrant contracts and certain options that are not traded on an exchange allow the company to purchase underlying equities at a fixed price. Equity swaps represent future cash flows that are agreed to be exchanged between the Company and counterparties at set dates in the future. Foreign currency forward contracts are contracts to buy or sell foreign currencies at a specified price at a future point in time.

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 total 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 net liabilities-to-capital ratio, which is as follows (in millions):

	December 31, 2018	December 31, 2017
Total net liabilities	$1,429.8	$1,612.6
Total equity	$969.4	$1,063.4
Net liabilities to capital ratio	1.47	1.52

The Company's goal is to maintain its net liabilities to capital ratio below 2.0 in order to limit the amount of risk. The Company defines its net liabilities to equal its total liabilities less its due from brokers. The Company believes that limiting its net liabilities to capital ratio in this manner is the best way to control risk. The Company's net liabilities to capital ratio was at 1.47 at the end of 2018 from 1.52 at the end of 2017.

Investment Risk

To the extent not discussed above, the Company is subject to additional risks with respect to the investments made.

The value of the Company's portfolio may decrease as well as increase, due to a variety of factors, including general economic conditions, and market factors. Additionally, investment decisions made by the Company may not always be profitable or prove to have been correct. Investment strategies, at any given time, may incur significant losses. Losses can occur for a number of reasons, including but not limited to, an overall decline in the underlying market, a lack of liquidity in the underlying markets, excessive volatility in a particular market, government intervention or monetary and/or fiscal policies of a specific region or country. The profitability of a significant portion of the Company's investments also depends to a great extent upon the Company's ability to correctly assess the future course of the price movements of securities and other investments. There can be no assurance that the Company will be able to accurately predict these price movements.

The Company's investment strategy is speculative and involves risk. The Company trades in options and other derivatives, as well as using short sales and utilizing leverage. The portfolio may not be diversified among a wide range of issuers or industries. In addition, the Company may take concentrated positions in its high conviction ideas, invest in high yield securities or invest in foreign markets outside the US and Canada. Accordingly, the investment portfolio may be subject to more rapid change in value than would be the case if the Company were required to maintain a wide diversification in the portfolios among industries, areas, types of securities and issuers.

The Company may make investments in the securities of high growth companies. More specifically, the Company may have significant investments in smaller-to-medium sized companies with market capitalizations of less than $2 billion US. While smaller companies may have potential for rapid growth, they often involve higher risks because they lack the management experience, financial resources, product diversification, and competitive strengths of larger corporations. These factors make smaller companies far more likely than their larger counterparts to experience significant operating and financial setbacks that threaten their short-term and long-term viability. In addition, in many instances, the frequency and volume of their trading is substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations and exiting investments in such securities at appropriate prices may be difficult, or subject to substantial delay. Furthermore, some of the portfolio may be invested in technology, technology-related markets and biotech. These types of companies may allocate greater than usual amounts to research and product development. The securities of such companies may experience above-average price movements associated with the perceived prospects of success of the research and development programs. Also, these companies could be adversely affected by lack of commercial acceptance of a new product or products or by technological change and obsolescence. Some of these companies may have limited operating histories. As a result, these companies may face undeveloped or limited markets, have limited products, have no proven profit-making history, operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses.

The Company tries to manage the above risks by monitoring its leverage, actively following its investee companies and trying to react to market conditions. At the same time the Company expects its portfolio to exhibit a higher degree of volatility than portfolios that invest in larger more stable companies and that invest within more defined limits. As at December 31, 2018, approximately 88% of the Company's portfolio was invested in Level 1 securities. The Company monitors its Level 1 securities as percentage of its total investments; however, it does not have a fixed number that this percentage cannot fall below.

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.

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), RIMA Senvest Master Fund GP LLC, and Senvest Technology Partners GP LLC., three 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 of Senvest Master Fund LP and Senvest Technology Partners GP LLC is the General Partner of Senvest Technology Partners Master Fund LP.

Management considers that the Company has control of Senvest Master Fund LP, Senvest Technology Partners Master

Fund 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 investment properties

The Company has adopted the fair value model in measuring its investment properties. The fair value of the investment properties is performed by external independent valuators located in the area of the properties. Inputs used in the property valuation models are based on appropriate assumptions that reflect the type of property and location. Management reviews the assumptions made and models used to ensure they correlate with their expectation and understanding of the market. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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 balance sheet 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 approximately 88% 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 over 6% of the total financial assets.

Financial instruments in Level 3

Investments classified in Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments consist 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 under 6% 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 annual valuations of the significant level 3 holdings are carried out externally. 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 2018, 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 and partnerships. 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 and partnerships, 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. Units may be redeemed as of the end of any calendar quarter; 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 60 days that must be given prior to any redemption. Senvest Cyprus Recovery Investment Fund LP has units that cannot be redeemed until December 2019. 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 (losses)	Net income (loss) – Common shareholders	Earnings (loss) Per share
2018-4	(428,534)	(152,197)	(56.19)
2018-3	21,225	2,478	0.92
2018-2	67,359	19,337	7.10
2018-1	23,331	(9,704)	(3.55)
2017-4	2,234	491	0.29
2017-3	236,284	74,964	27.10
2017-2	121,348	42,669	15.40
2017-1	129,106	47,843	17.24

CONTRACTUAL OBLIGATIONS

(In thousands)

	Less than 1 year	1-3 years	4-5 years	Total
Due to Brokers	6,480	-	-	6,480
Operating leases	1,276	2,512	2,326	6,114
Other commitments	22,371	-	-	22,371
Total	30,127	2,512	2,326	34,965

SELECTED ANNUAL INFORMATION

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

	2018	2017	2016
Total revenue and investment gains (loss)	(316,619)	488,972	335,828
Net income (loss) – common shareholders	(140,086)	165,967	96,783
Earnings (loss) per share	(51.72)	60.03	34.50
Total assets	2,756,970	2,976,026	2,563,217

The Company has had wide swings in profitability from quarter to quarter in the past two years, as seen above. The profit has fluctuated a significant amount quarter to quarter. The highest earning quarter showed a profit of over $70 million and the least profitable quarter had a loss of over $150 million. These wide swings are primarily due to the large quarterly mark to market adjustments in the Company's portfolio of public holdings. However, we expect the volatility and choppiness of the markets to result in wide profit swings from year to year and from quarter to quarter. Reference is made to the section on Investment risk above.

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 August 14, 2018, Senvest commenced a new normal course issuer bid to purchase a maximum of 70,000 of its own common shares until August 13, 2019. There were 51,100 shares repurchased during the year. The number of common shares outstanding as at December 31, 2018 was 2,688,624 and as at March 29, 2019 was 2,688,624. There were no stock options outstanding as at December 31 2018 and none have been issued since 2005.

The Company has financing with a bank, composed of a credit facility and a guarantee facility. 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. The Company also has margin facilities with brokers.

New and amended Accounting standards adopted in 2018

On January 1, 2018, the Company adopted IFRS 9, '*Financial Instruments*', which replaced IAS 39, '*Financial Instruments: Recognition and Measurement*' and IFRS 15, '*Revenue from Contracts with Customers*' which replaced IAS 18, '*Revenue*' and IAS 11, '*Construction Contracts'*.

Adoption of IFRS 9, 'Financial Instruments'

The adoption of IFRS 9 has not had a significant impact on the financial position or results of the Company. The Company applied IFRS 9 as at January 1, 2018 retrospectively in accordance with IAS 8, '*Accounting policies, Changes in Accounting Estimates and Errors*', taking into account certain exceptions provided by IFRS 9. The adoption of this standard resulted in changes in accounting policies and terminology but no adjustment to the amounts recognized in the consolidated financial statements.

The standard introduced new guidelines by which to classify and measure financial instruments. The guidelines focus the determination of classification on the nature of future cash flows and the Company's business model in which the financial instrument are evaluated and reported on. As in the past, the determining factor of classification for the Company's financial instruments has been their business model and as a result their classification has remained the same with some minor differences. Under IAS 39, the company designated its non-trading financial assets as through profit and loss. Under IFRS 9, unless the financial asset's contractual cash represent "Solely payments of principal and interest" and are held within a business model to primarily collect payments of principal and interest and or sell, the financial instrument will simply be classified as through profit and loss, therefore the designation is no longer required.

