



August 3, 2017

2017 UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended June 30, 2017

Contents

Consolidated Statements of Financial Position	3
Consolidated Statements of Comprehensive Income.....	4
Consolidated Statements of Changes in Equity.....	5
Consolidated Statements of Cash Flows	6
Notes to the Unaudited Condensed Consolidated Interim Financial Statements.....	7
1 STATUS OF THE COMPANY.....	7
2 BASIS OF PRESENTATION	8
3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	9
4 CASH	10
5 SHORT-TERM INVESTMENTS.....	11
6 TRADE AND OTHER RECEIVABLES.....	11
7 SEASONALITY.....	11
8 PROPERTY, PLANT AND EQUIPMENT.....	12
9 INTANGIBLE ASSETS.....	13
10 GOODWILL	14
11 INVESTMENT IN ASSOCIATE.....	15
12 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	15
13 TAX PROVISION	15
14 SHARE-BASED COMPENSATION PLAN	16
15 DEBT	19
16 EARNINGS PER SHARE	20
17 EQUITY AND CAPITAL MANAGEMENT.....	21
18 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT	21
19 SEGMENT INFORMATION	25
20 ACQUISITION.....	29
21 NET CHANGE IN NON-CASH WORKING CAPITAL.....	32
22 COMMITMENTS AND CONTINGENCIES	32
23 SUBSEQUENT EVENTS.....	33

Information Services Corporation

Consolidated Statements of Financial Position

As At (thousands of CAD dollars)	Note	June 30, (unaudited) 2017	December 31, (audited) 2016
Assets			
Current assets			
Cash	4	\$ 31,607	\$ 33,533
Short-term investments	5	291	150
Trade and other receivables	6	5,417	4,727
Income tax recoverable		1,618	1,518
Prepaid expenses		1,988	1,872
Total current assets		40,921	41,800
Non-current assets			
Deferred tax asset	13	37,480	40,472
Property, plant and equipment	8	4,758	5,402
Intangible assets	9	25,390	24,495
Goodwill	10	23,694	13,141
Investment in associate	11	8,873	6,011
Total assets		\$ 141,116	\$ 131,321
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	12	\$ 13,751	\$ 14,425
Long-term debt – current portion	15	11,500	1,500
Deferred revenue		695	438
Total current liabilities		25,946	16,363
Non-current liabilities			
Other long-term liability	20	444	-
Deferred revenue		19	19
Deferred tax liability	13	3,758	3,683
Long-term debt	15	20,810	21,935
Total non-current liabilities		25,031	25,637
Shareholders' equity			
Share capital	17	19,955	19,955
Equity settled employee benefit reserve	14	808	599
Accumulated other comprehensive income		450	-
Retained earnings		68,926	68,767
Total shareholders' equity		90,139	89,321
Total liabilities and shareholders' equity		\$ 141,116	\$ 131,321

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 June 30,		Six Months Ended June 30,	
		2017	2016	2017	2016
Revenue	19	\$ 24,646	\$ 24,674	\$ 46,142	\$ 44,280
Expenses					
Wages and salaries		7,966	6,496	16,277	13,181
Information technology services		3,076	2,360	5,464	4,725
Depreciation and amortization	8, 9	1,997	1,813	4,029	3,656
Occupancy costs		1,379	1,217	2,687	2,440
Professional and consulting services		1,425	1,257	2,505	2,255
Cost of goods sold		897	1,088	1,812	2,078
Financial services		467	468	1,143	1,451
Project initiatives		541	1,154	959	2,064
Other		658	615	1,113	977
Total expenses		18,406	16,468	35,989	32,827
Net income before items noted below		6,240	8,206	10,153	11,453
Finance expense (income)					
Interest income	4	(57)	(61)	(109)	(123)
Interest expense		162	144	326	292
Net finance expense (income)		105	83	217	169
Share of (profit) loss in associate	11	(587)	(263)	(410)	(250)
Income before tax		6,722	8,386	10,346	11,534
Income tax expense	13	1,989	1,808	3,187	2,760
Net income		\$ 4,733	\$ 6,578	\$ 7,159	\$ 8,774
Other comprehensive income (loss)					
Items that may be subsequently reclassified to net income					
Unrealized gain on translation of financial statements of foreign operations		547	-	496	-
Change in fair value of marketable securities (net of tax)		(1)	-	(46)	-
Other comprehensive income for the period		546	-	450	-
Total comprehensive income		\$ 5,279	\$ 6,578	\$ 7,609	\$ 8,774
Earnings per share (\$ per share)					
Total, basic	16	\$ 0.27	\$ 0.38	\$ 0.41	\$ 0.50
Total, diluted	16	\$ 0.27	\$ 0.37	\$ 0.40	\$ 0.49

