Annual Report 2018

ISC

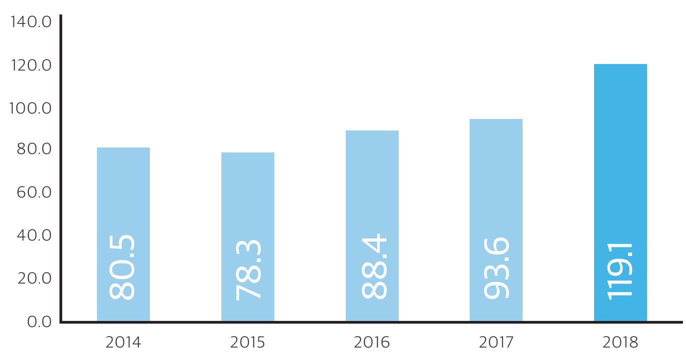
Information in the right hands.

2018 Highlights

	2018 Results and Progress	2019 Guidance
Revenue	**$119.1M** compared to **$93.6M** in 2017	Targeting between **$129.0M** and **$135.0M**
EBITDA Margin	**30.1%** compared to **32.1%** in 2017	Targeting between **24.0%** and **27.0%**
EBITDA	**$35.9M** compared to **$30.0M** in 2017	Targeting between **$31.0M** and **$35.0M**

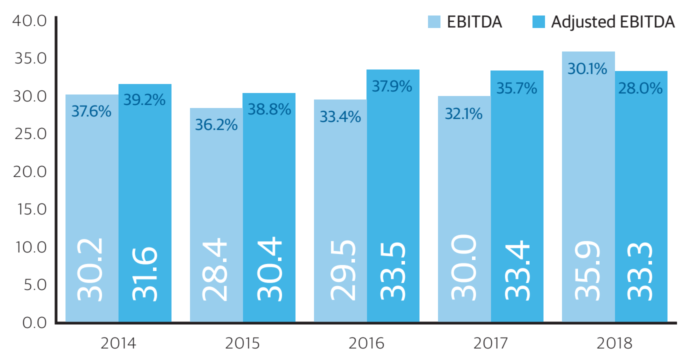
Consolidated **Revenue**

for the year ended December 31 (CAD$ millions)



Consolidated **EBITDA** and **Adjusted Consolidated EBITDA**

for the year ended December 31 (CAD$ millions)

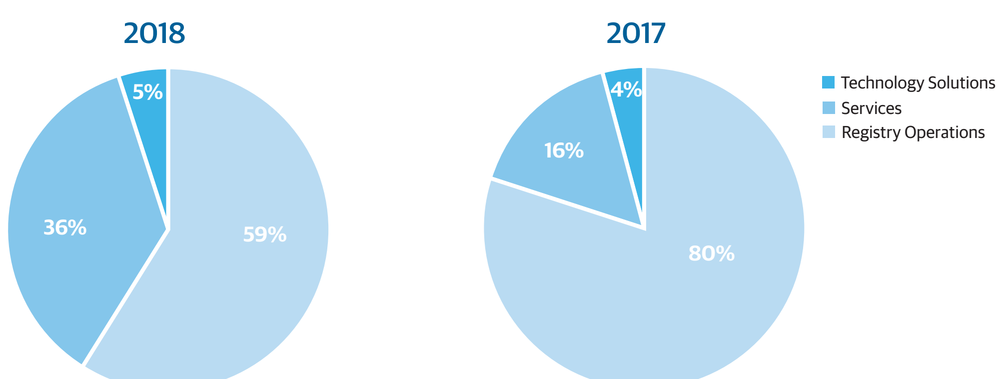


Percentages expressed represent the EBITDA and adjusted EBITDA margin percentages, respectively.

Revenue Distribution by Segment

for the year ended December 31,

In 2018, ISC further diversified with the introduction of the **Technology Solutions** segment, which now complements our **Registry Operations** and **Services** segments.



* Technology Solutions is net of Corporate and other revenue. The Technology Solutions segment was established in 2018; as such, the 2017 chart has been restated for comparative purposes.

About Us

Headquartered in Canada, ISC (TSX:ISV) 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 Operations, Services and Technology Solutions segments.