Adoption of IFRS 15, 'Revenue from Contracts with Customers'

The adoption of IFRS 15 has not had a significant impact on the financial positon or results of the Company. The Company applied IFRS 15 as at January 1, 2018 retrospectively in accordance with IAS 8, taking into account certain practical expedients provided by IFRS 15. The revenues of the Company within the scope of IFRS 15 'are not significant and as such, the adoption of this standard resulted in changes in accounting policies but no adjustment to the amounts recognized in the consolidated financial statements.

The standard 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.

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 standards and amendments are not mandatory for the December 31, 2018 reporting periods and the Company has not early adopted these standards and amendments.

- IFRS 16, '*Leases*', was published in January 2016 by the IASB. This standard will replace the current guidance in IAS 17, *Leases*, and three related interpretations, 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 the Company's annual periods beginning on January 1, 2019. As at December 31, 2018, the operating leases disclosed in note 20 to the consolidated financial statements are in scope with IFRS 16. The Company will adopt IFRS 16 on a modified retrospective basis whereby the adjustments will be recorded on January 1, 2019 without adjustments to prior periods. The Company has assessed the impact of this standard on its consolidated financial statements the results of which would as of January 1, 2019 create a right-of-use asset and a lease liability for approximately $6,000 to be presented on the consolidated statement of financial position. Starting from that date, lease expense will be substituted by depreciation of the right-of-use asset and interest expense on the lease liability and principal payments on the lease liability will be presented as financing cash outflows.

- IFRS 10, '*Consolidated Financial Statements*', and IAS 28, '*Investments in Associates and Joint Ventures*', were amended in 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.

Related party transactions

The Company consolidates the Senvest Management LLC entity that serves as the investment manager of Senvest Partners and Senvest Israel Partners as well as the general partners of the funds. The portion of the expected residual returns of structured entities that do not belong to the Company is reflected as a non-controlling interest on the statement of financial position. This non-controlling interest is owned by an executive of the Company and totalled $104.8 million as at December 31, 2018 from $119.9 million as at December 31, 2017.

Significant Equity Investments

For information on a summary of financial information from certain significant investees please refer to the 2018 annual report. The accounts of Senvest Partners, Senvest Technology 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", "think" 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, 2019 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 http://www.sedar.com/ the Company's website at www.senvest.com, as well the Company's or Senvest Management's U.S. SEC section 13 and other filings on www.sec.gov.

Victor Mashaal
Chairman of the Board and President

March 29, 2019

INTERNAL CONTROLS

Disclosure controls and procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified under those laws, and include controls and procedures that are designed to ensure that the information is accumulated and communicated to management, including Senvest's President and CEO and Vice-President and CFO, to allow timely decisions regarding required disclosure. As at December 31, 2018, management evaluated, under the supervision of and with the participation of the CEO and the CFO, the effectiveness of our disclosure controls and procedures, under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings. Based on that evaluation, the CEO and CFO concluded that our disclosure controls and procedures were effective as at December 31, 2018.

Internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting under National Instrument 52-109. Our internal control over financial reporting is a process designed under the supervision of the CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Management evaluated, under the supervision of and with the participation of the CEO and the CFO, the effectiveness of our internal control over financial reporting as at December 31, 2018, based on the criteria established in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, the CEO and CFO concluded that our internal control over financial reporting was effective as at December 31, 2018. There have been no changes during the year ended December 31, 2018 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

(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, 2018, and should be read in conjunction with the 2018 annual filings. Readers are also requested to 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, 2018 and December 31, 2017, 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, 2019

Independent Auditor's Report

To the Shareholders of Senvest Capital Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Senvest Capital Inc. and its subsidiaries (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of income (loss) for the years then ended;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

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

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jean-Luc Tremblay.

PricewaterhouseCoopers LLP[1]

Montréal, Quebec
March 29, 2019

[1] CPA auditor, CA, public accountancy permit No. A125840

Consolidated Statements of Financial Position

AS AT DECEMBER 31, 2018 AND 2017
(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	2018 $	2017 $
Assets			
Cash and cash equivalents	4	120,555	53,122
Restricted short-term investments	5(a)	462	460
Due from brokers	5(b)	357,754	299,996
Equity investments and other holdings	6	2,155,198	2,533,174
Investments in associates	7	20,479	12,681
Real estate investments	8	41,161	30,789
Investment properties	9	39,786	26,738
Income taxes receivable		12,116	13,771
Deferred income tax assets	12(b)	11	-
Other assets		9,448	5,295
Total assets		2,756,970	2,976,026
Liabilities			
Bank advances	5(a)	5,602	2,276
Trade and other payables	11	13,026	29,130
Due to brokers	5(b)	6,480	16,784
Securities sold short and derivative liabilities	6	748,964	917,511
Redemptions payable		5,755	10,265
Subscriptions received in advance		101,838	16,992
Income taxes payable		918	-
Deferred income tax liabilities	12(b)	25,782	43,485
Liability for redeemable units	10	879,184	876,198
Total liabilities		1,787,549	1,912,641
Equity			
Equity attributable to common shareholders			
Share capital	13	22,341	22,751
Accumulated other comprehensive income		194,938	122,019
Retained earnings		647,357	798,718
Total equity attributable to common shareholders		864,636	943,488
Non-controlling interest	17	104,785	119,897
Total equity		969,421	1,063,385
Total liabilities and equity		2,756,970	2,976,026

Approved by the Board of Directors

Victor Mashaal, Director

Frank Daniel, Director

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

Consolidated Statements of Income (Loss)

FOR THE YEARS ENDED DECEMBER 31 2018 AND 2017
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE DATA)

	Note	2018 $	2017 $
Revenue			
Interest income		15,991	6,972
Dividend income		10,755	16,715
Other income		1,250	2,504
		27,996	26,191
Investment gains (losses)			
Net change in fair value of equity investments and other holdings		(368,796)	485,893
Dividend expense on securities sold short		(6,186)	(10,775)
Net change in fair value of real estate investments		2,088	3,814
Net change in fair value of investment properties		2,379	1,345
Share of profit of associates	7	7,325	2,182
Foreign exchange gain (loss)		18,575	(19,678)
		(344,615)	462,781
Total revenue and net investment gains (losses)		(316,619)	488,972
Operating costs and other expenses			
Employee benefit expense		29,211	54,138
Interest expense		36,165	40,930
Transaction costs		13,572	12,037
Other operating expenses		15,287	14,748
		94,235	121,853
Change in redemption amount of redeemable units		(232,312)	146,030
Income (loss) before income tax		(178,542)	221,089
Income tax expense (recovery)	12(a)	(14,145)	23,284
Net income (loss) for the year		(164,397)	197,805
Net income (loss) attributable to:			
Common shareholders		(140,086)	165,967
Non-controlling interest		(24,311)	31,838
Earnings (loss) per share attributable to common shareholders			
Basic and diluted	14	(51.72)	60.03

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

Consolidated Statements of Comprehensive Income (Loss)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(IN THOUSANDS OF CANADIAN DOLLARS)

	2018 $	2017 $
Net income (loss) for the year	(164,397)	197,805
Other comprehensive income (loss)		
Currency translation differences	82,118	(66,014)
Comprehensive income (loss) for the year	(82,279)	131,791
Comprehensive income (loss) attributable to:		
Common shareholders	(67,167)	107,390
Non-controlling interest	(15,112)	24,401

Other comprehensive income (loss) includes currency translation differences arising from the Company's interest in foreign entities. Accumulated other comprehensive income (loss) arising from currency translation differences arising from the Company's interest in foreign entities will be reclassified to profit and loss upon the disposal of such entities. Currency translation differences arising from the translation of the parent company's consolidated financial statements' translation to the presentation currency will not be subsequently reclassified to profit and loss.

