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November 7, 2017

# **2017 UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three and nine months ended September 30, 2017

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# Information Services Corporation

## Consolidated Statements of Financial Position

As At

September 30,

December 31,

| (thousands of CAD dollars, unaudited)             | Note | 2017              | 2016              |
|---------------------------------------------------|------|-------------------|-------------------|
| <b>Assets</b>                                     |      |                   |                   |
| Current assets                                    |      |                   |                   |
| Cash                                              | 4    | \$ 38,571         | \$ 33,533         |
| Short-term investments                            | 5    | 300               | 150               |
| Trade and other receivables                       | 6    | 5,716             | 4,727             |
| Income tax recoverable                            |      | 438               | 1,518             |
| Asset held for sale                               | 11   | 9,073             | -                 |
| Prepaid expenses                                  |      | 1,747             | 1,872             |
| Total current assets                              |      | 55,845            | 41,800            |
| Non-current assets                                |      |                   |                   |
| Deferred tax asset                                | 13   | 34,259            | 40,472            |
| Property, plant and equipment                     | 8    | 4,468             | 5,402             |
| Intangible assets                                 | 9    | 24,025            | 24,495            |
| Goodwill                                          | 10   | 23,645            | 13,141            |
| Investment in associate                           | 11   | -                 | 6,011             |
| <b>Total assets</b>                               |      | <b>\$ 142,242</b> | <b>\$ 131,321</b> |
| <b>Liabilities</b>                                |      |                   |                   |
| Current liabilities                               |      |                   |                   |
| Accounts payable and accrued liabilities          | 12   | \$ 16,144         | \$ 14,425         |
| Operating loan                                    | 15   | 10,000            | -                 |
| Long-term debt – current portion                  | 15   | 1,500             | 1,500             |
| Income tax payable                                |      | 168               | -                 |
| Deferred revenue                                  |      | 761               | 438               |
| Total current liabilities                         |      | 28,573            | 16,363            |
| Non-current liabilities                           |      |                   |                   |
| Other long-term liability                         | 20   | 691               | -                 |
| Deferred revenue                                  |      | 19                | 19                |
| Deferred tax liability                            | 13   | 3,569             | 3,683             |
| Long-term debt                                    | 15   | 20,810            | 21,935            |
| Total non-current liabilities                     |      | 25,089            | 25,637            |
| <b>Shareholders' equity</b>                       |      |                   |                   |
| Share capital                                     | 17   | 19,955            | 19,955            |
| Equity settled employee benefit reserve           | 14   | 950               | 599               |
| Accumulated other comprehensive income            |      | 393               | -                 |
| Retained earnings                                 |      | 67,282            | 68,767            |
| Total shareholders' equity                        |      | 88,580            | 89,321            |
| <b>Total liabilities and shareholders' equity</b> |      | <b>\$ 142,242</b> | <b>\$ 131,321</b> |

See Note 22 for Commitments and Contingencies

See accompanying Notes

# Information Services Corporation

## Consolidated Statements of Comprehensive Income

| (thousands of CAD dollars, unaudited)                                               | Note | Three Months Ended September 30, |                 | Nine Months Ended September 30, |                  |
|-------------------------------------------------------------------------------------|------|----------------------------------|-----------------|---------------------------------|------------------|
|                                                                                     |      | 2017                             | 2016            | 2017                            | 2016             |
| Revenue                                                                             | 19   | \$ 23,862                        | \$ 22,894       | \$ 70,004                       | \$ 67,174        |
| Expenses                                                                            |      |                                  |                 |                                 |                  |
| Wages and salaries                                                                  |      | 8,612                            | 6,613           | 24,889                          | 19,793           |
| Information technology services                                                     |      | 2,621                            | 2,444           | 8,085                           | 7,169            |
| Depreciation and amortization                                                       | 8, 9 | 1,685                            | 1,819           | 5,714                           | 5,475            |
| Occupancy costs                                                                     |      | 1,310                            | 1,268           | 3,997                           | 3,708            |
| Professional and consulting services                                                |      | 1,296                            | 1,702           | 3,801                           | 3,957            |
| Cost of goods sold                                                                  |      | 952                              | 729             | 2,764                           | 2,807            |
| Financial services                                                                  |      | 410                              | 401             | 1,553                           | 1,851            |
| Project initiatives                                                                 |      | 860                              | 1,448           | 1,819                           | 3,513            |
| Other                                                                               |      | 422                              | 430             | 1,535                           | 1,408            |
| Net income before items noted below                                                 |      | 5,694                            | 6,040           | 15,847                          | 17,493           |
| Finance expense (income)                                                            |      |                                  |                 |                                 |                  |
| Interest income                                                                     | 4    | (88)                             | (65)            | (197)                           | (188)            |
| Interest expense                                                                    |      | 303                              | 143             | 629                             | 435              |
| Net finance expense                                                                 |      | 215                              | 78              | 432                             | 247              |
| Share of (profit) in associate                                                      | 11   | (200)                            | (479)           | (610)                           | (729)            |
| Change in contingent consideration                                                  |      | -                                | 1,000           | -                               | 1,000            |
| Income before tax                                                                   |      | 5,679                            | 5,441           | 16,025                          | 16,975           |
| Income tax expense                                                                  | 13   | 3,823                            | 1,631           | 7,010                           | 4,391            |
| <b>Net income</b>                                                                   |      | <b>\$ 1,856</b>                  | <b>\$ 3,810</b> | <b>\$ 9,015</b>                 | <b>\$ 12,584</b> |
| <b>Other comprehensive (income) loss</b>                                            |      |                                  |                 |                                 |                  |
| Items that may be subsequently reclassified to net income                           |      |                                  |                 |                                 |                  |
| Unrealized loss (gain) on translation of financial statements of foreign operations |      | 66                               | -               | (430)                           | -                |
| Change in fair value of marketable securities (net of tax)                          |      | (9)                              | -               | 37                              | -                |
| Other comprehensive (income) loss for the period                                    |      | 57                               | -               | (393)                           | -                |
| <b>Total comprehensive income</b>                                                   |      | <b>\$ 1,799</b>                  | <b>\$ 3,810</b> | <b>\$ 9,408</b>                 | <b>\$ 12,584</b> |
| <b>Earnings per share (\$ per share)</b>                                            |      |                                  |                 |                                 |                  |
| <b>Total, basic</b>                                                                 | 16   | <b>\$ 0.11</b>                   | <b>\$ 0.22</b>  | <b>\$ 0.52</b>                  | <b>\$ 0.72</b>   |
| <b>Total, diluted</b>                                                               | 16   | <b>\$ 0.11</b>                   | <b>\$ 0.22</b>  | <b>\$ 0.51</b>                  | <b>\$ 0.72</b>   |

See accompanying Notes

# Information Services Corporation

## Consolidated Statements of Changes in Equity

| (thousands of CAD dollars, unaudited) | Note | Retained Earnings | Share Capital    | Accumulated Other Comprehensive Income | Equity Reserve | Total            |
|---------------------------------------|------|-------------------|------------------|----------------------------------------|----------------|------------------|
| Balance at January 1, 2016            |      | \$ 67,264         | \$ 19,955        | \$ -                                   | \$ 223         | \$ 87,442        |
| Net income                            |      | 12,584            | -                | -                                      | -              | 12,584           |
| Stock option expense                  | 14   | -                 | -                | -                                      | 280            | 280              |
| Dividend declared                     |      | (10,500)          | -                | -                                      | -              | (10,500)         |
| Balance at September 30, 2016         |      | \$ 69,348         | \$ 19,955        | \$ -                                   | \$ 503         | \$ 89,806        |
| Balance at January 1, 2017            |      | \$ 68,767         | \$ 19,955        | \$ -                                   | \$ 599         | \$ 89,321        |
| Net income                            |      | 9,015             | -                | -                                      | -              | 9,015            |
| Other comprehensive income            |      | -                 | -                | 393                                    | -              | 393              |
| Stock option expense                  | 14   | -                 | -                | -                                      | 351            | 351              |
| Dividend declared                     |      | (10,500)          | -                | -                                      | -              | (10,500)         |
| <b>Balance at September 30, 2017</b>  |      | <b>\$ 67,282</b>  | <b>\$ 19,955</b> | <b>\$ 393</b>                          | <b>\$ 950</b>  | <b>\$ 88,580</b> |

