# Annual Report 2016

ISC

Information in the right hands.

# 2016 Highlights

**$88.4M**
Revenue

**$18.9M**
Free Cash Flow

**33.4%**
**EBITDA** Margin

**37.9%**
Adjusted **EBITDA** Margin

**$0.89**
Earnings Per Share (basic)

**$0.80**
Annual Dividend Per Share

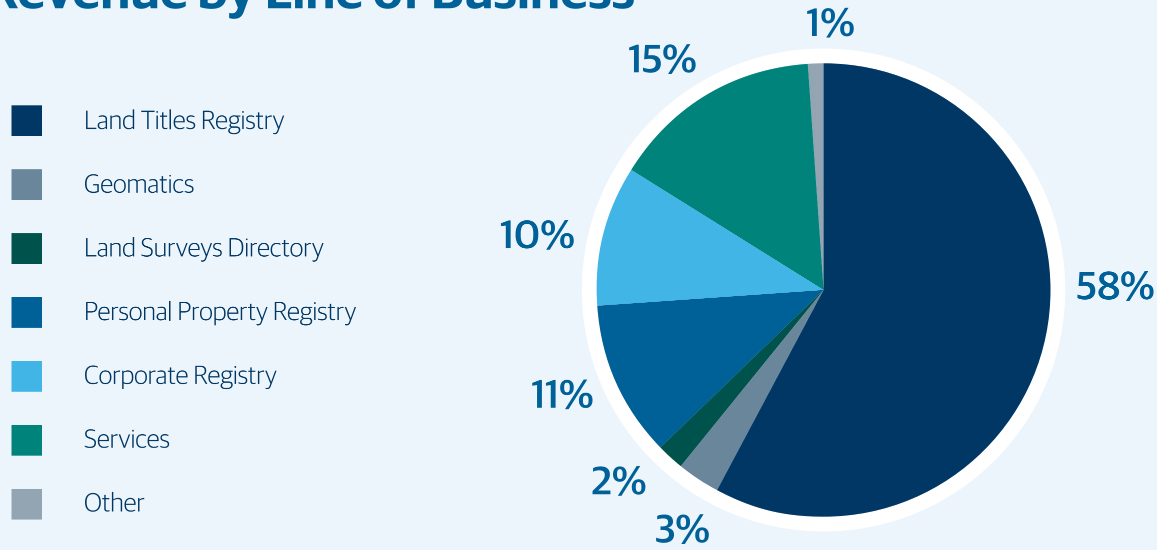
Appointed to manage and operate the Common Business Identifier Program and the Business Registration Saskatchewan Program.

Launched new system for the Corporate Registry, providing a more convenient service to search, register and maintain corporate entities in Saskatchewan.

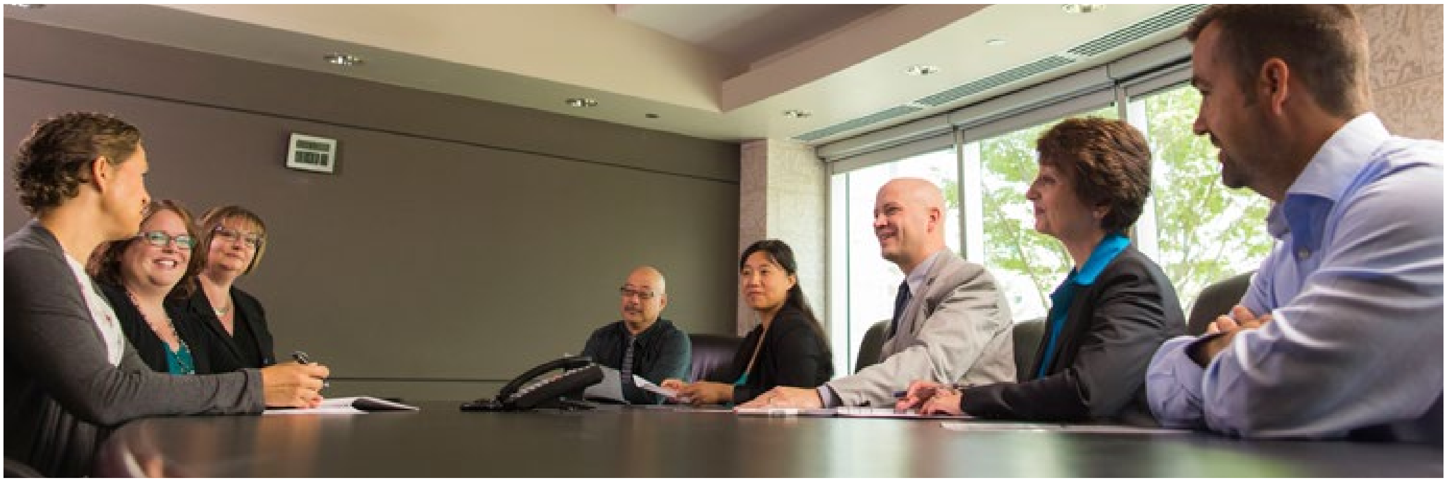
Completed the integration of ESC Corporate Services Ltd.

Refreshed the ISC and ESC brands.

## 2016 Revenue by Line of Business



# About Us



Headquartered in Canada, ISC is the leading provider of registry and information management services for public data and records. Throughout our history we have delivered value to our clients by providing solutions to manage, secure and administer information through our Registry and Services segments.

ISC acquired ESC Corporate Services Ltd. (ESC) in 2015, followed by Enterprise Registry Solutions (ERS) in early 2017, both of which operate as wholly owned subsidiaries of ISC.

ESC provides services to law firms, financing companies, financial institutions, legal professionals 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.

Located 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 suite of registry software solutions serves 33 register types and supports 20 registries in Europe, North America and Asia.

eSC

ERS
Enterprise Registry Solutions

## Contents

# **Our** Story

## The world revolves around information, and ISC is at the forefront of information management.

We are the partner of choice for governments and private sector organizations seeking solutions across the information management spectrum.

*We understand it's not just the information that matters. It's what that information can do for you.*

We have built a legacy of trust with those we serve. Our operating philosophy is characterized by a focus on people: the families, entrepreneurs, and professionals who depend on us as an entrusted manager and administrator of valuable information. This approach has fostered a rich, customer service-driven culture, an industry-leading service offering, and has positioned ISC as a significant contributor to our communities.

We help our clients optimize how they do business by providing service and technology solutions to secure, manage and administer their most valuable information. These capabilities are anchored by an industry-leading customer experience, and our commitment to providing personal, professional service and support – in-person and online.

*We are committed to putting the right information, in the right hands, at the right time.*

# Our Brand

**Information in the right hands.**

## The New Look of ISC

In 2016, we set out to differentiate ourselves among our competitors by creating a brand specific enough to help articulate our current state – that ISC is more than a registry company – yet broad enough to accommodate our future direction.

Our new brand represents ISC as an experienced and trusted organization founded on a complete understanding of the needs of government, but confident and ambitious in its outlook on the future and its ability to serve a much wider audience.

## Our Logo

The square represents ISC's heritage – whether it's seen as boundaries, a parcel of land, four walls with roof overhead, or a window. The square also represents stability. The strong bold lines speak to strength, which represents ISC's role as a protector and steward of valuable information.

## Our Tagline

The information managed by ISC is inherently valuable. Its potential depends on accurate and timely delivery to the people who need it, and its protection is of paramount importance to the organizations who have entrusted ISC with its care. The line also creates a sense of trust and adds a personal element to the services and expertise we provide, with 'in the right hands'.

## Our Pillars

A Reliable Foundation: There's a responsibility that comes along with being a steward of information that people value most. That's why we hold ourselves to a higher standard, treating security, accuracy and integrity as our cost of entry. **We are reliable**.

A Dedicated Spirit: ISC invests in people, providing the industry's highest level of personal service to guarantee the best customer experience. **We are dedicated**.

An Enterprising Outlook: We don't specialize in just one area of the information management spectrum – we specialize in the spectrum itself. **We are enterprising**.

# **Letter** From Our Chair

**Joel Teal**
**Chair, Board of Directors**

In my letter to you last year, I noted that 2015 had been a tough year for businesses globally. This theme continued into 2016. ISC continued to meet this challenge head-on and performed admirably at a time when businesses in other sectors in our home province of Saskatchewan have been faced with substantial declines in revenue and with tough decisions.

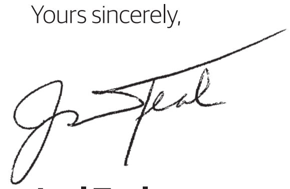
There is no question that our primary commitment continues to be to the Province of Saskatchewan, and the customers we serve on its behalf. Saskatchewan is at the heart of ISC and its success thus far, complemented by our Services business in the form of our wholly owned subsidiary, ESC Corporate Services Ltd. We will, of course, continue to focus on the growth of our business, but not growth at any cost. Any opportunities we pursue must be strategically beneficial to the Company and ultimately accretive to shareholders.

In the past, I have commented on the return to shareholders in the form of the dividend. At the time of our Initial Public Offering (IPO), our annual dividend was set at $0.80, where it has remained. When we established the annual dividend in 2013, it was done with flexibility in mind; that is, the flexibility to weather any economic difficulties that we could face in the future. This is the path we will continue to follow. Since the IPO, ISC has distributed $45 million in dividends to shareholders and, while our free cash flow has declined marginally year-over-year due to economic conditions, we continue to generate healthy free cash flow as demonstrated by free cash flow of $18.9 million in 2016.

As far as total returns are concerned, I am very pleased to report that, since the IPO, ISC has had a total return of 44 per cent (this assumes a reinvestment of the dividend). When compared to the TSX (42 per cent) and S&P 500 (51 per cent) over the same time period, this represents a solid performance. Over the last twelve months, our performance has been particularly good, with a return of 48.6 per cent, compared to the TSX (33 per cent) and S&P 500 (28 per cent) over the same time period. History is often the best judge, and it is clear that our strategy has served us well so far.

The year 2016, much like 2015, 2014 and 2013, was a year of steady progress for your Board and the Company. This progress would not have been possible without the leadership of our President & CEO, Jeff Stusek, ably supported by his professional and committed executive team: Ken Budzak, Kathy Hillman-Weir and Shawn Peters. It is this team that will continue to forge the path ahead, ensuring that we never lose sight on delivering shareholder value from our existing business while pursuing suitable new growth opportunities in Canada and internationally.

Yours sincerely,



**Joel Teal**
Chair, Board of Directors

# **Letter** From Our CEO

**Jeff Stusek**
**President and Chief Executive Officer**

As our Chair noted, 2016 was another year of economic challenge. This naturally had an impact on our consolidated results, particularly on our core Registries business. Fewer housing starts and completions, compared to 2015, resulted in lower land transfer volumes, fewer mortgage registrations and title searches.

However, the Saskatchewan Corporate Registry and Saskatchewan Personal Property Registry continued to perform well year-over-year. As important, ESC Corporate Services Ltd., our Services business, started to demonstrate its value with a meaningful contribution to our consolidated results as well as on a quarterly basis in 2016.

Similar to 2015, ISC achieved healthy EBITDA and adjusted EBITDA margins in 2016, although slightly lower than the previous year. It is important to note that, despite economic conditions, the Company posted its fourteenth consecutive quarter of profitability as at December 31, 2016. This is the result of our continued focus on our customers as well as our costs.

On the customer front, I am pleased to report that the results of our biennial Registries business customer satisfaction survey were highly encouraging and comparable to previous years. In 2016, approximately 80 per cent of customers rated ISC 8, 9 or 10 out of 10 compared to 81 per cent in 2015. What is even more encouraging to me is that ISC ranks among top customer service providers. Compared to those companies, on average we scored 4 out of 5 on the provision of products or services in a timely manner, offering excellent customer service in person or over the telephone, and offering excellent online tools and services for customers. These results are a testament to our people who, day-in, day-out, strive to provide the best customer service. These results would not be possible without their dedication.

When ISC transitioned from a Crown corporation to a publicly traded company in 2013, one of my goals was to ensure we could continue to build on a long history of excellent customer service. History has now shown that we have achieved this goal, but we will always strive to improve wherever we can. This is critical to ensure not only that we surpass our Master Service Agreement service levels with our existing client, the Government of Saskatchewan, but demonstrate to potential clients that ISC is committed to providing the best service to our customers.

Customer satisfaction is not only about the personal interaction we have with the customers we serve, it is also about the other interactions we have, such as the online services we provide. In July 2016, we successfully launched our new technology platform to support the Saskatchewan Corporate Registry. As customers continue to adapt to the new system, I would like to thank them for their support. Any transition can be difficult, but the support of our customers has been overwhelming and is reflected positively in the results of our biennial customer satisfaction survey.

We also undertook a review of our brands to address the evolution of our business and, in November 2016, ISC and ESC launched their new brand identities. In both cases, we have brand identities which are well-known and highly respected. The new brand identities help articulate the current state of each brand, yet are broad enough to accommodate our future direction. Most important, ISC's new tag line **"Information in the right hands"** fulfills a very important purpose – it quickly and efficiently sums up what our company is all about. It expresses confidence in our ability to hold the information we are entrusted to manage – with security, accuracy and integrity. Our brand will continue to evolve with us over time. Proud of where we are from, we are equally proud of how we have evolved.

Growth is quite naturally at the forefront of my mind at all times. At the time of the IPO, we noted that there were three avenues for growth. The first is to extend current services to other jurisdictions and private industries; the second is to add new services or features to expand business from existing clients, and the third is to acquire companies with competencies or operations in our industry. Our strategy for growth has not changed, and we have stuck to it with purpose. As I have always said, the first avenue for growth has a long sales cycle and a variety of complex factors to consider, but we are actively pursuing opportunities where they exist in Canada and internationally.

We have, however, enjoyed success in the other two avenues. In 2016, we executed an amendment to the Master Service Agreement with the Government of Saskatchewan for ISC's continued management and operation of the Common Business Identifier Program and the Business Registration Saskatchewan Program until 2033. This demonstrates that the Province continues to trust in our ability to manage and operate registries and programs effectively and efficiently on its behalf. More important, this service makes it easier to do business in Saskatchewan.

On the acquisitions front, we successfully completed the integration of ESC Corporate Services, which we acquired on October 1, 2015. In my letter to you last year, I mentioned we would be investing in human capital in this business to position us for future growth in 2017 and beyond. During the course of 2016, we strengthened the leadership team at ESC with the addition of a Vice President, Business Development and Director of Program Development. ESC continues to be led by Chris Valentine, the former owner of ESC, and I look forward to reporting on the results from these investments during the course of 2017.

Subsequent to the end of the year, we announced the acquisition of Enterprise Registry Solutions (ERS), a global leader in the development and implementation of registry technology. As I commented at the time, this is a strategic acquisition and one which I believe puts us in a much stronger position to compete as governments and private sector organizations explore ways to improve the delivery of their registry services. This acquisition quite neatly ties into the third avenue of our overall growth strategy and is a clear reflection of it.

Going forward, you can continue to expect much the same from ISC. We intend to stay the course with our focus on our existing business while looking for opportunities that position our Company for the future. Of course, none of what we have achieved, or hope to achieve, would be possible without the dedicated spirit and enterprising outlook of our people. I would like to convey my wholehearted thanks to them and to all our stakeholders for their support in 2016.

Yours sincerely,

**Jeff Stusek**
President and Chief Executive Officer

# **Management's** Discussion & Analysis

## For the Fourth Quarter and Year Ended December 31, 2016

## Table of Contents

# 1 Introduction

This Management's Discussion and Analysis ("MD&A") for Information Services Corporation ("ISC") discusses our financial and operating performance, business indicators and outlook from management's viewpoint. This document should be read in its entirety and is intended to complement and supplement ISC's Consolidated Financial Statements for the years ended December 31, 2016, and 2015. Additional information, including our Annual Information Form for the year ended December 31, 2016, is available on the Company's website at www.company.isc.ca and in the Company's profile on SEDAR at www.sedar.com.

# 2 Responsibility for Disclosure

This MD&A contains information from our audited Consolidated Financial Statements (the "Financial Statements") for the years ended December 31, 2016, 2015, and 2014, prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. The financial information that appears throughout our MD&A is consistent with the Financial Statements.

Unless otherwise noted, or unless the context indicates otherwise, "ISC", the "Company", "we", "us" and "our" refer to Information Services Corporation, its subsidiaries and its predecessors. Any statements in this MD&A made by, or on behalf of, management are made in such persons' capacities as officers of ISC and not in their personal capacities.

ISC presents its Financial Statements in Canadian ("CAD") dollars. In this MD&A, all references to "$" or "dollars" are to Canadian dollars and amounts are stated in Canadian dollars unless otherwise indicated.

This MD&A is current as of March 14, 2017. The Board of Directors ("Board") carries out its responsibility for review of this disclosure primarily through the Audit Committee, which is comprised exclusively of independent directors.

The Audit Committee reviews and approves the fiscal year-end MD&A and recommends it to the Board for approval. Interim MD&As are reviewed and approved by the Audit Committee. Other key responsibilities of the Audit Committee include reviewing our existing internal control procedures and planned revisions to those procedures, and advising the directors on auditing matters and financial reporting issues.

This MD&A contains forward-looking statements and should be read in conjunction with the "Caution Regarding Forward-Looking Statements" section below.

# 3 Caution Regarding Forward-Looking Statements

Certain statements in this MD&A about ISC's current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements, or any other future events or developments constitute forward-looking statements. The words "may", "will", "would", "should", "could", "expect", "plan", "intend", "trend", "indicate", "anticipate", "believe", "estimate", "predict", "project", "targets", "strive", "strategy", "continue", "likely" or "potential", or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements. By their nature, these statements involve assumptions, known and unknown risks and uncertainties and other factors, which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements.

Discussions containing forward-looking statements may be found in this MD&A. Forward-looking statements including, without limitation, those contained in the "Outlook" section hereof, management's expectations, intentions and beliefs concerning the registry services, corporate services and information products industry, its competitive landscape, the general economy and the real estate market, prices for agricultural commodities, oil and potash, fluctuations in the Canadian dollar, statements regarding the future financial position or results of ISC, the long-term impact of certain payments of the Government of Saskatchewan, seasonality, ISC's business and service offerings outside of Saskatchewan and the competitiveness of such businesses and service offerings, business strategy, customer growth and diversification, investment in human capital, dividend expectations, creation of shareholder value, recent and proposed acquisitions, growth opportunities, development and completion of projects, capital and operating expectations, access to financing on satisfactory terms, debt levels, free cash flow, expectations for meeting future cash requirements, potential litigation, projected costs, and plans and objectives of or involving ISC are based on estimates and assumptions made by us in light of ISC's experience and perception of historical trends, current conditions and expected future developments, as well as other factors that ISC believes are appropriate and reasonable in the circumstances. There can be no assurance that such estimates and assumptions will prove to be correct.

Certain assumptions with respect to the Canadian economy and, in particular, the Saskatchewan, Ontario, and Quebec economies, the impact of commodity prices, such as agricultural commodities, oil and potash and the value of the Canadian dollar on the Saskatchewan economy, consumer confidence, interest rates, level of unemployment, inflation, real estate market in Saskatchewan, claim liabilities, income taxes, our ability to attract and retain skilled staff, the compensation and benefits that will be paid or provided to employees and our level of customer service, as well as goodwill and intangibles, are material factors in connection with our forward-looking statements and management's expectations.

Many factors could cause actual results, levels of activity, performance or achievements, or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors:

- potential disagreements with the Government of Saskatchewan;
- ISC's limited ability to set fees;
- legislative changes that affect our business;
- the Canadian economy and, in particular, the Saskatchewan economy, including conditions within the real estate market, inflation, interest rate levels, unemployment levels and consumer behaviour;
- the level of search and registration activities, principally as related to the Land, Personal Property and Corporate Registries in Saskatchewan (collectively, the "Saskatchewan Registries");
- reliance on key personnel;
- our ability to execute our growth strategy, including the ability to complete and integrate new acquisitions and to secure contracts to provide new service offerings;
- our ability to realize growth opportunities, including the potential benefits that are anticipated to result from new acquisitions or service offerings we pursue from time to time;
- our ability to generate revenue and effectively manage costs in our Services segment, including our reliance on key customers;
- any undisclosed liabilities acquired pursuant to past or future acquisitions;
- any compromise to the integrity or security of our information assets;
- our reliance on information technology systems or a material disruption in our computer systems;
- our reliance on third-party service providers or other contractors under key contractual arrangements;
- competition for service offerings (other than our exclusive service offerings to the Government of Saskatchewan);
- our ability to obtain future financing;
- our insurance may not provide adequate coverage;
- litigation and tax matters;
- our liability to the Government of Saskatchewan under the Master Service Agreement ("MSA") is unlimited, except in certain specified circumstances;
- any adverse changes in labour relations;
- any failure to protect ISC's intellectual property rights;
- the potential for a volatile market price for our Class A Limited Voting Shares ("Class A Shares"); and
- our ability to pay dividends, which is dependent on our ability to generate sufficient income and cash flow.

These factors should be considered carefully. We caution that the foregoing listing of important assumptions and factors is not exhaustive. Other events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding ISC's financial performance and may not be appropriate for other purposes. Readers should not place undue reliance on forward-looking statements made herein.

Furthermore, unless otherwise stated, the forward-looking statements contained in this MD&A are as of the date of this MD&A, and we have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

## Market and Industry Data

We have obtained some of the market and industry data presented in this MD&A through market research, publicly available information, reports of governmental agencies, and industry publications and surveys, including various forecasts. While the Company's management generally believes such market and industry data to be reliable, the Company has not verified such market and industry data through other independent sources or other means.

# 4 Consolidated Highlights

## 4.1 Fourth Quarter Consolidated Highlights

- Revenue was $21.2 million for the three months ended December 31, 2016, a decrease of 6.1 per cent, compared to $22.6 million for the three months ended December 31, 2015.
- EBITDA (earnings before interest, taxes, depreciation and amortization expense) for the fourth quarter of 2016 was $6.8 million compared to $8.2 million in the same quarter of last year, a decrease of $1.4 million.
- The EBITDA margin for the fourth quarter of 2016 was 32.2 per cent compared to 36.3 per cent in the fourth quarter of 2015.
- Adjusted EBITDA was $7.3 million for the fourth quarter 2016 compared to $8.6 million in the same quarter last year, with an adjusted EBITDA margin of 34.6 per cent for the quarter compared to 38.2 per cent in the fourth quarter of 2015. EBITDA was adjusted for stock-based compensation expense or income, stock option expense, transactional gains and losses on assets, and acquisition and integration costs.
- Net income and total comprehensive income for the three months ended December 31, 2016, was $2.9 million, or $0.17 per basic and diluted share. In the fourth quarter of 2015, net income was $4.6 million, or $0.26 per basic and diluted share.
- On November 2, 2016, our Board declared a quarterly cash dividend of $0.20 per Class A Share, payable on or before January 15, 2017, to shareholders of record as of December 31, 2016.