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

Consolidated Statements of Changes in Equity

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(IN THOUSANDS OF CANADIAN DOLLARS)

		Equity attributable to owners of the parent					
	Note	Share capital $	Accumulated other comprehensive income (loss) $	Retained earnings $	Total $	Non-controlling interests $	Total equity $
Balance – December 31, 2016		23,057	180,596	640,816	844,469	98,093	942,562
Net income for the year		-	-	165,967	165,967	31,838	197,805
Other comprehensive loss		-	(58,577)	-	(58,577)	(7,437)	(66,014)
Comprehensive income (loss) for the year		-	(58,577)	165,967	107,390	24,401	131,791
Repurchase of common shares	13	(306)	-	(8,065)	(8,371)	-	(8,371)
Distributions to non-controlling interests		-	-	-	-	(2,597)	(2,597)
Balance – December 31, 2017		22,751	122,019	798,718	943,488	119,897	1,063,385
Net loss for the year		-	-	(140,086)	(140,086)	(24,311)	(164,397)
Other comprehensive income		-	72,919	-	72,919	9,199	82,118
Comprehensive income (loss) for the year		-	72,919	(140,086)	(67,167)	(15,112)	(82,279)
Repurchase of common shares	13	(410)	-	(11,275)	(11,685)	-	(11,685)
Balance – December 31, 2018		22,341	194,938	647,357	864,636	104,785	969,421

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

Consolidated Statements of Cash Flows

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(IN THOUSANDS OF CANADIAN DOLLARS)

	Note	2018 $	2017 $
Cash flows provided by (used in)			
Operating activities			
Net income (loss) for the year		(164,397)	197,805
Adjustments for non-cash items	15(a)	104,266	(348,261)
Purchase of equity investments and other holdings held for trading		(2,143,846)	(1,552,882)
Purchase of securities sold short and derivative liabilities		(4,061,860)	(2,568,067)
Proceeds on sale of equity investments and other holdings held for trading		2,315,794	1,808,257
Proceeds from securities sold short and derivative liabilities		3,901,138	2,626,988
Dividends and distributions received from real estate investments		9,663	8,199
Changes in working capital items	15(b)	(58,060)	(165,844)
Net cash provided by (used in) operating activities		(97,302)	6,195
Investing activities			
Transfers to restricted short-term investments		36	(32)
Purchase of real estate investments		(14,869)	(2,561)
Purchase of investment properties		(9,909)	(7,630)
Purchase of equity investments and other holdings at fair value through profit or loss		(60,149)	(12,457)
Proceeds on sale of equity investments and other holdings at fair value through profit or loss		13,228	21,949
Proceeds from investments in associates		972	1,106
Acquisition of subsidiaries, net of cash acquired	18	-	(9,658)
Net cash used in investing activities		(70,691)	(9,283)
Financing activities			
Distributions paid to non-controlling interests		-	(2,597)
Increase in bank advances		2,970	1,863
Repurchase of common shares		(11,685)	(8,371)
Proceeds from issuance of redeemable units		265,950	123,954
Amounts paid on redemption of redeemable units		(29,536)	(83,137)
Net cash provided by financing activities		227,699	31,712
Increase in cash and cash equivalents during the year		59,706	28,624
Effect of changes in foreign exchange rates on cash and cash equivalents		7,727	(2,480)
Cash and cash equivalents – Beginning of year		53,122	26,978
Cash and cash equivalents – End of year	4	120,555	53,122
Amounts of cash flows classified in operating activities:			
Cash paid for interest		38,853	40,412
Cash paid for dividends on securities sold short		6,401	10,699
Cash received on interest		14,859	5,482
Cash received on dividends		9,301	13,831
Cash paid for income taxes		4,599	34,528

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

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

1 General information

Senvest Capital Inc. (the "Company") was incorporated under Part I of the *Canada Corporations Act* on November 20, 1968 under the name Sensormatic Electronics Canada Limited, and was continued under the *Canada Business Corporations Act* under the same name effective July 23, 1979. On April 21, 1991, the Company changed its name to Senvest Capital Inc. The Company and its subsidiaries hold investments in equity and real estate holdings that are located predominantly in the United States. The Company's head office and principal place of business is located at 1000 Sherbrooke Street West, Suite 2400, Montréal, Quebec H3A 3G4. The Company's shares are traded on the Toronto Stock Exchange under the symbol "SEC". Refer to note 17 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). Certain comparative figures have been reclassified to conform with the presentation of the Consolidated Financial Statements for the current year. These reclassifications had no impact on the Company's profit or loss or total assets and liabilities.

The Board of Directors (Board) approved these consolidated financial statements for issue on March 29, 2019.

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.

New and amended accounting standards adopted in 2018

On January 1, 2018, the Company adopted IFRS 9, '*Financial Instruments*', which replaced IAS 39, '*Financial Instruments: Recognition and Measurement*' and IFRS 15, '*Revenue from Contracts with Customers*' which replaced IAS 18, '*Revenue*' and IAS 11, '*Construction Contracts*'.

Adoption of IFRS 9, 'Financial Instruments'

The adoption of IFRS 9 has not had a significant impact on the financial position or results of the Company. The Company applied IFRS 9 as at January 1, 2018 retrospectively in accordance with IAS 8, '*Accounting policies, Changes in Accounting Estimates and Errors*', taking into account certain exceptions provided by IFRS 9. The adoption of this standard resulted in changes in accounting policies and terminology but no adjustment to the amounts recognized in the consolidated financial statements.

The standard introduced new guidelines by which to classify and measure financial instruments. The guidelines focus the determination of classification on the nature of future cash flows and the Company's business model in which the financial instruments are evaluated and reported on. As in the past, the determining factor of classification for the Company's financial instruments has been their business model and as a result their classification has remained the same with some minor differences. Under IAS 39, the company designated its non-trading financial assets as through profit and loss. Under IFRS 9, unless the financial asset's contractual cash represent "Solely payments of principal and interest" and are held within a business model to primarily collect payments of principal and interest and or sell, the financial instrument will simply be classified as through profit and loss, therefore the designation is no longer required. The table below demonstrates the impact on the classification of financial instruments in these financial statements whereby previously designated financial instruments are now classified as financial instruments at fair value through profit and loss with a subcategory of "Other". Financial assets previously classified as Loans and receivables are currently classified under the category of "Financial assets at amortized cost".

Financial instrument classification prior to the adoption of IFRS 9	**Financial instrument classification after adoption of IFRS 9**
	Financial assets at fair value through profit or loss
Financial assets held for trading	Held for trading
Equity securities	Equity securities
Debt securities	Debt securities
Derivative financial assets	Derivative financial assets
Financial assets designated as fair value through profit or loss	Financial assets at fair value through profit or loss
	Other
Equity securities	Equity securities
Unlisted equity securities	Unlisted equity securities
Debt securities	Debt securities
Private investments	Private investments
Loans and receivable	Financial assets at amortized cost
Financial liabilities held for trading	Financial liabilities held for trading
Equity holdings sold short	Equity holdings sold short
Debt securities	Debt securities
Derivative liabilities	Derivative liabilities

Adoption of IFRS 15, 'Revenue from Contracts with Customers'

The adoption of IFRS 15 has not had a significant impact on the financial positon or results of the Company. The Company applied IFRS 15 as at January 1, 2018 retrospectively in accordance with IAS 8, taking into account certain practical expedients provided by IFRS 15. The revenues of the Company within the scope of IFRS 15 'are not significant and as such, the adoption of this standard resulted in changes in accounting policies but no adjustment to the amounts recognized in the consolidated financial statements.

The standard 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.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities at fair value through profit or loss, including derivative instruments, which have been measured at fair value, and investment properties, which are measured at fair value.

Consolidation

Business Combinations

The acquisition method of accounting is used to account for all business combinations. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The company recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred. The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

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.

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.

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 (loss). 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 (loss).

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 (loss). In accordance with 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 Technology Partners Master Fund, L.P. (formerly Senvest Israel Partners Master Fund, L.P.) and Senvest Cyprus Recovery Investment Partners, L.P. Fund (collectively the Funds or individually a Fund) that are not owned by the Company. Senvest Master Fund, L.P. and Senvest Technology Partners Master Fund, L.P. units may be redeemed as of the end of any calendar quarter; 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 Technology Partners Master Fund, L.P. In addition, there are notice periods of 60 days that must be given prior to any redemption. Senvest

Cyprus Recovery Investment Partners, L.P. Fund has units that cannot be redeemed until December 31, 2019. 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 (loss) and comprehensive income (loss) 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 (loss).

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

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 loss 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 loss related to the foreign operation are recognized in net income (loss). 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 loss 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 loss 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 assets and liabilities

Classification and measurement

IFRS 9 requires a principles-based approach to the classification of financial assets based on an entity's business models and the financial asset's contractual cash flow characteristics. Business models are determined on initial application of IFRS 9 and reassessed periodically and contractual cash flows characteristics are assessed to determine whether they are "Solely payments of principal and interest" (SPPI).