See accompanying Notes

# Information Services Corporation

## Consolidated Statements of Cash Flows

|                                                                     |      | Three Months Ended September 30, |                  | Nine Months Ended September 30, |                  |
|---------------------------------------------------------------------|------|----------------------------------|------------------|---------------------------------|------------------|
| (thousands of CAD dollars, unaudited)                               | Note | 2017                             | 2016             | 2017                            | 2016             |
| <b>Operating</b>                                                    |      |                                  |                  |                                 |                  |
| Net income                                                          |      | \$ 1,856                         | \$ 3,810         | \$ 9,015                        | \$ 12,584        |
| Add: Charges not affecting cash                                     |      |                                  |                  |                                 |                  |
| Depreciation                                                        | 8    | 338                              | 444              | 1,118                           | 1,350            |
| Amortization                                                        | 9    | 1,347                            | 1,375            | 4,596                           | 4,125            |
| Foreign exchange (gain)                                             |      | (3)                              | -                | (44)                            | -                |
| Income tax expense recognized in net income                         |      | 3,823                            | 1,631            | 7,010                           | 4,391            |
| (Gain) on disposal of property, plant and equipment                 |      | (1)                              | -                | (1)                             | -                |
| Recovery of MARS project expenses                                   | 9    | 58                               | 58               | 174                             | 174              |
| Net finance expense                                                 |      | 215                              | 78               | 432                             | 247              |
| Stock option expense                                                | 14   | 142                              | 109              | 351                             | 280              |
| Share of (profit) in associate                                      |      | (200)                            | (479)            | (610)                           | (729)            |
| Net change in non-cash working capital                              | 21   | 2,594                            | 1,707            | 2,745                           | (241)            |
| Income tax paid                                                     |      | 558                              | (655)            | (264)                           | (2,068)          |
| <b>Net cash flow provided by operating activities</b>               |      | <b>10,727</b>                    | <b>8,078</b>     | <b>24,522</b>                   | <b>20,113</b>    |
| <b>Investing</b>                                                    |      |                                  |                  |                                 |                  |
| Interest received                                                   |      | 88                               | 65               | 197                             | 188              |
| Cash received on disposal of property, plant and equipment          |      | 2                                | -                | 3                               | 1                |
| Additions to property, plant and equipment                          |      | (64)                             | (97)             | (158)                           | (830)            |
| Additions to intangible assets                                      |      | (57)                             | (633)            | (258)                           | (4,270)          |
| Net cash outflow on acquisition in subsidiary                       | 20   | -                                | -                | (14,612)                        | -                |
| Net cash outflow on investment in associate                         | 11   | -                                | (300)            | (2,451)                         | (1,505)          |
| <b>Net cash flow used in investing activities</b>                   |      | <b>(31)</b>                      | <b>(965)</b>     | <b>(17,279)</b>                 | <b>(6,416)</b>   |
| <b>Financing</b>                                                    |      |                                  |                  |                                 |                  |
| Interest paid                                                       |      | (231)                            | (143)            | (590)                           | (388)            |
| Repayment of long-term debt                                         |      | -                                | (375)            | (1,125)                         | (1,125)          |
| Drawdown of operating loan                                          |      | -                                | -                | 10,000                          | -                |
| Dividend paid                                                       |      | (3,500)                          | (3,500)          | (10,500)                        | (10,500)         |
| <b>Net cash flow provided by (used in) financing activities</b>     |      | <b>(3,731)</b>                   | <b>(4,018)</b>   | <b>(2,215)</b>                  | <b>(12,013)</b>  |
| Effects of exchange rate changes on cash held in foreign currencies |      | (1)                              | -                | 10                              | -                |
| Increase in cash                                                    |      | 6,964                            | 3,095            | 5,038                           | 1,684            |
| Cash, beginning of period                                           |      | 31,607                           | 35,010           | 33,533                          | 36,421           |
| <b>Cash, end of period</b>                                          |      | <b>\$ 38,571</b>                 | <b>\$ 38,105</b> | <b>\$ 38,571</b>                | <b>\$ 38,105</b> |

See accompanying Notes

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

### 1 STATUS OF THE COMPANY

Information Services Corporation (“ISC” or the “Company”) was created by Order in Council as Saskatchewan Land Information Services Corporation, a Saskatchewan provincial Crown corporation, on January 1, 2000, pursuant to *The Crown Corporations Act, 1993* (Saskatchewan). On November 1, 2000, the Company’s name was changed by Order in Council to Information Services Corporation of Saskatchewan.

On May 30, 2013, *The Information Services Corporation Act* (the “ISC Act”) was proclaimed and resulted in *The Crown Corporations Act, 1993* (Saskatchewan) ceasing to apply to the Company. The Company was continued under *The Business Corporations Act* (Saskatchewan) as Information Services Corporation, a corporation with share capital.

On July 9, 2013, the Company became publicly listed on the Toronto Stock Exchange (“TSX”) under the symbol “ISV”. The Company is a provider of registry and information services and is the exclusive provider of the Land Titles Registry, Land Surveys Directory, Geomatics, Personal Property Registry and Corporate Registry (collectively, the “Registries”) in Saskatchewan. The registered office of the Company is 300 - 10 Research Drive, Regina, Saskatchewan, S4S 7J7.

The Company owns 100 per cent of ESC Corporate Services Ltd. (“ESC”), a leading technology-enabled corporate services provider. ESC is incorporated under the *Business Corporations Act* (Ontario) and provides services to law firms, corporations, financial institutions and others to fulfill a wide variety of clients’ public records due diligence, filings and corporate supply requirements in connection with public business registries in Canada and certain other countries. ESC has offices in Toronto, ON, and Montreal, QC.

On January 23, 2017, the Company acquired all of issued and outstanding common shares of Enterprise Registry Solutions Ltd. (“ERS”). Headquartered in Dublin, Ireland, ERS is a provider of registry technology solutions and expertise, specializing in the implementation and support of systems related to the corporate registry domain. Its registry solutions support registries in Europe, North America and Asia. This acquisition enhances ISC’s core registry offering by adding leading registry technology solutions and consultancy services. The Company completed the transaction with \$14.3 million<sup>1</sup> of the purchase price paid on closing of the transaction and up to €5.0 million in additional consideration contingent on the retention of existing leadership and realization of future business (see Note 20).

At September 30, 2017, the Company also owned 30.1 per cent of Dye & Durham Corporation (“Dye & Durham”), through its wholly owned subsidiary, ISC Enterprises Inc. (“ISC Ent”). Dye & Durham is a comprehensive supplier of worldwide registry and legal support services in Canada with its head office based in Vancouver, BC. On October 5, 2017, the Company sold its 30.1 per cent ownership stake in Dye & Durham for \$25.0 million cash (see Notes 11 and 23).

<sup>1</sup> Consists of \$14.0 million of cash and debt, and \$0.3 million in foreign currency gain on euros held in advance of, and up to, the closing date.

## 2 BASIS OF PRESENTATION

### Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, using accounting policies that are consistent with International Financial Reporting Standards (“IFRS”). Therefore, they do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Company’s most recent audited annual consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS.

These unaudited condensed consolidated interim financial statements have been prepared following the same accounting policies and methods of computation as the year-end financial statements for the Company for the year ended December 31, 2016, as described in Note 3 of the December 31, 2016, consolidated financial statements, except for the impact of the adoption of new policies and the Standards and Interpretations as described below in Note 3. The significant estimates and assumptions in determining the value of assets and liabilities and the significant judgments in applying accounting policies are the same as those applied in the Company’s consolidated financial statements for the year ended December 31, 2016.

These unaudited condensed consolidated interim financial statements were authorized by the Audit Committee of the ISC Board of Directors for issue on November 7, 2017.

### Basis of measurement

The unaudited condensed consolidated interim financial statements have been prepared on a going concern basis using historical cost except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

### Functional and presentation currency

These unaudited condensed consolidated interim financial statements are presented in Canadian dollars (“CAD”), which is the functional currency of the parent company.

### Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its wholly owned significant operating subsidiaries: ISC Saskatchewan Inc. (“ISC Sask”), ISC Ent, ESC, and ERS. All intragroup assets and liabilities, equity, income, expenses and cash flows are eliminated in full on consolidation.

### Use of estimates and judgments

The preparation of the unaudited condensed consolidated interim financial statements, in conformity with IFRS, requires management to make estimates and underlying assumptions and judgments that affect the accounting policies and reported amounts of assets, liabilities, revenue and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future

periods affected. Critical accounting estimates and judgments are those that have a significant risk of causing material adjustment. Management believes that the following are the significant accounting estimates and judgments used in the preparation of the consolidated financial statements.

Significant items subject to estimates and underlying assumptions include:

- the carrying value, impairment and estimated useful lives of property, plant and equipment (Note 8);
- the carrying value, impairment and estimated useful lives of intangible assets (Note 9) and goodwill (Note 10);
- the recoverability of deferred tax assets (Note 13); and
- the contingent consideration to be paid in conjunction with the ERS acquisition (Note 20).

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Foreign Currency

The individual financial statements of each subsidiary entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each subsidiary entity are presented in Canadian dollars, which is the functional currency of the parent Company and the presentation currency for the financial statements.

In preparing the financial statements of the individual subsidiaries, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences are recognized in earnings in the period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are expressed in Canadian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Foreign currency gains and losses are recognized in other comprehensive income. The relevant amount in cumulative foreign currency translation adjustment is reclassified into earnings upon disposition or partial disposition of a foreign operation and attributed to non-controlling interests as appropriate.

#### Assets Held for Sale

Assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

## Recent accounting pronouncements

The IAS Board and International Financial Reporting Interpretations Committee issued the following new standards and amendments to standards and interpretations, which become effective for future periods.

| Proposed standard                                      | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Effective Date  |
|--------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Amendment to IFRS 2 – <i>Share-based Payment</i>       | The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. This amendment is currently being assessed by the Company to determine the impact.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | January 1, 2018 |
| IFRS 9 — <i>Financial Instruments</i>                  | The new Standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classifications: amortized cost and fair value. Under IFRS 9, where the fair value option is applied to financial liabilities, any change in fair value resulting from an entity's own credit risk is recorded through other comprehensive income (loss) rather than net income (loss). The new Standard also introduces a credit loss model for evaluating impairment of financial assets. While the Company has not yet fully completed its assessment of the impact of this new standard, the Company's preliminary view is that it does not expect these changes will have a material impact on the financial statements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | January 1, 2018 |
| IFRS 15 — <i>Revenue from Contracts with Customers</i> | <p>The Standard provides for a single model that applies to contracts with customers as well as two revenue recognition approaches: at a point in time or over time. The model features a contract-based, five-step analysis of transactions to determine whether, when and how much revenue is recognized. The new Standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or leases, which are within the scope of other IFRSs. The new revenue standard permits either a full retrospective method of adoption with restatement of all prior periods presented, or a modified retrospective method with the cumulative effect of applying the new standard recognized as an adjustment to opening retained earnings in the period of adoption. The Company has decided to adopt the new revenue standard using the modified retrospective method.</p> <p>The Company has reviewed a sample of its revenue contracts in order to evaluate the effect of the new standard on its revenue recognition practices. While the Company has not yet completed the assessment, the Company's preliminary view is that it does not expect these changes will have a material impact on revenue or earnings/(loss).</p> | January 1, 2018 |

## ISC® Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017

|                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                 |
|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| IFRS 16 — Leases | <i>"IFRS 16 — Leases"</i> replaces <i>"IAS 17 — Leases"</i> and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., the customer ('lessee') and the supplier ('lessor')). The Company is currently assessing the impact on our consolidated financial statements along with the timing of our adoption of IFRS 16. The Company believes that, on adoption of the Standard, there will be an increase to assets and liabilities, as the Company will be required to record a right-of-use asset and a corresponding lease liability on the consolidated statements of financial position, as well as a decrease to operating costs, an increase to finance costs (due to accretion of the lease liability) and an increase to depreciation and amortization (due to amortization of the right-of-use asset). | January 1, 2019 |
|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|

## 4 CASH

Cash is held on deposit and certain accounts earn interest at a range of 0.50 per cent to prime less 1.95 per cent. Interest revenue earned for the three months ended September 30, 2017, totalled \$88 thousand (2016 – \$65 thousand) and for the nine months ended September 30, 2017, totalled \$197 thousand (2016 – \$188 thousand).