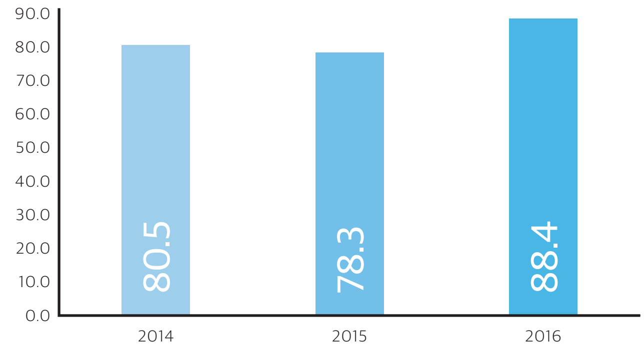
## 4.2 Year-End Consolidated Highlights

- Revenue was $88.4 million for the year ended December 31, 2016, an increase of 12.8 per cent compared to $78.3 million for the year ended December 31, 2015.
- EBITDA for the year ended December 31, 2016, was $29.5 million compared to $28.4 million for the year ended December 31, 2015, an increase of $1.1 million.
- Our EBITDA margin for the year ended December 31, 2016, was 33.4 per cent compared to 36.2 per cent in the year ended December 31, 2015.
- Adjusted EBITDA was $33.5 million for the year ended December 31, 2016, compared to $30.4 million in the same period last year, with an adjusted EBITDA margin of 37.9 per cent for the year ended December 31, 2016, compared to 38.8 per cent in the same period of 2015. EBITDA was adjusted for stock-based compensation expense or income, stock option expense, transactional gains and losses on assets, and acquisition and integration costs.
- Net income and total comprehensive income for the year ended December 31, 2016, was $15.5 million or $0.89 per basic share and $0.87 per diluted share. For the year ended December 31, 2015, net income was $15.9 million or $0.91 per basic and $0.90 per diluted share.
- On February 19, 2016, and April 6, 2016, the Company subscribed to additional shares of Dye & Durham Corporation, formerly OneMove Technologies Inc. ("Dye & Durham") and contributed additional capital of $990 thousand and $215 thousand, respectively, representing its pro rata share of an equity raise by Dye & Durham. These investments maintained the Company's 30 per cent ownership in Dye & Durham and the funds were used to finance certain growth activities of the company.
- On March 7, 2016, we announced that, with effect from December 1, 2015, the Master Service Agreement ("MSA") was amended and a Programs Operating Agreement was entered into between the Government of Saskatchewan and ISC. Under the terms of this new agreement, ISC was appointed to manage and operate the Common Business Identifier Program and the Business Registration Saskatchewan Program for the same term as the MSA. The Province of Saskatchewan will pay ISC an annual operating fee of $825 thousand.
- On July 11, 2016, ISC launched its new system for the Corporate Registry, providing a more convenient service to search, register and maintain corporate entities in Saskatchewan.
- Successfully completed the integration of ESC Corporate Services Ltd. ("ESC").
- On July 25, 2016, ISC announced that the membership of the Saskatchewan Government and General Employees' Union Local 2214 ratified a new collective agreement with respect to its in-scope employees. The new four-year agreement, ending September 30, 2019, includes annual wage increases effective October 1 of each year, consisting of 2.0 per cent retroactive to 2015, 1.75 per cent in 2016, 1.75 per cent in 2017 and 2.0 per cent in 2018.
- Refreshed the ISC and ESC brands.

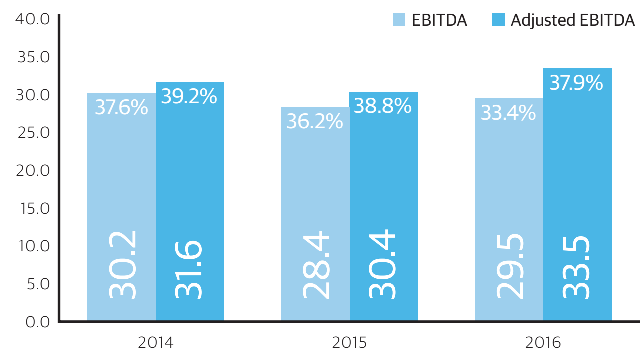
## 4.3 Subsequent Events

- On January 23, 2017, the Company announced that it had successfully completed the acquisition of all of the issued and outstanding common shares of Enterprise Registry Solutions Ltd. ("ERS"), a global leader in the development and implementation of registry technology. This acquisition enhances ISC's core registry offering by adding leading registry technology solutions and consultancy services. The Company completed the transaction with CAD$14.0 million of the purchase price paid on closing of the transaction and up to €5.0 million in consideration is contingent on the retention of existing leadership and realization of future business. The purchase price was financed through a combination of $4.0 million in cash and the balance drawn down from our existing credit facility, pursuant to the September 28, 2015, amended and restated Credit Facilities. The acquisition of ERS is not expected to be immediately accretive to ISC's earnings per share in 2017.
- On March 14, 2017, our Board declared a quarterly cash dividend of $0.20 per Class A Share, payable on or before April 15, 2017, to shareholders of record as of March 31, 2017.

**Consolidated Revenue**
**for the year ended December 31,**
(CAD$ millions)



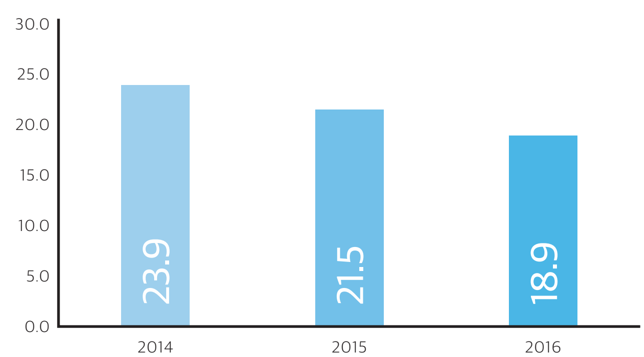

**Consolidated EBITDA[1] and Adjusted Consolidated EBITDA[1]**
**for the year ended December 31,**
(CAD$ millions)




[1] EBITDA, EBITDA margin, adjusted EBITDA and adjusted EBITDA margin are not recognized as measures under IFRS and do not have a standardized meaning prescribed by IFRS and, therefore, they may not be comparable to similar measures by other corporations. Refer to section "Non-IFRS Financial Measures".

Note: Percentages expressed represent the EBITDA and adjusted EBITDA margin percentages, respectively.

**Consolidated Free Cash Flow**
**for the year ended December 31,**
(CAD$ millions)



## 4.4 Select Consolidated Financial Information

The select annual financial information set out for the years ended December 31, 2016, 2015, and 2014, is derived from the Company's Consolidated Financial Statements and has been prepared on a consistent basis. In the opinion of the Company's management, such financial data reflects all adjustments necessary for a fair presentation of the results for those periods. It should be noted that the 2016 results include a full financial year of results for ESC which was acquired on October 1, 2015, compared to 2015, which only included results for ESC for the fourth quarter.

| | | Year Ended December 31, | |
|---|---|---|---|
| (thousands of CAD dollars) | **2016** | 2015 | 2014 |
| Revenue | $ 88,375 | $ 78,318 | $ 80,459 |
| Net income and total comprehensive income | 15,503 | 15,917 | 18,360 |
| EBITDA[1] | $ 29,529 | $ 28,364 | $ 30,240 |
| Adjusted EBITDA[1] | 33,454 | 30,386 | 31,578 |
| EBITDA margin (% of revenue)[1] | 33.4% | 36.2% | 37.6% |
| Adjusted EBITDA margin (% of revenue)[1] | 37.9% | 38.8% | 39.2% |
| Free cash flow[1] | $ 18,865 | $ 21,489 | $ 23,914 |
| Dividend declared per share | $ 0.80 | $ 0.80 | $ 0.80 |
| Earnings per share, basic[2] | 0.89 | 0.91 | 1.05 |
| Earnings per share, diluted[2] | 0.87 | 0.90 | 1.05 |

| | | As at December 31, | |
|---|---|---|---|
| | **2016** | 2015 | 2014 |
| Total assets | $ 131,321 | $ 136,277 | $ 109,536 |
| Total non-current liabilities | $ 25,637 | $ 27,345 | $ 10,417 |

[1] EBITDA, EBITDA margin, adjusted EBITDA and adjusted EBITDA margin and free cash flow are not recognized as measures under IFRS and do not have a standardized meaning prescribed by IFRS and, therefore, they may not be comparable to similar measures by other corporations. Refer to section "Non-IFRS Financial Measures".

[2] The calculation of earnings per share was based on net income after tax and the weighted average number of shares outstanding during the period.

# 5 Business Overview

Headquartered in Canada, ISC is the leading provider of registry and information management services for public data and records. Throughout our history, we have delivered value to our clients by providing solutions to manage, secure and administer information through our Registries and Services segments.

In 2013, ISC made the transition from a provincial Crown corporation, owned by the Government of Saskatchewan, to a publicly traded company with shares that began trading on July 9, 2013, on the Toronto Stock Exchange under the symbol "ISV".

ISC operates two reportable segments, defined by their primary type of service offerings, namely Registries and Services. The balance of our corporate activities and shared services functions are reported as Corporate.

Our registries business involves the provision of registry and information services and software solutions to governments and private sector organizations. We work with our clients to support their policies and execute procedures to ensure the integrity of the data, manage the information technology, data management and authentication processes.

Our services business includes our wholly owned subsidiary, ESC Corporate Services Ltd. ("ESC"), which was acquired October 1, 2015. ESC 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.

In addition, ISC also has an investment in Dye & Durham (formerly OneMove Technologies Inc.). On September 2, 2015, ISC completed its investment of 30 per cent of the issued and outstanding voting common shares of Dye & Durham. On February 19, 2016, and April 6, 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.

Subsequent to the end of this reporting period, ISC acquired Enterprise Registry Solutions Ltd. ("ERS") in January 2017, which operates as a wholly owned subsidiary. With offices 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 suite of registry software solutions serves 33 register types and supports 20 registries in Europe, North America and Asia.

As a subsequent event, ERS is not part of the reporting period for the year ended December 31, 2016, but is included to ensure a full understanding of our business. For more information on ERS, please refer to our latest Annual Information Form available on www.sedar.com.

ISC continues to examine and pursue growth initiatives in Canada and internationally, including other potential strategic acquisitions and opportunities to provide registry and other services in additional jurisdictions.

## 5.1 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.

ISC operates two reportable segments, defined by their primary type of service offerings, namely Registries and Services. The balance of our corporate activities and shared services functions are reported as Corporate.

## 5.2 Our Registries Segment

Our registries business involves the provision of registry and information services and software solutions to governments and private sector organizations. We work with our clients to support their policies and execute procedures to ensure the integrity of the data and manage the information technology, data management and authentication processes. We deliver a strong customer service experience online, by telephone and in person. Currently, ISC provides registry and information services to the Province of Saskatchewan and is the exclusive provider of the Land Titles Registry, Land Surveys Directory, Geomatics, the Personal Property Registry, the Corporate Registry, the Common Business Identifier Program and the Business Registration Saskatchewan Program in Saskatchewan.

The Land Registry includes the Land Titles Registry, the Land Surveys Directory ("Land Surveys") and Geomatics:

- The Land Titles Registry issues titles to land and registers transactions affecting titles, including changes of ownership and the registration of interests in land;
- Land Surveys registers land survey plans and creates a representation of Saskatchewan land parcels in the cadastral parcel mapping system; and
- Geomatics services manages geographic data in relation to the cadastral parcel mapping system that is integrated with the Land Titles Registry and Land Surveys. In addition, there are stand-alone services such as topographical maps and aerial photos.

The Personal Property Registry is a notice-based public registry where individuals, corporations, lenders and others can register security interests (liens) and certain other interests in personal property on movable types of personal property such as automobiles, farm equipment, trailers, boats, etc.

The Corporate Registry is a province-wide system for registering business corporations, non-profit corporations, co-operatives, sole proprietorships, partnerships and business names.

The Common Business Identifier Program allows for the use of the Canada Revenue Agency Business Number as the common business identifier for business entities that interact with participating public sector programs in Saskatchewan. This number is assigned when a business is registered through the Saskatchewan Corporate Registry. Business Registration Saskatchewan provides a single online point of access that enables new businesses to integrate with other government agencies and complete the initial steps to register in the Corporate Registry, register as an employer with Saskatchewan Workers' Compensation Board and register for Provincial Sales Tax with the Saskatchewan Ministry of Finance.

In each of these Saskatchewan Registries, there are three common revenue components. Revenue is primarily generated by earning fees from our end-use customers for:

1. Registrations;
2. Searches; and
3. Maintenance transactions.

Registrations in Saskatchewan are conducted primarily online or through staff-assisted services that facilitate the submission and registration of interests in land or property, or registrations related to business entities. Our customers typically submit registration requests electronically and registrations are completed through automated or manual processes.

Searches for current or historical information are conducted online by customers or in person at an ISC Customer Service Centre. Customized services are also available for searches of larger volumes of records or consolidated information from multiple registries and other sources.

Maintenance transactions are also conducted online or through our Customer Service Centres and include maintenance of registry information, mineral certifications and the annual filings required for corporate entities.

These transactions are primarily Core Registry Services as defined by the MSA, and the fees associated with these core services are set pursuant to the MSA. ISC also has the ability to set and generate fees from non-core ancillary services, an example of which would be priority mineral certification services and geomatics-related services.

ISC earns an annual operating fee under the Programs Operating Agreement for the Common Business Identifier and Business Registration Saskatchewan Programs, entered into under the new amendment to the MSA announced on March 7, 2016.

### Land Registry

As noted earlier, from a reporting perspective, the Land Registry includes the Land Titles Registry, Land Surveys Directory and Geomatics services.

### Land Titles Registry

The Land Titles Registry issues titles to land and registers transactions affecting titles, including changes of ownership and the registration of interests in land. The Land Titles Registry provides access to timely and reliable land ownership information to support new and used home sales, land and home development transfer, and other value-added transactions. Its primary users are legal firms, financial institutions, developers and resource companies.

Because the Land Titles Registry revenue is comprised of both residential and non-residential activity, mortgage rates and business lending rates may affect revenue. Changes in provincial population also affect the housing market which, in turn, influences vacancy rates, changes of ownership and revenue.

Revenue for the Land Titles Registry is earned through registration, search and maintenance fees. Registration fees are either a flat fee or value-based fee calculated as a percentage of the value of the land and/or property being registered. The Company typically charges a flat fee per transaction for search and maintenance transactions. However, in certain instances, we may charge a negotiated fee for a customized search or maintenance transaction such as certain mineral certification or bulk data requests. Approximately 78.7 per cent of all Land Titles Registry registration transactions were submitted online in 2016.

### Land Surveys and Geomatics

Land Surveys registers land survey plans and creates a representation of Saskatchewan land parcels in the cadastral parcel mapping system. Land survey plans define the geographic boundaries of land parcels throughout Saskatchewan, while the cadastral parcel mapping system depicts the land survey system with surface and mineral ownership parcel boundaries.

Land Surveys services include registrations, searches and related survey services. Revenue related to all services is earned as a flat fee per transaction.

Our customers include surveyors, developers, resource companies and other businesses that require our mapping systems and survey plans to support their development plans.

Geomatics manages geographic data related to the cadastral parcel mapping system which is integrated with the Land Titles Registry and Land Surveys. Geomatics data is searchable by the public and provides the cadastral and derived data used to produce the Saskatchewan provincial base map for land-related activities within the province. The services provided vary considerably.

Unlike the other services offered within the Land Registry, Geomatics does not derive revenue from registration or maintenance services; rather, it generates revenue through searches and value-added services. Fees for Geomatics services are typically negotiated per transaction based on the type and nature of services required. For example, ISC receives a service fee from the Saskatchewan Ministry of Government Relations for hosting the Saskatchewan Civic Address Registry ("CAR"), a province-wide civic address registry and an online maintenance system, but does not receive transaction-based fees related to use of the portal.

The Company also provides Geomatics services for land-related data and applications. For example, ISC developed the Mineral Administration Registry Saskatchewan ("MARS") for the Saskatchewan Ministry of the Economy, which provides an online system for issuing and administering Crown land mineral dispositions throughout Saskatchewan and eliminates the need to physically stake Crown mineral claims. The Company has been hosting and supporting MARS since 2015 in exchange for a service fee.

The GeoSask portal, a service for which ISC received an annual fee from certain Government of Saskatchewan ministries and agencies for operating the portal, was discontinued in May 2016. ISC did not receive transaction-based fees related to the use of the portal.

### Personal Property Registry

The Personal Property Registry is a notice-based public registry in which security interests and other certain interests in personal property (property other than land, buildings and other property affixed to land) may be registered. The Personal Property Registry enables lenders as well as buyers of personal property (e.g., motor vehicles) to search for information such as security interests registered against an individual, business or personal property used as collateral. Buyers and lenders search the Personal Property Registry to verify there are no outstanding notices of third-party interests in personal property.

Our customers include third-party providers to the financial industry, financial institutions, insurance companies, law firms, equipment and auto dealers, and auctioneers.

General provincial economic drivers, including automotive sales, interest rates and the strength in commercial activity across the province, influence the revenue in the Personal Property Registry.

Customers are charged flat fees per transaction, and the automated web-based system enables real-time completion of search and registration services and minimizes operational effort to deliver services. Approximately 99.7 per cent of searches in the registry are completed online. The high online usage is stable, with minimal numbers of end-use consumers needing staff assistance to complete their transactions.

### Corporate Registry

The Corporate Registry is a province-wide system for registering business corporations, non-profit corporations, co-operatives, sole proprietorships, partnerships and business names. Every corporation must be registered in the Corporate Registry to maintain its legal status and carry on business within Saskatchewan. Records on all Saskatchewan businesses are maintained and made available to the public through the Corporate Registry.

Our customers include law firms, financial institutions, accountants, non-profit and co-operative associations and entrepreneurs.

Services are billed as flat fees for each transaction. Unlike other registries, the Company earns the majority of its fees in relation to maintenance services provided to entities that file annual returns or wish to make changes to their structure or business profile.

On July 11, 2016, ISC launched its new technology system for the Corporate Registry, updating the registry's technology platform and providing customers a more convenient service to search, register and maintain corporate entities in Saskatchewan. The new system has many benefits, including online submission of all filings and immediate registration for most transactions. The online application also offers access to digitally verified registry documents and options for customers to self-manage staff access. A number of permanent changes to the services and fee structure were implemented with the launch of the new system.

### Common Business Identifier and Business Registration Saskatchewan

*The Common Business Identifier Act* (Saskatchewan) provides the framework and authority for Saskatchewan to expand the use of the Canada Revenue Agency Business Number as the common business identifier for business entities that interact with participating public sector programs in Saskatchewan. This number is assigned when a business is registered through the Saskatchewan Corporate Registry. Business Registration Saskatchewan provides a single online point of access that enables new businesses to integrate with other government agencies and complete the initial steps to register in the Corporate Registry, register as an employer with Saskatchewan Workers' Compensation Board and register for Provincial Sales Tax with the Saskatchewan Ministry of Finance.

Under the terms of the MSA with the Government of Saskatchewan, ISC was appointed to manage and operate the Common Business Identifier and the Business Portal services for an initial period of 36 months.

On March 7, 2016, we announced that, taking effect from December 1, 2015, the MSA was amended to appoint ISC to continue to manage and operate the Common Business Identifier Program and the Business Registration Saskatchewan Program (formerly referred to as the Business Portal) for the same term as the MSA. The Province of Saskatchewan will pay ISC an annual operating fee of $825 thousand, for such programs, subject to an annual Consumer Price Index adjustment calculated in accordance with the MSA. We do not currently charge any additional fees for business owners who register through Business Registration Saskatchewan.

### Saskatchewan Asbestos Registry

On November 7, 2013, Saskatchewan proclaimed legislation requiring mandatory reporting of public buildings known to contain asbestos. The Saskatchewan Asbestos Registry of Public Buildings has been created to share information about public buildings containing asbestos.

In 2015, we completed the development and implementation of the Saskatchewan Asbestos Registry, which was launched on May 4, 2015, and we entered into an agreement with the Ministry of Labour Relations and Workplace Safety to host and support the Asbestos Registry. ISC receives a monthly service fee for hosting and managing this registry.

## 5.3 Our Services Segment

Our Services segment includes our wholly owned subsidiary ESC Corporate Services Ltd. ("ESC").

ESC 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.

ESC 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, this segment also provides a complete suite of corporate services and supplies.

Services provided through ESC have two revenue components: transactional fees and per-unit charges. ESC earns revenue through transaction fees charged for all search and registration products as well as Know-Your-Customer services. All government fees associated with the service are either embedded in the search fee or charged in addition to the service transaction fee. ESC does not earn any subscription-based fees relating to any of its products. Corporate supplies are charged a per-unit fee in the same manner as a product in a retail transaction.

## Search and Registration Services

ESC provides search services, including corporate, business name, personal property, real property, corporate name search reports (also known as NUANS[1] reports), trademark, the *Bank Act* (Canada) (*"Bank Act"*) and other search services, primarily to legal professionals. ESC provides corporate, business name, personal property, trademark, *Bank Act* and other registration and filing services (e.g., business incorporations, amendments, amalgamations, etc.), primarily to lawyers and law firms.

ESC's search and registration services focus on legal professionals with a mix of small and large law firms based primarily in Ontario and Quebec. ESC has built an online workflow platform to service legal customers through a team of experienced law clerks in both Ontario and Quebec able to provide full- service public registry solutions to support business and complex legal transactions. ESC also provides nationwide search and registration services for its customers directly or indirectly.

## Know-Your-Customer Services

While all banks operating in Canada have to follow the same Anti-Money Laundering ("AML") laws and regulations, financial institutions each structure their AML efforts somewhat differently. Financial institutions and many non-financial institutions are required to identify and report transactions of a suspicious nature to the Financial Transactions Reports Analysis Centre of Canada ("FINTRAC"). FINTRAC is Canada's financial intelligence unit and plays a central role in Canada's fight against money laundering and terrorism. For example, a bank must verify a customer's identity and, if necessary, monitor transactions for suspicious activity. This is often termed as Know-Your-Customer ("KYC"). The term KYC also refers to the bank regulation which governs these activities. The objective of KYC guidelines is to prevent banks from being used, intentionally or unintentionally, by criminal elements for money laundering activities. Related procedures also enable banks to better understand their customers and their financial dealings. This helps them manage their risks prudently.

ESC supports customers' due diligence activities for compliance purposes and credit service solutions through the verification, storage and retrieval of corporate and business information compiled and obtained from public registry sources (e.g., corporate registry, personal property registry, land registry, litigation, and bankruptcy and *Bank Act* searches). These services are provided primarily to financial institutions.

ESC has developed a proprietary platform for financial institutions to on-board new commercial accounts while remaining compliant with Canadian KYC and AML regulations captured under the federal *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada). The customer on-boarding verification report generated by ESC leverages its search service to provide financial institutions a process and system to verify, retrieve and store information about corporate clients to meet these regulatory requirements.

## Corporate Supplies and Accessories

The corporate supplies provided by ESC help companies to effectively organize and maintain their corporate legal documents. A corporation is legally required to maintain records of important corporate documents (its certificate of incorporation or letters patent, articles of incorporation, by-laws, unanimous shareholder agreement, meeting minutes and resolutions of the shareholders, among other information). These records are typically kept in a minute book. Other items typically include a corporate seal and share certificates.

These products are sold and distributed primarily to legal professionals and include customized corporate minute books, corporate seals, share certificates, legal supplies and related ancillary accessories for businesses and corporations.