Financial assets, including hybrid contracts, are be classified as either amortized cost, fair value through other comprehensive income (FVOCI), or the residual classification of fair value through profit and loss (FVTPL).

Financial assets with cash flow that are SPPI and are held within a business model where the objective is to hold the financial assets in order to collect contractual cash flows ("Hold to collect" business model) are measured at amortized cost.

Financial assets with cash flow that are SPPI and are held within a business model where the dual objective is to hold the financial assets in order to collect contractual cash flows and selling financial assets ("Hold to collect and sell" business model) are measured at FVOCI.

Financial assets with cash flow that are SPPI but are not held within the "Hold to collect" or "Hold to collect and sell" business models are measured at FVTPL.

Financial assets that do not meet the SPPI conditions are measured at FVTPL.

Equity investments held for trading are classified as FVTPL. For all other equity investments that are not held for trading, the Company, on initial recognition, may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (loss). This election is made on an investment-by-investment basis.

Financial liabilities are measured at amortized cost unless they must be measured at fair value through profit or loss (such has instruments held for trading or derivatives) or if the Company elects to measure them at fair value through profit or loss.

The Company assess its business models individually at the level of the subsidiaries and the associated companies. Information that is considered in determining the business models includes policies and objectives for the financial instrument held in each entity, how risk and performance is measured at the entity level and reported to management and expected future events for the financial instrument with respect to valuation, holding period and selling. All of the group entities' financial assets are managed on a fair value basis with the exception of bank balances and short-term trade receivables. The Company does not hold any long-term financial assets with the intent of solely collecting payments of principal and interest or collecting such payments and selling the assets.

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 (loss). The carrying value of these instruments is fair value, which approximates the amount that would be received or paid if the derivative were to be transferred to a market participant 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 managed as fair value through profit or loss

Financial assets managed as fair value through profit or loss are financial instruments that are not classified as held for trading but form part of a portfolio that is managed and whose 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 way 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 (loss).

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 (loss) 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 (loss) as dividend income when the company's right to receive payment is established. Interest on debt securities at fair value through profit or loss is recognized in the consolidated statement of income (loss) in interest income based on the contractual rate on an accrual basis. Dividend expense from equities sold short is recognized in the consolidated statement of income (loss) as dividend expense on equities sold short.

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 and unconditional 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.

Financial assets at amortized cost

Classification

Financial assets at amortized cost are non-derivative financial assets with cash flows that are "solely from the payment of principal and interest" (SPPI) and that are managed under a "held to collect" business model.

The company's financial assets at amortized cost consist of cash and cash equivalents, restricted short-term investment and due from brokers, as well as loans to employees, which are included in other assets.

Recognition and measurement

At initial recognition, the Company measures its financial assets at its fair value plus transactions costs incurred. The amortized cost is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts the estimated future cash receipt through the expected life of the financial asset to the gross carrying amount of a financial asset. The calculation does not consider expected credit losses and includes transaction costs premiums or discounts and fees paid that are integral to the effective interest rate, such as origination fees.

When the Company revises the estimate of future cash flows, the carrying amount of the respective financial asset is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets.

Financial liabilities at amortized cost

Classification

The Company's financial liabilities at amortized cost are non-derivative liabilities that comprise bank advances, trade and other payables, due to brokers, redemptions payable, subscriptions received in advance and liability for redeemable units.

Recognition 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, and subsequently at amortized cost using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability to the amortized cost of a financial liability. The calculation includes transaction costs that are integral to the effective interest rate.

When the Company revises the estimate of future cash flows, the carrying amount of the respective financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Impairment

IFRS 9 introduces a new impairment model that requires the recognition of expected credit losses on all financial assets at amortized cost or at fair value through other comprehensive income (loss) (other than equity instruments) as well as any loan commitments and guarantees. The expected credit loss must also consider forward looking information to recognize impairment allowances earlier in the lifecycle of a financial asset.

IFRS 9 introduces a three-stage approach to impairment as follows:

Stage 1 The recognition of 12 month expected credit losses (ECL), that is the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, if credit risk has not

Stage 2 Lifetime expected credit losses for financial instruments for which credit risk has increased significantly since initial recognition; and

Stage 3 Lifetime expected credit losses for financial instruments which are credit impaired

Substantially all of the Company's financial assets at amortized cost are short-term assets and from sources with low credit risk. The Company will continue to monitor its financial assets measured at amortized cost and counterparty risk.

Hedging

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.

The Company did not enter any hedge arrangements and as such does not apply the hedging requirements from IFRS 9.

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.

Investment properties

Investment properties are properties held to earn rental income and/or for capital appreciation and are not occupied by the Company. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Changes in fair values are recognized in the consolidated statement of income (loss) as part of net change in fair value of investment properties in the period in which they arise.

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 (loss) 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 (loss). 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 on debt financial assets measured at amortized cost or fair value through other comprehensive income is recognized using the effective interest method. It includes interest income from cash and cash equivalents.

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.

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 (loss).

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 (loss) 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 currently does not have any dilutive instruments.

Accounting standards and amendments issued but not yet adopted

The Company presents the developments that are relevant to its activities and transactions. The following revised standards and amendments are not mandatory for the December 31, 2018 reporting periods and the Company has not early adopted these standards and amendments.

- IFRS 16, '*Leases*', was published in January 2016 by the IASB. This standard will replace the current guidance in IAS 17, *Leases*, and three related interpretations, 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 the Company's annual periods beginning on January 1, 2019. As at December 31, 2018, the operating leases disclosed in note 20 to the consolidated financial statements are in scope with IFRS 16. The Company will adopt IFRS 16 on a modified retrospective basis whereby the adjustments will be recorded on January 1, 2019 without adjustments to prior periods. The Company has assessed the impact of this standard on its consolidated financial statements the results of which would as of January 1, 2019 create a right-of-use asset and a lease liability for approximately $6,000 to be presented on the consolidated statement of financial position. Starting from that date, lease expense will be substituted by depreciation of the right-of-use asset and interest expense on the lease liability and principal payments on the lease liability will be presented as financing cash outflows.

- IFRS 10, '*Consolidated Financial Statements*', and IAS 28, '*Investments in Associates and Joint Ventures*', were amended in 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.

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 fiscal 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 16 for risk sensitivity information for the Company's financial instruments.

Fair value of investment properties

The Company has adopted the fair value model in measuring its investment properties. The fair value of the investment properties is performed by external independent knowledgeable valuators located in the area of the properties. Inputs used in the property valuation models are based on appropriate assumptions that reflect the type of property and location. Management reviews the assumptions made and models used to ensure they correlate with their expectation and understanding of the market.

Changes in assumptions about these factors could affect the reported fair value of investment properties.

Refer to note 9 for risk sensitivity information for the Company's investment properties.

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 the Company to have *de facto control* of Senvest Management L.L.C. (RIMA), RIMA Senvest Master Fund GP, L.L.C., and Senvest Technology Partners GP, L.L.C. three 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 sub-advisory services, the Company is entitled to receive 60% of the management and incentive fees earned by RIMA each fiscal year.

Management considers the Company to have control of Senvest Master Fund, L.P., Senvest Technology Partners, Master Fund L.P. (formerly Senvest Israel Master Fund L.P.) and Senvest Cyprus Recovery Investment Fund, 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

	2018 $	2017 $
Cash on hand and on deposit	117,587	44,302
Short-term investments	2,968	8,820
	120,555	53,122

5 Credit facilities and due from and due to brokers

a) Credit facilities

Bank advances

In 2014, 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, 2018, $5,602 was outstanding (2017 – $2,276). The excess of overdraft amount of $2,602 was repaid on January 2, 2019. 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 EUR 450 thousand guarantee facility (2017 – EUR 450 thousand) to issue standby letters of credit. A fee of 1.00% 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. As at December 31, 2018, no standby letters of credit were outstanding; however, the Company has provided a $462 (2017 – $460) 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. As at December 31, 2018 and 2017, the Company had 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, 2018 and 2017, 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, 2018, listed equity securities and due from brokers amounting to $2,290,774 have been pledged as collateral (2017 – $2,615,157). 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 from and due to brokers balances are presented on a net basis by broker in the consolidated statement 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.