## 5 SHORT-TERM INVESTMENTS

The components of short-term investments are as follows:

| (thousands of CAD dollars)                | September 30,<br>2017 | December 31,<br>2016 |
|-------------------------------------------|-----------------------|----------------------|
| Guaranteed investment certificates (GICs) | \$ 150                | \$ 150               |
| Marketable securities at fair value       | 150                   | -                    |
| <b>Total short-term investments</b>       | <b>\$ 300</b>         | <b>\$ 150</b>        |

GICs consist of one-year certificates issued by and held as collateral by a Canadian chartered bank at an interest rate of 0.5 per cent per annum with maturity dates occurring in June 2018 and September 2018. Marketable securities consist of an investment in less than 5 per cent of the issued and outstanding shares of a company listed on the Australian Stock Exchange, which was acquired as part of the ERS acquisition.

## 6 TRADE AND OTHER RECEIVABLES

The components of trade and other receivables are as follows:

| (thousands of CAD dollars)               | September 30,<br>2017 | December 31,<br>2016 |
|------------------------------------------|-----------------------|----------------------|
| Trade receivables                        | \$ 4,060              | \$ 3,363             |
| Unbilled revenue                         | 7                     | -                    |
| GST/HST/VAT receivable                   | 612                   | 484                  |
| Other                                    | 1,037                 | 880                  |
| <b>Total trade and other receivables</b> | <b>\$ 5,716</b>       | <b>\$ 4,727</b>      |

## 7 SEASONALITY

Our Registries segment experiences moderate seasonality, primarily because Land Titles revenue fluctuates in line with real estate transaction activity in Saskatchewan. Typically, our second and third quarters generate higher revenue during the fiscal year when real estate activity is traditionally highest. Our Services segment is sufficiently diversified with little seasonality to its revenue performance. However, some smaller categories of products or services can have some seasonal variation, slightly increasing during the second and fourth quarters. Our Corporate segment, which includes the balance of our corporate activities and shared services functions, as well as the services and functions of ERS, does not experience seasonality. Expenses, however, are generally consistent from quarter to quarter, but can fluctuate due to the timing of project-related activities or the addition of acquisitions.

## 8 PROPERTY, PLANT AND EQUIPMENT

| (thousands of CAD dollars)           | Leasehold<br>Improvements | Office<br>Furniture | Office<br>Equipment | Hardware        | Asset Under<br>Development | Total            |
|--------------------------------------|---------------------------|---------------------|---------------------|-----------------|----------------------------|------------------|
| <b>Cost</b>                          |                           |                     |                     |                 |                            |                  |
| Balance at December 31, 2015         | \$ 9,708                  | \$ 3,154            | \$ 148              | \$ 1,997        | \$ 1,141                   | \$ 16,148        |
| Additions                            | 15                        | 46                  | 1                   | 24              | 471                        | 557              |
| Disposals                            | -                         | (14)                | (6)                 | (124)           | -                          | (144)            |
| Transfers                            | 957                       | 17                  | 50                  | 588             | (1,612)                    | -                |
| Balance at December 31, 2016         | \$ 10,680                 | \$ 3,203            | \$ 193              | \$ 2,485        | \$ -                       | \$ 16,561        |
| Acquired assets                      | -                         | 7                   | -                   | 34              | -                          | 41               |
| Additions                            | 16                        | 16                  | 2                   | 57              | 53                         | 144              |
| Disposals                            | -                         | (26)                | -                   | (58)            | -                          | (84)             |
| Transfers                            | 53                        | -                   | -                   | -               | (53)                       | -                |
| Foreign exchange adjustments         | -                         | -                   | -                   | 1               | -                          | 1                |
| <b>Balance at September 30, 2017</b> | <b>\$ 10,749</b>          | <b>\$ 3,200</b>     | <b>\$ 195</b>       | <b>\$ 2,519</b> | <b>\$ -</b>                | <b>\$ 16,663</b> |
| <b>Accumulated depreciation</b>      |                           |                     |                     |                 |                            |                  |
| Balance at December 31, 2015         | \$ 5,678                  | \$ 2,258            | \$ 79               | \$ 1,496        | \$ -                       | \$ 9,511         |
| Depreciation                         | 826                       | 264                 | 37                  | 664             | -                          | 1,791            |
| Disposals                            | -                         | (13)                | (6)                 | (124)           | -                          | (143)            |
| Balance at December 31, 2016         | \$ 6,504                  | \$ 2,509            | \$ 110              | \$ 2,036        | \$ -                       | \$ 11,159        |
| Depreciation                         | 600                       | 193                 | 20                  | 305             | -                          | 1,118            |
| Disposals                            | -                         | (24)                | -                   | (58)            | -                          | (82)             |
| <b>Balance at September 30, 2017</b> | <b>\$ 7,104</b>           | <b>\$ 2,678</b>     | <b>\$ 130</b>       | <b>\$ 2,283</b> | <b>\$ -</b>                | <b>\$ 12,195</b> |
| <b>Carrying value</b>                |                           |                     |                     |                 |                            |                  |
| At December 31, 2016                 | \$ 4,176                  | \$ 694              | \$ 83               | \$ 449          | \$ -                       | \$ 5,402         |
| <b>At September 30, 2017</b>         | <b>\$ 3,645</b>           | <b>\$ 522</b>       | <b>\$ 65</b>        | <b>\$ 236</b>   | <b>\$ -</b>                | <b>\$ 4,468</b>  |

# ISC® Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017

## 9 INTANGIBLE ASSETS

| (thousands of CAD dollars)           | System Enhancements Externally Acquired | Internally Generated | Asset Under Development | Total             |
|--------------------------------------|-----------------------------------------|----------------------|-------------------------|-------------------|
| <b>Cost</b>                          |                                         |                      |                         |                   |
| Balance at December 31, 2015         | \$ 3,236                                | \$ 105,257           | \$ 3,557                | \$ 112,050        |
| Additions                            | 2,092                                   | -                    | 3,626                   | 5,718             |
| Disposals                            | (244)                                   | (7,409)              | -                       | (7,653)           |
| Transfers                            | 6,838                                   | (527)                | (6,311)                 | -                 |
| Balance at December 31, 2016         | \$ 11,922                               | \$ 97,321            | \$ 872                  | \$ 110,115        |
| Acquired assets                      | -                                       | 4,013                | -                       | 4,013             |
| Additions                            | 43                                      | -                    | 138                     | 181               |
| Disposals                            | -                                       | (17)                 | -                       | (17)              |
| Transfers                            | 240                                     | -                    | (240)                   | -                 |
| Foreign exchange adjustment          | -                                       | 109                  | -                       | 109               |
| <b>Balance at September 30, 2017</b> | <b>\$ 12,205</b>                        | <b>\$ 101,426</b>    | <b>\$ 770</b>           | <b>\$ 114,401</b> |
| <b>Accumulated Depreciation</b>      |                                         |                      |                         |                   |
| Balance at December 31, 2015         | \$ 2,947                                | \$ 83,456            | \$ -                    | \$ 86,403         |
| Amortization                         | 987                                     | 5,651                | -                       | 6,638             |
| Disposals                            | (244)                                   | (7,409)              | -                       | (7,653)           |
| Recovery of MARS* expenses           | -                                       | 232                  | -                       | 232               |
| Balance at December 31, 2016         | \$ 3,690                                | \$ 81,930            | \$ -                    | \$ 85,620         |
| Amortization                         | 1,481                                   | 3,115                | -                       | 4,596             |
| Disposals                            | -                                       | (17)                 | -                       | (17)              |
| Recovery of MARS* expenses           | -                                       | 174                  | -                       | 174               |
| Foreign exchange adjustment          | -                                       | 3                    | -                       | 3                 |
| <b>Balance at September 30, 2017</b> | <b>\$ 5,171</b>                         | <b>\$ 85,205</b>     | <b>\$ -</b>             | <b>\$ 90,376</b>  |
| <b>Carrying Value</b>                |                                         |                      |                         |                   |
| At December 31, 2016                 | \$ 8,232                                | \$ 15,391            | \$ 872                  | \$ 24,495         |
| <b>At September 30, 2017</b>         | <b>\$ 7,034</b>                         | <b>\$ 16,221</b>     | <b>\$ 770</b>           | <b>\$ 24,025</b>  |

\*Mineral Administration Registry Saskatchewan

# ISC® Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017

System enhancements externally acquired consist of:

| (thousands of CAD dollars) | September 30, 2017 |                          |                 | December 31, 2016 |                          |                 |
|----------------------------|--------------------|--------------------------|-----------------|-------------------|--------------------------|-----------------|
|                            | Cost               | Accumulated Amortization | Net Book Value  | Cost              | Accumulated Amortization | Net Book Value  |
| Corporate registry         | \$ 8,149           | \$ 2,919                 | \$ 5,230        | \$ 8,149          | \$ 1,910                 | \$ 6,239        |
| Contract acquisition       | 2,010              | 502                      | 1,508           | 2,010             | 201                      | 1,809           |
| Corporate assets           | 2,046              | 1,750                    | 296             | 1,763             | 1,579                    | 184             |
|                            | <b>\$ 12,205</b>   | <b>\$ 5,171</b>          | <b>\$ 7,034</b> | <b>\$ 11,922</b>  | <b>\$ 3,690</b>          | <b>\$ 8,232</b> |