[1] NUANS (Newly Updated Automated Name Search) is a registered trademark of the Government of Canada and is a computerized search system that compares a proposed corporate name or trademark with databases of existing corporate bodies and trademarks.

# 6 Business Strategy

## Strategic Priorities

ISC's goal is to deliver value to shareholders through the consistent performance of its existing business and the execution of appropriate growth opportunities. The Company has identified three strategic priorities to support the achievement of this goal, as outlined in the table below.

| Earnings Growth & Sustainable Cost Management | Organizational Effectiveness & Compliance | Growth Identification & Execution |
|---|---|---|
| • Deliver consistent EBITDA growth with a focus on increased margins through the generation of permanent cost efficiencies<br>• Focus on critical cost lines to manage expenditures and prioritize investments | • Implement systems and process renewal to support earnings growth and the evolving needs of current and potential customers<br>• Deliver on credible, efficient registry services and compliance with the Master Service Agreement | • Replication of ISC core service offerings in other Canadian and international jurisdictions<br>• Incremental growth through service enhancements and new products<br>• Acquisition of companies, systems and assets to enhance ISC's competitive advantage in current or new business lines, industries or expanded product offerings |

# 7 Results of Operations

## Consolidated Statements of Comprehensive Income

| (thousands of CAD dollars) | Three Months Ended December 31, 2016 | Three Months Ended December 31, 2015 | Year Ended December 31, 2016 | Year Ended December 31, 2015 |
|---|---|---|---|---|
| Revenue | $ 21,201 | $ 22,579 | $ 88,375 | $ 78,318 |
| Expenses | | | | |
| Wages and salaries | 8,214 | 7,318 | 28,008 | 24,846 |
| Information technology services | 2,432 | 2,474 | 9,602 | 9,688 |
| Depreciation and amortization | 2,955 | 1,776 | 8,429 | 5,713 |
| Occupancy costs | 1,284 | 1,239 | 4,992 | 4,563 |
| Professional and consulting services | 1,607 | 1,161 | 5,564 | 3,569 |
| Cost of goods sold | 779 | 940 | 3,586 | 955 |
| Financial services | 510 | 426 | 2,362 | 2,362 |
| Project initiatives | (298) | 476 | 3,214 | 2,521 |
| Other | 765 | 409 | 2,172 | 1,513 |
| | 18,248 | 16,219 | 67,929 | 55,730 |
| Income before net finance expense (income) | 2,953 | 6,360 | 20,446 | 22,588 |
| Finance expense (income) | | | | |
| Interest income | (68) | (70) | (256) | (331) |
| Interest expense | 142 | 129 | 577 | 236 |
| Net finance expense (income) | 74 | 59 | 321 | (95) |
| Share of profit in associate[1] | 925 | 52 | 1,654 | 62 |
| Change in contingent consideration | – | – | (1,000) | – |
| Income before tax | 3,804 | 6,353 | 20,779 | 22,745 |
| Income tax expense | 885 | 1,786 | 5,276 | 6,828 |
| Net income and total comprehensive income | $ 2,919 | $ 4,567 | $ 15,503 | $ 15,917 |

[1] As a result of the acquisition of 30 per cent of the issued and outstanding voting common shares of Dye & Durham Corporation (formerly OneMove Technologies Inc.) on September 2, 2015, ISC records its share of the results of Dye & Durham Corporation in accordance with the equity method of accounting.

## 7.1 Fourth Quarter Results

### Consolidated Revenue

Revenue was $21.2 million for the three months ended December 31, 2016, a $1.4 million decrease compared to the same period in 2015.

| (thousands of CAD dollars) | Registries | Services | Corporate | Three Months Ended December 31, 2016 | 2015 |
|---|---|---|---|---|---|
| Land Registry (Land Titles Registry, Land Surveys, and Geomatics) | $ 13,038 | $ – | $ – | $ 13,038 | $ 14,816 |
| Personal Property Registry | 2,273 | – | – | 2,273 | 2,407 |
| Corporate Registry | 2,254 | – | – | 2,254 | 2,038 |
| Registries | 17,565 | – | – | 17,565 | 19,261 |
| Services | – | 3,427 | – | 3,427 | 3,166 |
| Other | – | – | 209 | 209 | 152 |
| | $ 17,565 | $ 3,427 | $ 209 | $ 21,201 | $ 22,579 |

### Registries

#### Overall

Revenue for all Registries was $17.6 million for the three months ended December 31, 2016, a decrease of $1.7 million, or 8.8 per cent, compared to the three months ended December 31, 2015. Our results were lower mainly due to decreased revenues from the Land Titles Registry.

On December 7, 2016, ISC experienced a broad technology service disruption affecting the availability of Saskatchewan registry services and support. Upon resumption of registry services on December 13, 2016, ISC addressed the backlog that may have accumulated. Any discretionary transactions, such as searches which were not completed during the service disruption, did not have a material impact on registry revenue.

#### Land Registry

Revenue was $13.0 million for the quarter ended December 31, 2016, decreasing by 12.0 per cent compared to the three months ended December 31, 2015.

#### (i) Land Titles Registry

Land Titles Registry revenue for the three months ended December 31, 2016, was $12.2 million, a decline of 11.8 per cent compared to the same period in December 31, 2015.

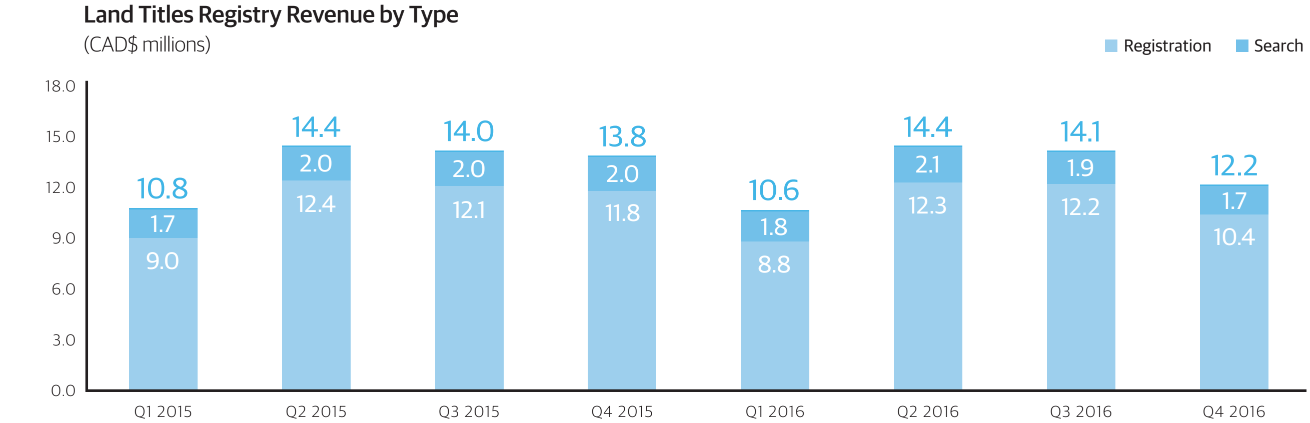
Overall transaction volumes fell by 15.0 per cent for the three months ended December 31, 2016, compared to the same period last year, primarily due to declines in key transaction types. Regular land transfers in the fourth quarter of 2016 fell by 9.3 per cent compared to the fourth quarter of 2015. Year-over-year, the volume of mortgage registrations and title searches declined by 7.9 per cent and 12.7 per cent, respectively.

The majority of the revenue in the Land Titles Registry is derived from value-based fees. Average land values for regular land transfers in the fourth quarter of 2016, although 12.8 per cent above the 2010-2015 average, were flat compared to those in the fourth quarter of 2015. A softening of housing prices is noted by the most recent data from Statistics Canada New Housing Price Index for Saskatchewan. Results for November 2016 indicate a decline of 1.7 per cent, compared to November 2015[2].

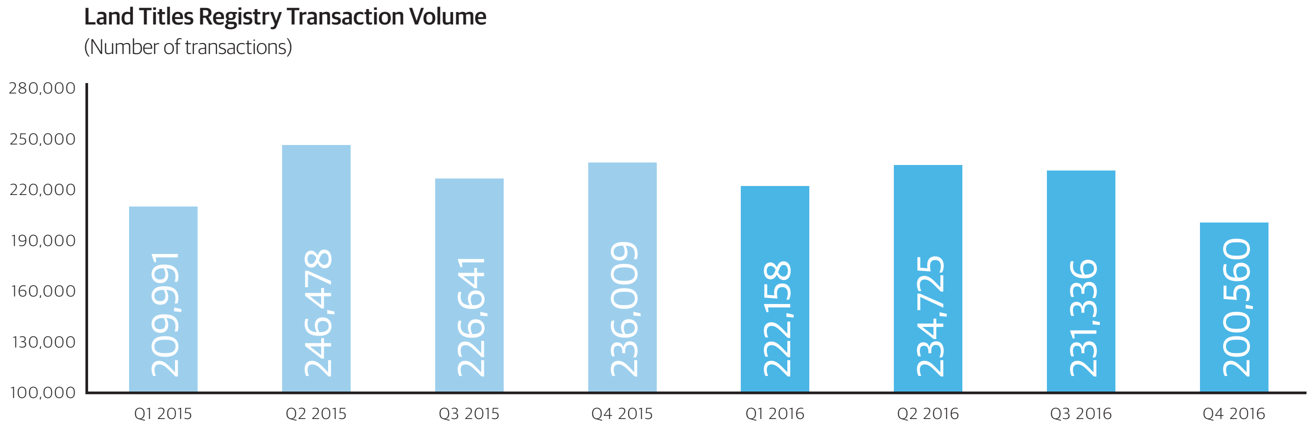
High-value property registration revenue for the three months ended December 31, 2016, was lower at $1.0 million, compared to $1.6 million for the same period in 2015. Each high-value registration generated revenue of $10,000 or more.

The following charts show the Land Title Registry's revenue by type of transaction and the overall transaction volume, respectively. The fourth quarter is typically a weaker quarter compared to the third quarter, which is consistent year-over-year. For more information on seasonality, please refer to the "Summary of Consolidated Quarterly Results".

[2] Statistics Canada. Table 327-0046 – New housing price indexes, monthly (index, 2007=100), CANSIM (database), accessed January 13, 2017.




Note: Values may not total due to rounding from Maintenance transactions that were too small to display in chart.




### (ii) Land Surveys and Geomatics

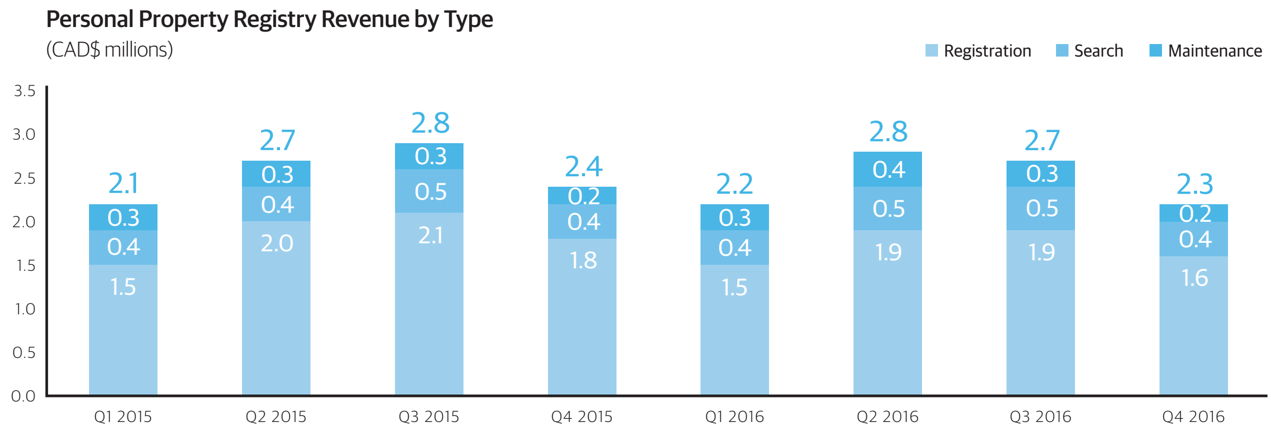
Collectively, the revenue from Land Surveys and Geomatics was $0.9 million for the three months ended December 31, 2016, a decrease of $0.1 million, or 14.5 per cent, compared to the same period in 2015. The decline is due to the weaker economic conditions in Saskatchewan. Revenue from Land Surveys was down 11.9 per cent due to declines in registration and search transaction volumes for the fourth quarter in 2016 when compared to the same period in 2015. These declines were partially offset by growth in service transactions, up 89.4 per cent quarter-over-quarter. Geomatics revenue declined 15.9 per cent compared to the same quarter in 2015 due to lower requests for geomatics services, bulk data and sales.

### Personal Property Registry

Revenue for the Personal Property Registry for the three months ended December 31, 2016, was $2.3 million, which represents a decrease of 5.6 per cent, or $0.1 million, from the same period in 2015.

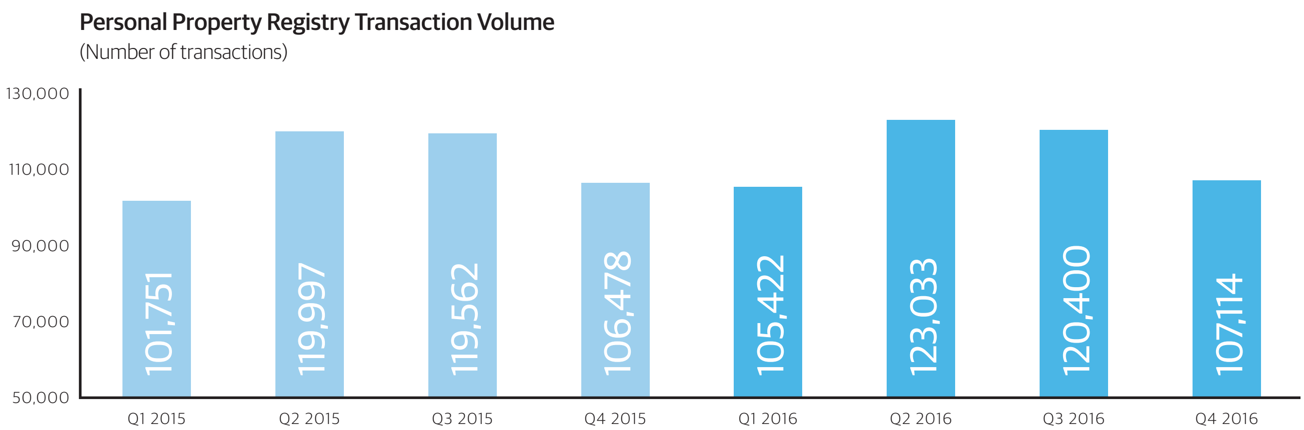
The main driver of revenue for this registry – personal property security registration setups – has shown a decline in revenue of 9.7 per cent compared to the same period last year. Volumes of setups in the fourth quarter of 2016 shrunk 5.6 per cent compared to the same quarter of 2015. As well, scheduled registry fee changes effective July 1, 2016, which rebalanced fees across several categories, resulted in a decrease in the average price per setup.

The following graph depicts the revenue by type of transaction. Year-over-year, registration revenue fell due to the decrease in personal property security registration setups, while search and maintenance revenue was stable when comparing the three months ended December 31, 2016, to the same period in 2015. Quarterly revenue continues to reflect the typical pattern of seasonality.




Transaction volumes for the fourth quarter of 2016 edged up by 0.6 per cent compared to the same period last year. This was primarily due to an increase in search, up 2.6 per cent, and maintenance volumes, up 4.6 per cent, which offset the 4.2 per cent decrease in registration volumes.

The following graph shows the transaction volumes by quarter for 2015 and 2016 for comparison.




## Corporate Registry

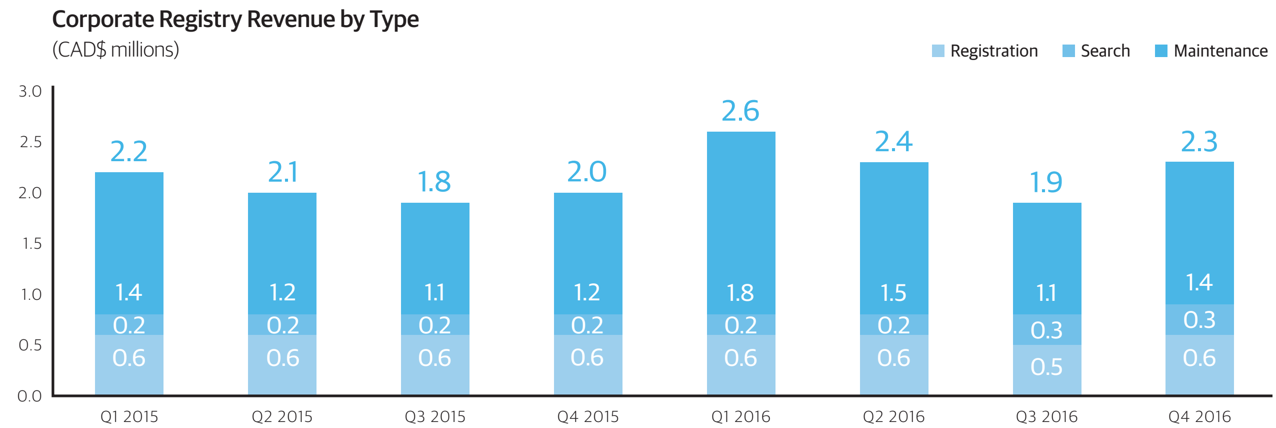
Revenue for the Corporate Registry for the quarter ended December 31, 2016, was $2.3 million, an increase of $0.2 million, or 10.6 per cent, compared to the same period in 2015.

On July 11, 2016, ISC launched its new system for the Saskatchewan Corporate Registry, updating the registry's technology platform and providing customers a more convenient service to search, register and maintain corporate entities in Saskatchewan. The new system has many new benefits, including online submission of all filings and immediate registration for most transactions. The online application also offers access to digitally verified registry documents and options for customers to self-manage staff access.

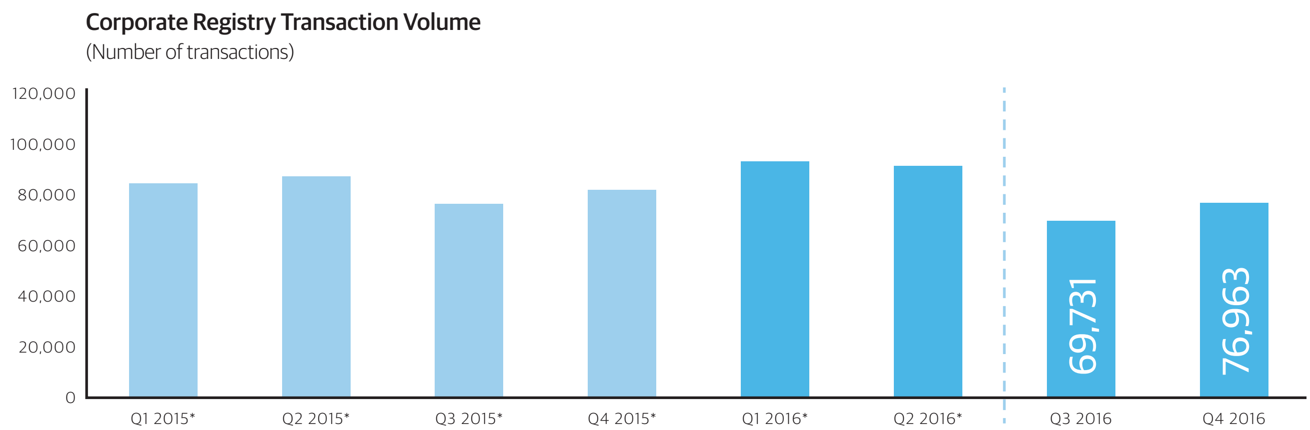
A number of permanent changes to the services and fee structure were implemented with the launch of the new system. The new fee schedule resulted in structural changes to how volumes are recorded.

With that in mind, revenue from the filing of annual returns and renewals, classified as maintenance transactions, was flat compared to the fourth quarter of 2015. Revenue from the incorporation and registration of new business entities, classified as registration, decreased by 4.0 per cent compared to the fourth quarter 2015. This decline was more than offset by increases in search revenue which was up 41.6 per cent when compared to the fourth quarter of 2015, due to pricing changes.

The following graph depicts the revenue by type of transaction. Corporate Registry revenue for the fourth quarter of 2016 improved compared to the same period in 2015 due to new revenue from operating the Common Business Identifier Program and Business Registration Saskatchewan Program (classified as maintenance revenue).




The transaction volumes for the Corporate Registry for the fourth quarter of 2016 are shown below. As a result of the new fee schedule as well as the Corporate Registry system implementation in July 2016, the recording of volumes for fee generating transactions has changed. Historical trending in the graph below has been adjusted to approximate expected comparative volumes under the current structure.




* Note: As noted above, historical trending has been adjusted to approximate expected comparative volumes under the current structure.

As of December 31, 2016, there were approximately 74,939 active Saskatchewan Business Corporations registered with the Corporate Registry compared to 72,011 as of December 31, 2015. Positive active entity growth helps support revenue stability due to the filing of annual returns and business name renewals included in maintenance transactions.

## Services

The revenue in our Services segment for the fourth quarter, which consists of revenue earned by our wholly owned subsidiary ESC, was $3.4 million. This is an increase of $0.3 million, or 8.2 per cent, compared to the fourth quarter of 2015.

Revenue from search and registration services was $1.4 million for the three months ended December 31, 2016, which represents 42.0 per cent of total revenue, and declined by 2.2 per cent compared to the same period in 2015. Search and registration services revenue includes corporate, business name, personal property, real property, corporate name search reports (also known as NUANS[3] reports), trademark, *Bank Act* and other search and registration services. These services are provided primarily to lawyers and law firms.

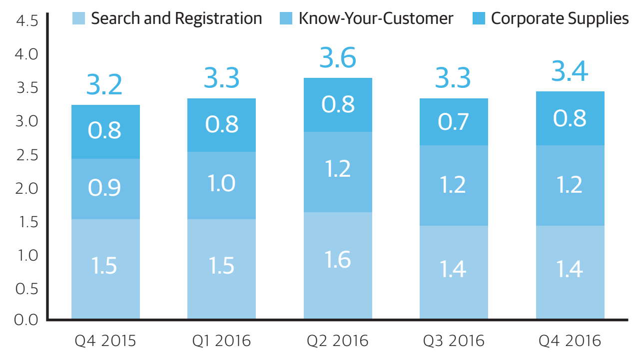
Revenue from Know-Your-Customer services for the three months ended December 31, 2016, was $1.2 million, or 35.0 per cent of total revenue and grew by $0.3 million or 27.3 per cent compared to the fourth quarter of 2015. This includes KYC services that support customers' due diligence activities for compliance purposes and credit service solutions through the verification, storage

[3] NUANS (Newly Updated Automated Name Search) is a registered trademark of the Government of Canada and is a computerized search system that compares a proposed corporate name or trademark with databases of existing corporate bodies and trademarks.

and retrieval of corporate and business information compiled and obtained from public registry sources (e.g., corporate registry, personal property registry, land registry, litigation, and bankruptcy and *Bank Act* searches). These services are provided primarily to financial institutions.