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 (Loss)	Equity Reserve	Total
Balance at January 1, 2016		\$ 67,264	\$ 19,955	\$ -	\$ 223	\$ 87,442
Net income		8,774	-	-	-	8,774
Stock option expense	14	-	-	-	171	171
Dividend declared		(7,000)	-	-	-	(7,000)
Balance at June 30, 2016		\$ 69,038	\$ 19,955	\$ -	\$ 394	\$ 89,387
Balance at January 1, 2017		\$ 68,767	\$ 19,955	\$ -	\$ 599	\$ 89,321
Net income		7,159	-	-	-	7,159
Other comprehensive income		-	-	450	-	450
Stock option expense	14	-	-	-	209	209
Dividend declared		(7,000)	-	-	-	(7,000)
Balance at June 30, 2017		\$ 68,926	\$ 19,955	\$ 450	\$ 808	\$ 90,139

See accompanying Notes

Information Services Corporation

Consolidated Statements of Cash Flows

(thousands of CAD dollars, unaudited)	Note	Three Months Ended June 30,		Six Months Ended June 30,	
		2017	2016	2017	2016
Operating					
Net income		\$ 4,733	\$ 6,578	\$ 7,159	\$ 8,774
Add: Charges not affecting cash					
Depreciation	8	359	448	780	906
Amortization	9	1,638	1,365	3,249	2,750
Foreign exchange (gain) loss		(15)	-	(41)	-
Income tax expense recognized in net income		1,989	1,808	3,187	2,760
(Gain) on disposal of property, plant and equipment		-	-	-	(1)
Recovery of MARS project expenses	9	58	58	116	116
Net finance expense (income)		105	83	217	169
Stock option expense	14	130	84	209	171
Share of (profit) loss in associate		(587)	(263)	(410)	(250)
Net change in non-cash working capital	21	1,224	(711)	151	(1,948)
Income tax paid		(404)	(473)	(822)	(1,413)
Net cash flow provided by operating activities		9,230	8,977	13,795	12,034
Investing					
Interest received		57	61	109	123
Cash received on disposal of property, plant and equipment		-	-	1	1
Additions to property, plant and equipment		(79)	(322)	(94)	(732)
Additions to intangible assets		(180)	(3,069)	(201)	(3,637)
Net cash outflow on acquisition in subsidiary	20	(950)	-	(14,612)	-
Net cash outflow on investment in associate	11	-	(215)	(2,451)	(1,205)
Net cash flow used in investing activities		(1,152)	(3,545)	(17,248)	(5,450)
Financing					
Interest paid		(201)	(163)	(359)	(245)
Repayment of long-term debt		(750)	(375)	(1,125)	(750)
Proceeds of long-term debt		-	-	10,000	-
Dividend paid		(3,500)	(3,500)	(7,000)	(7,000)
Net cash flow provided by (used in) financing activities		(4,451)	(4,038)	1,516	(7,995)
Effects of exchange rate changes on cash held in foreign currencies		9	-	11	-
Increase (decrease) in cash		3,636	1,394	(1,926)	(1,411)
Cash, beginning of period		27,971	33,616	33,533	36,421
Cash, end of period		\$ 31,607	\$ 35,010	\$ 31,607	\$ 35,010

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 the 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 completed the acquisition of all 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 million¹ 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).