Internally generated consists of:

| (thousands of CAD dollars) | September 30, 2017 |                          |                  | December 31, 2016 |                          |                  |
|----------------------------|--------------------|--------------------------|------------------|-------------------|--------------------------|------------------|
|                            | Cost               | Accumulated Amortization | Net Book Value   | Cost              | Accumulated Amortization | Net Book Value   |
| GIS*                       | \$ 6,705           | \$ 6,705                 | \$ -             | \$ 6,705          | \$ 6,705                 | \$ -             |
| LAND** system              | 30,685             | 30,685                   | -                | 30,685            | 30,685                   | -                |
| LAND data conversion       | 17,262             | 17,262                   | -                | 17,262            | 16,687                   | 575              |
| Customer relations         | 11,885             | 1,614                    | 10,271           | 10,844            | 940                      | 9,904            |
| Technology                 | 6,429              | 2,735                    | 3,694            | 3,937             | 1,531                    | 2,406            |
| Brand                      | 962                | 123                      | 839              | 962               | 75                       | 887              |
| Non-compete clause         | 961                | 335                      | 626              | 371               | 144                      | 227              |
| Corporate assets           | 26,537             | 25,746                   | 791              | 26,555            | 25,163                   | 1,392            |
|                            | <b>\$ 101,426</b>  | <b>\$ 85,205</b>         | <b>\$ 16,221</b> | <b>\$ 97,321</b>  | <b>\$ 81,930</b>         | <b>\$ 15,391</b> |

\*Geographic Information System

\*\*Land Titles Automated Network Delivery

## 10 GOODWILL

The components of goodwill are as follows:

| (thousands of CAD dollars)              |                  |
|-----------------------------------------|------------------|
| Balance at December 31, 2016            | \$ 13,141        |
| Additions (Note 20)                     | 10,180           |
| Foreign exchange adjustment             | 324              |
| <b>Balance as at September 30, 2017</b> | <b>\$ 23,645</b> |

## 11 ASSET HELD FOR SALE AND INVESTMENT IN ASSOCIATE

In 2015, the Company invested \$3.3 million in OneMove Technologies Inc. (now Dye & Durham), acquiring 30 per cent of the issued and outstanding voting common shares through its wholly owned subsidiary, ISC Ent. During 2016, the Company contributed additional capital representing its pro rata share of equity raises by Dye & Durham, maintaining ISC's 30 per cent ownership interest.

On March 27, 2017, the Company contributed additional capital of \$2.4 million representing its pro rata share of an equity raise by Dye & Durham. Subsequently, on March 28, 2017, the Company contributed additional capital of \$0.1 million raising its ownership interest to 30.1 per cent.

On March 31, 2017, Dye & Durham announced it had acquired 100 per cent of OnCorp Direct Inc. ("OnCorp"), a leading provider of corporate and personal property search and registration services, due diligence, and other registry related services to legal and financial professionals, corporations and financial institutions across Canada.

ISC's 30.1 per cent ownership level and related rights give the Company significant influence over Dye & Durham, but does not represent control and, as a result, the Company has accounted for this investment using the equity method. The Company recorded its pro rata share of the net income (loss) on its consolidated statements of comprehensive income.

During the quarter, the Company received an offer from Dye & Durham's existing shareholders to sell its 30.1 per cent ownership interest in Dye & Durham for \$25.0 million subject to a number of terms and conditions, including completion of a sale and purchase agreement. On October 5, 2017, the sale was completed (see Note 23). As at September 30, 2017, the Company has classified its investment in Dye & Durham as an asset held for sale and recorded it at the lower of its carrying value or the fair value less costs to sell.

## 12 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The components of accounts payable and accrued liabilities are as follows:

| (thousands of CAD dollars)                            | September 30,<br>2017 | December 31,<br>2016 |
|-------------------------------------------------------|-----------------------|----------------------|
| Trade payables                                        | \$ 2,724              | \$ 1,569             |
| Accrued liabilities                                   | 6,269                 | 5,214                |
| Advances from customers                               | 3,651                 | 4,135                |
| Dividend payable                                      | 3,500                 | 3,500                |
| Provision for early retirement plan                   | -                     | 7                    |
| <b>Total accounts payable and accrued liabilities</b> | <b>\$ 16,144</b>      | <b>\$ 14,425</b>     |

## 13 TAX PROVISION

The Company is subject to federal and provincial income taxes at an estimated combined statutory rate of 26.75 per cent (2016 – 27.0 per cent).

The increase in tax bases of certain of the Company's assets upon the change in tax status related to the Company's Initial Public Offering, created a deferred tax asset. Upon acquisition of ERS and Alliance Online Ltd. ("Alliance"), the value of the acquired assets was greater on an accounting basis than on a tax basis, resulting in a deferred tax liability.

In assessing the recovery of deferred income tax assets, management considers whether it is more likely than not that the deferred income tax assets will be realized. The recognition and measurement of the current and deferred tax assets and liabilities involves dealing with uncertainties in the application of complex tax regulations and in the assessment of the recoverability of the deferred tax assets. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences are deductible.

| (thousands of CAD dollars)           | Three Months Ended September 30, |                 | Nine Months Ended September 30, |                 |
|--------------------------------------|----------------------------------|-----------------|---------------------------------|-----------------|
|                                      | 2017                             | 2016            | 2017                            | 2016            |
| <b>Current tax expense</b>           |                                  |                 |                                 |                 |
| Current tax on earnings for the year | \$ 775                           | \$ 234          | \$ 1,512                        | \$ 1,412        |
| <b>Deferred tax expense</b>          |                                  |                 |                                 |                 |
| Current period expense               | 3,048                            | 1,397           | 5,498                           | 2,979           |
| <b>Income tax expense</b>            | <b>\$ 3,823</b>                  | <b>\$ 1,631</b> | <b>\$ 7,010</b>                 | <b>\$ 4,391</b> |

The deferred tax expense for the quarter ended September 30, 2017 includes the impact of a one per cent reduction in substantively enacted future corporate tax rates by the Saskatchewan government during the year. This reduced the carrying value of deferred tax assets and liabilities and resulted in a charge to the current period.

Subsequent to the end of the quarter, the Saskatchewan government announced plans to reverse the one per cent reduction in corporate tax rates. The Company expects that the rate reversal, when applied to deferred tax assets and liabilities, will increase the value of those assets and liabilities. Once the proposed legislation is substantively enacted, the Company expects to record the impact of the rate reversal in a future period.

Actual income taxes could vary from these estimates as a result of future events, including changes in income tax laws or the outcome of tax review by tax authorities and related appeals. To the extent the final outcome is different from the amounts initially recorded, such differences, which could be significant, will impact the tax provision in the period in which the outcome is determined.

No deferred tax has been recognized in respect of temporary differences associated with investments in the Company's subsidiaries where the Company is in a position to control the timing and reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

## 14 SHARE-BASED COMPENSATION PLAN

### Deferred share unit (“DSU”) plan

The Company has established a DSU plan to provide directors and senior officers of ISC with the opportunity to participate in the long-term success of ISC and to promote a greater alignment of interests between its directors, senior officers and shareholders. The ISC Board of Directors (the “Board”) may award DSUs at its discretion from time to time in accordance with the plan and upon such other terms and conditions as the Board may prescribe. DSU awards vest immediately, unless an alternate vesting schedule is specified by the Board at the time of the award.

DSUs earn dividend equivalent units (“DEUs”) in the form of additional DSUs at the same rate as dividends on Class A Limited Voting Shares (“Class A Shares”). The participant is not allowed to convert the DSUs until termination of employment/directorship or death. The cash value of the DSUs is equivalent to the market value of the Class A Shares when redemption takes place.

On each applicable redemption date, the Company delivers to each participant a cash payment equal to the redemption value of the DSUs, or an equivalent number of Class A Shares purchased on the TSX. A summary of the status of the DSU plan and the changes within the period ended September 30, 2017, are as follows:

|                                                      | Units            | Weighted Average<br>Award Price |
|------------------------------------------------------|------------------|---------------------------------|
| Balance at January 1, 2017                           | 41,492.55        | \$ 16.97                        |
| DSUs/DEUs redeemed January 10, 2017                  | (1,351.78)       | 18.16                           |
| DSUs/DEUs redeemed March 18, 2017                    | (724.50)         | 18.24                           |
| DSUs/DEUs redeemed May 16, 2017                      | (2,027.67)       | 18.80                           |
| DSUs granted May 17, 2017                            | 15,222.00        | 18.85                           |
| Total notional dividend equivalents declared to date | 4,870.00         | 16.89                           |
| <b>Balance at September 30, 2017</b>                 | <b>57,480.60</b> | <b>\$ 17.35</b>                 |

The Company has recognized an obligation at an estimated amount based on the fair value of the DSUs as of the grant date. Compensation expense is recognized in proportion to the amount of DSUs vested. At the end of each reporting period, the estimates are re-assessed based on the fair value of the DSUs as of the reporting period. Any change in estimate is recognized as a liability and an expense at the end of the reporting period.

Share-based compensation for the three months ended September 30, 2017, totalled \$44 thousand (2016 – \$267 thousand) and for the nine months ended September 30, 2017, totalled \$260 thousand (2016 – \$372 thousand). The total carrying amount of the liability arising from the DSUs as of September 30, 2017, totalled \$984 thousand (December 31, 2016 – \$800 thousand). The liability amount is included within Accounts payable and accrued liabilities on the consolidated statements of financial position.

The fair value of the DSUs at September 30, 2017, has been calculated using the market value of the Company’s Class A shares on the TSX.

## Stock option plan

The Company established a stock option plan that was approved by shareholders in 2014 and subsequently amended and restated with the approval of shareholders on May 17, 2017. The exercise price of options issued under the stock option plan is determined by the Board at the time of the grant, but shall not be less than the closing price for the Class A Shares on the TSX on the trading day immediately preceding the date of the grant.