Revenue from corporate supplies for the three months ended December 31, 2016, was $0.8 million, representing 23.0 per cent of the total Services revenue, improved by a modest 5.0 per cent compared to the three months ended December 31, 2015. This includes corporate supplies and accessories for the manufacturing, sale and distribution of customized corporate minute books, corporate seals, share certificates, legal supplies and related ancillary accessories for businesses and corporations. These services are provided primarily to lawyers and law firms.

**Services Revenue by Type**
(CAD$ millions)




## Consolidated Expenses

For the three months ended December 31, 2016, consolidated expenses (all segments) were $18.2 million, an increase of 12.5 per cent, compared to $16.2 million for the same period of 2015.

| (thousands of CAD dollars) | Three Months Ended December 31, 2016 | 2015 |
|---|---|---|
| Expenses | | |
| Wages and salaries | $ 8,214 | $ 7,318 |
| Information technology services | 2,432 | 2,474 |
| Depreciation and amortization | 2,955 | 1,776 |
| Occupancy costs | 1,284 | 1,239 |
| Professional and consulting services | 1,607 | 1,161 |
| Cost of goods sold | 779 | 940 |
| Financial services | 510 | 426 |
| Project initiatives | (298) | 476 |
| Other | 765 | 409 |
| | $ 18,248 | $ 16,219 |

The increase in expenses was due to a combination of the following:

- Wages and salaries were $8.2 million, up $0.9 million, for the three months ended December 31, 2016, compared to the same period of 2015. The increase was primarily the result of normal salary and performance management increases across all segments and the impact of the new collective bargaining agreement in the Registries segment which came into effect in 2016.
- Depreciation and amortization costs were $3.0 million for the three months ended December 31, 2016, compared to $1.8 million in the same period of 2015. The increase was mainly due to an acceleration of depreciation of certain assets replaced by the new technology system for the Saskatchewan Corporate Registry, due to a reassessment of their useful lives.
- Professional and consulting services were $1.6 million for the three months ended December 31, 2016, compared to $1.2 million in 2015. The increase was due to costs associated with the exploration and implementation of growth initiatives.
- Project initiatives were lower by $0.8 million from the fourth quarter of 2015 as a result of a number of costs associated with an ongoing project meeting our capitalization requirements and therefore being transferred to assets under development.
- Other costs increased to $0.8 million in 2016 from $0.4 million in the same quarter of 2015. The increase was mainly due to the Company's rebranding initiative.

### Net Finance Expense (Income)

Net finance expense (income) for the three months ended December 31, 2016, was an expense of $74 thousand compared to $59 thousand for the same period in 2015. The increase was due to a slightly higher interest rate on our revolving term facility as compared to 2015.

### Share of Profit in Associate

For the three months ended December 31, 2016, ISC recorded its share of profit in associate (Dye & Durham, formerly OneMove) of $925 thousand compared to $52 thousand in 2015. The increase was due to the larger overall net income that resulted from OneMove's purchase and amalgamation of Dye & Durham in March 2016.

### Net Income and Earnings per Share

Net income and total comprehensive income for the three months ended December 31, 2016, was $2.9 million, or $0.17 per basic and diluted share, compared to $4.6 million, or $0.26 per basic and diluted share, for the same period in 2015.

### Adjusted EBITDA

Adjusted EBITDA was $7.3 million, a 34.6 per cent margin, for the three months ended December 31, 2016, compared to $8.6 million, a 38.2 per cent margin, for the same period in 2015. The decrease was primarily due to the lower revenue experienced in our Registries segment (primarily the Land Registry), combined with higher employee and professional services expenses as previously described.

## 7.2 Year-End Results

### Consolidated Revenue

Revenue was $88.4 million for the year ended December 31, 2016, compared to $78.3 million in 2015, an increase of 12.8 per cent.

| (thousands of CAD dollars) | Registries | Services | Corporate | Year-Ended December 31, 2016 | 2015 |
|---|---|---|---|---|---|
| Land Registry (Land Titles Registry, Land Surveys, and Geomatics) | $ 54,921 | $ – | $ – | $ 54,921 | $ 56,871 |
| Personal Property Registry | 9,947 | – | – | 9,947 | 9,981 |
| Corporate Registry | 9,082 | – | – | 9,082 | 8,133 |
| Registries | 73,950 | – | – | 73,950 | 74,985 |
| Services | – | 13,639 | – | 13,639 | 3,166 |
| Other | – | – | 786 | 786 | 167 |
| | $ 73,950 | $ 13,639 | $ 786 | $ 88,375 | $ 78,318 |

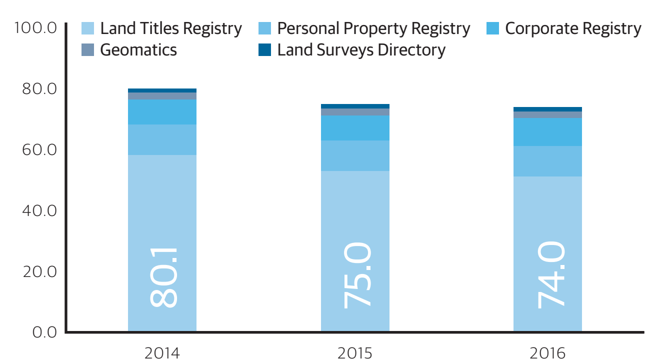
### Registries

#### Overall

Revenue for all Registries was $74.0 million for the year ended December 31, 2016, a decrease of $1.0 million, or 1.4 per cent, compared to the year ended December 31, 2015. Our results were lower mainly due to decreased revenues from the Land Registry.

The Company's top five customers for the Registries segment represent 18.7 per cent of the total Registry segment revenue for the year ended December 31, 2016. Of those customers, no single customer represented more than 10.0 per cent of total Registries segment revenue.

**Total Registries Revenue for the year ended December 31,**
(CAD$ millions)



## Land Registry

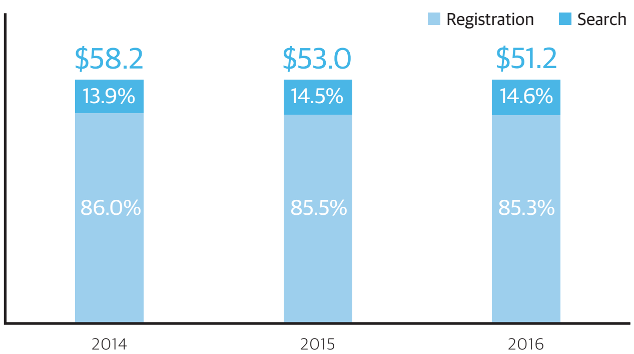
Land Registry revenue was $54.9 million for the year ended December 31, 2016, decreasing $2.0 million or 3.4 per cent compared to the year ended December 31, 2015.

### (i) Land Titles Registry

Land Titles Registry revenue for the year ended December 31, 2016, was $51.2 million, a decrease of 3.3 per cent or $1.8 million compared to 2015.

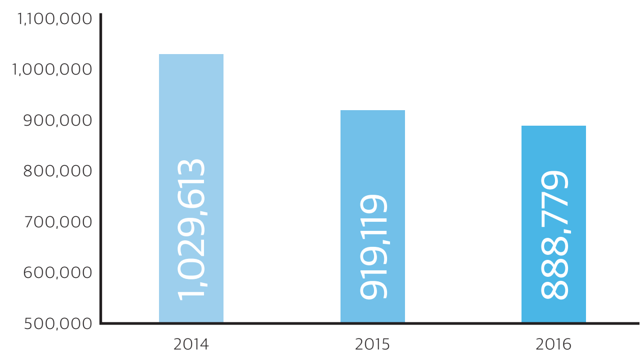
The majority of the revenue in the Land Titles Registry is derived from value-based fees. Average land values for regular land were lower in 2016 when compared to 2015, consistent with data from the Statistics Canada New Housing Price Index for Saskatchewan, which shows year-over-year declines for each month of 2016 *(most recent data only provides results up to November 2016)*, compared to 2015[4].

**Land Titles Registry Revenue by Type for the year ended December 31,**
(CAD$ millions)*




* Note: Values may not total due to rounding from Maintenance transactions that are too small to display in chart.

**Land Titles Registry Transaction Volume for the year ended December 31,**
(Number of transactions)




Saskatchewan housing starts declined in 2016, down 10.5 per cent year-over-year, while the number of completions was down 9.4 per cent[5]. Housing completion volumes were higher than housing starts, contributing to buyers' market conditions in parts of the province. These are indicators of the slowdown in the Saskatchewan real estate market and have impacted revenue.

As a result, overall revenue generating transactions in the Land Titles Registry fell 3.3 per cent in 2016, which can be attributed to a slower real estate market in Saskatchewan. The volume of regular land transfers, mortgage registrations and title searches declined by 3.3 per cent, 9.8 per cent and 5.9 per cent, respectively, compared to 2015. These volume declines were partly negated by an increase of resource sector interest transactions in 2016.

The Land Titles Registry continued to see a large number of high-value property transactions which generated a high fee per transaction, although to a lesser degree than 2015. We received $3.6 million in revenue from these transactions in 2016, below the $4.2 million in 2015. Between 2010 and 2015, we typically saw an average of $3.2 million on an annual basis.

The primary customers of the Land Titles Registry are legal firms, financial institutions, developers and resource companies. For the year ended December 31, 2016, our top 20 Land Titles Registry customers represented about 39.3 per cent of our revenue and our top 100 Land Titles Registry customers represented 76.0 per cent of revenue. Nearly 78.7 per cent of all Land Titles Registry registration transactions were submitted online in 2016, an increase of 1.4 per cent compared to 2015.

[4] Statistics Canada. Table 327-0046 – New housing price indexes, monthly (index, 2007=100), CANSIM (database), accessed January 13, 2017.

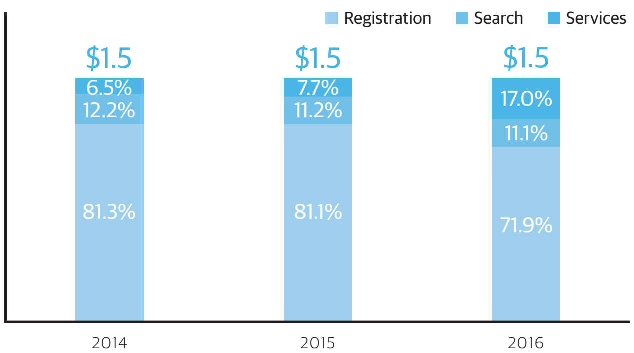
[5] Statistics Canada CANSIM Table 027-0001: Canada Mortgage and Housing Corporation, housing starts, under construction and completions in centres 10,000 and over, accessed January 13, 2017.

### (ii) Land Surveys and Geomatics

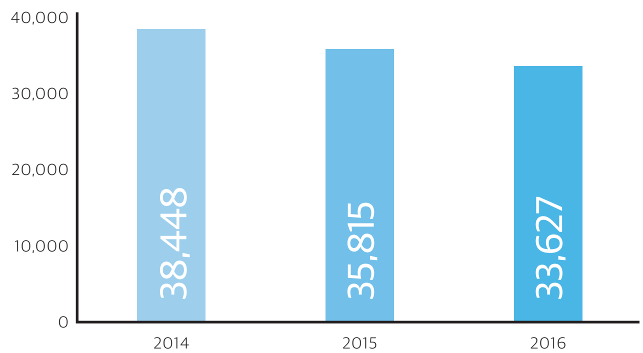
Collectively, the revenue from Land Surveys and Geomatics was $3.7 million for the year ended December 31, 2016, a decrease of $0.2 million, or 4.6 per cent, compared to the same period in 2015. The overall decrease was due to lower revenues from Geomatics, down $0.2 million or 7.8 per cent for the year, which was impacted by the overall economy and lower requests for geomatics services, bulk data and sales. Land Surveys revenue was relatively flat, up a modest 0.7 per cent compared to 2015.

For the year ended December 31, 2016, Land Surveys generated revenue of $1.5 million and was flat compared to the same period in 2015. In 2016, registrations accounted for 71.9 per cent of total revenue. Land Surveys transaction volume was lower by 6.1 per cent year-over-year.

**Land Surveys Revenue by Type**
**for the year ended December 31,**
(CAD$ millions)



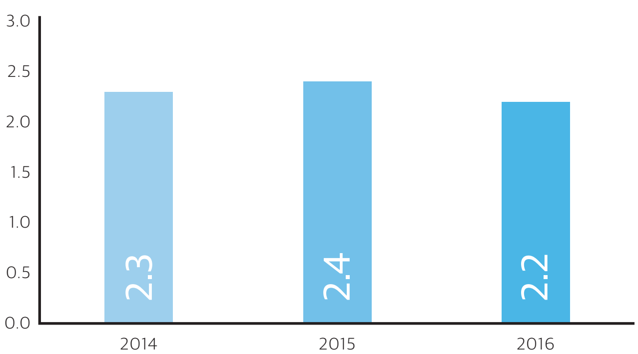

**Land Surveys Transaction Volume**
**for the year ended December 31,**
(Number of transactions)




Land Surveys customers include surveyors, developers, resource companies, government and other businesses that access our mapping systems and survey plans to support their development plans. For the year ended December 31, 2016, our top 20 Land Surveys customers represented 90.9 per cent of our revenue, whereas the top 100 customers accounted for 95.6 per cent.

Total revenue resulting from Geomatics was $2.2 million for the year ended December 31, 2016, a decline of 7.8 per cent compared to 2015.

**Geomatics Revenue**
**for the year ended December 31,**
(CAD$ millions)

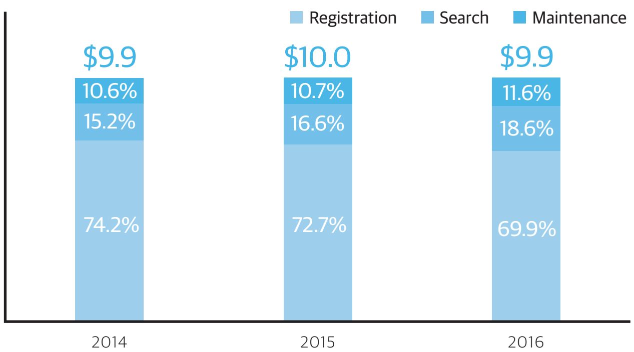



Geomatics customers include government departments (provincial and municipal), resource companies, land developers, other businesses and the general public. They also include utility, pipeline and transportation companies. For the year ended December 31, 2016, our top 20 Geomatics customers comprised 86.5 per cent of our revenue, while our top 100 customers represented 97.7 per cent of revenue.

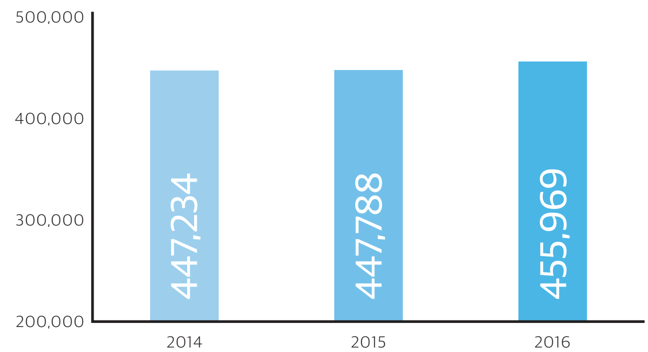
## Personal Property Registry

Revenue for the Personal Property Registry for the year ended December 31, 2016, was stable at $9.9 million, which represents a negligible decrease of 0.3 per cent from the same period in 2015.

**Personal Property Registry Revenue by Type for the year ended December 31,**
(CAD$ millions)




**Personal Property Registry Transaction Volume for the year ended December 31,**
(Number of transactions)




Registration revenue for this registry decreased by 4.3 per cent in 2016, largely due to a 4.2 per cent decline in personal property security registration revenue compared to last year. This was mainly counterbalanced by increases in search revenue (up 11.5 per cent) and maintenance revenue (up 8.1 per cent) for the year.

The graph above reflects year-over-year transaction volumes. Overall volumes improved by 1.8 per cent in 2016. Search volume grew 4.6 per cent while maintenance volume increased 7.3 per cent, more than offsetting the 4.6 per cent decline of registration volumes.

New motor vehicle sales in Saskatchewan is one of the activity drivers of the Personal Property Registry. Statistics Canada reported that new motor vehicle sales (units) for Saskatchewan decreased by 5.5 per cent for 2016, when compared to 2015[6]. This was reflected in the declines we observed in personal property security registration setups in 2016.

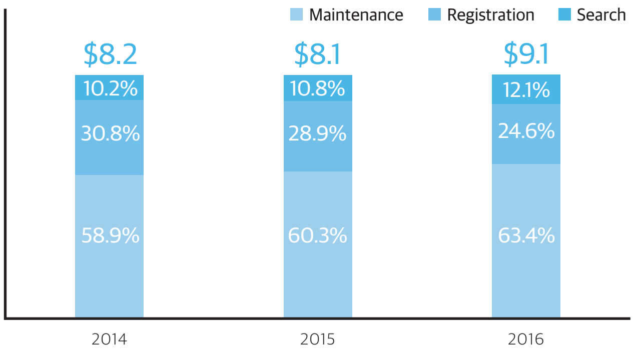
Customers of the Personal Property Registry are primarily in the financial sector as well as legal firms. The top 20 Personal Property Registry customers generated 81.4 per cent of the revenue for the year ended December 31, 2016, while the top 100 represented 93.4 per cent of our revenue.

[6] Statistics Canada Table 079-0003 – New motor vehicle sales, Canada, provinces and territories, CANSIM (database), accessed February 21, 2017.

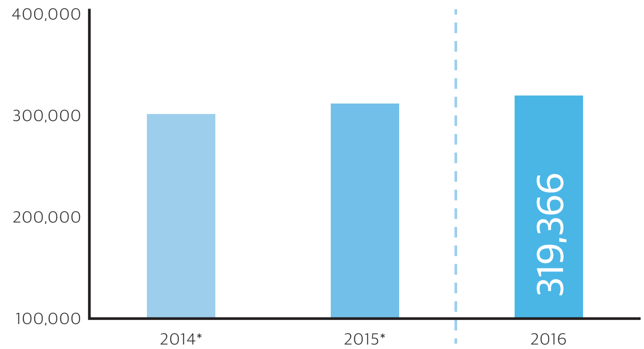
## Corporate Registry

Revenue for the Corporate Registry for the year ended December 31, 2016, was $9.1 million, up 11.7 per cent or $0.9 million, which is due to revenue from the Common Business Identifier Program.

**Corporate Registry Revenue by Type for the year ended December 31,**
(CAD$ millions)




**Corporate Registry Transaction Volume for the year ended December 31,**
(Number of transactions)




* Note: As a result of the new fee schedule and Corporate Registry system implementation in July 2016, the recording of volumes for fee generating transations has changed. Historical trending in the graph above has been adjusted to approximate expected comparative volumes under the current structure.

As noted previously, on July 11, 2016, ISC launched its new system for the Saskatchewan Corporate Registry, updating the registry's technology platform and providing customers a more convenient service to search, register and maintain corporate entities in Saskatchewan. A number of permanent changes to the services and fee structure were implemented with the launch of the new system. The new fee schedule resulted in structural changes to how volumes are recorded.

Overall, revenue improved due to new revenue of $0.9 million from operating the Common Business Identifier Program in 2016. With that in mind, there was some shifting in remaining types of revenue during the year. Revenue from the filing of annual returns and renewals (classified as maintenance transactions) improved by 4.0 per cent in 2016 when compared to 2015. Revenue from the incorporation and registration of new business entities, classified as registration, decreased by 4.6 per cent compared to 2015. Also of note, search revenue jumped 24.6 per cent year-over-year, mainly due to pricing changes.

Compared to 2015, business confidence in Saskatchewan has declined for most months in 2016, according to the Canadian Federation of Independent Business ("CFIB") barometer index, resulting in the province ranking near the bottom nationally for most of 2016[7]. The decline in business confidence can contribute to the reduction in the rate of new entity creation, including incorporation of new businesses.

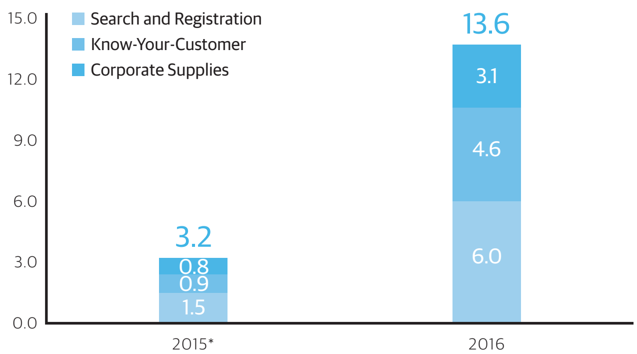
For the Corporate Registry, customers largely include legal firms, companies in the financial sector, as well as the Government of Saskatchewan. They also include businesses such as corporations, non-profit corporations, co-operatives and sole proprietorships that were, or will be, registered in the Corporate Registry. The top 20 Corporate Registry customers accounted for nearly 35.3 per cent of revenue for the nine months ended December 31, 2016, whereas the top 100 customers made up about 52.9 per cent of revenue.

[7] CFIB Economics Business Barometer and corresponding data table – December 2016

## Services

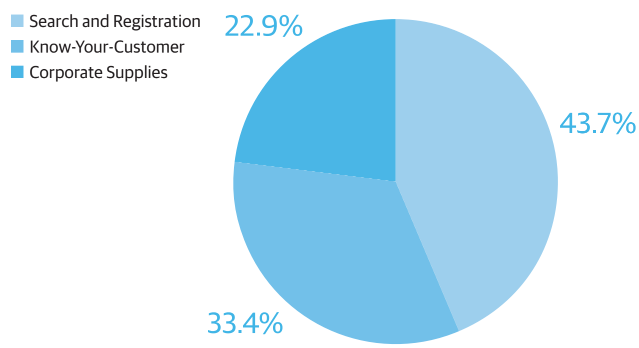
The revenue in our Services segment for the year ended December 31, 2016, was $13.6 million, an increase of $10.5 million compared to 2015. The increase was primarily due to ESC's revenue contribution of 12 months in 2016 compared to three months in 2015.

**Services Revenue by Type**
**for the year ended December 31, 2016**
(CAD$ millions)




* Note: 2015 revenue results for ESC, which ISC acquired on October 1, 2015, are for the fourth quarter only.

**Services Revenue**
**for the year ended December 31, 2016**




2016 was a strong year for ESC with solid organic growth in all of its lines of business. This was largely due to legal activity across the country as well as strong compliance-driven activities in the financial services industry that triggered active due diligence on companies throughout Canada.

Revenue from search and registration services was $6.0 million for the year ended December 31, 2016, representing 43.7 per cent of the total revenue of the Services segment.

Revenue from Know-Your-Customer services for the year ended December 31, 2016, was $4.6 million, or 33.4 per cent of total Services revenue.

Revenue from corporate supplies for the year ended December 31, 2016, was $3.1 million, representing 22.9 per cent of total Services revenue.

The top 20 ESC customers comprised about 48.8 per cent of the revenue for the year ended December 31, 2016, while the top 100 ESC customers made up nearly 63.7 per cent of revenue. No single customer accounted for more than 25.0 per cent of ESC revenue in the same period.