The Company also owns 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 (see Note 11).

¹ 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. The unaudited condensed consolidated interim financial statements include all adjustments, composed of normal recurring adjustments, considered necessary by management to fairly state the Company’s results of operations, financial position and cash flows.

These unaudited condensed consolidated interim financial statements were authorized by the Audit Committee of the ISC Board of Directors for issue on August 3, 2017.

Basis of measurement

The unaudited condensed consolidated interim financial statements have been prepared on a going concern basis under the 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 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 group 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.

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. This amendment is currently being assessed by the Company to determine the impact.	January 1, 2018
IFRS 15 — <i>Revenue from Contracts with Customers</i>	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. This Standard is currently being assessed by the Company to determine the impact.	January 1, 2018
IFRS 16 — <i>Leases</i>	IFRS 16 — Leases replaces IAS 17 — Leases 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 June 30, 2017, totalled \$57 thousand (2016 – \$61 thousand) and for the six months ended June 30, 2017, totalled \$109 thousand (2016 – \$123 thousand).

5 SHORT-TERM INVESTMENTS

The components of short-term investments are as follows:

(thousands of CAD dollars)	June 30, 2017	December 31, 2016
Guaranteed investment certificates (GICs)	\$ 150	\$ 150
Marketable securities at fair value	141	-
Total short-term investments	\$ 291	\$ 150

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 August 2017 and June 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)	June 30, 2017	December 31, 2016
Trade receivables	\$ 4,184	\$ 3,363
Unbilled revenue	13	-
GST/HST/VAT receivable	620	484
Other	600	880
Total trade and other receivables	\$ 5,417	\$ 4,727

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.

ISC® Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2017

8 PROPERTY, PLANT AND EQUIPMENT

(thousands of CAD dollars)	Leasehold Improvements	Office Furniture	Office Equipment	Hardware	Asset Under Development	Total
Cost						
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	-	25	53	94
Disposals	-	(9)	-	(6)	-	(15)
Transfers	37	-	-	-	(37)	-
Foreign exchange adjustments	-	-	-	1	-	1
Balance at June 30, 2017	\$ 10,717	\$ 3,217	\$ 193	\$ 2,539	\$ 16	\$ 16,682
Accumulated depreciation						
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	399	129	14	238	-	780
Disposals	-	(8)	-	(7)	-	(15)
Foreign exchange adjustments	-	-	-	-	-	-
Balance at June 30, 2017	\$ 6,903	\$ 2,630	\$ 124	\$ 2,267	\$ -	\$ 11,924
Carrying value						
At December 31, 2016	\$ 4,176	\$ 694	\$ 83	\$ 449	\$ -	\$ 5,402
At June 30, 2017	\$ 3,814	\$ 587	\$ 69	\$ 272	\$ 16	\$ 4,758

ISC® Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2017

9 INTANGIBLE ASSETS

(thousands of CAD dollars)	System Enhancements Externally Acquired	Internally Generated	Asset Under Development	Total
Cost				
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	14	-	111	125
Disposals	-	-	-	-
Transfers	240	-	(240)	-
Foreign exchange adjustment	-	126	-	126
Balance at June 30, 2017	\$ 12,176	\$ 101,460	\$ 743	\$ 114,379
Accumulated Depreciation				
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	1,007	2,242	-	3,249
Disposals	-	-	-	-
Recovery of MARS* expenses	-	116	-	116
Foreign exchange adjustment	-	4	-	4
Balance at June 30, 2017	\$ 4,697	\$ 84,292	\$ -	\$ 88,989
Carrying Value				
At December 31, 2016	\$ 8,232	\$ 15,391	\$ 872	\$ 24,495
At June 30, 2017	\$ 7,479	\$ 17,168	\$ 743	\$ 25,390

*Mineral Administration Registry Saskatchewan

ISC® Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2017

System enhancements externally acquired consist of:

(thousands of CAD dollars)	June 30, 2017			December 31, 2016		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Corporate registry	\$ 8,149	\$ 2,582	\$ 5,567	\$ 8,149	\$ 1,910	\$ 6,239
Contract acquisition	2,010	402	1,608	2,010	201	1,809
Corporate assets	2,017	1,713	304	1,763	1,579	184
	\$ 12,176	\$ 4,697	\$ 7,479	\$ 11,922	\$ 3,690	\$ 8,232

Internally generated consists of:

(thousands of CAD dollars)	June 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	11,888	1,373	10,515	10,844	940	9,904
Technology	6,439	2,316	4,123	3,937	1,531	2,406
Brand	962	107	855	962	75	887
Non-compete clause	964	268	696	371	144	227
Corporate assets	26,555	25,576	979	26,555	25,163	1,392
	\$ 101,460	\$ 84,292	\$ 17,168	\$ 97,321	\$ 81,930	\$ 15,391

*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
Amortization	-
Foreign exchange adjustment	373
Balance as at June 30, 2017	\$ 23,694

11 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 Enterprises Inc. 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.

12 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

(thousands of CAD dollars)	June 30, 2017	December 31, 2016
Trade payables	\$ 919	\$ 1,569
Accrued liabilities	5,629	5,214
Advances from customers	3,703	4,135
Dividend payable	3,500	3,500
Provision for early retirement plan	-	7
Total accounts payable and accrued liabilities	\$ 13,751	\$ 14,425

13 TAX PROVISION

The Company is subject to federal and provincial income taxes at an estimated combined statutory rate of 27.0 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

ISC® Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2017

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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Current tax expense				
Current tax on earnings for the year	\$ 413	\$ 809	\$ 737	\$ 1,178
Deferred tax expense				
Current period expense	1,576	999	2,450	1,582
Income tax expense	\$ 1,989	\$ 1,808	\$ 3,187	\$ 2,760

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 acquire DSUs in order to allow them 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 ("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.

ISC® Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2017

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 June 30, 2017, are as follows:

	Units	Weighted Average Award Price
Balance at January 1, 2017	42,212.05	\$ 16.98
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	(2027.67)	18.80
DSUs granted May 17, 2017	15,222.00	18.85
Total notional dividend equivalents declared to date	4,225.00	16.82
Balance at June 30, 2017	57,555.10	\$ 17.36

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 in the obligation and expense at the end of the reporting period.

Share-based compensation for the three months ended June 30, 2017, totalled \$142 thousand (2016 – \$89 thousand) and for the six months ended June 30, 2017, totalled \$217 thousand (2016 – \$104 thousand). The total carrying amount of the liability arising from the DSUs as of June 30, 2017, totalled \$941 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 June 30, 2017, has been calculated using the Black-Scholes option-pricing model based on the following inputs:

Market price	\$ 17.70
Expected volatility	19.33%
Risk free interest rate	1.60%
Expected life (days)	46
Fair value at June 30, 2017	\$ 17.70

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.

Stock option plan

The Company established a stock option plan that was approved by shareholders in 2014 and subsequently reapproved by shareholders 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 six months ended June 30, 2017, are as follows:

	Units	Exercise Price
Balance at December 31, 2016	759,259	\$ 15.41
Stock options granted May 17, 2017	317,341	18.85
Balance at June 30, 2017	1,076,600	\$ 17.01

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 517,234 and had a weighted average exercise price of \$16.19.

The Company has recognized an equity reserve at an estimated amount based on the fair value of the stock options as of the following grant dates:

	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
Fair value	\$ 1.66	\$ 1.35	\$ 1.45	\$ 2.74

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 June 30, 2017, totalled \$130 thousand (2016 — \$84 thousand) and for the six months ended June 30, 2017, totalled \$209 thousand (2016 — \$171 thousand). The total carrying amount of the equity settled employee benefit reserve arising from these stock options as of June 30, 2017, totalled \$808 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”). 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”) that was used by ISC to fund, in part, the acquisition of ESC.