Our Business

We operate **three segments** defined by their primary type of service offerings.

Registry Operations	Services	Technology Solutions
Delivery of registry services on behalf of governments and private sector organizations.	Delivery of products and services that utilize public records and data to provide value to customers in the legal and financial sectors.	Development, delivery and support of registry (and related) technology solutions.
ISC	eSC	ERS Enterprise Registry Solutions

Contents

Letter From Our Chair

Joel Teal
Chair, Board of Directors

Through diversification, ISC is stronger today with three lines of business instead of just one.

My past letters to you have included discussions about delivering shareholder value, strategic stewardship, benchmarking of Board performance, Board and management renewal as well as overall Board, management and company performance. In 2018, supported by management, we took an even harder look at ourselves as a Board, as a company and as a business through a review of our strategy.

For your Board, this review reinforced that ISC is on the right path. Our Registry Operations segment remains the foundation of everything we do. It is a consistent generator of free cash flow and makes a healthy contribution to our EBITDA. Without this segment, we would not be where we are today.

That said, the diversification of our business over the last three years – which started with the acquisition of ESC Corporate Services Ltd. in 2015 – has been equally important to our success. Without the evolution of our business from just one line of business to three distinct segments (Registry Operations, Technology Solutions, and Services), the impact of the economic downturn that has affected Registry Operations in recent years would have been more acute. Through diversification, ISC is stronger today with three lines of business instead of just one.

Our diversification is one example of how we can control the direction of our business, trying to anticipate future needs and opportunities. However, we cannot control the stock market or the way our share price is impacted by external forces. The last three months of 2018 brought a significant decline in the stock market, which impacted not only ISC, but the rest of the market as well. While recognizing the broad-based decline may not bring any comfort to our shareholders, the strength of our strategy and the fundamentals of our Company are reasons to look forward with optimism.

Having a strategy is obviously important to achieve growth and success, but without a solid management team to support the development and execution of the strategy, we would not be as prosperous. Our management team, ably led by Jeff Stusek, is to be congratulated on another successful year, which I do on behalf of our Board of Directors.

As Chair, I would also like to thank my fellow Board members for bringing the benefit of their wisdom to the Board and ensuring that we challenge and support each other as we continue to shepherd ISC forward.

In closing, I would like to reiterate our commitment to our role as stewards of the strategic evolution of ISC and our focus on ensuring its long-term success. In particular, I would like to thank our shareholders for their support, something I and the Board truly appreciate.

Yours sincerely,

Joel Teal
Chair, Board of Directors

Letter From Our CEO

Jeff Stusek
President and Chief Executive Officer

Together – with our employees and communities – we have created a company with tremendous potential and an ability to deliver for all our stakeholders.

ISC entered 2018 with great expectations, fuelled by the expansion of our Services segment at the end of 2017. I am pleased to report on a successful year of growth as 2018, on a consolidated basis, delivered the strongest financial performance in our five years as a publicly traded company.

Revenue of $119.1 million was up 27.3 per cent on a year-over-year basis, while earnings before interest, taxes, depreciation and amortization (EBITDA) increased 19.5 per cent year-over-year to $35.9 million. As we outlined at the beginning of the year, 2018 EBITDA margin and adjusted EBITDA margin declined from previous years, reflecting the addition of new high revenue, lower margin business – including AVS Systems Inc. ("AVS"), acquired late in 2017 – into our performance. Nevertheless, 2018 was a rewarding year for ISC financially and strategically, as our diversification began to bear fruit.

Our Registry Operations segment remains a key feature of our Company's profile. Although a number of economic factors – most notably increases to interest rates and the introduction of new mortgage rules – are affecting registry transactions, this segment still delivers positive results and generates consistent free cash flow, which helps to fund the dividend.

Much of our success in Registry Operations is driven by our people. Our biennial customer service survey found that 81 per cent of customers ranked us 8 or higher on a scale of 1 to 10, which is an increase of 1 per cent from the 2016 survey. I am extremely proud of the people and culture that continues to elevate us in the eyes of our customers. Our customers are our very reason for being, and I encourage them to keep challenging us to find new and more efficient ways to serve them, providing value in everything we do.