## Consolidated Expenses

For the year ended December 31, 2016, consolidated expenses (all segments) were $67.9 million, an increase of 21.9 per cent, compared to $55.7 million for the same period of 2015.

| | Year Ended December 31, | |
|---|---|---|
| (thousands of CAD dollars) | **2016** | 2015 |
| Expenses | | |
| Wages and salaries | $ 28,008 | $ 24,846 |
| Information technology services | 9,602 | 9,688 |
| Depreciation and amortization | 8,429 | 5,713 |
| Occupancy costs | 4,992 | 4,563 |
| Professional and consulting services | 5,564 | 3,569 |
| Cost of goods sold | 3,586 | 955 |
| Financial services | 2,362 | 2,362 |
| Project initiatives | 3,214 | 2,521 |
| Other | 2,172 | 1,513 |
| | $ 67,929 | $ 55,730 |

The increase in expenses was due to a combination of the following:

- Wages and salaries were $28.0 million, up $3.2 million, for the year ended December 31, 2016, compared to the same period in 2015. The increase was mainly the result of salaries related to our Services segment included for the full year in 2016 compared to only three months in 2015.
- Depreciation and amortization costs were $8.4 million for the year ended December 31, 2016, compared to $5.7 million in the same period of 2015. The increase was mainly due to the additional depreciation from capital assets of our Services segment and the acceleration of depreciation of certain assets replaced by the new technology system for the Saskatchewan Corporate Registry, due to a reassessment of their useful lives.
- Professional and consulting services were $5.6 million for the year ended December 31, 2016, compared to $3.6 million in 2015. The increase was due to costs associated with the exploration and implementation of growth initiatives.
- Cost of goods sold was $3.6 million for the year ended December 31, 2016, compared to $1.0 million in 2015. The substantial increase was due to the addition of our Services segment in 2015, which offers a corporate supplies product line.
- Project initiatives were $3.2 million for the year compared to $2.5 million in 2015. The increase was due to focused effort on growth and technology maintenance initiatives.
- Other costs increased to $2.2 million for the year ended December 31, 2016, compared to $1.5 million in 2015. The increase was due to costs associated with our corporate rebranding, as well as a full year of additional miscellaneous costs from our Services segment.

## Net Finance Expense (Income)

Net finance expense (income) for the year ended December 31, 2016, was an expense of $0.3 million compared to income of $95 thousand for the same period in 2015. The change was due to the addition of a new, committed long-term debt facility at the end of the third quarter of 2015 and the resulting increased interest paid in 2016 as compared to 2015.

## Share of Profit in Associate

For the year ended December 31, 2016, ISC recorded its share of profit in associate (Dye & Durham) of $1,654 thousand compared to $62 thousand in 2015. The increase was due to a full year of results in 2016 versus only a partial year in 2015 as well as the larger overall net income that resulted from OneMove's purchase and amalgamation of Dye & Durham in March 2016.

## Tax Provision

The Company is subject to federal and provincial income taxes at an estimated combined statutory rate of 27.0 per cent (2015 – 27.0 per cent). Income tax expense varies from the amounts that would be computed by applying the statutory income tax rate to earnings before taxes for the following reasons:

| (thousands of CAD dollars, except where noted) | Year Ended December 31, 2016 | 2015 |
|---|---|---|
| Income from operations before tax | $ 20,779 | $ 22,745 |
| Combined statutory income tax rate | 27.0% | 27.0% |
| Expected income tax expense | 5,610 | 6,141 |
| Increase (decrease) in income tax resulting from: | | |
| Non-deductible expenses/non-taxable income | (72) | 621 |
| (Over) under provision in prior years | (264) | – |
| Other | 2 | 66 |
| Income tax expense | $ 5,276 | $ 6,828 |
| Effective income tax rate | 25.4% | 30.0% |

The Company records future income tax assets and liabilities related to deductible temporary differences. The Company assesses the value of these assets and liabilities based on their probability of being realized given management assessments of future taxable income.

### Net Income and Earnings per Share

Net income and total comprehensive income for the year ended December 31, 2016, was $15.5 million, or $0.89 per basic and $0.87 per diluted share, compared to $15.9 million, or $0.91 per basic and $0.90 per diluted share, for the same period in 2015.

| (thousands of CAD dollars) | Year Ended December 31, 2016 | 2015 |
|---|---|---|
| Registries | $ 17,856 | $ 16,930 |
| Services[1] | (403) | 274 |
| Corporate | (1,950) | (1,287) |
| Net income and comprehensive income | $ 15,503 | $ 15,917 |

[1] Net income for the Services segment for the year ended December 31, 2016, was impacted by the $1.0 million adjustment to the contingent consideration (see "Change in Contingent Consideration" on the consolidated statement of comprehensive income of the Financial Statements).

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) | Year Ended December 31, 2016 | 2015 |
|---|---|---|
| Net income and total comprehensive income | $ 15,503 | $ 15,917 |
| Weighted average number of shares, basic | 17,500,000 | 17,500,000 |
| Potential dilutive shares resulting from stock options | 374,654 | 120,230 |
| Weighted average number of shares, diluted | 17,874,654 | 17,620,230 |
| Earnings per share ($ per share) | | |
| Total, basic | $ 0.89 | $ 0.91 |
| Total, diluted | $ 0.87 | $ 0.90 |

### Adjusted EBITDA

Adjusted EBITDA was $33.5 million, a 37.9 per cent margin, for the year ended December 31, 2016, compared to $30.4 million, a 38.8 per cent margin, for the same period in 2015. The increased adjusted EBITDA value was a result of additional spend on growth-related activities in 2016, which is added back to the calculation; however, the margin as a percentage of revenue declined based on higher overall revenue for 2016 versus 2015.

## 8 Summary of Consolidated Quarterly Results

The following table sets out select quarterly results for the past eight quarters.

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.

Expenses are generally consistent from quarter to quarter, but can fluctuate due to the timing of project-related expenses. As a result of the above, our EBITDA margin fluctuates in line with some seasonality.

### Summary of Consolidated Quarterly Results

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| (thousands of CAD dollars) | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Revenue | $ 21,201 | $22,894 | $ 24,674 | $19,606 | $ 22,579 | $ 19,675 | $20,053 | $ 16,011 |
| Expenses | 18,248 | 16,854 | 16,468 | 16,359 | 16,219 | 12,830 | 13,112 | 13,568 |
| Income before net finance expense (income) | 2,953 | 6,040 | 8,206 | 3,247 | 6,360 | 6,845 | 6,941 | 2,443 |
| Net finance expense (income) | 74 | 78 | 83 | 85 | 59 | (28) | (59) | (66) |
| Share of profit (loss) in associate[1] | 925 | 479 | 263 | (13) | 52 | 10 | – | – |
| Change in contingent consideration | – | (1,000) | – | – | – | – | – | – |
| Income before tax | 3,804 | 5,441 | 8,386 | 3,149 | 6,353 | 6,883 | 7,000 | 2,509 |
| Income tax expense | 885 | 1,631 | 1,808 | 953 | 1,786 | 2,227 | 2,027 | 789 |
| Net income and total comprehensive income | $ 2,919 | $ 3,810 | $ 6,578 | $ 2,196 | $ 4,567 | $ 4,656 | $ 4,973 | $ 1,720 |
| EBITDA margin (% of revenue)[2] | 32.2% | 32.1% | 41.7% | 25.9% | 36.3% | 41.5% | 41.1% | 23.5% |
| Adjusted EBITDA margin (% of revenue)[2] | 34.6% | 41.5% | 45.1% | 27.9% | 38.2% | 48.6% | 41.9% | 23.6% |
| Earnings per share, basic | $ 0.17 | $ 0.22 | $ 0.38 | $ 0.13 | $ 0.26 | $ 0.27 | $ 0.28 | $ 0.10 |
| Earnings per share, diluted | $ 0.17 | $ 0.22 | $ 0.37 | $ 0.12 | $ 0.26 | $ 0.27 | $ 0.28 | $ 0.10 |

1 Share of profit (loss) in associate was a result of the acquisition of 30 per cent of the issued and outstanding voting common shares of Dye & Durham Corporation (formerly OneMove Technologies Inc.) on September 2, 2015.

2 EBITDA, EBITDA margin, adjusted EBITDA and adjusted EBITDA margin are not recognized as measures under IFRS and do not have a standardized meaning prescribed by IFRS and, therefore, they may not be comparable to similar measures by other corporations. Refer to section "Non-IFRS Financial Measures".

# 9 Financial Measures and Key Performance Indicators

Revenue, expenses, and net income are key performance indicators the Company uses to manage its business and evaluate its financial results and operating performance.

In addition to these results, which are reported in accordance with IFRS, certain non-IFRS measures are supplemental indicators of operating performance and financial position, as well as for internal planning purposes. The Company evaluates its performance against these metrics by comparing actual results to management budgets, forecasts and prior period results. These non-IFRS financial measures include EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin and free cash flow. Refer to section "Non-IFRS Financial Measures".

### Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---|---|---|---|
| (thousands of CAD dollars) | 2016 | 2015 | 2016 | 2015 |
| Net income and total comprehensive income | $ 2,919 | $ 4,567 | $ 15,503 | $ 15,917 |
| Depreciation and amortization | 2,955 | 1,776 | 8,429 | 5,713 |
| Net finance expense (income) | 74 | 59 | 321 | (95) |
| Income tax expense | 885 | 1,786 | 5,276 | 6,828 |
| EBITDA[1] | 6,833 | 8,188 | 29,529 | 28,363 |
| Adjustments | | | | |
| Stock-based compensation expense | 46 | 56 | 418 | 192 |
| Stock option expense | 95 | 88 | 376 | 174 |
| Acquisition and integration costs | 362 | 293 | 3,132 | 1,652 |
| (Gain) loss on disposal of property, plant and equipment assets | – | – | (1) | 1 |
| Loss on disposal of intangibles assets | – | – | – | 4 |
| Adjusted EBITDA[1] | $ 7,336 | $ 8,625 | $ 33,454 | $ 30,386 |
| EBITDA margin (% of revenue)[1] | 32.2% | 36.3% | 33.4% | 36.2% |
| Adjusted EBITDA margin (% of revenue)[1] | 34.6% | 38.2% | 37.9% | 38.8% |

1 EBITDA, EBITDA margin, adjusted EBITDA and adjusted EBITDA margin are not recognized as measures under IFRS and do not have a standardized meaning prescribed by IFRS and, therefore, they may not be comparable to similar measures by other corporations. Refer to section "Non-IFRS Financial Measures".

### Consolidated Free Cash Flow

| (thousands of CAD dollars) | Three Months Ended December 31, 2016 | 2015 | Year Ended December 31, 2016 | 2015 |
|---|---|---|---|---|
| Cash provided by operating activities | $ 6,052 | $ 7,604 | $ 26,164 | $ 30,738 |
| Cash additions to property, plant and equipment | (21) | (309) | (851) | (1,790) |
| Cash additions to intangible assets | (1,579) | (845) | (5,848) | (2,656) |
| Net change in non-cash working capital[1] | (841) | 239 | (600) | (4,803) |
| Consolidated free cash flow[2] | $ 3,611 | $ 6,689 | $ 18,865 | $ 21,489 |

[1] Refer to the Note 19 of the Financial Statements for reconciliation.

[2] Free cash flow is not recognized as a measure under IFRS and does not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures by other corporations. Refer to section "Non-IFRS Financial Measures".

# 10 Outlook

*The following section includes forward-looking statements, including statements related to prices charged for services, the anticipated revenue outlook, changes in the economic conditions in Canada and, in particular, Saskatchewan, Ontario and Quebec, timing of any economic recovery, real gross domestic product, economic impact of energy and resource sectors, changes in transaction volumes, impact of pricing changes, changes in high-value property registrations, changes in housing re-sales, housing starts and motor vehicle sales volume, growth of active business entities, expected level and composition of capital expenditures, ability to fund capital expenditures from cash flow, planned re-investment in the business, integration of services and ability to realize synergies, consolidated EBITDA margin, continued focus and impact of cost management efforts, key drivers of expenses, anticipated modest growth of active business entities in Saskatchewan, impact of pricing adjustment to our Core Registry Services, anticipated growth of our Services segment and maintaining margins through cost efficiencies. Refer to the section "Caution Regarding Forward-Looking Statements".*

Currently, the majority of the Company's revenue is linked to registry transaction volumes and values driven by economic conditions in Saskatchewan. The remaining portion of our revenue is linked to the overall economic conditions in Ontario and Quebec.

At present, the Company expects the 2017 Saskatchewan economy to be comparable to 2016, which drives our Registries segment results, with stability or some softening of growth anticipated for the central Canadian markets, impacting our Services segment.

The key drivers of expenses will continue to be wages, salaries and information technology costs. The Company will continue to manage costs prudently, maintaining appropriate margins in a challenging economy, while balancing re-investment in the business in order to improve the customer experience or integrate services and realize synergies. In 2017, the Company will also be focused on the integration of ERS into both our business and sales activities.

Based on these factors, ISC expects an EBITDA margin of between 31.0 per cent and 33.0 per cent in 2017.

Management expects capital expenditure in 2017 to be in the range of $5.0 to $6.0 million, funded from operating cash flow. This expenditure is expected to continue to focus on the maintenance, enhancement and upgrade of core technology components and enterprise systems in both our Registries and Services segments.

### Registries

For the Registries segment in 2017, we expect the Saskatchewan economy to continue to be challenged and, therefore, project a neutral to slightly declining revenue environment. The delay in the economic recovery has been longer than most expected, resulting in extended difficulties in certain commodity sectors such as oil and gas and mining. According to several external forecasts, Saskatchewan's real Gross Domestic Product growth is expected to pick up in 2017 after a moderate contraction in 2016.

Overall, our preliminary view is that we expect revenue for the registries business to see some modest declines as a result of the continued economic softness.

External forecasts for some of the key economic drivers of our registries business, such as housing re-sales, housing starts and new motor vehicle sales, are expected to show little positive movement in 2017. The 2016 Saskatchewan Consumer Price Index, used for expected pricing changes in 2017, is forecasted to be 1.1 per cent. We currently expect registry segment revenue to be down for 2017 compared to 2016 as a result of moderately lower transaction volumes.

For the Land Registry (which includes revenue from the land titles, survey and geomatics areas), housing re-sale volumes and average land values in 2017 are expected to see softening compared to those in 2016. As well, we do not expect to see the same volume of resource sector transactions as in 2016, which may result in overall lower volumes.

Regarding the Corporate Registry, with a full year of revenue related to the Common Business Identifier Program, revenue for 2017 is expected to be near 2016 levels. While in 2016 we observed a decline in incorporation and registration of new businesses volumes, maintenance volumes and revenue from the filing of annual returns was positive. We expect this stability to continue into 2017. We also foresee search revenue increasing as a result of the pricing changes made in 2016.

For the Personal Property Registry, our initial view is that we expect revenue to be down slightly for 2017 compared to 2016, due to slightly lower volumes as well as some downward price adjustments made in 2016. Provincial population and net migration, employment, retail sales and new motor vehicle sales in Saskatchewan are drivers of activity in the Personal Property Registry. A number of these areas of activity have seen declines in 2016 and we anticipate the declines will continue through 2017.

### Services

The revenue in our Services segment is tied to the economic activity that its clients – law firms, financial institutions and professional firms – are undertaking on behalf of companies across Canada. The economic activity has spinoff effects in areas such as credit lending, mergers, acquisitions, incorporations and various new business startup activities that trigger activity for our Services segment.

For 2017, our current view is that we expect a slowing economy to deliver modest growth across most of the Services business, with some new business in 2016 contributing to improving margins and growing revenue in particular segments of the business. We expect some increases in our overall expenses as we continue to invest in additional sales and Information Technology ("IT") support, to address new customer solutions and continuous improvement of our software solutions for all aspects of our business.

# 11 Liquidity and Capital Resources

## 11.1 Cash Flow

Our primary source of operating cash flow is generated from revenue related to the Land Registry, Corporate Registry, Personal Property Registry and Corporate Services. Our primary uses of funds are operational expenses, capital expenditures and dividends.

Historically, ISC has financed its operations and met its capital and finance expenditure requirements through cash provided from operating activities. Most recently, the Company has also utilized borrowing to supplement cash generated from operations to finance acquisition activities. The Company believes that internally generated cash flow, supplemented by additional borrowing that may be available to us (refer to Note 10 of the Financial Statements for our existing Credit Facilities), will be sufficient to meet cash requirements, capital expenditures and anticipated dividend payments.

Liquidity risk is managed based on financial forecasts and anticipated cash flow. Cash is held with Canadian chartered banks and the risk of loss is believed to be minimal. As at December 31, 2016, the Company held $33.7 million in cash, compared to $36.6 million as at December 31, 2015, a decrease of $2.9 million.

The Company expects to be able to meet its cash requirements, including being able to settle current liabilities of $16.4 million (December 31, 2015 – $21.5 million) and meet any unanticipated cash requirements due to changes in working capital commitments. Such changes that would affect our liquidity may arise from, among other factors, general economic conditions and the failure of one or more customers to pay their obligations. Deficiencies arising from short-term working capital requirements and capital expenditures may be financed on a short-term basis with bank indebtedness or on a permanent basis with offerings of securities.

The following table summarizes our sources and uses of funds for the three months and year ended December 31, 2016, and 2015:

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---|---|---|---|
| (thousands of CAD dollars) | **2016** | 2015 | **2016** | 2015 |
| Net cash flow provided by operating activities | $ 6,052 | $ 7,604 | $ 26,164 | $ 30,738 |
| Net cash flow (used in) investing activities | (1,021) | (21,763) | (7,436) | (28,091) |
| Net cash flow (used in) provided by financing activities | (9,603) | 10,949 | (21,616) | 343 |
| Increase in cash | (4,572) | (3,210) | (2,888) | 2,990 |
| Cash, beginning of period | 38,255 | 39,781 | 36,571 | 33,581 |
| Cash, end of period | $ 33,683 | $ 36,571 | $ 33,683 | $ 36,571 |

### Net Cash Flow Provided by Operating Activities

Net cash flow provided by operating activities for the three months ended December 31, 2016, was $6.1 million compared to $7.6 million for the same period in 2015. For the year ended December 31, 2016, net cash flow from operating activities was $26.2 million compared to $30.7 million for the same period in 2015. The higher figure in 2015 was due to the receipt of a large payment for GST/HST during that year.

### Net Cash Flow Used in Investing Activities

Net cash flow used in investing activities for the three months ended December 31, 2016, was $1.0 million compared to $21.8 million for the three months ended December 31, 2015, and for the year ended December 31, 2016, was $7.4 million compared to $28.1 million for the same period in 2015. The larger investing activities in 2015 reflect the investment made in ESC in 2015.

### Net Cash Flow (Used in) Provided by Financing Activities

Net cash flow used in financing activities for the three months ended December 31, 2016, was $9.6 million compared to net cash flow provided of $10.9 million for the three months ended December 31, 2015. For the year ended December 31, 2016, net cash flow used was $21.6 million compared to net cash flow provided of $0.3 million for the same period in 2015. The 2016 figures represent cash used in the payment of dividends and financing charges (interest), as well as the $1.0 million contingent consideration paid, while 2015 results represent the payment of dividends and lower financing charges, offset by the receipt of proceeds of long-term debt received in the fourth quarter of 2015.

## 11.2 Capital Expenditures

Capital expenditures for the three months ended December 31, 2016, were $1.1 million, compared to $1.5 million for the same period in 2015. For the year ended December 31, 2016, capital expenditures were $6.3 million compared to $4.0 million for the same period in 2015. Capital expenditures were focused on the renewal and enhancement of technology supporting the Corporate Registry, the acquisition of the interest of a subcontractor in a customer contract within our Services segment and growth identification and execution.

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---|---|---|---|
| (thousands of CAD dollars) | **2016** | 2015 | **2016** | 2015 |
| Registries | $ 200 | $ 1,315 | $ 3,189 | $ 3,009 |
| Services | 5 | 11 | 2,050 | 11 |
| Corporate | 903 | 199 | 1,036 | 997 |
| Total capital expenditures | $ 1,108 | $ 1,525 | $ 6,275 | $ 4,017 |

## 11.3 Long-Term Debt

Long-term debt for the year ended December 31, 2016, was $23.4 million compared to $24.6 million at December 31, 2015.

The revolving term facility of $9.935 million consists of a three-year, committed revolving term loan facility, which matures on September 28, 2018, unless renewed prior to that time. It is currently held in a six-month bankers' acceptance note bearing interest at 1.100 per cent that matures on June 21, 2017, (December 31, 2015 – bankers' acceptance note, due June 28, 2016, bearing interest at 0.963 per cent per annum).

The operating facility, which consists of a $10.0 million uncommitted, revolving credit facility, was undrawn at December 31, 2016. The operating facility is repayable by ISC upon demand by the lender and the lender may terminate such operating facility at any time.

The non-revolving term facility had $13.5 million outstanding as of December 31, 2016, and is repayable through quarterly payments of $375 thousand, maturing on September 28, 2018. This facility bears an interest rate of prime plus applicable margin which, at December 31, 2016, equated to 2.7 per cent, plus 0.7 per cent, for a rate of 3.4 per cent per annum (December 31, 2015 – 2.7 per cent, plus 0.7 per cent, for a rate of 3.4 per cent per annum).

### 11.4 Total Assets

Total assets decreased to $131.3 million at December 31, 2016, compared to $136.3 million at December 31, 2015, primarily due to the net use of cash in 2016 as outlined previously and a decrease of our deferred tax assets in our Registries segment.

| (thousands of CAD dollars) | Registries | Services | Corporate | As at December 31, 2016 |
|---|---|---|---|---|
| Cash | $ 21,232 | $ 1,835 | $ 10,616 | $ 33,683 |
| Goodwill | – | 13,141 | – | 13,141 |
| Assets excluding cash and goodwill | 39,996 | 18,492 | 26,009 | 84,497 |
| Total assets | $ 61,228 | $ 33,468 | $ 36,625 | $ 131,321 |

| (thousands of CAD dollars) | Registries | Services | Corporate | As at December 31, 2015 |
|---|---|---|---|---|
| Cash | $ 23,784 | $ 895 | $ 11,892 | $ 36,571 |
| Goodwill | – | 13,141 | – | 13,141 |
| Assets excluding cash and goodwill | 43,248 | 18,332 | 24,985 | 86,565 |
| Total assets | $ 67,032 | $ 32,368 | $ 36,877 | $ 136,277 |

### 11.5 Working Capital

As at December 31, 2016, working capital was $25.4 million, an increase of $3.7 million, compared to $21.7 million at December 31, 2015. The change in working capital resulted from a decrease in cash and a decrease in our trade and other payables as a result of the payment of the contingent consideration related to the ESC transaction.

| (thousands of CAD dollars) | As at December 31, 2016 | As at December 31, 2015 |
|---|---|---|
| Current assets | $ 41,800 | $ 43,180 |
| Current liabilities | (16,363) | (21,490) |
| Working capital | $ 25,437 | $ 21,690 |

### 11.6 Outstanding Share Data

The number of basic issued and outstanding Class A Shares as at December 31, 2016, was 17.5 million and the number of fully diluted shares was 17.9 million. On November 2, 2016, the Board declared a quarterly cash dividend of $0.20 per Class A Share, which was paid on January 15, 2017, to shareholders of record as of December 31, 2016.