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)	June 30, 2017	December 31, 2016
Revolving Term Facility, which consists of a three-year committed revolving term loan facility that matures on September 28, 2018, unless renewed prior to that time. Currently held in a 6-month bankers’ acceptance note bearing interest at 0.935 per cent per annum that matures on September 19, 2017. (December 31, 2016 – a bankers’ acceptance note, due June 21, 2017, bearing interest at 1.1 per cent per annum)	\$ 9,935	\$ 9,935
Operating Facility, which consists of a \$10.0 million committed revolving credit facility that was 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. Currently held in a 6-month bankers’ acceptance note bearing interest at 1.12 per cent per annum that matures on July 21, 2017.		
Current Portion	10,000	-
Non-Revolving Term Facility, repayable by ISC through quarterly payments of \$375 thousand and matures on September 28, 2018. This facility bears an interest rate of prime plus applicable margin, which at June 30, 2017, equates to 2.7 per cent plus 0.7 per cent for a rate of 3.4 per cent per annum (December 31, 2016 – 2.7 per cent plus 0.7 per cent for a rate of 3.4 per cent per annum).		
Current portion	1,500	1,500
Long-term portion	10,875	12,000
Total long-term debt	\$ 32,310	\$ 23,435

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.

ISC® Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2017

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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	\$ 4,733	\$ 6,578	\$ 7,159	\$ 8,774
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	87,942	55,472	517,234	232,116
Weighted average number of shares, diluted	17,587,942	17,555,472	18,017,234	17,732,116
Earnings per share (\$ per share)				
Total, basic	\$ 0.27	\$ 0.38	\$ 0.41	\$ 0.50
Total, diluted	\$ 0.27	\$ 0.37	\$ 0.40	\$ 0.49

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	\$ -
Balance at January 1, 2017	17,500,000	19,955	1	-
No movement	-	-	-	-
Balance at June 30, 2017	17,500,000	\$ 19,955	1	\$ -

Capital management

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

(thousands of CAD dollars)	June 30, 2017	December 31, 2016
Long-term debt	\$ 32,310	\$ 23,435
Share capital	19,955	19,955
Accumulated other comprehensive income (loss)	450	-
Equity settled employee benefit reserve	808	599
Retained earnings	68,926	68,767
Capitalization	\$ 122,449	\$ 112,756

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 June 30, 2017, is \$37.3 million (December 31, 2016 — \$38.4 million) equal to the carrying value of the Company's financial assets, those being cash at \$31.6 million (December 31, 2016 — \$33.5 million), short-term investments at \$0.3 million (December 31, 2016 — \$0.2 million) and trade receivables at \$5.4 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)	June 30, 2017	December 31, 2016
Cash	\$ 31,607	\$ 33,533
Short-term investments	291	150
Current trade and other receivables	4,636	4,050
Up to three months past due date	466	638
Greater than three months past due date	315	39
Total credit risk	\$ 37,315	\$ 38,410

Interest rate risk

The Company is subject to interest rate risks as the Credit Facility (Note 15) bears interest at rates that are based on 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 June 30, 2017. As the sensitivity is hypothetical, it should be used with caution.

(thousands of CAD dollars)	June 30, 2017		December 31, 2016	
	+ 100 bps*	- 100 bps	+ 100 bps	- 100 bps
Increase (decrease) in interest expense	\$ 64	\$ (64)	\$ 140	\$ (140)
Decrease (increase) in net income before tax	\$ 64	\$ (64)	\$ 140	\$ (140)
Decrease (increase) in total comprehensive income	\$ 47	\$ (47)	\$ 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 June 30, 2017:

(thousands of CAD dollars)	Carrying Amount	Contractual Cash Flows	0-6 months	7-12 months	12+ months
Long-term debt	\$ 32,310	\$ 32,964	\$ 11,013	\$ 995	\$ 20,956
Accounts payable and accrued liabilities	13,751	13,751	13,751	-	-
Other long-term liabilities	444	444	-	-	444
Total liabilities	\$ 46,505	\$ 47,159	\$ 24,764	\$ 995	\$ 21,400