2018 also brought an expansion of our business lines, with the introduction of the Technology Solutions segment to complement our Registry Operations and Services segments. The diversification of our business over the last three years has allowed us to offset the economic impacts on our Registry Operations to still deliver top- and bottom-line growth.

The Services segment was the primary driver of our growth in 2018, largely as a result of the acquisition of AVS. With the integration of AVS now complete, we expect to continue to compete effectively in the Know-Your-Customer and collateral management services space while increasing our overall market share in 2019.

Each of our three segments makes an important contribution to our performance and our ability to serve customers. We will continue to nurture our strengths in each to ensure they deliver meaningful contributions to consolidated EBITDA as efficiently as possible.

Our ongoing evolution included a leadership change, as Clare Colledge took on the role of President of our Services segment. Clare brings extensive experience in this area and succeeds Chris Valentine, who will stay connected to ISC as a strategic advisor. It is a plan that brings stability and progress as we continue to evolve this area of our business.

Our Technology Solutions segment also enjoyed a successful year, with a number of new business wins announced in the first quarter of 2018. The acquisition of ERS in early 2017 was a strategic acquisition for us, particularly as governments and private sector organizations are exploring ways to improve the delivery of their registry services. Securing contracts in Nova Scotia, Ireland, Missouri and Yukon were important steps forward for this segment and recognition that our RegSys solution is becoming the choice of government registries. Now that we have completed the refinement of this segment's business model, we expect to improve revenue generation and profitability.

To ensure we can move quickly with respect to any acquisition opportunities, we amended our existing credit facility in November 2018 and now have access to up to $80 million. As I've said in the past, we won't do a deal for the sake of doing deals, but when the right opportunity comes along, we want to be well positioned to execute. Our balance sheet remains strong, in good health and a point of focus for us as we continue to grow ISC.

I would be remiss if I did not thank my management team and colleagues from across the Company. They have been united in their steadfast support of our strategic direction. I am also grateful for the support of our Board of Directors, which remains a valued source of counsel for me and our Company as a whole. It is this team of people that collectively make ISC special and just one of the reasons I remain optimistic about our future.

Finally, I wish to thank our shareholders and customers for their continuing support. Together – with our employees and communities – we have created a company with tremendous potential and an ability to deliver for all our stakeholders. Without you, there would be no ISC.

Yours sincerely,

Jeff Stusek
President and Chief Executive Officer

Corporate Social Responsibility

Century Family Farm Award recipients, The Hiduk Family from Jedburgh, Saskatchewan

Each year, ISC and our employees support a number of programs, causes and initiatives that make a difference to the people and places we serve. In this section of the Annual Report, we highlight our approach to corporate social responsibility.

Our community giving program is focused on preserving cultural heritage, encouraging economic growth and celebrating life events. In 2018, we gave back $283,790 to our communities, and supported 66 community organizations.

2018 Highlights

$283,790 in community investment

66 community organizations supported

$25,740 employee fundraising for United Way

193 families honoured with an ISC Century Family Farm Award

ISC Century Family Farm Award

In 2018, ISC presented 193 families with a Century Family Farm Award – celebrating family-owned Saskatchewan farms that have been in continuous operation for 100 years or more. Since 2007, ISC has honoured nearly 4,300 families with the award.

As part of the Century Family Farm Awards, ISC presented a $10,000 donation to the *Do More Agriculture Foundation*, a not-for-profit organization focusing on mental health in agriculture across Canada.

Local Community Giving

We provide our colleagues, friends and neighbours with a helping hand in their efforts to better our communities.

Annually, our Saskatchewan Customer Service Centres each receive $2,000 to donate to the local charitable organization(s) of their choice – from grassroots charities to the local chapters of national non-profit organizations.