## 12 Share-Based Compensation Plan

### 12.1 Deferred Share Unit Plan

The Company has established a Deferred Share Unit ("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 our directors, senior officers and shareholders. Refer to Note 7 of the Financial Statements on the share-based compensation plan.

Share-based compensation, related to DSUs, for the three months ended December 31, 2016, totalled $46 thousand (2015 – $56 thousand) and for the year ended December 31, 2016, totalled $418 thousand (2015 – $192 thousand). The total carrying amount of the liability arising from the DSUs as of December 31, 2016, totalled $800 thousand (2015 – $442 thousand).

On August 15, 2016, the Board granted 15,232 DSUs at a weighted average award price of $17.40 that vest quarterly. On August 18, 2016, 3,379.45 DSUs were redeemed at a weighted average award price of $17.69. As at December 31, 2016, the DSU plan balance was 45,444.05 (December 31, 2015 – 31,726.50) with a fair value of $18.14 per DSU. The weighted average award price of the DSUs granted at December 31, 2016, was $16.94 (December 2015 – $16.82).

### 12.2 Stock Option Plan

The Company established a stock option plan that was approved by shareholders in 2014, to encourage share ownership and enhance the Company's ability to attract, retain and motivate key personnel and reward significant performance achievements. Refer to Note 7 of the Financial Statements on the share-based compensation plan. On March 14, 2017, the Board approved an amended and restated stock option plan, with the amendments principally related to the expansion of the limitation provisions (grants to one person, aggregate option grants to insiders and option grants to non-employee directors) and a further narrowing of the plan amendments that can be made without shareholder approval.

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 December 31, 2016, totalled $96 thousand (2015 – $88 thousand) and for the year ended December 31, 2016, totalled $376 thousand (2015 – $173 thousand). The total carrying amount of the equity settled employee benefit reserve arising from these stock options as at December 31, 2016, totalled $599 thousand (2015 – $223 thousand).

On August 15, 2016, the Board granted 298,509 stock options at an exercise price of $17.40. As at December 31, 2016, a total of 759,259 (December 31, 2015 – 460,750) stock options had been granted. The outstanding share options at the end of the period had a weighted average exercise price of $15.41 (2015 – $15.49).

## 13 Commitments

The Company is subject to contractual obligations such as leasing office space, the MSA with the Government of Saskatchewan and information technology service agreements with Hewlett-Packard (Canada) Co. ("HP") and Information Systems Management Canada Corporation ("ISM"). The following table summarizes our commitments as of December 31, 2016:

| (thousands of CAD dollars) | 2017 | 2018 | 2019 | 2020 | 2021 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Office leases [1] | $ 3,138 | $ 3,118 | $ 3,121 | $ 2,922 | $ 2,488 | $ 6,425 | $ 21,212 |
| Master Service Agreement [2] | 500 | 500 | 500 | 500 | 500 | 6,000 | 8,500 |
| Information Technology | | | | | | | |
| Service Agreements [3,4] | 8,920 | 8,586 | 2,852 | – | – | – | 20,358 |
| Total | $ 12,558 | $ 12,204 | $ 6,473 | $ 3,422 | $ 2,988 | $ 12,425 | $50,070 |

[1] The Company leases all of its office space through operating leases. Operating leases related to office space include 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.

[2] The MSA requires ISC to pay the Government of Saskatchewan and to manage and operate the Land Titles Registry, Land Surveys, Personal Property Registry and Corporate Registry on behalf of the Government of Saskatchewan for a 20-year period.

[3] HP provides application development, maintenance and support services related to the operation of the Land Titles Registry, Personal Property Registry, and Geomatics pursuant to an agreement for information technology services. An Amending Agreement for a five-year term was signed and effective as of June 1, 2015.

[4] ISM provides hardware management services and support services for software and hardware infrastructure pursuant to a services agreement. An Amending Agreement for a five-year term was signed and effective as of May 1, 2015.

## 14 Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as at December 31, 2016.

## 15 Related Party Transactions

Routine operating transactions with related parties are settled at agreed upon exchange amounts under normal trade terms. Refer to Note 15 of our Financial Statements for information pertaining to transactions with related parties.

## 16 Critical Accounting Estimates

ISC's critical accounting estimates are contained in the Financial Statements. Refer to Note 2 for the summary of use of estimates and judgments. The preparation of consolidated 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.

# 17 Changes in Accounting Policies

Refer to Note 3 of the Financial Statements for information pertaining to changes in accounting policies effective in 2016 and for information on issued accounting pronouncements that will be effective in future years.

# 18 Financial Instruments and Financial Risks

Financial instruments held in the normal course of business included in our consolidated statement of financial position as at December 31, 2016, consist of cash, trade receivables, trade and other payables, provision for early retirement plan, dividend payable, long-term debt and deferred share unit liability.

The Company does not use any form of derivative financial instruments to manage our exposure to credit risk, interest rate risk or market risk. Refer to Note 14 of the Financial Statements for information pertaining to financial instruments and related risk management.

## 18.1 Fair Value of Financial Instruments

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 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. In regard to the non-revolving term within long-term debt, it bears an interest rate of prime plus applicable margin, which exposes the Company to some interest rate risk. However, the impact of a change in interest rate is expected to be low.

## 18.2 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. Our customers are primarily provincial, federal and municipal government ministries and agencies, and our private sector customers are diverse.

Cash is held with major Canadian chartered banks and the Company believes the risk of loss to be minimal. The maximum exposure to credit risk at December 31, 2016, is $37.9 million (December 31, 2015 – $40.2 million) equal to the carrying value of the Company's financial assets, those being cash at $33.7 million (December 31, 2015 – $36.6 million) and trade receivables at $4.2 million (December 31, 2015 – $3.6 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 low.

## 18.3 Liquidity Risk

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

## 18.4 Market Risk

The Company is not exposed to market risk with respect to financial instruments as it does not hold any financial assets or liabilities whose fair value is affected by equity prices.

## 18.5 Interest Rate Risk

The Company is subject to interest rate risks as the Credit Facilities bear 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 Company considers the interest rate risk on its overall debt to be low.

# 19 Business Risks and Risk Management

All companies are exposed to risk and are required to mitigate risks on a daily and long-term basis. A key component of creating strong and sustainable corporate performance is to balance risk and reward. This begins by understanding a company's risk tolerance and appetite for taking on new risks.

ISC actively identifies risks that may affect the Company's ability to achieve its goals and objectives and implements processes to manage those risks. At the foundation of this process are the frameworks, policies, tools and procedures that help the organization to ensure risks are being identified and managed at a strategic, operational and procedural level. ISC is constantly addressing numerous existing and emerging risks. Our corporate strategies and plans are designed to implement effective risk mitigation or management approaches on an ongoing basis.

The Board oversees ISC's Enterprise Risk Management ("ERM") framework. This includes ensuring appropriate management systems are in place to ensure ISC's risks are prudently managed.

The executive team is accountable for providing executive oversight of ISC's ERM activities, including the ongoing identification and assessment of risks and the development of mitigation strategies to manage the corporate risks facing the Company. The key corporate risks are documented and tracked as part of ISC's risk register.

The following are high-level descriptions of primary business risks:

| | |
|---|---|
| Revenue Diversification | There is a risk that ISC's current revenue sources are not significantly diversified to withstand economic challenges in Canada or downturns connected to common revenue drivers. |
| Cost/Efficiency/ Profitability | There is a risk that ISC's business model and resourcing mix will not allow ISC to achieve cost efficiencies in new or existing product lines, or be sufficiently nimble to take advantage of business development opportunities or adapt to volume changes within its business. |
| Acquisition | There is a risk that acquisitions could occur with insufficient due diligence, leadership and cultural differences, over-valuation, imprudent financing, ineffective post-acquisition integration or could be misaligned with ISC's overall strategy. |
| Reputational | There is a risk that ISC's reputation could be negatively impacted, thereby damaging ISC's credibility, future revenue and/or business opportunities. Events that could impact ISC's reputation include the integrity and security of information, inability to successfully implement on growth strategies and failure to comply with rules, regulation and disclosures. |
| Human and Organizational Capital | There is a risk that ISC does not have the required competencies, skills and knowledge to execute on strategic priorities as a growing publicly traded company. |
| Aligning Investor Expectations | There is a risk that a lack of alignment of ISC's strategy with investor expectations may result in unfavourable outcomes and investor behaviours or actions. |
| IT Infrastructure | There is a risk that ISC does not have the IT infrastructure (i.e., age, integrity or architecture of hardware, networks, software and facilities) in place to effectively facilitate current and future requirements to support its business needs and the achievement of its strategic goals. There is also a risk of potential service disruptions or service delays. ISC relies on third-party service providers for aspects of its IT infrastructure and the provision of critical IT-related services. |
| Competition | There is a risk that ISC may be ineffective in its ability to compete against current or future competitors, in some cases given others' potential advantage having greater longevity in the market, access to low-cost capital, private ownership, etc., or as a result of ISC's potential requirement to receive ancillary service approvals from the Government of Saskatchewan or other regulators. |
| MSA Compliance | Inability to comply with the requirements in the MSA could result in the loss/termination of the agreement as well as impacting ISC's reputation and future growth strategies. |
| Labour Relations | In the event of a labour disruption such as a strike or lockout, ISC's ability to carry on operations would be expected to be impaired significantly, which could have a material adverse effect on the business, results of operations and financial condition. |
| Misalignment of Service Evolution and Pricing Approach | There is a risk that business model requirements for successful and profitable evolution of registry services are not supported by the Government of Saskatchewan. |

You are cautioned that the foregoing discussion of risks and uncertainties is not exhaustive. Additional information on these and other risks that could affect our business, operations or financial results are also discussed in our Annual Information Form filed on www.sedar.com or on www.company.isc.ca.

## 20 Internal Controls over Financial Reporting

The Company's management, including the President and Chief Executive Officer and the Vice President, Finance & Technology and Chief Financial Officer, is responsible for establishing and maintaining appropriate internal control over financial reporting. Internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. The design and effectiveness of ISC's internal controls over financial reporting in accordance with National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* as at December 31, 2016, was evaluated by management. The Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") was used to evaluate the effectiveness of our internal controls over financial reporting. Based on this evaluation, the President and Chief Executive Officer and the Vice President, Finance & Technology and Chief Financial Officer concluded that our internal controls over financial reporting were effective as at December 31, 2016.

During the year, the design scope of internal controls over financial reporting were expanded to include controls, policies and procedures of ESC Corporate Services Ltd. which was acquired in the previous year.

No changes in our internal control over financial reporting that have occurred during the period have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

It should be noted that all internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

## 21 Disclosure Controls and Procedures

The Company's management, including the President and Chief Executive Officer and the Vice President, Finance & Technology and Chief Financial Officer, is responsible for establishing and maintaining appropriate disclosure control and procedures. Disclosure controls and procedures are designed to provide reasonable assurance that relevant information is gathered and reported to senior management, including the President and Chief Executive Officer and the Vice-President, Financial & Technology and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosures. The design and effectiveness of ISC's disclosure controls and procedures in accordance with National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* as at December 31, 2016, was evaluated by management. Based on the foregoing evaluation, the President and Chief Executive Officer and the Vice President, Finance & Technology and Chief Financial Officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that material information relating to the Company is made known to them and that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation.

# 22 Non-IFRS Financial Measures

## 22.1 Non-IFRS Financial Measures

This MD&A includes certain measures which have not been prepared in accordance with IFRS, such as EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin and free cash flow. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective, to provide investors with supplemental measures of our operating performance and, thus, highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures.

Management also uses non-IFRS measures to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess our ability to meet our future capital expenditure and working capital requirements.

Accordingly, these non-IFRS measures should not be considered in isolation or as a substitute for analysis of our financial information reported under IFRS. Such measures do not have any standardized meaning prescribed by IFRS and, therefore, they may not be comparable to similar measures presented by other corporations.

## 22.2 Non-IFRS Financial Measures Definition

EBITDA is defined as earnings before interest, taxes, depreciation and amortization expense. Adjusted EBITDA adjusts EBITDA for stock-based compensation expense or income, stock option expense, transactional gains or losses on assets, asset impairment charges, and acquisition and integration costs. These measures, in addition to net income and income from operations, measure business performance and cash flow generation because it removes cash flow fluctuations caused by the above adjustments. Furthermore, we use adjusted EBITDA for business planning purposes and to evaluate and price potential acquisitions. In addition to its use by management, we also believe these measures are widely used by securities analysts, investors and others to evaluate the financial performance of our Company and for comparing our results with those of other companies. EBITDA margin and adjusted EBITDA margin are calculated as a percentage of overall revenue.

Free cash flow is used as a financial measure in our evaluation of liquidity and financial strength. Adjusting for the swings in non-cash working capital items due to seasonality or other timing issues and cash additions to property, plant and equipment and intangible assets, free cash flow assists in the long-term assessment of liquidity and financial strength. This measurement is useful as an indicator of our ability to service our debt, meet other payment obligations and make strategic investments. Free cash flow does not represent residual cash flow available for discretionary expenditures.

# **Consolidated** Financial Statements

## For the Year Ended December 31, 2016

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# Management's Responsibility

## Management's Report on Consolidated Financial Statements

The accompanying consolidated financial statements of Information Services Corporation were prepared by management, which is responsible for the integrity and fairness of the information presented, including the many amounts that must, of necessity, be based on estimates and judgments. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Financial information appearing throughout our management's discussion and analysis is consistent with these consolidated financial statements.

In discharging our responsibility for the integrity and fairness of the consolidated financial statements and for the accounting systems from which they are derived, we maintain the necessary system of internal controls designed to ensure that transactions are authorized, assets are safeguarded and proper records are maintained. These controls include quality standards in hiring employees, policies and procedure manuals, a corporate code of conduct, and accountability for performance within appropriate and well-defined areas of responsibility.

The Board of Directors oversees management's responsibilities for financial reporting through an Audit Committee, which is composed entirely of directors who are neither officers nor employees of Information Services Corporation. This Committee reviews our consolidated financial statements and recommends them to the Board of Directors for approval. Other key responsibilities of the Audit Committee include reviewing our existing internal control procedures and planned revisions to those procedures, and advising the directors on auditing matters and financial reporting issues.

Deloitte LLP, who was appointed by the shareholders of Information Services Corporation upon the recommendation of the Audit Committee and the Board of Directors' approval, have performed an independent audit of the consolidated financial statements and their report follows. The auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings.

**Jeff Stusek**
President and Chief Executive Officer

**Shawn B. Peters**, CPA, CA
Vice-President, Finance & Technology
and Chief Financial Officer

March 14, 2017

# Independent Auditor's Report

## To the Shareholders of Information Services Corporation

We have audited the accompanying consolidated financial statements of Information Services Corporation, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Information Services Corporation as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

**Chartered Professional Accountants**
**Licensed Professional Accountants**

March 14, 2017
Regina, Saskatchewan

# Consolidated Statements of Financial Position

| (thousands of CAD dollars) | Note | As at December 31, 2016 | As at December 31, 2015 |
|---|---|---|---|
| **Assets** | | | |
| Current assets | | | |
| Cash | 4 | $ 33,683 | $ 36,571 |
| Trade receivables | | 4,243 | 3,661 |
| GST/HST receivable | | 484 | 553 |
| Income tax recoverable | | 1,518 | 676 |
| Prepaid expenses | | 1,872 | 1,719 |
| Total current assets | | 41,800 | 43,180 |
| Non-current assets | | | |
| Deferred tax asset | 6 | 40,472 | 44,310 |
| Property, plant and equipment | 8 | 5,402 | 6,637 |
| Intangible assets | 9 | 24,495 | 25,647 |
| Goodwill | 18 | 13,141 | 13,141 |
| Investment in associate | 11 | 6,011 | 3,362 |
| **Total assets** | | **$ 131,321** | $ 136,277 |
| **Liabilities** | | | |
| Current liabilities | | | |
| Trade and other payables | | $ 6,783 | $ 11,395 |
| Advances from customers | | 4,135 | 4,325 |
| Dividend payable | | 3,500 | 3,500 |
| Long-term debt – current portion | 10 | 1,500 | 1,500 |
| Deferred revenue | | 438 | 463 |
| Income tax payable | | – | 286 |
| Provision for early retirement plan | | 7 | 21 |
| Total current liabilities | | 16,363 | 21,490 |
| Non-current liabilities | | | |
| Deferred revenue | | 19 | 251 |
| Deferred tax liability | 6 | 3,683 | 4,034 |
| Long-term debt | 10 | 21,935 | 23,060 |
| Total non-current liabilities | | 25,637 | 27,345 |
| **Shareholders' equity** | | | |
| Share capital | 13 | 19,955 | 19,955 |
| Equity settled employee benefit reserve | 7 | 599 | 223 |
| Retained earnings | | 68,767 | 67,264 |
| Total shareholders' equity | | 89,321 | 87,442 |
| **Total liabilities and shareholders' equity** | | **$ 131,321** | $ 136,277 |

See Note 20 for Commitments and Contingencies
See accompanying Notes

**APPROVED BY THE BOARD OF DIRECTORS ON MARCH 14, 2017:**

**Joel Teal**
Director

**Anthony Guglielmin**
Director

# Consolidated Statements of Comprehensive Income

| (thousands of CAD dollars) | Note | Year Ended December 31, 2016 | 2015 |
|---|---|---|---|
| Revenue | 17 | $ 88,375 | $ 78,318 |
| Expenses | | | |
| Wages and salaries | | 28,008 | 24,846 |
| Information technology services | | 9,602 | 9,688 |
| Depreciation and amortization | 8, 9 | 8,429 | 5,713 |
| Occupancy costs | | 4,992 | 4,563 |
| Professional and consulting services | | 5,564 | 3,569 |
| Cost of goods sold | | 3,586 | 955 |
| Financial services | | 2,362 | 2,362 |
| Project initiatives | | 3,214 | 2,521 |
| Other | | 2,172 | 1,513 |
| Total expenses | | 67,929 | 55,730 |
| Net income before items noted below | | 20,446 | 22,588 |
| Finance expense (income) | | | |
| Interest income | 4 | (256) | (331) |
| Interest expense | | 577 | 236 |
| Net finance expense (income) | | 321 | (95) |
| Share of profit in associate | 11 | 1,654 | 62 |
| Change in contingent consideration | 14, 18 | (1,000) | - |
| Income before tax | | 20,779 | 22,745 |
| Income tax expense | 6 | 5,276 | 6,828 |
| **Net income and total comprehensive income** | | **$ 15,503** | $ 15,917 |
| **Earnings per share** ($ per share) | | | |
| **Total, basic** | 12 | **$ 0.89** | $ 0.91 |
| **Total, diluted** | 12 | **$ 0.87** | $ 0.90 |

See accompanying Notes

# Consolidated Statements of Changes in Equity

| (thousands of CAD dollars) | Note | Retained Earnings | Share Capital | Equity Reserve | Total |
|---|---|---|---|---|---|
| Balance at January 1, 2015 | | $ 65,347 | $ 19,955 | $ 50 | $ 85,352 |
| Net income and total comprehensive income | | 15,917 | - | - | 15,917 |
| Stock option expense | 7 | - | - | 173 | 173 |
| Dividend declared | | (14,000) | - | - | (14,000) |
| Balance at December 31, 2015 | | $ 67,264 | $ 19,955 | $ 223 | $ 87,442 |
| Balance at January 1, 2016 | | $ 67,264 | $ 19,955 | $ 223 | $ 87,442 |
| Net income and total comprehensive income | | 15,503 | - | - | 15,503 |
| Stock option expense | 7 | - | - | 376 | 376 |
| Dividend declared | | (14,000) | - | - | (14,000) |
| **Balance at December 31, 2016** | | **$ 68,767** | **$ 19,955** | **$ 599** | **$ 89,321** |

See accompanying Notes

# Consolidated Statements of Cash Flows

| (thousands of CAD dollars) | Note | Year Ended December 31, 2016 | 2015 |
|---|---|---|---|
| **Operating** | | | |
| Net income | | $ 15,503 | $ 15,917 |
| Add: Charges not affecting cash | | | |
| Depreciation | 8 | 1,791 | 1,828 |
| Amortization | 9 | 6,638 | 3,885 |
| Income tax expense recognized in net income | | 5,276 | 6,828 |
| (Gain) loss on disposal of property, plant and equipment | | (1) | 1 |
| Loss on disposal of intangible asset | | – | 4 |
| Recovery of MARS project expenses | 9 | 232 | 232 |
| Net finance expense (income) | | 321 | (95) |
| Stock option expense | 7 | 376 | 173 |
| Share of profit in associate | | (1,654) | (62) |
| Net change in non-cash working capital | 19 | 600 | 4,803 |
| Income tax paid | | (2,918) | (2,776) |
| **Net cash flow provided by operating activities** | | **26,164** | 30,738 |
| **Investing** | | | |
| Interest received | | 256 | 331 |
| Cash received on disposal of property, plant and equipment | | 2 | 2 |
| Additions to property, plant and equipment | | (851) | (1,790) |
| Additions to intangible assets | | (5,848) | (2,656) |
| Cash outflow on acquisition of subsidiary | | – | (20,678) |
| Cash outflow on investment in associate | | (995) | (3,300) |
| **Net cash flow used in investing activities** | | **(7,436)** | (28,091) |
| **Financing** | | | |
| Interest paid | | (491) | (282) |
| Repayment of long-term debt | | (1,125) | (375) |
| Proceeds of long-term debt | | – | 15,000 |
| Contingent consideration paid | | (6,000) | – |
| Dividend paid | | (14,000) | (14,000) |
| **Net cash flow (used in) provided by financing activities** | | **(21,616)** | 343 |
| (Decrease) increase in cash | | (2,888) | 2,990 |
| Cash, beginning of year | | 36,571 | 33,581 |
| **Cash, end of year** | | **$ 33,683** | $ 36,571 |

See accompanying Notes

## 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. ISC's wholly owned subsidiary, ISC Saskatchewan Inc. ("ISC Sask"), was incorporated on May 30, 2013, under *The Business Corporations Act* (Saskatchewan) to hold certain assets which are dedicated to the operation of the public registries.

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.

On December 15, 2014, ISC Enterprises Inc. ("ISC Ent"), a wholly owned subsidiary of ISC, was incorporated under *The Canada Business Corporations Act*. ISC Ent currently acts as a holding company for all of ISC's business interests outside of Saskatchewan.

On September 2, 2015, the Company completed its acquisition of 30 per cent of the issued and outstanding voting common shares of OneMove Technologies Inc. ("OneMove") for CAD$3.3 million. OneMove and its econveyance™ software is an industry-leading, online, subscription-based solution that offers a secure and efficient means of managing real property transactions. The econveyance™ solution is available in British Columbia, Alberta and Ontario. In 2016, OneMove purchased and amalgamated with Dye & Durham Corporation (see Note 11).

On October 1, 2015, the Company completed the acquisition of all of the issued and outstanding common shares of ESC Corporate Services Ltd. ("ESC"), a leading technology-enabled corporate services provider. ESC is a Canadian company with offices in Toronto and Montreal. The Company completed the transaction through its wholly owned subsidiary, ISC Ent, with $21.0 million of the purchase price, subject to working capital adjustment, paid on closing of the transaction and a further $6.0 million of contingent consideration that was paid in the form of a performance-based, 12-month earnout.