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

Market risk

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

(thousands of CAD dollars)	Classification	Level	June 30, 2017		December 31, 2016	
			Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Cash	FVTPL	L2	\$ 31,607	\$ 31,607	\$ 33,533	\$ 33,533
Short-term investments						
GICs	FVTPL	L2	150	150	150	150
Marketable securities	AFS	L1	141	141	-	-
Trade and other receivables	LAR	L2	5,417	5,417	4,727	4,727
Financial liabilities						
Accounts payable and accrued liabilities	OFL	L2	13,751	13,751	13,625	13,625
Long-term debt – current portion	OFL	L2	11,500	11,500	1,500	1,500
Long-term debt	OFL	L2	20,810	20,810	21,935	21,935
Other long-term liabilities	OFL	L2	444	444	-	-

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 receivables, trade and other payables, provision for early retirement plan, and dividend payable 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 using the Black-Scholes model that takes 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 June 30, 2017, on net monetary assets was a decrease (increase) of \$29 thousand and on net assets was an increase (decrease) of \$1.3 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 six months ended June 30, 2017

Revenue and net income

For the three months ended June 30, 2017

(thousands of CAD dollars)	Registries	Services	Corporate	Total
Total revenue	\$ 20,345	\$ 3,551	\$ 750	\$ 24,646
Net income				
Net income from operations	6,797	799	641	8,237
Net finance (expense) income	9	2	(116)	(105)
Depreciation and amortization	(785)	(705)	(507)	(1,997)
Income tax (expense) recovery	(2,059)	(27)	97	(1,989)
Share of profit (loss) in associate	-	-	587	587
Net income (loss)	\$ 3,962	\$ 69	\$ 702	\$ 4,733
Capital expenditures	\$ -	\$ 14	\$ 91	\$ 105

For the three months ended June 30, 2016

(thousands of CAD dollars)	Registries	Services	Corporate	Total
Total revenue	\$ 20,527	\$ 3,618	\$ 529	\$ 24,674
Net income				
Net income (loss) from operations	7,915	1,021	1,083	10,019
Net finance (expense) income	-	1	(84)	(83)
Depreciation and amortization	(819)	(613)	(381)	(1,813)
Income tax expense	(1,699)	(109)	-	(1,808)
Share of profit (loss) in associate	-	-	263	263
Net income (loss)	\$ 5,397	\$ 300	\$ 881	\$ 6,578
Capital expenditures	\$ 699	\$ 2,638	\$ 21	\$ 3,358

ISC® Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2017

For the six months ended June 30, 2017

(thousands of CAD dollars)

	Registries	Services	Corporate	Total
Total revenue	\$ 37,262	\$ 7,306	\$ 1,574	\$ 46,142
Net income				
Net income from operations	11,639	2,047	496	14,182
Net finance (expense) income	16	4	(237)	(217)
Depreciation and amortization	(1,627)	(1,410)	(992)	(4,029)
Income tax (expense) recovery	(3,153)	(173)	139	(3,187)
Share of profit (loss) in associate	-	-	410	410
Net income (loss)	\$ 6,875	\$ 468	\$ (184)	\$ 7,159

Capital expenditures

\$ - \$ 33 \$ 186 \$ 219

For the six months ended June 30, 2016

(thousands of CAD dollars)

	Registries	Services	Corporate	Total
Total revenue	\$ 36,840	\$ 6,895	\$ 545	\$ 44,280
Net income				
Net income (loss) from operations	13,550	1,907	(348)	15,109
Net finance (expense) income	-	1	(170)	(169)
Depreciation and amortization	(1,652)	(1,229)	(775)	(3,656)
Income tax expense	(2,570)	(190)	-	(2,760)
Share of profit in associate	-	-	250	250
Net income (loss)	\$ 9,328	\$ 489	\$ (1,043)	\$ 8,774
Capital expenditures	\$ 1,876	\$ 2,638	\$ 135	\$ 4,649

ISC® Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2017

Assets and Liabilities

As at June 30, 2017

(thousands of CAD dollars)