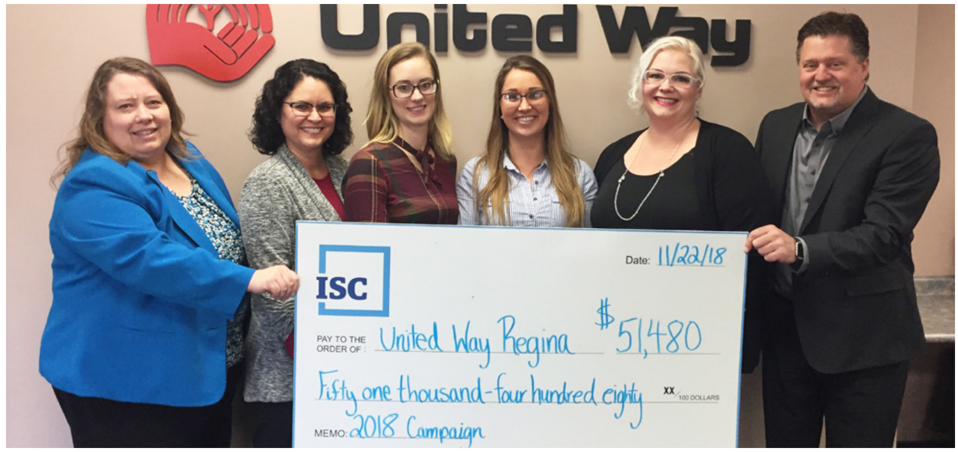
Examples:

- Royal Canadian Legion Branch #56 (Swift Current)
- Circle Drive Special Care Home (Saskatoon)
- Moose Jaw Diversified Services
- Prince Albert Community Services Centre
- Souls Harbour Rescue Mission (Regina)

A Partner in Education

ISC has a long-standing partnership with Albert Community School in Regina. In addition to a yearly donation by the Company in support of student programs, ISC employees volunteer to support the Santa Store, an annual holiday event at the school where students can choose from donated items to give as gifts to their families, free of charge, and which are wrapped on site by ISC volunteers.

Employee Fundraising



Annually, ISC employees rally together and fundraise in support of the United Way with the Company pledging to match every dollar raised through office events and individual employee contributions. In 2018, employees raised $25,740 for a total employer-matched United Way campaign donation of $51,480.

ISC was also recognized by the United Way of Regina in 2018 with a Community Fundraiser Award for significant fundraising contribution growth in the previous year.

Community Involvement

Our people are engaged and active members of their community by representing ISC at events that support important programs and bring awareness to important causes.

Examples:

- Walk a Mile in Her Shoes in support of Regina YWCA
- United Way Team Pull Challenge
- Jukebox Mania (Supporting Family Service Regina)
- University of Regina Hill Business Students' Society Dinner
- Women Entrepreneurs of Saskatchewan Conference

Growing Our Culture of Community

As ISC has grown to include offices across Canada and in Dublin, Ireland, our spirt of community support has national and international reach.

The Services team at our ESC office in Toronto pledged to donate 10 per cent of all corporate supply sales in the month of December to the Salvation Army's Holiday Kettle Campaign, resulting in a $10,000 donation.

Our Technology Solutions team in Ireland held an employee fundraiser in support of a Dublin-based charity, GOAL, for its annual Jersey Day.

Management's Discussion and Analysis

For the Fourth Quarter and Year Ended December 31, 2018

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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 audited Consolidated Financial Statements ("Financial Statements") for the year ended December 31, 2018, and 2017. Additional information, including our Annual Information Form for the year ended December 31, 2018, is available on the Company's website at www.company.isc.ca and in the Company's profile on SEDAR at www.sedar.com.

This MD&A contains information from our Financial Statements for the years ended December 31, 2018, 2017, and 2016, prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards ("IAS") Board. The financial information that appears throughout our MD&A is consistent with the Financial Statements.

This MD&A also 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, refer to section 22 "Non-IFRS Financial Measures". Refer to section 9 "Financial Measures and Key Performance Indicators" for a reconciliation of EBITDA and adjusted EBITDA to net income.

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 dollars ("CAD"). 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 contains forward-looking information and should be read in conjunction with the "Caution Regarding Forward-Looking Information" section below.

This MD&A is current as of March 20, 2019.

2 Responsibility for Disclosure

The ISC Board of Directors ("Board") carries out its responsibility for review of this disclosure primarily through the Audit Committee ("Audit Committee") of the Board, 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.

3 Caution Regarding Forward-Looking Information

Certain statements in this MD&A and certain information incorporated by reference herein contain forward-looking information within the meaning of applicable Canadian securities legislation. The purpose of the forward-looking information is to provide a description of management's expectations regarding future events or developments and may not be appropriate for other purposes.