Unless the Board determines otherwise, options granted will vest and become exercisable in equal tranches over the four years following the date of the grant. Once vested, options may be exercised at any time within eight years of the date of the grant, after which they expire and terminate.

A summary of the status of the stock option plan and the changes within the nine months ended September 30, 2017, are as follows:

|                                      | Units            | Average Exercise Price |
|--------------------------------------|------------------|------------------------|
| Balance at December 31, 2016         | 759,259          | \$ 15.41               |
| Stock options granted May 17, 2017   | 317,341          | 18.85                  |
| <b>Balance at September 30, 2017</b> | <b>1,076,600</b> | <b>\$ 17.01</b>        |

The outstanding share options at the end of the period had a weighted average exercise price of \$17.01 (December 31, 2016 — \$15.41). The number of options exercisable at the end of the period was 309,677 and had a weighted average exercise price of \$16.04.

The Company has recognized an equity reserve at an estimated amount based on the fair value of the stock options using the Black-Scholes option pricing model as of the following grant dates based on the following inputs:

|                         | May 17, 2017   | August 15, 2016 | August 12, 2015 | May 13, 2014   |
|-------------------------|----------------|-----------------|-----------------|----------------|
| Spot price              | \$ 18.85       | \$ 17.40        | \$ 15.04        | \$ 18.80       |
| Expected volatility     | 19.33%         | 17.77%          | 18.97%          | 22.50%         |
| Risk free interest rate | 1.60%          | 1.30%           | 2.00%           | 2.50%          |
| Dividend yield          | 4.73%          | 4.48%           | 4.54%           | 4.20%          |
| Expected life (days)    | 2,920          | 2,920           | 2,920           | 2,920          |
| <b>Fair value</b>       | <b>\$ 1.66</b> | <b>\$ 1.35</b>  | <b>\$ 1.45</b>  | <b>\$ 2.74</b> |

The Company included the following variables:

- the expected volatility, which is based on a three-year standard deviation of ISC stock price;
- the risk free rate, that is estimated based on a 10-year Canada bond rate; and
- the maximum option term, which is the maximum duration before expiry.

# ISC® Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017

Compensation expense is recognized in proportion to the amount of stock options vested. Share-based compensation related to the stock option plan for the three months ended September 30, 2017, totalled \$142 thousand (2016 — \$109 thousand) and for the nine months ended September 30, 2017, totalled \$351 thousand (2016 — \$280 thousand). The total carrying amount of the equity settled employee benefit reserve arising from these stock options as of September 30, 2017, totalled \$950 thousand (December 31, 2016 — \$599 thousand).

## 15 DEBT

On September 28, 2015, the Company entered into an amended and restated credit agreement in connection with the secured credit facilities (collectively, the “Credit Facilities”) provided by a Canadian chartered bank (the “Lender”). On September 27, 2017, the credit agreement was extended to October 1, 2019. The aggregate amount available under the Credit Facilities is \$34.935 million comprised of (i) a \$9.935 million committed revolving term loan facility (the “Revolving Term Facility”) along with; (ii) a \$10.0 million committed revolving credit facility (the “Operating Facility”) to be used for general corporate purposes; and (iii) a \$15.0 million committed non-revolving reducing credit facility (the “Non-Revolving Term Facility”).

Borrowings under the Credit Facilities will bear interest at a base rate of prime, bankers’ acceptance, letter of credit or letter of guarantee fee (determined in accordance with the terms of the Credit Facilities), plus a margin varying between 0.7 per cent and 1.7 per cent per annum depending on the type of advance. The Company is also required to pay a commitment fee quarterly in arrears at the rate of 0.34 per cent per annum of the unutilized portion of the Revolving Term Facility loan.

| (thousands of CAD dollars)                                                                                                                                                                                                                                                                                                                                                                                                                        | September 30,<br>2017 | December 31,<br>2016 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------|
| Operating Facility, which consists of a \$10.0 million committed revolving credit facility that was initially drawn January 18, 2017, to fund, in part, the acquisition of ERS. The Operating Facility is repayable by ISC upon demand by the Lender and the Lender may terminate such Operating Facility at any time. This facility currently consists of a prime based loan with interest at 3.90 per cent per annum (December 31, 2016 – nil). |                       |                      |
| <b>Operating loan</b>                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>\$ 10,000</b>      | <b>\$ -</b>          |
| Revolving Term Facility, which consists of a three-year committed revolving term loan facility that matures on October 1, 2019, unless renewed prior to that time. This facility currently consists of a 6 month bankers’ acceptance note bearing interest at 1.658 per cent per annum that matures on March 16, 2018 (December 31, 2016 – a bankers’ acceptance note, due June 21, 2017, bearing interest at 1.100 per cent per annum).          | <b>\$ 9,935</b>       | <b>\$ 9,935</b>      |
| Non-Revolving Term Facility, used to fund, in part, the acquisition of ESC, repayable by ISC through quarterly payments of \$375 thousand and matures on October 1, 2019. This facility currently consists of a prime based loan with interest at 3.9 per cent per annum (December 31, 2016 – prime based loan with interest at 3.4 per cent per annum).                                                                                          |                       |                      |
| Current portion                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>1,500</b>          | <b>1,500</b>         |
| Long-term portion                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>10,875</b>         | <b>12,000</b>        |
| <b>Total long-term debt</b>                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>\$ 22,310</b>      | <b>\$ 23,435</b>     |

## ISC® Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017

The Revolving Term Facility and the Operating Facility under the Credit Facilities contains financial covenants which require the Company to maintain a ratio of Funded Debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") (defined in the Credit Facilities) of less than 2:1 and a Fixed Charge Coverage ratio (as defined in the Credit Facilities) of greater than 1.35:1.

The Non-Revolving Term Facility under the Credit Facilities contain financial covenants which require the Company to maintain a ratio of Funded Debt less up to \$5.0 million cash on hand to ESC Adjusted EBITDA being less than 3:1 and an Interest Coverage ratio (as defined in the Credit Facilities) of greater than 3:1.

The Credit Facilities also contain other positive covenants, negative covenants, events of default, representations and warranties customary for credit facilities of this nature. The Company was in compliance with all covenants throughout the period.

The indebtedness under the Credit Facilities is secured by a first ranking security interest in all of the personal property and floating charge on all real property of the Company, a pledge of all shares of ISC Sask and ESC, an unlimited guarantee and postponement of claim from ISC Sask and ESC guaranteeing all of ISC's indebtedness and obligations to the Lender, a second ranking security interest (subject to the security of the Government of Saskatchewan under a debenture) in all of the personal property and floating charge over all property of ISC Sask and a first ranking security interest in all of the personal property and floating charge on all real property of ESC.

The amount of borrowing costs capitalized during 2017 and 2016 were nil.

## 16 EARNINGS PER SHARE

The calculation of earnings per share is based on net income after tax and the weighted average number of shares outstanding during the period. Details of the earnings per share are set out below:

| (thousands of CAD dollars, except number of shares and earnings per share) | Three Months Ended September 30, |            | Nine Months Ended September 30, |            |
|----------------------------------------------------------------------------|----------------------------------|------------|---------------------------------|------------|
|                                                                            | 2017                             | 2016       | 2017                            | 2016       |
| Net income                                                                 | \$ 1,856                         | \$ 3,810   | \$ 9,015                        | \$ 12,584  |
| Weighted average number of shares, basic                                   | 17,500,000                       | 17,500,000 | 17,500,000                      | 17,500,000 |
| Potential dilutive shares resulting from stock options                     | 71,172                           | 61,969     | 110,428                         | 25,166     |
| Weighted average number of shares, diluted                                 | 17,571,172                       | 17,561,969 | 17,610,428                      | 17,525,166 |
| <b>Earnings per share (\$ per share)</b>                                   |                                  |            |                                 |            |
| Total, basic                                                               | \$ 0.11                          | \$ 0.22    | \$ 0.52                         | \$ 0.72    |
| Total, diluted                                                             | \$ 0.11                          | \$ 0.22    | \$ 0.51                         | \$ 0.72    |

## 17 EQUITY AND CAPITAL MANAGEMENT

The Company's authorized share capital consists of an unlimited number of Class A Shares, one Class B Golden Share (the "Golden Share") and an unlimited number of Preferred Shares, issuable in series. The Company currently has 17,500,000 Class A Shares issued and outstanding, one Golden Share issued and outstanding and no Preferred Shares issued or outstanding. Class A Shares are entitled to one vote per share. The Golden Share, held by the Government of Saskatchewan, has certain voting rights with respect to the location of the head office and the sale of all or substantially all of the assets of the Company. The Golden Share has no pre-emptive, redemption, purchase or conversion rights and is not eligible to receive dividends declared by the Company. The Preferred Shares can be issuable at any time and may include voting rights.

| (thousands of CAD dollars, except number of shares) | Class A           |                  | Class B          |               |
|-----------------------------------------------------|-------------------|------------------|------------------|---------------|
|                                                     | Number of Shares  | Share Capital    | Number of Shares | Share Capital |
| Balance at January 1, 2016                          | 17,500,000        | \$ 19,955        | 1                | \$ -          |
| No movement                                         | -                 | -                | -                | -             |
| Balance at December 31, 2016                        | 17,500,000        | 19,955           | 1                | \$ -          |
| <b>Balance at January 1, 2017</b>                   | <b>17,500,000</b> | <b>19,955</b>    | <b>1</b>         | <b>-</b>      |
| No movement                                         | -                 | -                | -                | -             |
| <b>Balance at September 30, 2017</b>                | <b>17,500,000</b> | <b>\$ 19,955</b> | <b>1</b>         | <b>\$ -</b>   |

### Capital management

The Company's capital at September 30, 2017, consists of an operating loan, long-term debt, share capital, employee benefit reserve, accumulated other comprehensive income and retained earnings (comprising total shareholders' equity).

| (thousands of CAD dollars)              | September 30, 2017 | December 31, 2016 |
|-----------------------------------------|--------------------|-------------------|
| Operating loan                          | \$ 10,000          | \$ -              |
| Long-term debt                          | 22,310             | 23,435            |
| Share capital                           | 19,955             | 19,955            |
| Accumulated other comprehensive income  | 393                | -                 |
| Equity settled employee benefit reserve | 950                | 599               |
| Retained earnings                       | 67,282             | 68,767            |
| <b>Capitalization</b>                   | <b>\$ 120,890</b>  | <b>\$ 112,756</b> |

## 18 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

The Company does not use any form of derivative financial instruments to manage its exposure to credit risk, interest rate risk or market risk.

### Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Company extends credit to its customers in the normal course of business and is exposed to credit risk in the event of non-performance by customers, but does not anticipate such non-performance would be material. The Company monitors the credit risk and credit rating of customers on a regular basis. The Company has significant concentration of credit risk among government sectors. Its customers are predominantly provincial, federal and municipal government ministries and agencies, and its private sector customers are diverse.

The majority of cash is held with Canadian chartered banks and the Company believes the risk of loss to be minimal. The maximum exposure to credit risk at September 30, 2017, is \$44.6 million (December 31, 2016 — \$38.4 million) equal to the carrying value of the Company's financial assets, those being cash at \$38.6 million (December 31, 2016 — \$33.5 million), short-term investments at \$0.3 million (December 31, 2016 — \$0.2 million) and trade receivables at \$5.7 million (December 31, 2016 — \$4.7 million). Quarterly reviews of the aged receivables are completed. The Company expects to fully collect on all outstanding receivables. Therefore, the risk to the Company is considered to be low. The following table sets out details of cash and aging of receivables:

| (thousands of CAD dollars)              | September 30,<br>2017 | December 31,<br>2016 |
|-----------------------------------------|-----------------------|----------------------|
| Cash                                    | \$ 38,571             | \$ 33,533            |
| Short-term investments                  | 300                   | 150                  |
| Current trade and other receivables     | 4,825                 | 4,050                |
| Up to three months past due date        | 607                   | 638                  |
| Greater than three months past due date | 284                   | 39                   |
| <b>Total credit risk</b>                | <b>\$ 44,587</b>      | <b>\$ 38,410</b>     |

## Interest rate risk

The Company is subject to interest rate risks as the Credit Facilities (Note 15) bears interest at rates that are floating rates based on prime, which can vary in accordance with borrowing rates. The Company manages interest rate risk by using short-term bankers' acceptance notes with an option to lock in rates at any time and by monitoring the effects of market changes in interest rates.

The following table presents a sensitivity analysis to changes in market interest rates and their potential impact on the Company for the period ended September 30, 2017. As the sensitivity is hypothetical, it should be used with caution.

| (thousands of CAD dollars)                        | September 30, 2017 |           | December 31, 2016 |           |
|---------------------------------------------------|--------------------|-----------|-------------------|-----------|
|                                                   | + 100 bps*         | - 100 bps | + 100 bps         | - 100 bps |
| Increase (decrease) in interest expense           | \$ 115             | \$ (115)  | \$ 140            | \$ (140)  |
| Decrease (increase) in net income before tax      | \$ 115             | \$ (115)  | \$ 140            | \$ (140)  |
| Decrease (increase) in total comprehensive income | \$ 84              | \$ (84)   | \$ 103            | \$ (103)  |

\* bps = basis point spread

## Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's cash resources are managed based on financial forecasts and anticipated cash flows.

The following summarizes the contractual maturities for the Company's financial liabilities at September 30, 2017:

| (thousands of CAD dollars)               | Carrying Amount  | Contractual Cash Flows | 0-6 months       | 7-12 months     | 12+ months       |
|------------------------------------------|------------------|------------------------|------------------|-----------------|------------------|
| Long-term debt                           | \$ 22,310        | \$ 23,478              | \$ 1,434         | \$ 1,045        | \$ 20,999        |
| Operating loan                           | 10,000           | 10,000                 | 10,000           | -               | -                |
| Accounts payable and accrued liabilities | 16,144           | 16,144                 | 16,144           | -               | -                |
| Other long-term liabilities              | 691              | 691                    | -                | -               | 691              |
| <b>Total liabilities</b>                 | <b>\$ 49,145</b> | <b>\$ 50,313</b>       | <b>\$ 27,578</b> | <b>\$ 1,045</b> | <b>\$ 21,690</b> |

Contractual cash flows for long-term debt includes principal and interest.

## ISC® Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017

### Market risk

The carrying amount and fair value of the financial assets and financial liabilities are as follows:

|                                          |                |       | September 30, 2017 |            | December 31, 2016 |            |
|------------------------------------------|----------------|-------|--------------------|------------|-------------------|------------|
| (thousands of CAD dollars)               | Classification | Level | Carrying Amount    | Fair Value | Carrying Amount   | Fair Value |
| Financial assets                         |                |       |                    |            |                   |            |
| Cash                                     | FVTPL          | L2    | \$ 38,571          | \$ 38,571  | \$ 33,533         | \$ 33,533  |
| Short-term investments                   |                |       |                    |            |                   |            |
| GICs                                     | FVTPL          | L2    | 150                | 150        | 150               | 150        |
| Marketable securities                    | AFS            | L1    | 150                | 150        | -                 | -          |
| Trade and other receivables              | LAR            | L2    | 5,716              | 5,716      | 4,727             | 4,727      |
| Financial liabilities                    |                |       |                    |            |                   |            |
| Accounts payable and accrued liabilities | OFL            | L2    | 16,144             | 16,144     | 14,425            | 14,425     |
| Operating loan                           | OFL            | L2    | 10,000             | 10,000     | -                 | -          |
| Long-term debt – current portion         | OFL            | L2    | 1,500              | 1,500      | 1,500             | 1,500      |
| Long-term debt                           | OFL            | L2    | 20,810             | 20,810     | 21,935            | 21,935     |
| Other long-term liabilities              | OFL            | L2    | 691                | 691        | -                 | -          |

At initial recognition, all financial instruments are classified in one of the following categories depending on the purpose for which the instruments were acquired.

#### *Financial assets and liabilities at fair value through profit or loss*

Financial assets and liabilities at fair value through profit or loss (“FVTPL”) are financial assets and liabilities held for trading or that are designated as such by management. Such assets are held for trading if they are acquired principally for the purpose of selling in the short term. These assets and liabilities are initially recognized and subsequently carried at fair value, with changes recognized in the consolidated statement of comprehensive income. Transaction costs are expensed. Assets and liabilities in this category include cash, deferred share units liability and the contingent consideration.

#### *Available-for-sale*

Non-derivative financial assets not included in the above category are classified as available-for-sale (“AFS”). They are carried at fair value with changes therein, other than impairment losses, interest calculated using the effective interest method and foreign currency differences on AFS monetary items, recognized in other comprehensive income or loss. When an investment is derecognized or is determined to be impaired, the cumulative gain or loss previously recognized in equity is transferred to profit or loss for the period.

## *Loans and receivables*

Loans and receivables (“LAR”) are subsequently measured at amortized cost using the effective interest method, less any impairment losses, with interest expense recognized on an effective yield basis. Assets in this category include trade receivables.

## *Other financial liabilities*

Other financial liabilities (“OFL”) are initially measured at fair value and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. Liabilities in this category include trade and other payables, dividend payable, provision for early retirement plan and long-term debt.

## *Fair value of financial instruments*

IFRS require fair value measurements to be categorized into levels within a fair value hierarchy based on the nature of inputs used in the valuation.

Level 1 — Quoted prices are readily available from an active market.

Level 2 — Inputs, other than quoted prices included in Level 1 that are observable either directly or indirectly.

Level 3 — Inputs are not based on observable market data.

The carrying values of cash, trade and other receivables, accounts payable and accrued liabilities, and the operating loan approximate fair value due to their immediate or relatively short-term maturity. Within the long-term debt, the revolving term is currently managed throughout the three-year term with short-term bankers’ acceptance notes and, as such, the carrying value approximates fair value due to the short term to maturity as well. It has been determined that there are no differences between the carrying amount and the fair market value of these instruments. The non-revolving term within the long-term debt bears an interest rate of prime plus applicable margin, which exposes the Company to some interest rate risk. However, as noted in the sensitivity analysis of interest rate risk above, the impact of a change in interest rates is considered low.

The deferred share unit liability’s fair value is calculated taking into consideration the market price, expected volatility and the risk-free interest rate. This liability is classified as Level 2, but the risk remains low due to the materiality.

## *Foreign currency exchange risk*

The Company operates internationally and is exposed to fluctuations in various currencies with the euro being the most material. Movements in foreign currencies against the Canadian dollar may impact revenues, the value of assets and liabilities and affect the Company’s profit and loss.

Based on the balance of foreign net monetary assets and net assets carried on the consolidated statement of financial position, the impact of an increase (decrease) of 10 per cent in the euro relative to the Canadian dollar as at September 30, 2017, on net monetary assets was a decrease (increase) of \$3 thousand and on net assets was an increase (decrease) of \$1.2 million. The Company’s exposure to other currencies is negligible at the end of the period.

## 19 SEGMENT INFORMATION

Operating segments are identified as components of a company where separate discrete financial information is available for evaluation by the chief operating decision maker regarding allocation of resources and assessment of performance. The Company operates in two reportable segments described below, defined by their primary type of service offering, namely Registries and Services. The balance of our corporate activities and shared services functions, including the services and functions provided by our subsidiary, ERS, are reported as Corporate.