			2018
	Gross amounts due from brokers $	Gross amounts due to brokers $	Net amount $
Due from brokers	602,012	244,258	357,754
Due to brokers	19,054	25,534	(6,480)

			2017
	Gross amounts due from brokers $	Gross amounts due to brokers $	Net amount $
Due from brokers	440,284	140,288	299,996
Due to brokers	1,279	18,063	(16,784)

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

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

Equity investments and other holdings

	Note	2018 $	2017 $
Assets			
Financial assets at fair value through profit or loss			
Held for trading			
Equity securities		1,930,810	2,313,472
Debt securities		92,931	62,598
Derivative financial assets	6(a)	29,588	85,728
		2,053,329	2,461,798
Financial assets at fair value through profit or loss			
Other			
Equity securities		2,329	2,143
Unlisted equity securities		8,110	8,811
Debt securities		6,948	-
Private investments	6(b)	84,482	60,422
		2,155,198	2,533,174
Current portion		2,053,329	2,461,798
Non-current portion		101,869	71,376

Securities sold short and derivative liabilities

	Note	2018 $	2017 $
Liabilities			
Financial liabilities			
Held for trading			
Securities sold short			
Listed equity securities (proceeds of $768,378; 2017 – $803,845)		637,121	892,203
Debt securities (proceeds of $71,025; 2017 – $15,644)		69,275	15,696
Derivative financial liabilities (proceeds of $390; 2017 – $130)	6(a)	42,568	9,612
		748,964	917,511

(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, equity swaps, foreign currency forward contracts and foreign currency futures contracts. 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 swaps, options, warrants, rights, foreign currency futures contracts, foreign currency forward contracts and swaps and options sold short included in equity investments and other holdings or securities sold short and derivative liabilities:

				As at December 31, 2018	For the year ended December 31, 2018
	Notional value $	Fair value of derivative financial assets $	Notional value $	Fair value of derivative financial liabilities $	Net change in fair value $
Equity swaps	148,986	16,775	66,955	37,843	(39,840)
Equity options	4,229	75	9,660	504	6,829
Warrants and rights	39,382	12,738	–	–	731
Foreign currency options	–	–	–	–	(32)
Foreign currency futures contracts	193,000	–	–	4,221	(14,418)
Foreign currency forward contracts	–	–	–	–	(3,715)
	385,597	29,588	76,615	42,568	(50,445)

				As at December 31, 2017	For the year ended December 31, 2017
	Notional value $	Fair value of derivative financial assets $	Notional value $	Fair value of derivative financial liabilities $	Net change in fair value $
Equity swaps	245,124	78,844	81,184	7,304	46,859
Equity options	1,380	781	2,202	148	511
Warrants and rights	3,476	705	–	–	656
Foreign currency options	65,234	31	–	–	(283)
Foreign currency futures contracts	186,000	5,367	–	–	14,786
Foreign currency forward contracts	–	–	200,720	2,160	(2,316)
	501,214	85,728	284,106	9,612	60,213

b) 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 following have been included in the consolidated financial statements using the equity method.

	2018 $	2017 $
Grant and Geary Partners LP(i)	19,128	11,965
Other immaterial associates	1,351	716
	20,479	12,681
The Company's share of:		
Net income and comprehensive income		
Grant and Geary Partners LP(i)	6,271	1,545
Other immaterial associates	1,054	637
	7,325	2,182

i) Grant & Geary Partners LP is a limited partnership in which the company has an approximate 28.5% economic interest in the underlying property, which is commercial real estate property held in the United States. The Company's share of Grant & Geary Partners LP's assets and liabilities are approximately 28.5% of assets totalling $87,284 (2017 – 62,433) and liabilities totalling $20,139 (2017 –20,450)

Commitments, contingent liabilities and borrowing arrangements of associates

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

8 Real estate investments

Real estate investments comprise the following:

	Note	2018 $	2017 $
Financial assets at fair value through profit or loss			
Investments in private entities	8(a)	19,467	17,630
Investments in real estate income trusts and partnerships	8(b)	21,694	13,159
		41,161	30,789
Non-current portion		41,161	30,789

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.

b) These real estate investments are in US real estate income trusts (commonly referred to as REITs) and partnerships. 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 and partnerships. The most likely scenario for a disposal of these holdings is an eventual sale of the underlying real estate properties of the REITs and partnerships and the distribution to their holders.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

9 Investment properties

	Note	2018 $	2017 $
Opening balance as at January 1		26,738	1,874
Acquired through a business combination		-	15,482
Purchases		8,494	-
Capitalized subsequent expenditure		1,416	7,630
Net gain from fair value adjustment		2,379	1,345
Currency translation adjustments		759	407
Closing balance as at December 31		39,786	26,738
Non-current portion		39,786	26,738

a) Amounts recognized in profit or loss for investment properties

	2018 $	2017 $
Rental income	3,599	2,770
Direct operating expenses from property that generated rental income	2,939	2,168
Direct operating expenses from property that does not generate rental income	1,163	937
Net change in fair value of investment properties	2,379	1,345

b) Contractual obligations

Refer to note 20 for disclosure of contractual obligations to purchase, construct or develop investment property or for repairs, maintenance and enhancements.

c) Leasing arrangements

The investment properties are leased to tenants under short-term month-to-month operating leases with rentals payable monthly.

d) Fair value measurements

Investment properties are measured at fair value in these consolidated financial statements. Assumptions and estimates are made in determining the fair values of the investment properties. Based on the source of the inputs used in determining the fair value, the Company has classified its investment properties in Level 3 of the fair value hierarchy (a description of the levels is provided in note 16). There was no transfers between levels for recurring fair value measurements of investment properties during the years ended December 31, 2018 and 2017.

i) Valuation techniques used to determine Level 3 fair values

The Company obtains independent valuations for its investment properties annually. At the end of each reporting period, the managers update their assessment of the fair value of each property, taking into account the most recent independent valuations. The managers determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active markets for similar properties. Where such information is not available the independent valuators consider information from a variety of sources including:

- current prices in active markets for similar properties in similar markets and in less active market, adjusted to reflect those differences;
- discounted cash flow projections based on reliable estimates of future cash flows; and
- capitalized income projections based upon a property's estimated net market income, and a capitalization rate derived from an analysis of market evidence.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

ii) Fair value measurements using significant unobservable inputs (Level 3)

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring Level 3 fair value measurement. See (i) above for the valuation technique adopted.

Description	Fair value 2018 $	Valuation technique	Significant unobservable inputs	Weighted average input	Reasonably possible shifts +/–	Change in value $
Leased buildings and land – Storage facilities	39,786	Comparable sales approach	Value/m^2	1,144	10%	+/-4,000

Description	Fair value 2017 $	Valuation technique	Significant unobservable inputs	Weighted average input $	Reasonably possible shifts +/–	Change in value $
Leased buildings – Storage facilities	26,738	Comparable sales approach	Value/m^2	1,100	10%	+/-2,700

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

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

	Assets (liabilities) at fair value through profit or loss				2018
	Held for trading $	Other $	Financial Assets at amortized cost $	Financial liabilities at amortized cost $	Total $
Assets (liabilities) as per consolidated statement of financial position					
Cash and cash equivalents	-	-	120,555	-	120,555
Restricted short-term investments	-	-	462	-	462
Due from brokers	-	-	357,754	-	357,754
Equity investments and other holdings	2,053,329	101,869	-	-	2,155,198
Real estate investments	-	41,161	-	-	41,161
Other assets*	-	-	4,420	-	4,420
Bank advances	-	-	-	(5,602)	(5,602)
Trade and other payables	-	-	-	(13,026)	(13,026)
Due to brokers	-		-	(6,480)	(6,480)
Securities sold short and derivative liabilities	(748,964)	-	-	-	(748,964)
Redemptions payable	-	-	-	(5,755)	(5,755)
Subscriptions received in advance	-	-	-	(101,838)	(101,838)
Liability for redeemable units	-	-	-	(879,184)	(879,184)
	1,304,365	143,030	483,191	(1,011,885)	918,701
Amounts recognized in consolidated statement of income					
Net change in fair value	(368,990)	(350)	-	-	(369,340)
Interest income (expense)	15,477	68	453	(36,020)	(20,022)
Net dividend income	4,195	374	-	-	4,569
	(349,318)	92	453	(36,020)	(384,793)

* Includes other financial receivables but excludes capital assets and other non-financial assets.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