Forward-looking information which may be found in this MD&A includes, without limitation, those contained in the "Outlook" section hereof, and management's expectations, intentions and beliefs concerning the industries in which we operate, business strategy and strategic direction, growth opportunities, integration, contingent consideration, development and completion of projects, the competitive landscape, seasonality, our future financial position and results, capital and operating expectations, projected costs, the impact of certain payments to the Government of Saskatchewan, access to financing, debt levels, free cash flow, expectations for meeting future cash requirements, the economy and the real estate market, reporting currency and currency fluctuations, dividend expectations, and other plans and objectives of or involving ISC. The words "may", "will", "would", "should", "could", "expect", "plan", "intend", "trend", "indicate", "anticipate", "believe", "estimate", "predict", "project", "targets", "strive", "strategy", "continue", "likely", "potential" or the negative or other variations of these words or other comparable words or phrases are intended to identify forward-looking information.

Forward-looking information is 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 our ability to implement our business strategy, compete for business (other than our exclusive service offerings to the Government of Saskatchewan), market our technology assets and capabilities, as well as business and economic conditions, availability of financing, the value of the Canadian dollar, consumer confidence, interest rates, level of unemployment, inflation, the real estate market, liabilities, income taxes, our ability to attract and retain skilled staff, the extent of any labour, equipment or other disruptions, goodwill and intangibles are material factors in preparing forward-looking information.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those expressed or implied by such forward-looking information. Factors that could cause our actual results or events to differ materially from those expressed or implied by such forward-looking information include, without limitation, the following: changes to or loss of the MSA (as that term is defined herein) and potential disagreements with the Government of Saskatchewan; limitations on our ability to increase fees under the MSA; reliance on key customers and licences; dependence on key projects and clients, securing new business and fixed-price contracts; changes in economic, market and other conditions; reliance on information technology systems; ability to realize growth opportunities, including the ability to complete and integrate new acquisitions and to secure contracts to provide new service offerings; ability to manage our foreign operations; competition for service offerings (other than our exclusive service offerings to the Government of Saskatchewan); undisclosed liabilities acquired pursuant to past or future acquisitions; ability to attract and retain qualified personnel; ability to obtain future financing; failure to protect our intellectual property rights; legislative changes; changes in anticipated tax liabilities; risk of litigation; adequacy of our insurance coverage; reliance on third-party suppliers or other contractors; adverse changes in labour relations; liability to the Government of Saskatchewan; any compromise to the integrity or security of our information assets; any failure in our financial reporting safeguards or internal controls; ownership restrictions and director appointment rights and restrictions under *The Information Services Corporation Act* (Saskatchewan); and our ability to continue to pay dividends. You should consider these factors carefully. We caution that the foregoing list 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, this forward-looking information. See "Business Risks and Risk Management".

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

You should not place undue reliance on forward-looking information contained herein.