- The Registries segment involves the provision of registry and information services and solutions to governments and private sector organizations. Currently, the Company provides registry and information services to the Province of Saskatchewan and is the exclusive provider of the Land Titles Registry, Land Surveys Directory, Geomatics, Personal Property Registry and Corporate Registry in Saskatchewan.
- The Services segment provides law firms, corporations, financial service institutions and others with services to fulfill a wide variety of their clients' public records due diligence, filings and corporate supply requirements in connection with public business registries in Canada and certain other countries. It provides its Canadian financial institution clients with customized, automated and proven solutions to validate the status of business entities. For its law firm customers, that range from large firms to sole practitioners, the Services segment also provides a complete suite of corporate services and supplies.

The Company evaluates performance and allocated resources based on earnings before interest and income tax. Revenue reported in the following tables represent revenue generated from external customers. There was no significant inter-segment revenue in the year.

# ISC® Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017

## Revenue and net income

### For the three months ended September 30, 2017

| (thousands of CAD dollars)        | Registries       | Services        | Corporate         | Total            |
|-----------------------------------|------------------|-----------------|-------------------|------------------|
| <b>Total revenue</b>              | <b>\$ 19,103</b> | <b>\$ 3,561</b> | <b>\$ 1,198</b>   | <b>\$ 23,862</b> |
| <b>Net income</b>                 |                  |                 |                   |                  |
| Net income (loss) from operations | 7,818            | 1,418           | (1,857)           | 7,379            |
| Net finance (expense) income      | 19               | 2               | (236)             | (215)            |
| Depreciation and amortization     | (565)            | (724)           | (396)             | (1,685)          |
| Income tax (expense) recovery     | (3,601)          | (332)           | 110               | (3,823)          |
| Share of profit in associate      | -                | -               | 200               | 200              |
| <b>Net income (loss)</b>          | <b>\$ 3,671</b>  | <b>\$ 364</b>   | <b>\$ (2,179)</b> | <b>\$ 1,856</b>  |
| <b>Capital expenditures</b>       | <b>\$ -</b>      | <b>\$ 34</b>    | <b>\$ 72</b>      | <b>\$ 106</b>    |

### For the three months ended September 30, 2016

| (thousands of CAD dollars)         | Registries       | Services        | Corporate     | Total            |
|------------------------------------|------------------|-----------------|---------------|------------------|
| <b>Total revenue</b>               | <b>\$ 19,545</b> | <b>\$ 3,316</b> | <b>\$ 33</b>  | <b>\$ 22,894</b> |
| <b>Net income</b>                  |                  |                 |               |                  |
| Net income from operations         | 6,964            | 625             | 270           | 7,859            |
| Net finance (expense) income       | -                | 1               | (79)          | (78)             |
| Depreciation and amortization      | (761)            | (704)           | (354)         | (1,819)          |
| Income tax (expense) recovery      | (1,913)          | 282             | -             | (1,631)          |
| Share of profit in associate       | -                | -               | 479           | 479              |
| Change in contingent consideration | -                | (1,000)         | -             | (1,000)          |
| <b>Net income (loss)</b>           | <b>\$ 4,290</b>  | <b>\$ (796)</b> | <b>\$ 316</b> | <b>\$ 3,810</b>  |
| <b>Capital expenditures</b>        | <b>\$ 1,111</b>  | <b>\$ (593)</b> | <b>\$ -</b>   | <b>\$ 518</b>    |

# ISC® Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017

## For the nine months ended September 30, 2017

(thousands of CAD dollars)

|                                   | Registries       | Services         | Corporate         | Total            |
|-----------------------------------|------------------|------------------|-------------------|------------------|
| <b>Total revenue</b>              | <b>\$ 56,365</b> | <b>\$ 10,867</b> | <b>\$ 2,772</b>   | <b>\$ 70,004</b> |
| <b>Net income</b>                 |                  |                  |                   |                  |
| Net income (loss) from operations | 19,457           | 3,465            | (1,361)           | 21,561           |
| Net finance (expense) income      | 35               | 6                | (473)             | (432)            |
| Depreciation and amortization     | (2,192)          | (2,134)          | (1,388)           | (5,714)          |
| Income tax (expense) recovery     | (6,754)          | (505)            | 249               | (7,010)          |
| Share of profit in associate      | -                | -                | 610               | 610              |
| <b>Net income (loss)</b>          | <b>\$ 10,546</b> | <b>\$ 832</b>    | <b>\$ (2,363)</b> | <b>\$ 9,015</b>  |
| <b>Capital expenditures</b>       | <b>\$ -</b>      | <b>\$ 67</b>     | <b>\$ 258</b>     | <b>\$ 325</b>    |

## For the nine months ended September 30, 2016

(thousands of CAD dollars)

|                                    | Registries       | Services         | Corporate       | Total            |
|------------------------------------|------------------|------------------|-----------------|------------------|
| <b>Total revenue</b>               | <b>\$ 56,385</b> | <b>\$ 10,211</b> | <b>\$ 578</b>   | <b>\$ 67,174</b> |
| <b>Net income</b>                  |                  |                  |                 |                  |
| Net income (loss) from operations  | 20,475           | 2,532            | (39)            | 22,968           |
| Net finance (expense) income       | -                | 2                | (249)           | (247)            |
| Depreciation and amortization      | (2,413)          | (1,933)          | (1,129)         | (5,475)          |
| Income tax (expense) recovery      | (4,483)          | 92               | -               | (4,391)          |
| Share of profit in associate       | -                | -                | 729             | 729              |
| Change in contingent consideration | -                | (1,000)          | -               | (1,000)          |
| <b>Net income (loss)</b>           | <b>\$ 13,579</b> | <b>\$ (307)</b>  | <b>\$ (688)</b> | <b>\$ 12,584</b> |
| <b>Capital expenditures</b>        | <b>\$ 2,989</b>  | <b>\$ 2,045</b>  | <b>\$ 133</b>   | <b>\$ 5,167</b>  |

## ISC® Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017

### Assets and Liabilities

#### As at September 30, 2017

(thousands of CAD dollars)

|                                           | Registries       | Services         | Corporate        | Total             |
|-------------------------------------------|------------------|------------------|------------------|-------------------|
| <b>Assets</b>                             |                  |                  |                  |                   |
| Total assets, excluding goodwill and cash | \$ 33,012        | \$ 17,238        | \$ 29,776        | \$ 80,026         |
| Goodwill                                  | -                | 13,587           | 10,058           | 23,645            |
| Cash                                      | 23,708           | 2,686            | 12,177           | 38,571            |
| <b>Total assets</b>                       | <b>\$ 56,720</b> | <b>\$ 33,511</b> | <b>\$ 52,011</b> | <b>\$ 142,242</b> |
| <b>Liabilities</b>                        | <b>\$ 15,734</b> | <b>\$ 17,085</b> | <b>\$ 20,843</b> | <b>\$ 53,662</b>  |

#### As at December 31, 2016

(thousands of CAD dollars)

|                                           | Registries       | Services         | Corporate        | Total             |
|-------------------------------------------|------------------|------------------|------------------|-------------------|
| <b>Assets</b>                             |                  |                  |                  |                   |
| Total assets, excluding goodwill and cash | \$ 39,996        | \$ 18,642        | \$ 26,009        | \$ 84,647         |
| Goodwill                                  | -                | 13,141           | -                | 13,141            |
| Cash                                      | 21,232           | 1,685            | 10,616           | 33,533            |
| <b>Total assets</b>                       | <b>\$ 61,228</b> | <b>\$ 33,468</b> | <b>\$ 36,625</b> | <b>\$ 131,321</b> |
| <b>Liabilities</b>                        | <b>\$ 21,937</b> | <b>\$ 18,088</b> | <b>\$ 1,975</b>  | <b>\$ 42,000</b>  |

The Registries revenue, which is the Company's largest segment, can be further detailed as follows:

| (thousands of CAD dollars)                                 | Three Months Ended September 30, |                  | Nine Months Ended September 30, |                  |
|------------------------------------------------------------|----------------------------------|------------------|---------------------------------|------------------|
|                                                            | 2017                             | 2016             | 2017                            | 2016             |
| Land Titles Registry, Land Surveys Directory and Geomatics | \$ 14,335                        | \$ 15,015        | \$ 41,031                       | \$ 41,882        |
| Personal Property Registry                                 | 2,531                            | 2,670            | 7,659                           | 7,675            |
| Corporate Registry                                         | 2,237                            | 1,860            | 7,675                           | 6,828            |
| <b>Total revenue</b>                                       | <b>\$ 19,103</b>                 | <b>\$ 19,545</b> | <b>\$ 56,365</b>                | <b>\$ 56,385</b> |

Total consolidated revenue is attributed to customers within Ireland and Canada. For the nine months ended September 30, 2017, revenues within Ireland were \$2.0 million (2016 — \$nil) and the remainder were in Canada. Non-current assets are held in Canada and Ireland. At September 30, 2017, non-current assets held in Ireland were \$13.1 million (2016 — \$nil) while the remainder were held in Canada. The Company's top five customers for the Registries segment represent 18.7 per cent of total revenue for that segment for the nine months ended September 30, 2017. Of those customers, no single customer represented more than 10.0 per cent of the total segment revenue.

## 20 ACQUISITION

### Enterprise Registry Solutions Ltd.

On January 23, 2017, the Company acquired all of the issued and outstanding common shares of ERS. The Company completed the transaction with \$14.3 million<sup>2</sup> (€10 million) of the purchase price paid on closing of the transaction and was financed through a combination of cash and \$10 million of debt from our existing credit facilities, pursuant to the September 28, 2015, amended and restated Credit Facilities. As part of the transaction, the Company agreed to pay up to €5.0 million in consideration contingent upon the retention of existing leadership and the realization of future business over a 30-month period. For accounting purposes, this payment is classified as post-acquisition remuneration and is not included as part of the related acquisition consideration, resulting in the recognition of compensation expense over the 30-month period.

ERS, which is headquartered in Dublin, Ireland, is a provider of registry technology solutions and expertise, specializing in the implementation and support of systems related to the corporate registry domain. Its registry solutions support registries in Europe, North America and Asia. The acquisition of ERS strengthens the Company's ability to compete more effectively for new registry business by having an additional registry technology solution in its offering.