					2017
	Assets (liabilities) at fair value through profit or loss				
	Held for trading $	Other $	Financial Assets at amortized cost $	Financial liabilities at amortized cost $	Total $
Assets (liabilities) as per consolidated statement of financial position					
Cash and cash equivalents	-	-	53,122	-	53,122
Restricted short-term investments	-	-	460	-	460
Due from brokers	-	-	299,996	-	299,996
Equity investments and other holdings	2,461,798	71,376	-	-	2,533,174
Real estate investments	-	30,789	-	-	30,789
Other assets*	-	-	1,767	-	1,767
Bank advances	-	-	-	(2,276)	(2,276)
Trade and other payables	-	-	-	(29,130)	(29,130)
Due to brokers	-	-	-	(16,784)	(16,784)
Securities sold short and derivative liabilities	(917,511)	-	-	-	(917,511)
Redemptions payable	-	-	-	(10,265)	(10,265)
Subscriptions received in advance	-	-	-	(16,992)	(16,992)
Liability for redeemable units				(876,198)	(876,198)
	1,544,287	102,165	355,345	(951,645)	1,050,152
Amounts recognized in consolidated statement of income					
Net change in fair value	455,939	33,768	-	-	489,707
Interest income (expense)	6,650	30	324	(40,917)	(33,913)
Net dividend income	4,902	1,038	-	-	5,940
	467,491	34,836	324	(40,917)	461,734

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

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

Notes to Consolidated Financial Statements

11 Trade and other payables

	2018 $	2017 $
Trade payables	684	1,008
Employee benefits accrued	4,283	13,946
Mortgages	3,524	4,448
Interest payable	2,044	4,482
Other	2,491	5,246
	13,026	29,130

Mortgages of $3,524 (2017 – $4,448) are on investment properties acquired through a business combination. The terms of the mortgages range from four to seven years and bear interest rates of 0.8% to 1.0%. Investment properties of $25,735 (2017 – $15,413) are pledged as collateral against the mortgages.

12 Income taxes

a) Income tax expense

	2018 $	2017 $
Current tax		
Current tax on income for the year	8,791	24,296
Adjustments in respect of prior years	(2,510)	45
	6,281	24,341
Deferred tax		
Origination and reversal of temporary differences	(20,426)	1,660
Changes in deferred tax rates	-	(2,717)
	(20,426)	(1,057)
	(14,145)	23,284

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

The tax on the Company's income before income tax differs from the theoretical amount that would arise using the federal and provincial statutory tax rate applicable to income of the consolidated entities. The statutory tax rate for 2018 decreased from 26.8% to 26.7% (2017 – from 26.9% to 26.8%). This decrease is in line with Quebec's tax rate reduction from 11.8% to 11.7%. The difference between the Company's income tax and theoretical tax is as follows:

	2018 $	2017 $
Income (loss) before income tax	(178,542)	221,089
Income tax expense (recovery) based on statutory rate of 26.7% (2017 – 26.8%)	(47,671)	59,251
Prior year adjustments	(516)	(544)
Difference in tax rate	3,863	6,698
Change in deferred tax rates	-	(2,717)
Portion of income (loss) recoverable in hands of non-controlling interests	5,933	(8,717)
Non-taxable dividend	(604)	(956)
Non-taxable portion of capital gains	9,568	(15,126)
Non-deductible expenses	77	72
Foreign exchange	15,172	(14,555)
Unrecognized deferred income tax assets	473	191
Other	(440)	(313)
Income tax expense (recovery)	(14,145)	23,284

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

	2018 $	2017 $
Deferred income tax assets		
Deferred tax assets to be recovered		
After more than 12 months	11	-
Within 12 months	-	-
Deferred income tax assets	11	-
Deferred income tax liabilities		
Deferred tax liabilities to be settled		
After more than 12 months	25,782	43,485
Within 12 months	-	-
Deferred income tax liabilities	25,782	43,485

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

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.

Deffered income tax assets	Equity investments and other holdings $	Investments in associates $	Real estate investments $	Tax loss carry-forward $	Total $
As at December 31, 2016	1,399	-	230	1,049	2,678
Charged to consolidated statement of income	(671)	-	(140)	(1,014)	(1,825)
Foreign exchange differences	(69)	-	(11)	(35)	(115)
As at December 31, 2017	659	-	79	-	738
Charged to consolidated statement of income	1,407	6,495	706	1,015	9,623
Foreign exchange differences	132	344	44	-	520
As at December 31, 2018	2,198	6,839	829	1,015	10,881

Deffered income tax liabilities	Equity investments and other holdings $	Investments in associates $	Real estate investments $	Investment properties $	Other $	Total $
As at December 31, 2016	2,903	36,999	1,701	-	8,674	50,277
Charged (credited) to consolidated statement of income	2,145	5,875	47	-	(8,198)	(131)
Effect of tax rate changes	(801)	(1,876)	(40)	-	-	(2,717)
Foreign exchange differences	(236)	(2,566)	(112)	-	(292)	(3,206)
As at December 31, 2017	4,011	38,432	1,596	-	184	44,223
Charged (credited) to consolidated statement of income	(1,395)	(10,224)	(723)	1,015	516	(10,811)
Foreign exchange differences	277	2,818	102	-	43	3,240
As at December 31, 2018	2,893	31,026	975	1,015	743	36,652

Deferred income tax assets for temporary differences totalling $9,584 (2017 – $8,518), non-expiring capital loss carry-forwards totalling $9,837 (2017 – $9,628) and non-expiring operating loss carry-forwards of $6,012 (2017–$9,534) have not been recognized in the consolidated financial statements. Deferred income tax assets of $1,015 not recognized at the time of a business combination have been recognized in 2018 and recorded against deferred income tax liability of $1,015 resulting from unrealized gains on investment properties.

Deferred income tax liabilities have not been recognized on unremitted earnings totalling $84,950 as at December 31, 2018 (2017 – $69,754) 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 the foreseeable future.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

13 Share capital

Authorized
Unlimited number of common shares, without par value

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

	2018		2017	
	Number of shares	Amount $	Number of shares	Amount $
Balance – Beginning of year	2,739,724	22,751	2,777,824	23,057
Shares repurchased	(51,100)	(410)	(38,100)	(306)
Balance – End of year	2,688,624	22,341	2,739,724	22,751

In 2018, the Company began a normal course issuer bid to purchase a maximum of 70,000 of its own common shares before August 13, 2019. In 2018, the Company purchased 51,100 common shares (2017 – 38,100) for a total cash consideration of $11,685 (2017 – $8,370. 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 2018 and 2017.

14 Earnings per share

a) Basic

	2018	2017
Net income (loss) attributable to common shareholders	$(140,086)	$165,967
Weighted average number of outstanding common shares	2,708,761	2,764,851
Basic earnings (loss) per share	(51.72)	60.03

b) Diluted

For the years ended December 31, 2018 and 2017, there were no dilutive instruments.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

15 Supplementary information to consolidated statements of cash flows

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

	Note	2018 $	2017 $
Net change in fair value of equity investments and other holdings		368,796	(485,893)
Net change in fair value of real estate investments		(2,088)	(3,814)
Net change in fair value of investment properties		(2,379)	(1,345)
Share of profit (loss) of associates, adjusted for distributions received		(7,325)	(2,182)
Change in redemption amount of redeemable units		(232,312)	146,030
Deferred income tax	12(a)	(20,426)	(1,057)
		104,266	(348,261)

b) Changes in working capital items are as follows:

	Note	2018 $	2017 $
Decrease (increase) in			
Due from brokers		(29,942)	(125,233)
Income taxes receivable		2,716	(14,256)
Other assets		(3,789)	72
Increase (decrease) in			
Trade and other payables		(16,737)	12,300
Due to brokers		(11,180)	(37,516)
Income taxes payable		872	(1,211)
		(58,060)	(165,844)

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

16 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 exposes 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, 2018, the Company has listed equity securities of $1,933,139 (2017 – $2,315,615). It can sell these securities to reduce its floating rate debt. As at December 31, 2018, a 1% (2017 – 1%) increase or decrease in interest rates, with all other variables remaining constant, would impact interest expense by approximately $121 over the next 12 months (2017 – $191).