## 2 Basis Of Presentation

### Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IAS Board").

The Company's Board of Directors (the "Board") authorized the consolidated financial statements for the year ended December 31, 2016, for issue on March 14, 2017.

### Basis of measurement

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 — *Share-based Payment* and measurements that have some similarities to fair value but are not fair value, such as net realizable value in International Accounting Standards ("IAS") 2 — *Inventories* or value in use in IAS 36 — *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars ("CAD"), which is the Company's functional currency.

### Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiaries: ISC Sask, ISC Ent and ESC. All intragroup assets and liabilities, equity, income, expenses and cash flows are eliminated in full on consolidation.

The preparation of the consolidated 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.

### Use of estimates and judgments

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:

- recoverability of deferred tax asset (Note 6);
- the carrying value, impairment and estimated useful lives of property, plant and equipment (Note 8); and
- the carrying value, impairment and estimated useful lives of intangible assets (Note 9) and goodwill (Note 18).

The relevant accounting policies in Note 3 contain further details on the use of these estimates and assumptions.

## 3 Summary of Significant Accounting Policies

### Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and any provisions for impairment. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-developed assets includes materials, services, direct labour and directly attributable overhead. Interest costs associated with major capital and development projects are capitalized during the development period. Depreciation of assets under development will commence once they are operational and available for use.

The costs of maintenance, repairs, renewals or replacements which do not extend productive life of an asset are charged to operations when incurred. The costs of replacements and improvements which extend productive life are capitalized.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

Depreciation is recorded on property, plant and equipment on the straight-line basis, which is the cost of the asset less its residual value over the estimated productive life of each asset. The useful life of each asset is as follows:

| | |
|---|---|
| Leasehold improvements | 10 years |
| Office furniture | 10 years |
| Office equipment | 5 years |
| Hardware | 3 years |

The estimated useful life and depreciation methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Gains or losses arising from the disposition or retirement of an item of property, plant and equipment are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statements of comprehensive income.

### Intangible assets

#### Intangible assets acquired separately

Finite intangible assets acquired separately are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is provided for on the straight-line basis over the corresponding estimated useful life of the applicable assets. The estimated useful life and amortization methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statements of comprehensive income.

Amortization on externally acquired system enhancements, such as corporate registry, contracts and corporate assets, including software, is recorded on the straight-line basis over the estimated productive life.

| | |
|---|---|
| System enhancements ("SE") – externally acquired | 3-5 years |

### Internally generated intangible assets

Research expenditures are expensed and development expenditures are recognized only if they meet the recognition criteria for internally generated intangible assets as provided under IFRS. The amount initially recognized for an internally generated intangible asset is the sum of the expenditures incurred from the date when the intangible asset first meets the recognition criteria. If no internally generated intangible asset can be recognized, development expenditures are charged to operations in the period in which they are incurred. Internally generated intangible assets include: land titles automated network delivery ("LAND"), geographic information system ("GIS"), system enhancements, corporate assets, brand, customer relations, non-compete clause and assets under development.

An internally generated intangible asset arising from development is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Subsequent to initial recognition, an internally generated intangible asset is reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as an intangible asset acquired separately. The estimated useful life and amortization methods for these assets are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Amortization is recorded on internally generated intangible assets on the straight-line basis over the estimated productive life.

| | |
|---|---|
| LAND data conversion | 15 years |
| LAND development | 7 years |
| Internally generated | |
| – system enhancement | 3-7 years |
| GIS | 5 years |
| Corporate assets | 3-5 years |
| Assets under development | N/A (not ready for use) |

Upon acquisition of ESC, the Company also acquired the following internally generated intangible assets that are not included in the above categories. These assets also record amortization on the straight-line basis over the estimated productive life.

| | |
|---|---|
| Customer relations | 5-15 years |
| Brand | 15 years |
| Non-compete clause | 3 years |

## Impairment of tangible and intangible assets

At each statement of financial position date, ISC reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, ISC estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units; otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets not yet available for use are tested for impairment annually in December each year and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in comprehensive income.

## Goodwill

Goodwill arising on the acquisition of a business represents the excess of the purchase price over the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired business recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

## Impairment of goodwill

For the purpose of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the synergies of the combination. Cash-generating units are tested for impairment annually or more frequently if events indicate that the units may be impaired. The Company's reporting segments that correspond to the cash-generating units for impairment testing are disclosed in Note 17.

When the recoverable amount of the cash-generating unit is less than the carrying amount of the cash-generating unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the cash-generating unit on a pro rata basis. An impairment loss recognized for goodwill is not reversed in a subsequent year. The Company performs its annual review of goodwill in December each year.

## Business acquisition

Business acquisitions are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated at the date of acquisition as the sum of the fair values of the assets transferred by the Company and the liabilities incurred by the Company to the former owners of the acquiree in exchange for the control of the acquiree. Acquisition costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except the deferred tax assets and liabilities are recognized and measured in accordance with IAS 12 – *Income Taxes*.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree, if applicable, over the net of the identifiable assets acquired and the liabilities assumed at date of acquisition.

Goodwill arose in the acquisition of ESC because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of ESC. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in fair value of the contingent consideration that do not qualify as a measurement period adjustment depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 – *Financial Instruments, Recognition and Measurement*, or IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss recognized in net earnings or loss.

## Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. ISC has determined that all leases entered into by the Company are classified as operating leases, as the risks and rewards of ownership have not been transferred to the Company.

Operating lease payments are recognized as an expense on the straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on the straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## Revenue recognition

Revenue from the Registries and other services are recognized in the accounts when services are rendered. Amounts received in advance of Geomatics services being performed are reflected as deferred revenue and are recorded as revenue when services are rendered. Amounts received from customers in advance are reflected as 'advances from customers' and are recorded as revenue when services are rendered.

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from fixed-price contracts to provide services is recognized by reference to the stage of completion as defined in the contract when the outcome of the contract can be estimated reliably. The outcome of a contract can be estimated reliably when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue from time and material contracts is recognized at the contractual rates as labour hours are delivered and direct expenses are incurred.

## Employee benefits

The Company provides pension plans for all eligible employees.

Certain Saskatchewan employees hired prior to October 1, 1977, participate in the Public Service Superannuation Plan, a defined benefit plan. Pension obligations for this plan are the responsibility of the General Revenue Fund of the Province of Saskatchewan.

Saskatchewan employees hired after October 1, 1977, make contributions to the Public Employees Pension Plan, a defined contribution plan. The Company's obligations are limited to making regular payments to the plans for current services. These contributions are expensed.

ESC employees make contributions to a defined contribution plan. The Company's obligations are limited to making regular payments to the plans for current services. These contributions are expensed.

## Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statements of financial position and transferred to profit on a systematic and rational basis over the useful life of the related assets.

Other government grants are recognized as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

Other government grants are netted against the related expenses as services are performed.

## Financial instruments

### Non-derivative financial instruments

Non-derivative financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

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 statements of comprehensive income. Transaction costs are expensed. Assets and liabilities in this category include cash, deferred share unit liability and the contingent consideration.

### 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.

## Borrowing costs

Borrowing costs directly attributable to the purchase, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

## Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## Share-based compensation plan

A deferred share unit ("DSU") plan has been approved by the Board, which is described in Note 7. The Company has recognized an obligation at an estimated amount based on the fair value of the DSUs as of the grant date using the Black-Scholes option-pricing model. 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. Compensation expense is recognized in proportion to the amount of DSUs vested. The DSUs can be settled in cash or shares that are purchased from the open market by a broker. As a result, at the end of each reporting period, the estimates are re-assessed based on the fair value of the DSUs with any change in estimate recognized in the obligation and expense.

A stock option plan has been approved by the Board and shareholders, which is described in Note 7. The Company has recognized an obligation at an estimated amount based on the fair value of the stock options as of the grant date using the Black-Scholes option-pricing model. The share-based compensation expense is recognized in proportion to the amount of stock options vested. This expense for the reporting period also represents the total carrying amount of the equity settled employee benefit reserve arising from these stock options.

## Investment in associate

The Company has recorded its investment in associate using the equity method. The carrying amount of the investment in associate is calculated at cost plus the entity's subsequent share of the associate's comprehensive income. If, at the end of a reporting period, there is an indication that an investment may be impaired, the entire carrying amount of the investment is tested for impairment. If the carrying amount of the investment is found to be less than its recoverable amount, the carrying amount is reduced to its recoverable amount and an impairment loss is immediately recognized in profit or loss.

## Changes in accounting policies

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2016, or on such date as they became applicable. These changes were made in accordance with the applicable transitional provisions. The adoption of these changes did not require any adjustments to the consolidated financial statements.

| Standard | Description |
|---|---|
| IFRS 7 — *Financial Instrument Disclosures (transition)* | Amends certain criteria for grouping assets and liabilities into classes and certain disclosure requirements. |
| IFRS 12 — *Disclosure of Interests in other entities* | A consolidated disclosure standard requiring a wide range of disclosures about an entity's interest in subsidiaries, joint arrangement and associates. |
| Amendments to IAS 1 — *Disclosure Initiative* | Amends IAS 1 — *Presentation of Financial Statements* to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgment when applying the Standard. |
| Amendments to IAS 16 and IAS 38 — *Clarification of Acceptable Methods of Depreciation and Amortization* | Amends IAS 16 — *Property, Plant and Equipment* and IAS 38 — *Intangible Assets* to add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. |

## 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 IAS 7 — *Statements of Cash Flows* | Disclosure of changes in liabilities arising from financing activities. This amendment is currently being assessed by the Company to determine the impact. | January 1, 2017 |
| Amendment to IAS 12 — *Income Taxes* | Clarification of recognizing a deferred tax asset that is related to a debt instrument measured at fair value. This amendment is currently being assessed by the Company to determine the impact. | January 1, 2017 |
| Amendment to IFRS 2 — *Share-based Payment* | 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 — *Financial Instruments* | 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 Standard is currently being assessed by the Company to determine the impact. | January 1, 2018 |

| Proposed Standard | Description | Effective Date |
|---|---|---|
| IFRS 15 — *Revenue from Contracts with Customers* | 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 — *Leases* | 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 percent. Interest revenue earned in 2016 is $256 thousand (2015 – $331 thousand).

## 5 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. Expenses are generally consistent from quarter to quarter, but can fluctuate due to the timing of project-related expenses.

## 6 Tax Provision

The Company is subject to federal and provincial income taxes at an estimated combined statutory rate of 27.0 per cent (2015 – 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 the change in status, a new taxation year commenced and the Company's properties were deemed to have been disposed of at fair market, while the Company was still exempt from tax, and have been reacquired at that amount at the commencement of the new taxation year. Consequently, the Company can amortize and deduct the cost of depreciable tangible and intangible properties in computing its income for tax purposes in accordance with the rules in the *Income Tax Act* (Canada).

As well, upon acquisition of ESC, the value of the acquired assets was greater on an accounting basis than on a tax basis, resulting in a deferred tax liability.

| | Year Ended December 31, | |
|---|---|---|
| (thousands of CAD dollars) | **2016** | 2015 |
| **Current tax expense** | | |
| Current tax on earnings for the year | $ 1,790 | $ 1,862 |
| **Deferred tax expense** | | |
| Current period expense | 3,486 | 4,966 |
| **Income tax expense** | **$ 5,276** | $ 6,828 |

Income tax expense varies from the amounts that would be computed by applying the statutory income tax rate to earnings before taxes for the following reasons:

| (thousands of CAD dollars) | Year Ended December 31, 2016 | 2015 |
|---|---|---|
| **Net income before tax** | $ 20,779 | $ 22,745 |
| Combined statutory income tax rate | 27.0% | 27.0% |
| Expected income tax expense | 5,610 | 6,141 |
| Increase (decrease) in income tax resulting from: | | |
| Non-deductible expenses/non-taxable income | (72) | 621 |
| Tax pools not previously recognized | (264) | - |
| Other | 2 | 66 |
| **Income tax expense** | **$ 5,276** | $ 6,828 |
| **Effective income tax rate** | **25.4%** | 30.0% |

Income tax effects of temporary differences that give rise to significant portions of deferred income tax assets and liabilities are as follows:

| (thousands of CAD dollars) | January 1, 2016 | ESC Purchase Price Allocation | Taxes Credited (Charged) to Net Earnings Due to Current Period Temporary Differences | December 31, 2016 |
|---|---|---|---|---|
| **Deferred tax asset** | | | | |
| Intangible assets | $ 37,160 | $ - | $ (2,498) | $ 34,662 |
| Property, plant and equipment | 129 | - | 134 | 263 |
| Non-capital losses | 6,724 | - | (1,046) | 5,678 |
| Other assets | 297 | - | 147 | 444 |
| | $ 44,310 | $ - | $ (3,263) | $ 41,047 |
| **Deferred tax liability** | | | | |
| Other liabilities | $ 4,034 | $ - | $ 224 | $ 4,258 |
| **Recorded on the consolidated statements of financial position as follows:** | | | | |
| Deferred tax asset | $ 44,310 | $ - | $ (3,838) | $ 40,472 |
| Deferred tax liability | 4,034 | - | (351) | 3,683 |

| (thousands of CAD dollars) | January 1, 2015 | ESC Purchase Price Allocation | Taxes Credited (Charged) to Net Earnings Due to Current Period Temporary Differences | December 31, 2015 |
|---|---|---|---|---|
| **Deferred tax asset** | | | | |
| Intangible assets | $ 38,748 | $ - | $ (1,588) | $ 37,160 |
| Property, plant and equipment | 20 | - | 109 | 129 |
| Non-capital losses | 10,345 | - | (3,621) | 6,724 |
| Other assets | 256 | - | 41 | 297 |
| | $ 49,369 | $ - | $ (5,059) | $ 44,310 |
| **Deferred tax liability** | | | | |
| Other liabilities | $ - | $ 4,127 | $ (93) | $ 4,034 |
| **Recorded on the consolidated statements of financial position as follows:** | | | | |
| Deferred tax asset | $ 49,369 | $ - | $ (5,059) | $ 44,310 |
| Deferred tax liability | - | 4,127 | (93) | 4,034 |

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 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.

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.

## 7 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 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 December 31, 2016, are as follows:

| | Units | Weighted Average Award Price |
|---|---|---|
| DSUs balance at December 31, 2015 | 30,359.50 | $ 16.82 |
| DSUs granted August 15, 2016 | 15,232.00 | 17.40 |
| DSUs/DEUs redeemed August 18, 2016 | (3,379.45) | 17.69 |
| Total notional dividend equivalents declared to date | 3,232.00 | 16.34 |
| **Balance at December 31, 2016** | **45,444.05** | **$ 16.94** |

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 December 31, 2016, totalled $46 thousand (2015 – $56 thousand) and for the twelve months ended December 31, 2016, totalled $418 thousand (2015 – $192 thousand). The total carrying amount of the liability arising from the DSUs as of December 31, 2016, totalled $800 thousand (2015 – $442 thousand). The liability amount is included within Trade and other payables on the consolidated statements of financial position.

The fair value of the DSUs at December 31, 2016, has been calculated using the Black-Scholes option-pricing model based on the following inputs:

| | |
|---|---|
| Market price | $ 18.14 |
| Expected volatility | 17.77% |
| Risk free interest rate | 1.3% |
| Expected life (days) | 227 |
| **Fair value at December 31, 2016** | **$ 18.14** |

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

ISC's stock option plan was approved by the Board on March 19, 2014, and approved by the shareholders on May 13, 2014. 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 twelve months ended December 31, 2016, are as follows:

| | Units | Exercise Price |
|---|---|---|
| Balance at December 31, 2015 | 460,750 | $ 15.49 |
| Stock options granted August 15, 2016 | 298,509 | 17.40 |
| **Balance at December 31, 2016** | **759,259** | **$ 15.41** |

The outstanding share options at the end of the period had a weighted average exercise price of $15.41 (2015 – $15.49).

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:

| | **August 15, 2016** | August 12, 2015 | May 13, 2014 |
|---|---|---|---|
| Spot price | $ 17.40 | $ 15.04 | $ 18.80 |
| Expected volatility | 17.77% | 18.97% | 22.50% |
| Risk free interest rate | 1.30% | 2.00% | 2.50% |
| Dividend yield | 4.48% | 4.54% | 4.20% |
| Expected life (days) | 2,920 | 2,920 | 2,920 |
| **Fair value** | **$ 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 December 31, 2016, totalled $96 thousand (2015 – $88 thousand) and for the twelve months ended December 31, 2016, totalled $376 thousand (2015 – $173 thousand). The total carrying amount of the equity settled employee benefit reserve arising from these stock options as of December 31, 2016, totalled $599 thousand (2015 – $223 thousand).

## 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, 2014 | $ 8,598 | $ 3,100 | $ 90 | $ 2,380 | $ 687 | $ 14,855 |
| Acquired assets | 45 | 40 | 21 | 37 | – | 143 |
| Additions | 10 | 1 | – | 4 | 1,592 | 1,607 |
| Disposals | – | (9) | (5) | (443) | – | (457) |
| Transfers | 1,055 | 22 | 42 | 19 | (1,138) | – |
| 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 |
| **Accumulated depreciation** | | | | | | |
| Balance at December 31, 2014 | $ 4,738 | $ 1,994 | $ 61 | $ 1,343 | $ – | $ 8,136 |
| Depreciation | 940 | 271 | 22 | 595 | – | 1,828 |
| Disposals | – | (7) | (4) | (442) | – | (453) |
| 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 |
| **Carrying value** | | | | | | |
| At December 31, 2015 | $ 4,030 | $ 896 | $ 69 | $ 501 | $ 1,141 | $ 6,637 |
| **At December 31, 2016** | **$ 4,176** | **$ 694** | **$ 83** | **$ 449** | **$ –** | **$ 5,402** |

## 9 Intangible Assets

| (thousands of CAD dollars) | System Enhancements Externally Acquired | Internally Generated | Asset under Development | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at December 31, 2014 | $ 3,407 | $ 88,425 | $ 1,904 | $ 93,736 |
| Acquired assets | 143 | 16,114 | – | 16,257 |
| Additions | – | – | 2,410 | 2,410 |
| Impairment | – | – | – | – |
| Disposals | (353) | – | – | (353) |
| Transfers | 39 | 718 | (757) | – |
| 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 |
| **Accumulated Depreciation** | | | | |
| Balance at December 31, 2014 | $ 3,013 | $ 79,623 | $ – | $ 82,636 |
| Amortization | 284 | 3,601 | – | 3,885 |
| Disposals | (350) | – | – | (350) |
| Recovery of MARS expenses | – | 232 | – | 232 |
| 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 |
| **Carrying Value** | | | | |
| At December 31, 2015 | $ 289 | $ 21,801 | $ 3,557 | $ 25,647 |
| **At December 31, 2016** | **$ 8,232** | **$ 15,391** | **$ 872** | **$ 24,495** |

System enhancements externally acquired consist of:

| | December 31, 2016 | | | December 31, 2015 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Cost | Accumulated Amortization | Net Book Value |
| Corporate registry | $ 8,149 | $ 1,910 | $ 6,239 | $ 1,414 | $ 1,414 | $ – |
| Contract acquisition | 2,010 | 201 | 1,809 | – | – | – |
| Corporate assets | 1,763 | 1,579 | 184 | 1,822 | 1,533 | 289 |
| | **$ 11,922** | **$ 3,690** | **$ 8,232** | $ 3,236 | $ 2,947 | $ 289 |

Internally generated consists of:

| | December 31, 2016 | | | December 31, 2015 | | |
|---|---|---|---|---|---|---|
| | 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 | 16,687 | 575 | 17,262 | 15,536 | 1,726 |
| Customer relations | 10,844 | 940 | 9,904 | 10,844 | 142 | 10,702 |
| Technology | 3,937 | 1,531 | 2,406 | 3,937 | 220 | 3,717 |
| Brand | 962 | 75 | 887 | 962 | 11 | 951 |
| Non-compete clause | 371 | 144 | 227 | 371 | 21 | 350 |
| Corporate assets | 26,555 | 25,163 | 1,392 | 34,491 | 30,136 | 4,355 |
| | **$ 97,321** | **$ 81,930** | **$ 15,391** | $ 105,257 | $ 83,456 | $ 21,801 |

* Geographic information system

** Land titles automated network delivery

In 2016, amortization of $5.7 million for internally generated intangible assets includes accelerated depreciation of $718 thousand due to the reassessment of useful life of assets replaced by the new corporate registry system.

## 10 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 uncommitted 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) | December 31, 2016 | December 31, 2015 |
|---|---|---|
| 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 1.100 per cent per annum that matures on June 21, 2017, (December 31, 2015 – a bankers' acceptance note, due June 28, 2016, bearing interest at 0.963 per cent per annum). | $ 9,935 | $ 9,935 |
| Operating Facility, which consists of a $10.0 million uncommitted revolving credit facility that was undrawn at December 31, 2016. The Operating Facility is repayable by ISC upon demand by the Lender and the Lender may terminate such Operating Facility at any time. | – | – |
| Non-Revolving Term Facility, repayable by ISC through quarterly payments of $375 thousand and matures on September 28, 2018. This facility bears an interest rate of prime plus applicable margin, which at December 31, 2016, equates to 2.7 per cent plus 0.7 per cent for a rate of 3.4 per cent per annum (December 31, 2015 – 2.7 per cent plus 0.7 per cent for a rate of 3.4 per cent per annum). | | |
| Current portion | 1,500 | 1,500 |
| Long-term portion | 12,000 | 13,125 |
| **Total long-term debt** | **$ 23,435** | **$ 24,560** |

The Revolving Term Facility and the Operating Facility under the Credit Facilities contain 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 2016 and 2015 were nil.

## 11 Investment in Associate

On September 2, 2015, the Company completed its acquisition of 30 per cent of the issued and outstanding voting common shares of OneMove for $3.3 million. ISC used existing cash to finance the investment through its wholly owned subsidiary, ISC Ent.

On February 19, 2016, the Company subscribed for 1,620,454 Class B common shares in the capital of OneMove, for a total of $990 thousand, representing its pro rata share of an equity raise by OneMove. This investment maintained ISC's 30 per cent ownership in OneMove.

On March 10, 2016, OneMove announced that it had acquired 100 per cent of Dye & Durham Corporation, a comprehensive supplier of registry and legal support services in Western Canada.

On April 6, 2016, the Company subscribed for an additional 351,565 Class B common shares in the capital of OneMove, for a total of $215 thousand, representing its pro rata share of an equity raise by OneMove. This investment maintained ISC's 30 per cent ownership in OneMove.

On April 12, 2016, OneMove announced that it had acquired 51 per cent of Easy Convey Limited, the creators of England and Wales' leading and most comprehensive electronic conveyancing platform.

Effective July 1, 2016, OneMove amalgamated with its wholly owned subsidiary, Dye & Durham Corporation, changing its name to Dye & Durham Corporation. The registered office of Dye & Durham Corporation is 161 Bay Street, Suite 2210, Toronto, Ontario, M5J 2S1.