	Registries	Services	Corporate	Total
Assets				
Total assets, excluding goodwill and cash	\$ 36,511	\$ 18,231	\$ 31,073	\$ 85,815
Goodwill	-	13,587	10,107	23,694
Cash	19,463	1,859	10,285	31,607
Total assets	\$ 55,974	\$ 33,677	\$ 51,465	\$ 141,116
Liabilities				
	\$ 17,972	\$ 27,005	\$ 6,000	\$ 50,977

As at December 31, 2016

(thousands of CAD dollars)

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

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

(thousands of CAD dollars)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Land Titles Registry, Land Surveys Directory and Geomatics	\$ 14,943	\$ 15,371	\$ 26,696	\$ 26,867
Personal Property Registry	2,781	2,778	5,128	5,005
Corporate Registry	2,621	2,378	5,438	4,968
Total revenue	\$ 20,345	\$ 20,527	\$ 37,262	\$ 36,840

Revenue is attributed to customers within Ireland and Canada. For the six months ended June 30, 2017, revenues within Ireland were \$1.0 million (2016 — \$nil) and the remainder were in Canada. Non-current assets are held in Canada and Ireland. At June 30, 2017, non-current assets held in Ireland were \$13.3 million (2016 — \$nil) while the remainder were held in Canada. The Company's top five customers for the Registries segment represent 17.8 per cent of total revenue for that segment for the six months ended June 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. (“ERS”)

On January 23, 2017, the Company completed the acquisition of all of the issued and outstanding common shares of ERS. The Company completed the transaction with \$14.3 million² (€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 facility, 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 \$1.0 million and \$(1.3) 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 \$46.4 million, unaudited and \$7.3 million, unaudited, respectively.

Remuneration expense associated with the contingent consideration for the six months ended June 30, 2017, totalled \$0.4 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 June 30, 2017, is \$0.4 million and is recorded within other long-term liabilities.

² 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 six months ended June 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)
Total net cash flow related to the acquisition	\$ 13,662

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)

Assets	
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
Liabilities	
Accounts payable and accrued liabilities	641
Deferred revenue	99
Deferred tax liability	394
	1,134
Net assets acquired	\$ 4,532
Goodwill arising on acquisition	
Total consideration allocated	14,266
Net assets acquired	4,532
Total goodwill arising on acquisition	\$ 9,734

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. (“Alliance”)

On June 1, 2017, ISC through its wholly owned subsidiary, ESC Corporate Services Ltd. (“ESC”), acquired all of the issued and outstanding common shares of Alliance Online Ltd. (“Alliance”), a personal property, corporate and land registry search and submission provider located in Mississauga, ON, for a purchase price of \$1 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)	2017
Consideration paid in cash	\$ 1,127
Less: cash balance acquired	(177)
Total net cash flow related to the acquisition	\$ 950

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

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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Trade and other receivables	\$ 585	\$ (697)	\$ 889	\$ (1,002)
Prepaid expenses	(87)	(270)	(40)	70
Accounts payable and accrued liabilities	412	268	(850)	(841)
Deferred revenue	314	(12)	152	(175)
Net change in non-cash working capital	\$ 1,224	\$ (711)	\$ 151	\$ (1,948)

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 all of its photocopiers 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, information technology (“IT”) service agreements with DXC Technology Company (formerly Hewlett-Packard (Canada) Co.) and 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 June 30, 2017:

(thousands of CAD dollars)	Office Leases	IT Service Agreements	Master Service Agreement	Total
2017	\$ 1,645	\$ 4,460	\$ -	\$ 6,105
2018	3,121	4,319	500	7,940
2019	3,121	1,437	500	5,058
2020	2,922	-	500	3,422
2021	2,488	-	500	2,988
Thereafter	6,425	-	6,000	12,425
Total commitments	\$ 19,722	\$ 10,216	\$ 8,000	\$ 37,938

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 June 30, 2017, the liability was nil (December 31, 2016 — nil).

23 SUBSEQUENT EVENTS

On August 3, 2017, the Board declared a quarterly cash dividend of \$0.20 per Class A Share, payable on or before October 15, 2017, to shareholders of record as of September 30, 2017.