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

	2018	2017
Cash and cash equivalents	Between nil and 2.5%	Between nil and 1.0%
Restricted short-term investments	Between 0.50% and 0.60%	Between 0.30% and 0.50%
Debt securities	Between 0.75% and 12.5%	Between 1.016% and 12.0%
Loans to employees	Non-interest bearing	Non-interest bearing
Credit facilities		
Bank advances	Prime rate plus 0.25%	Prime rate plus 0.25%
Guarantee facility	1.0%	1.0%
Trade and other payables	Non-interest bearing	Non-interest bearing
Due to brokers	0.00% to 2.15%	0.00% to 1.17%
Mortgages	0.8% to 1.0%	0.80% to 1.0%

The Company holds held for trading financial assets in debt securities $92,931 (2017 – $62,598) and held for trading financial liabilities in debt securities of $69,275 (2017 – 15,696).

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. 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.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

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

	2018	
	Financial assets Held for trading Debt securities $	Financial liabilities Held for trading Debt securities $
An increase of 100 basis points in the yield to maturity	(2,681)	5,830
A decrease of 100 basis points in the yield to maturity	2,848	(6,469)

	2017	
	Financial assets Held for trading Debt securities $	Financial liabilities Held for trading Debt securities $
An increase of 100 basis points in the yield to maturity	(1,846)	931
A decrease of 100 basis points in the yield to maturity	1,944	(914)

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:

				2018
	Financial assets $	Financial liabilities $	Net exposure $	Net effect of a 10% increase or decrease $
Canadian dollar	1,334	(185,650)	(184,316)	(18,432)
British pound sterling	1,712	-	1,712	171
Euro	18,245	(5,037)	13,208	1,321
Swedish Krone	-	(6,998)	(6,998)	(700)
Israeli shekel	321	(6,681)	(6,360)	(636)
	21,612	(204,366)	(182,754)	(18,276)

				2017
	Financial assets $	Financial liabilities $	Net exposure $	Net effect of a 10% increase or decrease $
Canadian dollar	816	(134,497)	(133,681)	(13,368)
British pound sterling	-	(816)	(816)	(82)
Euro	1,356	(6,959)	(5,603)	(560)
Swedish Krone	-	(2,456)	(2,456)	(246)
Israeli shekel	-	(11,091)	(11,091)	(1,109)
	2,172	(155,819)	(153,647)	(15,365)

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

Equity price risk

Equity price risk is the risk that the fair value of equity investments and other holdings and equities sold short and derivatives 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 and derivatives are based on quoted market prices as at the consolidated statement of financial position date. Changes in the market price of quoted securities and derivatives 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.

Securities 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. In addition, the Company has entered into derivative financial instruments which have a notional value greater than their fair value which is recorded in the consolidated financial statements. This information is disclosed in note 6(a) to these consolidated financial statements. This creates a risk that the Company could settle these instruments at a value greater or less than the amount that they have been 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 derivatives is open-end0ed. The Company is subject to commercial margin requirements which act as a barrier to the open-ended risks of the equities sold short and derivatives. The Company closely monitors both its equity investments and other holdings and its equities sold short and derivatives.

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

		2018	
	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 and derivatives	1,949,989	2,534,985	1,364,993
Equities sold short and derivative liabilities	(675,468)	(878,108)	(472,828)
Pre-tax impact on net income		382,356	(382,356)

		2017	
	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 and derivatives	2,395,241	3,113,813	1,676,668
Equities sold short and derivative liabilities	(899,655)	(1,169,551)	(629,758)
Pre-tax impact on net income		448,676	(448,676)

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

The Company is exposed to credit risk from cash and cash equivalents, due from broker and debt investments. Credit risk arising from funds held at financial institutions are managed by only investing with financial institutions with a minimum A rating. The Company manages its credit risk exposure from debt securities by closely monitoring the debt issuer and the ratings issued by various bond rating agencies. All debt security investments are measured at fair value through profit or loss are traded over stock exchanges therefore exiting a position with increased risk is relatively easy if the credit worthiness of an issuer falls below the company's threshold for credit risk exposure.

Credit ratings are presented using Standard & Poor's rating scale as follows:

Financial assets	Rating	2018 $	2017 $
Cash and cash equivalents	A	120,555	53,122
Restricted short-term investments	A	462	460
Due from brokers	A	357,754	299,996
Debt securities	B-	4,592	5,304
Debt securities	CCC and below	88,339	57,294

Counterparties without external credit rating	2018 $	2017 $
Loans to employees*	-	127

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

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, derivative liabilities and liability for redeemable units as at the consolidated statement of financial position date mature or are expected to be repaid within one year (2017 – 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 net debt-to-capital ratio. Net liabilities used in the net debt-to-capital ratio is calculated by subtracting the due from broker balances from total liabilities. The net debt-to-capital ratio is as follows:

	2018	2017
Net total liabilities	$1,429,795	$1,612,645
Total equity	$969,421	$1,063,385
Debt-to-capital ratio	1.47	1.52

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

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); and

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.

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, 2018 and 2017:

				2018
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Assets				
Financial assets at fair value through profit or loss				
Held for trading				
Equity securities	1,929,381	1,429	–	1,930,810
Debt securities	–	92,931	–	92,931
Derivative financial assets	–	29,588	–	29,588
Other				
Equity securities	2,014	8,425	84,482	94,921
Debt securities	–	2,824	4,124	6,948
Real estate investments	–		41,161	41,161
	1,931,395	135,197	129,767	2,196,359
Liabilities				
Financial liabilities				
Held for trading				
Equity holdings sold short	637,121	–	–	637,121
Debt securities	–	69,275	–	69,275
Derivative liabilities	4,221	38,347	–	42,568
	641,342	107,622	–	748,964

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

				2017
	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Financial assets at fair value through profit or loss				
Held for trading				
Equity securities	2,303,077	10,395	-	2,313,472
Debt securities	-	50,029	12,569	62,598
Derivative financial assets	5,367	80,361	-	85,728
Other				
Equity securities	2,133	8,821	60,422	71,376
Real estate investments	-	-	30,789	30,789
	2,310,577	149,606	103,780	2,563,963
Liabilities				
Financial liabilities				
Held for trading				
Equity holdings sold short	892,203	-	-	892,203
Debt securities	-	15,696	-	15,696
Derivative liabilities	-	9,612	-	9,612
	892,203	25,308	-	917,511

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

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

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, debt securities 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, 2018 and 2017, 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 and partnerships. 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 and partnerships, 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 the subsequent distribution to the holders.

The following tables present the changes in Level 3 instruments:

			2018
	Real estate investments $	Unlisted securities $	Total $
As at December 31, 2017	30,789	72,991	103,780
Transferred out of Level 3 i)	-	(30,626)	(30,626)
Purchases ii)	14,869	56,209	71,078
Sales proceeds	-	(13,556)	(13,556)
Distributions	(9,663)	(252)	(9,915)
Gains (losses) recognized in net income			
On financial instruments held at end of year	2,088	(3,545)	(1,457)
On financial instruments disposed of during the year	-	540	540
Currency translation adjustments	3,078	6,845	9,923
As at December 31, 2018	41,161	88,606	129,767

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

			2017
	Real estate investments $	Unlisted securities $	Total $
As at December 31, 2016	35,938	43,108	79,046
Transferred out of Level 3	(1,078)	-	(1,078)
Purchases	2,561	25,412	27,973
Sales proceeds	-	(21,111)	(21,111)
Distributions	(8,199)	-	(8,199)
Gains (losses) recognized in net income			
On financial instruments held at end of year	3,814	18,430	22,244
On financial instruments disposed of during the year	-	11,132	11,132
Currency translation adjustments	(2,247)	(3,980)	(6,227)
As at December 31, 2017	30,789	72,991	103,780

i. During the year the company's private holdings in equity securities and convertible debt in the internet services industry were transferred out of level 3 pursuant to public offerings. The fair value of these investments became available through quotes prices from the active markets they traded in and were reclassified to level 1 prior to being sold.

ii. During the year the company made three investments in private holdings in the financial and biotechnology industries totaling $55,288. There is no established market for these holdings. The most likely disposal of these investments is through a disposition or a listing of these holdings on a public stock exchange.

(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, 2018.