ISC's 30 per cent ownership level and related rights give the Company significant influence over Dye & Durham Corporation, 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 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:

| | Year Ended December 31, | |
|---|---|---|
| (thousands of CAD dollars, except number of shares and earnings per share) | **2016** | 2015 |
| Net income and total comprehensive income | $ 15,503 | $ 15,917 |
| Weighted average number of shares, basic | 17,500,000 | 17,500,000 |
| Potential dilutive shares resulting from stock options | 374,654 | 120,230 |
| Weighted average number of shares, diluted | 17,874,654 | 17,620,230 |
| **Earnings per share** ($ per share) | | |
| **Total, basic** | $ 0.89 | $ 0.91 |
| **Total, diluted** | $ 0.87 | $ 0.90 |

## 13 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.

| | Class A | | Class B | |
|---|---|---|---|---|
| (thousands of CAD dollars, except number of shares) | Number of Shares | Share Capital | Number of Shares | Share Capital |
| Balance at January 1, 2015 | 17,500,000 | $ 19,955 | 1 | $ – |
| No movement | – | – | – | – |
| Balance at December 31, 2015 | 17,500,000 | 19,955 | 1 | $ – |
| Balance at January 1, 2016 | 17,500,000 | 19,955 | 1 | – |
| No movement | – | – | – | – |
| **Balance at December 31, 2016** | **17,500,000** | **$ 19,955** | **1** | **$ –** |

### Capital management

The Company's capital at December 31, 2016, consisted of long-term debt, share capital, equity settled employee benefit reserve, accumulated other comprehensive income and retained earnings (comprising total shareholders' equity).

| (thousands of CAD dollars) | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Long-term debt | $ 23,435 | $ 24,560 |
| Share capital | 19,955 | 19,955 |
| Equity settled employee benefit reserve | 599 | 223 |
| Retained earnings | 68,767 | 67,264 |
| **Capitalization** | **$ 112,756** | **$ 112,002** |

## 14 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.

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 December 31, 2016, is $37.9 million (December 31, 2015 – $40.2 million) equal to the carrying value of the Company's financial assets, those being cash at $33.7 million (December 31, 2015 – $36.6 million) and trade receivables at $4.2 million (December 31, 2015 – $3.6 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) | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Cash | $ 33,683 | $ 36,571 |
| Current trade receivables and other | 3,566 | 3,452 |
| Up to three months past due date | 638 | 192 |
| Greater than three months past due date | 39 | 17 |
| **Total credit risk** | **$ 37,926** | **$ 40,232** |

## Interest rate risk

The Company is subject to interest rate risks as the Credit Facility (Note 10) 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 December 31, 2016. As the sensitivity is hypothetical, it should be used with caution.

| | December 31, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| (thousands of CAD dollars) | + 100 bps* | – 100 bps | + 100 bps | – 100 bps |
| Increase (decrease) in interest expense | $ 140 | $ (140) | $ 38 | $ (38) |
| Decrease (increase) in income from operations before tax | $ 140 | $ (140) | $ 38 | $ (38) |
| Decrease (increase) in total comprehensive income | $ 103 | $ (103) | $ 28 | $ (28) |

* 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 December 31, 2016:

| (thousands of CAD dollars) | Carrying Amount | Contractual Cash Flows | 0-6 months | 7-12 months | 12+ months |
|---|---|---|---|---|---|
| Long-term debt | $ 23,435 | $ 24,280 | $ 1,394 | $ 1,010 | $ 21,876 |
| Trade and other payables | 6,783 | 6,783 | 6,783 | – | – |
| Dividend payable | 3,500 | 3,500 | 3,500 | – | – |
| **Total liabilities** | **$ 33,718** | **$ 34,563** | **$ 11,677** | **$ 1,010** | **$ 21,876** |

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

## Market risk

The Company is not exposed to market risk with respect to financial instruments as it does not hold any financial assets or liabilities whose fair value is affected by equity prices.

| | | | December 31, 2016 | | December 31, 2015 | |
|---|---|---|---|---|---|---|
| (thousands of CAD dollars) | Classification | Level | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| **Financial assets** | | | | | | |
| Cash | FVTPL | L2 | $ 33,683 | $ 33,683 | $ 36,571 | $ 36,571 |
| Trade receivables | LAR | L2 | 4,243 | 4,243 | 3,661 | 3,661 |
| **Financial liabilities** | | | | | | |
| Trade and other payables* | OFL | L2 | 5,990 | 5,990 | 6,040 | 6,040 |
| Dividend payable | OFL | L2 | 3,500 | 3,500 | 3,500 | 3,500 |
| Long-term debt – current portion | OFL | L2 | 1,500 | 1,500 | 1,500 | 1,500 |
| Long-term debt | OFL | L2 | 21,935 | 21,935 | 23,060 | 23,060 |
| Deferred share unit liability | FVTPL | L2 | 800 | 800 | 442 | 442 |
| Contingent consideration | FVTPL | L3 | – | – | 4,934 | 4,934 |

*includes provision for early retirement plan

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 statements of comprehensive income. Transaction costs are expensed. Assets and liabilities in this category include cash, deferred share units liability and the contingent consideration.

### 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.

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy.

(thousands of CAD dollars)

| | | |
|---|---|---|
| **Balance at January 1, 2016** | $ | 4,934 |
| Changes in fair value measurements (discounting of cash flows) | | 66 |
| Increase to contingent consideration | | 1,000 |
| Payment of contingent consideration on November 30, 2016 | | (6,000) |
| **Balance at December 31, 2016** | **$** | **-** |

Estimates of the fair value of contingent consideration was performed by the Company on a quarterly basis. Key unobservable inputs include the discount rate applied at 1.79 per cent. The estimated fair value increases as the discount rate decreases or vice versa. The changes in fair value measurements (discounting of cash flows) have been included in 'Other' expenses on the consolidated statements of comprehensive income.

ISC's acquisition of ESC included up to $7.0 million in contingent consideration to the previous owner through a performance-based, 12-month earnout. The preliminary estimate of the contingent consideration was $5.0 million. During the third quarter of 2016, management assessed and increased its estimate of the consideration by $1.0 million due to the performance of ESC through the third quarter. The net impact of the change in contingent consideration was included in 'Change in contingent consideration' on the consolidated statements of comprehensive income. The contingent consideration of $6.0 million was settled in the fourth quarter of 2016.

## 15 Related Party Transactions

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Company by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). The Company has elected to take the exemption under IAS 24 – Related Party Disclosures which allows government-related entities to limit the extent of disclosures about related party transactions with government or other government-related entities.

Routine operating transactions with related parties are settled at agreed upon exchange amounts under normal trade terms. In addition, the Company pays provincial sales tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases. Other amounts and transactions due to and from related parties and the terms of settlement are described separately in these consolidated financial statements and the notes thereto.

## 16 Compensation of Key Management Personnel

The compensation of directors and other members of the key management team during the period were as follows:

| | Year Ended December 31, | |
|---|---|---|
| (thousands of CAD dollars) | **2016** | 2015 |
| Wages, salaries and short-term benefits | $ 2,211 | $ 2,129 |
| Share-based compensation | 1,399 | 666 |
| Defined contribution plan | 89 | 110 |
| **Total compensation** | **$ 3,699** | **$ 2,905** |

Members of the key management team include the President and Chief Executive Officer, Chief Financial Officer, Vice-Presidents and Associate Vice-President.

The compensation of directors and the key management team is determined by the Board upon recommendation of its Compensation Committee having regard to the performance of individuals and market trends.

## 17 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 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.

## Revenue and net income

**For the year ended December 31, 2016**

| (thousands of CAD dollars) | Registries | Services | Corporate | Total |
|---|---|---|---|---|
| **Total revenue** | **$ 73,950** | **$ 13,639** | **$ 786** | **$ 88,375** |
| **Net income** | | | | |
| Net income (loss) from operations | 27,087 | 3,107 | (1,319) | 28,875 |
| Net finance (expense) income | 7 | 4 | (332) | (321) |
| Depreciation and amortization | (3,931) | (2,638) | (1,860) | (8,429) |
| Income tax (expense) recovery | (5,307) | 124 | (93) | (5,276) |
| Share of profit in associate | – | – | 1,654 | 1,654 |
| Change in contingent consideration | – | (1,000) | – | (1,000) |
| **Net income (loss)** | **$ 17,856** | **$ (403)** | **$ (1,950)** | **$ 15,503** |
| **Capital expenditures** | **$ 3,189** | **$ 2,050** | **$ 1,036** | **$ 6,275** |

For the year ended December 31, 2015

| (thousands of CAD dollars) | Registries | Services | Corporate | Total |
|---|---|---|---|---|
| Total revenue | $ 74,985 | $ 3,166 | $ 167 | $ 78,318 |
| Net income | | | | |
| Net income from operations | 27,207 | 809 | 285 | 28,301 |
| Net finance income | 23 | – | 72 | 95 |
| Depreciation and amortization | (3,572) | (435) | (1,706) | (5,713) |
| Income tax expense | (6,728) | (100) | – | (6,828) |
| Share of profit in associate | – | – | 62 | 62 |
| Net income (loss) | $ 16,930 | $ 274 | $ (1,287) | $ 15,917 |
| Capital expenditures | $ 3,009 | $ 11 | $ 997 | $ 4,017 |

## Assets and liabilities

**As at December 31, 2016**

| (thousands of CAD dollars) | Registries | Services | Corporate | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Total assets, excluding goodwill and cash | $ 39,996 | $ 18,492 | $ 26,009 | $ 84,497 |
| Goodwill | – | 13,141 | – | 13,141 |
| Cash | 21,232 | 1,835 | 10,616 | 33,683 |
| **Total assets** | **$ 61,228** | **$ 33,468** | **$ 36,625** | **$ 131,321** |
| **Liabilities** | **$ 21,937** | **$ 18,088** | **$ 1,975** | **$ 42,000** |

As at December 31, 2015

| (thousands of CAD dollars) | Registries | Services | Corporate | Total |
|---|---|---|---|---|
| Assets | | | | |
| Total assets, excluding goodwill and cash | $ 43,248 | $ 18,332 | $ 24,985 | $ 86,565 |
| Goodwill | – | 13,141 | – | 13,141 |
| Cash | 23,784 | 895 | 11,892 | 36,571 |
| Total assets | $ 67,032 | $ 32,368 | $ 36,877 | $ 136,277 |
| Liabilities | $ 22,000 | $ 25,082 | $ 1,753 | $ 48,835 |

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

| | Year Ended December 31, | |
|---|---|---|
| (thousands of CAD dollars) | **2016** | 2015 |
| Land Titles Registry, Land Surveys Directory and Geomatics | $ 54,921 | $ 56,871 |
| Personal Property Registry | 9,947 | 9,981 |
| Corporate Registry | 9,082 | 8,133 |
| **Total revenue** | **$ 73,950** | $ 74,985 |

Revenues are attributed to customers within Canada. No assets are held outside of Canada. The Company's top five customers for the Registries segment represent 18.7 per cent of total Registries revenue for the year ended December 31, 2016 (2015 – 20.2 per cent). Of those customers, no single customer represented more than 10.0 per cent of the total Registries revenue, the same as in 2015.

## 18 Acquisition

### ESC Corporate Services Ltd. ("ESC")

On October 1, 2015, ISC completed the acquisition of all issued and outstanding common shares of ESC. ISC completed the transaction through a wholly owned subsidiary using a combination of cash and debt with $21.0 million of the purchase price, subject to working capital adjustment, paid on closing of the transaction ("ESC Transaction") and up to $7.0 million payable in the form of a performance-based, 12-month earnout. The initial estimate by management for the contingent consideration was $5.0 million; however, during the third quarter of 2016, management assessed and increased its estimate of the consideration by $1.0 million due to the performance of ESC through the third quarter. The net impact of the change in contingent consideration was included in 'Change in contingent consideration' on the consolidated statements of comprehensive income. The contingent consideration of $6.0 million was settled in the fourth quarter of 2016.

Through ESC, the Company 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. ESC has offered these services since 2009, in Ontario and Quebec, when it acquired two well-established businesses that provided these types of services. For its law firm customers that range from large firms to sole practitioners, ESC provides a complete suite of corporate services and supplies. It provides its Canadian financial institution clients with customized, automated and proven solutions to validate the status of business entities.

The receivables acquired (which is principally comprised of trade receivables) in these transactions with a fair value of $1.6 million had gross contractual amounts of $1.7 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected are $29 thousand.

The costs of the acquisition relating to professional fees were $0.9 million and have been recorded in expense.

The revenue and net earnings of the acquiree for 2015, from the acquisition date and included in the consolidated statements of earnings for 2015, were $3.2 million and $274 thousand, respectively.

The revenue and net earnings for the Company and the acquiree combined for 2015 as though the acquisition date for the business combination that occurred during the year had been as of January 1, 2015, would have been $87.5 million, unaudited and $17.6 million, unaudited, respectively.

**Net cash outflow related to the acquisition**

| (thousands of CAD dollars) | 2015 |
|---|---|
| Consideration paid in cash | $ 6,498 |
| Consideration from long-term debt paid in cash | 15,000 |
| Less: cash balance acquired | (820) |
| | $ 20,678 |

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

**Consideration**

| (thousands of CAD dollars) | 2015 |
|---|---|
| Cash | $ 21,498 |
| Contingent consideration | 5,000 |
| Total purchase price | 26,498 |
| Less: deemed compensation | – |
| **Consideration to allocate** | $ 26,498 |

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

| (thousands of CAD dollars) | |
|---|---|
| **Assets** | |
| Cash | $ 820 |
| Trade receivables | 1,655 |
| Prepaid expenses | 349 |
| Property, plant and equipment | 286 |
| Intangible assets | 16,114 |
| | 19,224 |
| **Liabilities** | |
| Trade and other payables | 1,602 |
| Income tax payable | 225 |
| Deferred tax liability | 4,127 |
| | 5,954 |
| **Net assets acquired** | **$ 13,270** |

| | |
|---|---|
| **Goodwill arising on acquisition** | |
| Total consideration allocated | 26,498 |
| Net assets acquired | 13,270 |
| Discount on contingent consideration | 87 |
| **Total goodwill** | **$ 13,141** |

The intangible assets above consist of customer relations of $10.8 million, technology of $3.9 million, brand of $1.0 million and a non-compete clause of $0.4 million.

## 19 Net Change in Non-Cash Working Capital

The net change during the period comprised the following:

| (thousands of CAD dollars) | Year Ended December 31, 2016 | 2015 |
|---|---|---|
| Trade receivables | $ (582) | $ 1,023 |
| GST/HST receivable | 70 | 4,283 |
| Prepaid expenses | (200) | (401) |
| Trade and other payables | 1,773 | 165 |
| Advances from customers | (190) | 91 |
| Deferred revenue | (256) | (334) |
| Provision for early retirement plan | (15) | (24) |
| **Net change in non-cash working capital** | **$ 600** | **$ 4,803** |

## 20 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 10 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 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 December 31, 2016:

| (thousands of CAD dollars) | Office Leases | IT Service Agreements | Master Service Agreement | Total |
|---|---|---|---|---|
| 2017 | $ 3,138 | $ 8,920 | $ 500 | $ 12,558 |
| 2018 | 3,118 | 8,586 | 500 | 12,204 |
| 2019 | 3,121 | 2,852 | 500 | 6,473 |
| 2020 | 2,922 | – | 500 | 3,422 |
| 2021 | 2,488 | – | 500 | 2,988 |
| Thereafter | 6,425 | – | 6,000 | 12,425 |
| **Total commitments** | **$ 21,212** | **$ 20,358** | **$ 8,500** | **$ 50,070** |

### 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 December 31, 2016, the liability was nil (December 31, 2015 – nil).

## 21 Pension Expense

The total pension costs under the Company's defined contribution plans for the year were $1.4 million (2015 – $1.4 million).

## 22 Subsequent Events

On January 23, 2017, the Company announced that it had successfully completed the acquisition of all of the issued and outstanding common shares of Enterprise Registry Solutions Ltd. ("ERS"), a global leader in the development and implementation of registry technology. This acquisition enhances ISC's core registry offering by adding leading registry technology solutions and consultancy services. The Company completed the transaction with $14.0 million of the purchase price paid on closing of the transaction and up to €5.0 million in consideration is contingent on the retention of existing leadership and realization of future business. The purchase price was financed through a combination of cash and $10.0 million of debt, pursuant to the September 28, 2015, amended and restated Credit Facilities. Due to the limited time between the acquisition of ERS and the preparation of these consolidated financial statements, the value of the assets acquired and the liabilities assumed on the acquisition were not available to management as of the date of these consolidated financial statements.

On March 14, 2017, the Board declared a quarterly cash dividend of $0.20 per Class A Share, payable on or before April 15, 2017, to shareholders of record as of March 31, 2017.

# **Board** of Directors

### Joel Douglas Teal
Saskatoon, Saskatchewan
Director since: 2013
Chair of the Board of Directors

### Karyn A. Brooks
Calgary, Alberta
Director since: 2016
Member of the Audit Committee

### Thomas Christiansen
Swift Current, Saskatchewan
Director since: 2009
Member of the Governance & Nominating Committee
and a member of the Compensation Committee

### Douglas Allen Emsley
Regina, Saskatchewan
Director since: 2013
Chair of the Compensation Committee

### Anthony Robert Guglielmin
Vancouver, British Columbia
Director since: 2013
Chair of the Audit Committee

### William Scott Musgrave
Lloydminster, Alberta
Director since: 2010
Member of the Audit Committee

### Michelle Ouellette, Q.C.
Saskatoon, Saskatchewan
Director since: 2013
Member of the Governance & Nominating Committee

### Iraj Pourian
Vancouver, British Columbia
Director since: 2016
Member of the Compensation Committee

### Dion E. Tchorzewski
Regina, Saskatchewan
Director since: 2013
Chair of the Governance & Nominating Committee

# Officers

### Jeff Stusek
President and
Chief Executive Officer

### Kenneth W. Budzak
Vice-President, Operations
& Customer Experience

### Kathy Hillman-Weir, Q.C.
Vice-President, Corporate Affairs & General Counsel,
Corporate Secretary and Chief Privacy Officer

### Shawn B. Peters, CPA, CA
Vice-President, Finance & Technology,
and Chief Financial Officer

More information on our directors and officers can be found in our most recent Annual Information Form or Management Information Circular, which are available on our website at www.company.isc.ca, or through the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

# Corporate Information

## Head Office

Suite 300
10 Research Drive
Regina, Saskatchewan S4S 7J7 Canada

## Stock Exchange Listing & Symbol

Toronto Stock Exchange: ISV

## Share Capital

Authorized — the Company's authorized share capital consists of an unlimited number of Class A Shares, one Class B Golden Share and an unlimited number of Preferred Shares.

## Class A Limited Voting Shares

Issued and outstanding — 17,500,000 Class A Shares as at December 31, 2016.

The Company's articles and the ISC Act limit ownership of Class A Shares, including joint ownership to no more than 15.0 per cent of the Class A Shares issued and outstanding.

## Class B Golden Share

Issued and outstanding — 1 Class B Golden Share ("Golden Share") as at December 31, 2016.

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.

## Preferred Shares

Issued and outstanding — Nil as at December 31, 2016.

Preferred Shares are issuable at any time and may include voting rights.

## Ownership

As of March 14, 2017, the Board and management are not aware of any shareholder who directly or indirectly owns or exercises, or directs control over, more than 10 per cent of our Class A Shares, other than:

(a) Crown Investment Corporation of Saskatchewan which holds 5,425,000 Class A Shares representing 31 per cent of the issued and outstanding Class A Shares; and

(b) Sentry Investments Inc. which holds 2,599,310 Class A Shares representing approximately 14.85 per cent of the issued and outstanding Class A Shares.

## Dividends on Class A Shares

On August 12, 2013, ISC's Board established a policy of paying an annual dividend of $0.80 per Class A Share to be payable on a quarterly basis. The payment of dividends is not guaranteed, and the amount and timing of any dividends payable by the Company will be at the discretion of the Board and will be established on the basis of our cash available for distribution, financial requirements, any restrictions imposed by our Credit Facilities, the requirements of any future financings and other factors existing at the time.

| Year | Type | Ex-Dividend Date | Record Date | Payable Date | Amount |
|---|---|---|---|---|---|
| 2016 | Quarterly | Dec 29, 2016 | Dec 31, 2016 | Jan 15, 2017 | $0.20 |
| 2016 | Quarterly | Sep 28, 2016 | Sep 30, 2016 | Oct 15, 2016 | $0.20 |
| 2016 | Quarterly | Jun 26, 2016 | Jun 30, 2016 | Jul 15, 2016 | $0.20 |
| 2016 | Quarterly | Mar 27, 2016 | Mar 31, 2016 | Apr 15, 2016 | $0.20 |
| 2015 | Quarterly | Dec 29, 2015 | Dec 31, 2015 | Jan 15, 2016 | $0.20 |
| 2015 | Quarterly | Sep 28, 2015 | Sep 30, 2015 | Oct 15, 2015 | $0.20 |
| 2015 | Quarterly | Jun 26, 2015 | Jun 30, 2015 | Jul 15, 2015 | $0.20 |
| 2015 | Quarterly | Mar 27, 2015 | Mar 31, 2015 | Apr 15, 2015 | $0.20 |
| 2014 | Quarterly | Dec 29, 2014 | Dec 31, 2014 | Jan 15, 2015 | $0.20 |
| 2014 | Quarterly | Sep 26, 2014 | Sep 30, 2014 | Oct 15, 2014 | $0.20 |
| 2014 | Quarterly | Jun 26, 2014 | Jun 30, 2014 | Jul 15, 2014 | $0.20 |
| 2014 | Quarterly | Mar 27, 2014 | Mar 31, 2014 | Apr 15, 2014 | $0.20 |
| 2013 | Quarterly | Dec 27, 2013 | Dec 31, 2013 | Jan 15, 2014 | $0.20 |
| 2013 | Quarterly | Sep 26, 2013 | Sep 30, 2013 | Oct 15, 2013 | $0.18* |

* This dividend represents a partial dividend for the period July 9, 2013 (the closing date of the Company's Initial Public Offering on July 9, 2013) to September 30, 2013.

Dividends are eligible dividends pursuant to the *Income Tax Act* (Canada) as amended. An eligible dividend paid to a Canadian resident is entitled to the enhanced dividend tax credit. For further information on tax implications, please consult a tax advisor.

## Auditors

Deloitte LLP
2103 11th Avenue
Regina, Saskatchewan S4P 3Z8 Canada

## Transfer Agent

CST Trust Company

For inquiries related to shares, dividends, changes of address:

Toll-free Inside North America: 1 (800) 387-0825
Outside North America: 1 (416) 682-3860
Fax: 1 (888) 249-6189

English:
www.canstockta.com/en/InvestorServices/index.html

French:
www.canstockta.com/fr/Services_aux_investisseurs/index.html

## Regulatory Filings

The Company's filings are available through the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

## Investor Contact Information

Jonathan Hackshaw
Director, Investor Relations &
Corporate Communications
investor.relations@isc.ca
Toll-free in North America: 1 (855) 341-8363
Outside North America: 1 (306) 798-1137

## Annual and Special Meeting

The annual and special meeting of shareholders will be held at 9:00 a.m. (Saskatchewan time, MDT) on Wednesday May 17, 2017, at Innovation Place, 6 Research Drive, Regina, Saskatchewan.

**Information Services Corporation**
300 - 10 Research Drive
Regina, Saskatchewan S4S 7J7 Canada
Toll-free: 1-866-275-4721

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