The trade and other receivables acquired in this transaction with a fair value of \$1.5 million consisted of \$0.6 million of trade receivables, \$0.3 million of unbilled revenue, \$0.5 million of other receivables and \$0.1 million of Value Added Tax ("VAT") receivables. These receivables are indemnified by the existing shareholders and thus are estimated to be fully collectible.

Professional fees associated with the cost of the acquisition recorded during 2017 were \$0.2 million (\$0.9 million for the 12 months ended December 31, 2016) and have been recorded in expenses on the consolidated statement of comprehensive income.

The revenue and net loss of the acquiree since the acquisition date included in the consolidated statement of comprehensive income for 2017, were \$2.0 million and \$(2.3) million respectively.

The consolidated revenue and comprehensive income for the Company and the acquiree combined for 2017, as though the acquisition date for the business combination occurred during the year had been as of January 1, 2017, would have been \$70.2 million, unaudited and \$8.7 million, unaudited, respectively.

Remuneration expense associated with the contingent consideration for the nine months ended September 30, 2017, totalled \$0.7 million and has been recorded within wages and salaries expense on the consolidated statement of comprehensive income. The carrying value of the liability associated with this remuneration as of September 30, 2017, is \$0.7 million and is recorded within other long-term liabilities.

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<sup>2</sup> Consists of \$14.0 million of cash and debt, and \$0.3 million in foreign currency gain on euros held in advance of, and up to, the closing date.

## ISC® Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2017

### Net cash outflow related to the acquisition

|                                                       |                  |
|-------------------------------------------------------|------------------|
| (thousands of CAD dollars)                            | 2017             |
| Consideration paid in cash                            | \$ 3,998         |
| Consideration from long-term debt paid in cash        | 10,000           |
| Gain on currency translation at transaction date      | 268              |
| Subtotal                                              | 14,266           |
| Less: cash balance acquired                           | (604)            |
| <b>Total net cash flow related to the acquisition</b> | <b>\$ 13,662</b> |

This acquisition is a business combination to which IFRS 3 — *Business Combinations* applies.

The preliminary allocation of the net purchase price for accounting purposes is as follows:

|                                              |                 |
|----------------------------------------------|-----------------|
| (thousands of CAD dollars)                   |                 |
| <b>Assets</b>                                |                 |
| Cash                                         | \$ 604          |
| Short-term investments                       | 183             |
| Trade and other receivables                  | 1,496           |
| Prepaid expenses                             | 63              |
| Property, plant and equipment                | 39              |
| Intangible assets                            | 3,281           |
|                                              | 5,666           |
| <b>Liabilities</b>                           |                 |
| Accounts payable and accrued liabilities     | 641             |
| Deferred revenue                             | 99              |
| Deferred tax liability                       | 394             |
|                                              | 1,134           |
| <b>Net assets acquired</b>                   | <b>\$ 4,532</b> |
| <b>Goodwill arising on acquisition</b>       |                 |
| Total consideration allocated                | 14,266          |
| Net assets acquired                          | 4,532           |
| <b>Total goodwill arising on acquisition</b> | <b>\$ 9,734</b> |

The goodwill of \$9.7 million arising on the acquisition of ERS included amounts in relation to the benefit of an increased global market presence and competencies, related potential revenue growth, future market development, synergies and the assembled workforce of ERS. None of the goodwill recognized is expected to be deductible for income tax purposes.

The intangible assets above consist of technology of \$2.0 million, customer relations of \$0.7 million, and a non-compete clause of \$0.6 million.

## Alliance Online Ltd.

On June 1, 2017, ISC through its wholly owned subsidiary, ESC, acquired all of the issued and outstanding common shares of Alliance Online Ltd. a personal property, corporate and land registry search and submission provider located in Mississauga, ON, for a purchase price of \$1.0 million plus \$127 thousand of working capital. Immediately after acquisition, Alliance was amalgamated with and continued as ESC. This acquisition provides ESC with additional capacity in personal property registry services and systems.

### Net cash outflow related to the acquisition

|                                                       |               |
|-------------------------------------------------------|---------------|
| (thousands of CAD dollars)                            | <b>2017</b>   |
| Consideration paid in cash                            | \$ 1,127      |
| Less: cash balance acquired                           | (177)         |
| <b>Total net cash flow related to the acquisition</b> | <b>\$ 950</b> |

This acquisition is a business combination to which IFRS 3 — *Business Combinations* applies.

The preliminary allocation of the net purchase price for accounting purposes is as follows:

|                                              |               |
|----------------------------------------------|---------------|
| (thousands of CAD dollars)                   |               |
| <b>Assets</b>                                |               |
| Cash                                         | \$ 177        |
| Trade and other receivables                  | 25            |
| Prepaid expenses                             | 9             |
| Property, plant and equipment                | 2             |
| Intangible assets                            | 732           |
|                                              | 945           |
| <b>Liabilities</b>                           |               |
| Accounts payable and accrued liabilities     | 70            |
| Deferred tax liability                       | 194           |
|                                              | 264           |
| <b>Net assets acquired</b>                   | <b>\$ 681</b> |
| <b>Goodwill arising on acquisition</b>       |               |
| Total consideration allocated                | 1,127         |
| Net assets acquired                          | 681           |
| <b>Total goodwill arising on acquisition</b> | <b>\$ 446</b> |

The goodwill of \$0.4 million arising on the acquisition included amounts in relation to the benefit of an increased market presence and competencies, related potential revenue growth, synergies and the assembled workforce of Alliance. None of the goodwill recognized is expected to be deductible for income tax purposes.

The intangible assets above consist of technology of \$0.4 million and customer relations of \$0.3 million.

## 21 NET CHANGE IN NON-CASH WORKING CAPITAL

The net change during the period comprised the following:

| (thousands of CAD dollars)                    | Three Months Ended September 30, |                 | Nine Months Ended September 30, |                 |
|-----------------------------------------------|----------------------------------|-----------------|---------------------------------|-----------------|
|                                               | 2017                             | 2016            | 2017                            | 2016            |
| Trade and other receivables                   | \$ (294)                         | \$ 280          | \$ 595                          | \$ (723)        |
| Prepaid expenses                              | 233                              | (84)            | 193                             | (13)            |
| Accounts payable and accrued liabilities      | 2,586                            | 1,386           | 1,736                           | 545             |
| Deferred revenue                              | 69                               | 125             | 221                             | (50)            |
| <b>Net change in non-cash working capital</b> | <b>\$ 2,594</b>                  | <b>\$ 1,707</b> | <b>\$ 2,745</b>                 | <b>\$ (241)</b> |

## 22 COMMITMENTS AND CONTINGENCIES

### Leasing arrangements

The Company leases all of its office space through operating leases. Operating leases related to office spaces have lease terms of between two and ten years, with various options to extend. The Company does not have an option to purchase the leased assets at the expiry of the lease period.

The Company leases certain office equipment through operating leases. Operating leases related to photocopiers have lease terms of three years. The Company does not have an option to purchase the leased assets at the expiry of the lease period.

### Master Service Agreement

Pursuant to a Master Service Agreement (the “MSA”) with the Government of Saskatchewan dated May 30, 2013, the Company was appointed, on an exclusive basis, to manage and operate the Land Titles Registry, Land Surveys Directory, Personal Property Registry and Corporate Registry on behalf of the Government of Saskatchewan for a 20-year term expiring on May 30, 2033. The MSA was amended, effective December 1, 2015, appointing ISC to continue to manage and operate the Common Business Identifier Program and the Business Registration Saskatchewan Program for the same term as the MSA. The MSA requires the Company to pay to the Government of Saskatchewan the sum of \$0.5 million annually, in a single instalment payable on or before March 1, in each calendar year of the term commencing with an initial payment which was due on March 1, 2014.

## Commitments

Future minimum payments for leasing of office space, an information technology (“IT”) service agreement with Information Systems Management Canada Corporation and to the Government of Saskatchewan under the MSA include the following amounts over the next five years as of September 30, 2017:

| (thousands of CAD dollars) | Office Leases    | IT Service Agreements | Master Service Agreement | Total            |
|----------------------------|------------------|-----------------------|--------------------------|------------------|
| 2017                       | \$ 773           | \$ 1,056              | \$ -                     | \$ 1,829         |
| 2018                       | 2,948            | 4,113                 | 500                      | 7,561            |
| 2019                       | 2,947            | 1,369                 | 500                      | 4,816            |
| 2020                       | 2,761            | -                     | 500                      | 3,261            |
| 2021                       | 2,351            | -                     | 500                      | 2,851            |
| Thereafter                 | 6,118            | -                     | 6,000                    | 12,118           |
| <b>Total commitments</b>   | <b>\$ 17,898</b> | <b>\$ 6,538</b>       | <b>\$ 8,000</b>          | <b>\$ 32,436</b> |

## Contingencies

*The Land Titles Act, 2000* (Saskatchewan) contains an assurance provision that allows customers to recover losses due to the errors or omissions of the Registries. Concurrent with the execution of the MSA, the Company also entered into Registry Operating Agreements with the Government of Saskatchewan for each of the Registries. Each Registry Operating Agreement contains registry-specific terms and conditions respecting the operation of the applicable Registry, including, but not limited to, the fees (“Registry Fees”) the Company may charge for the services applicable to each Registry and the allowable increases to those Registry Fees, minimum service levels applicable to each Registry and specific allocation of risk and liability associated with the operation of each Registry.

Management’s estimate of liability for claims and legal actions that may be made by customers pursuant to the assurance provision and the MSA is based upon claims submitted. As at September 30, 2017, the liability was nil (December 31, 2016 — nil).

## 23 SUBSEQUENT EVENTS

On October 5, 2017, the Company sold its 30.1 per cent ownership interest in Dye & Durham for \$25.0 million cash.

On November 7, 2017, the Board declared a quarterly cash dividend of \$0.20 per Class A Share, payable on or before January 15, 2018, to shareholders of record as of December 31, 2017.