Description	Fair value (rounded) 2018 $	Valuation technique	Significant unobservable inputs	Weighted average input	Reasonably possible shifts +/–	Change in value $
			Average change in indices	-1.15%	50%	+/-40
Unlisted private equity holdings Pharmaceuticals – Equity securities	13,500	Comparable company approach	Median change in benchmark market cap	-33.94%	10%	+/-190
Unlisted private equity holdings Pharmaceuticals – Convertible Pref	27,300	Recent Transaction	none	-	-	-
		Comparable company approach	Average market cap/BV	1.44	10%	+/-1,900
Unlisted private equity holdings Financial services	28,000	Recent Transaction	none	-	-	-
		Comparable	Revenue estimate	$24.911M	$1M	+/-500
Unlisted private equity holdings		company	Revenue multiple	1.83	10%	+/-700
Food and beverage	14,000	approach	EBITA multiple	12.74	10%	+/-600
		Comparable company approach	YTM	41.043%	20%	+/-45
Unlisted private equity holdings			Revenue estimate	$1.280M	$.250M	+/-100
Software developers		Black Scholes	Revenue Multiple	4.69	10%	+/-100
– Convertible bonds	3,000	option pricing	Volatility	37.66%	20%	+/-35
Unlisted private equity holdings		Comparable company	Revenue estimate	$92.550M	$5M	+/-40
Other	2,800	approach	Revenue multiple	0.89	10%	+/-75
REITs and partnerships	9,700	Discounted cash flows	Discount rate	8.0%-18.2%	The REITs and partnerships 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	4.5%-8.5%		
			Discounted cash flow term	5-10 years		
			Rental growth rate	0%-10%		
	12,000	Recent transactions	none	-	-	-
Real estate investments in private entities	19,500	Capitalization model	Rate of return	7.0%	1.0%	+2,300 -1,700

(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, 2017.

Description	Fair value (rounded) 2017 $	Valuation technique	Significant unobservable inputs	Weighted average input	Reasonably possible shifts +/–	Change in value $
		Comparable company approach	Enterprise value/users vs Revenue/users	Number of users EV/User	10M 10%	+/-400 +/-700
Unlisted private equity holdings Internet services – Equity securities	29,700	Recent transaction	none	-	-	-
Unlisted private equity holdings Internet services – Convertible bonds	12,600	Black-Scholes option pricing Comparable debt method	Share price Yield to maturity	0.38 8.08%	10% 10%	+/-15 +/-255
Unlisted private equity holdings Pharmaceuticals	13,200	Recent Transaction	none	-	-	-
		Comparable company approach	Revenue estimate Revenue multiple	$17,000 2.31	$1M 10%	+/-100 +/-100
Unlisted private equity holdings Food and beverage	11,000	Recent transaction	none	-	-	-
Unlisted private equity holdings Software developers	4,000	Recent transaction	none	-	-	-
Unlisted private equity holdings Other	2,400	Comparable company approach	Revenue estimate Revenue multiple	$80.57M 1.56	$1M 10%	+/-15 +/-100
REITs	14,500	Discounted cash flows	Discount rate Capitalization rate Discounted cash flow term Rental growth rate	7.0%-12% 5.0%-9.0% 10-13 years (12.0)%-39.10%	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	16,300	Capitalization model	Rate of return	7.0%	1.0%	+2,200 -1,600

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)

17 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, 2018 and 2017. The principal operating subsidiaries and structured entities and their activities are as follows.

Name	Country of incorporation	% Interest held		Nature of business
		2018	2017	
Senvest Global (KY) L.P.	Cayman Islands	100	100	Investment company
Senvest Global L.P.	United States	100	100	Investment company
RIMA Senvest Master Fund GP, L.L.C.	United States	-	-	General partner of Senvest Master Fund, L.P.
Senvest Technology Partners GP, L.L.C.	United States	-	-	General partner of Senvest Technology Partners Master Fund 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	45	Investment fund
Senvest Technology Partners Master Fund, L.P.	Cayman Islands	53	53	Investment fund
Senvest Cyprus Recovery Investment Fund, L.P.	Cayman Islands	73	73	Investment fund
Punto Box SL	Spain	-	100	Real estate
Bogas Costa Del Sol, SL	Spain	-	100	Real estate
Global Box Arganda, SL	Spain	-	100	Real estate
Global Box Rivas, SL	Spain	-	100	Real estate
Coldstream SL	Spain	100	-	Real estate

The total non-controlling interest for the year is a loss of $15,112 (2017 – gain of $24,401), which is mostly attributed to Senvest Management L.L.C. The change in redemption amount of liability for redeemable units for the year is a decrease of $232,312 (2017 – an increase of $146,030), all of which is attributed to the Funds.

In 2018, the entities Punto Box SL, Bogas Costa Del Sol, SL, Global Box Arganda, SL, Global Box Rivas, SL amalgamated to form Coldstream SL.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

Set out below is the summarized financial information for each subsidiary that has non-controlling interest (NCI) that is material to the group. The amounts disclosed are before inter-company eliminations.

Summarized balance sheets	Senvest Management L.L.C.	
	2018 $	2017 $
Assets	96,954	113,027
Liabilities	7,087	8,994
Net assets	89,867	104,033
Accumulated NCI	89,867	104,033

The participation owned by the parent company is reflected as a liability in the subsidiary's financial statements.

Summarized statements of comprehensive income (loss)	2018 $	2017 $
Revenue and net investment gains (losses)	(9,698)	37,269
Expenses	12,969	14,866
Net income (loss)	(22,667)	22,403
Other comprehensive income (loss)	8,250	(4,773)
Comprehensive income (loss)	(14,417)	17,630
Net income (loss) allocated to NCI	(22,667)	22,403

The participation allocated to the parent company is reflected as a part of the statement of income (loss) in the subsidiary's financial statements.

	2018 $	2017 $
Distribution paid to NCI	-	2,597

Summarized statements of cash flows	2018 $	2017 $
Cash used in operating activities	(1,902)	4,609
Cash used in financing activities	-	(2,597)
Net increase (decrease) in cash and cash equivalents	(1,902)	2,012

No guarantees or collateral were provided to the subsidiaries and structured entities except for the guarantee of an operating lease of Senvest Management L.L.C. The amounts in question have been included in the Company's commitments in note 20(a). The Company is not liable for any other contingent liabilities arising in its subsidiaries and structured entities and will not settle any other liabilities on their behalf.

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

18 Acquisition of a subsidiaries

On January 16, 2017, the Company acquired the remaining share capital of Bogas Costa Del Sol SL, Global Box Arganda SL, Global Box Rivas SL and Coldstream SL. Prior to the acquisition on January 16, 2017, the Company owned as an investment in real estate an interest of 10% in each of the entities acquired. These companies are all incorporated in Spain and are engaged in the short-term rental of storage facilities. The purchase price paid for all four entities was a cash consideration of $9,658. There is no contingent consideration. The transaction was accounted for under the purchase method. The net assets of the acquired companies were valued at fair value, and there was no resulting goodwill on the purchase. The related debt against the investment properties as at December 31, 2017 totaled $4,448 and has been included as part of trade and other payables on the consolidated Statement of Financial Position.

Details of the assets and liabilities recognized as a result of the acquisition are as follows:

	Fair value $
Cash and cash equivalents	104
Investment properties	15,482
Other assets	670
Trade and other payables	(502)
Mortgages	(5,018)
Net identifiable assets acquired	10,736
Less: Pre-held interest	1,078
Net assets acquired	9,658

The acquired businesses contributed revenues of $2,770 and net loss of $330 to the statement of income (loss) for the period from January 16, 2017 to December 31, 2017.

19 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 CFO. The compensation paid or payable to key management for employee services is as follows:

	2018 $	2017 $
Salaries and other short-term employee benefits	7,681	13,121
Post-employment benefits – Defined contribution	27	39
	7,708	13,160

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 in 2018 totals $86,727 (2017 – $103,454).

(IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED)

20 Commitments

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

	$
2019	1,276
2020	1,349
2021	1,163
2022	1,163
2023	1,163
Thereafter	952

b) As required by certain of the Company's equity investments and other holdings, the Company has capital commitments of $13,323.

c) As required by certain of the Company's real estate investments, the Company has capital commitments of $9,048.

21 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:

2018	United States $	Canada $	European Union $	Argentina $	Other $	Total $
Revenue						
Interest income	12,543	1,184	2,261	–	3	15,991
Dividend income	7,573	1,422	671	216	873	10,755
Other income	106	442	702	–	–	1,250

2017	United States $	Canada $	Great Britain $	Rest of European Union $	Argentina $	Other $	Total $
Revenue							
Interest income	5,450	485	–	1,037	–	–	6,972
Dividend income	3,366	7,450	255	846	1,133	3,665	16,715
Other income	903	470	–	1,131	–	–	2,504

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 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.
1 Place Ville-Marie
Suite 3000
Montreal (Quebec) H3B 4N8

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

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

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