4 Consolidated Highlights

4.1 Fourth quarter consolidated highlights

- Revenue was $31.0 million for the three months ended December 31, 2018, an increase of $7.4 million or 31.5 per cent from the fourth quarter of 2017. The increase was due to strong growth in our Services segment, including new revenue from our acquisition of AVS Systems Inc. ("AVS").
- Net income for the three months ended December 31, 2018, was $3.2 million or $0.18 per basic and diluted share, a decrease of $15.6 million compared to the fourth quarter of 2017 when net income was $18.8 million or $1.07 per basic and diluted share. This decrease was mainly due to the gain on the sale of our ownership interest in Dye and Durham Corporation ("Dye & Durham") in the fourth quarter of 2017. Without the impact of the gain, net income, in the fourth quarter of 2017, would have been $5.4 million or $0.31 per basic and diluted share. Higher depreciation and income taxes in the fourth quarter of 2018 as compared to 2017 account for the balance of the difference.
- EBITDA (earnings before interest, taxes, depreciation and amortization expense) for the fourth quarter of 2018 was $7.5 million compared to $7.8 million in the same quarter last year, a slight decrease of $0.3 million or 4.1 per cent.
- The EBITDA margin for the fourth quarter of 2018 was 24.3 per cent compared to 33.2 per cent in the same quarter in 2017, down as expected as a result of the lower margin profile of our collateral management product line following the acquisition of AVS.
- Excluding stock-based compensation expense or income, stock option expense, transactional gains and losses on assets, and acquisition and integration costs, adjusted EBITDA was $7.7 million for the quarter compared to $9.0 million in the same quarter last year, with an adjusted EBITDA margin of 24.8 per cent for the quarter compared to 38.0 per cent in the fourth quarter of 2017. Adjusted EBITDA decreased due to increased wages and salaries, cost of goods sold and the change in contingent consideration related to our purchase of AVS, partially offset by lower acquisition and integration costs. The margin decreased in line with expectations due to the high revenue, lower margin profile in our collateral management product line.
- On November 6, 2018, our Board declared a quarterly cash dividend of $0.20 per Class A Limited Voting Share ("Class A Share"), paid on January 15, 2019, to shareholders of record as of December 31, 2018.
- On November 6, 2018, the Company entered into an amended and restated credit agreement in connection with the secured credit facilities (collectively, the "Credit Facilities") provided by its lender. The aggregate amount available under

the Credit Facilities has been increased to $80.0 million, as described in section 11 "Liquidity and Capital Resources".

- During the quarter, the Company finalized a new five-year service agreement with its information technology service provider. Finalizing this agreement provides stability to our operations, while updated terms provide the Company with more flexibility in information technology cost management.

4.2 Year-end consolidated highlights

- Revenue was $119.1 million for the year ended December 31, 2018, an increase of $25.5 million or 27.3 per cent compared to $93.6 million for the year ended December 31, 2017. The increase was due to the higher revenue generated by our Services segment.
- Net income for the year ended December 31, 2018, was $18.7 million or $1.07 per basic and $1.06 per diluted share. For the year ended December 31, 2017, net income was $27.8 million or $1.59 per basic and $1.58 per diluted share. The year-over-year decrease was the result of the gain on the sale of our ownership interest in Dye & Durham in 2017. Without the impact of the gain, net income in 2017 would have been $14.4 million or $0.82 per basic and diluted share and as compared to 2018, the increase in 2018 is due to higher revenue from our Services segment and the change in contingent consideration related to our AVS purchase.
- EBITDA for the year ended December 31, 2018, was $35.9 million compared to $30.0 million in the same period last year, an increase of $5.9 million. The increase was due to results from our collateral management product line following the acquisition of AVS.
- The EBITDA margin for the year ended December 31, 2018, was 30.1 per cent compared to 32.1 per cent in the same period in 2017. As expected, the decline in year-over-year EBITDA margin was due to the addition of the AVS collateral management to our Services segment, which is a high revenue, low margin business and has changed our consolidated EBITDA margin profile.
- Excluding stock-based compensation expense or income, stock option expense, transactional gains and losses on assets, and acquisition and integration costs, adjusted EBITDA was $33.3 million for the year ended December 31, 2018, compared to $33.4 million in the same period last year, with an adjusted EBITDA margin of 28.0 per cent year-to-date compared to 35.7 per cent for the year ended December 31, 2017. The margin has decreased in line with expectations due to the high revenue, lower margin profile in our collateral management product line.
- During the third quarter, the Company, through its wholly owned subsidiary ESC ("ESC"), entered into an agreement to amend the AVS Share Purchase Agreement to provide for the conditional early settlement on November 15, 2018 of the AVS contingent consideration, for an amount of $11.0 million. This resulted in a $3.6 million net gain on contingent consideration on the consolidated statements of comprehensive income.

4.3 Subsequent events

- On February 19, 2019, the Company announced that its wholly owned subsidiary ESC, acquired substantially all of the assets used in the business of Securefact Transaction Services, Inc. for $6.8 million by way of an asset purchase agreement.
- On March 20, 2019, our Board declared a quarterly cash dividend of $0.20 per Class A Share, payable on or before April 15, 2019, to shareholders of record as of March 31, 2019.

4.4 Select consolidated financial information

The select annual financial information set out for years ended December 31, 2018, 2017 and 2016, is derived from ISC's 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.

		Year Ended December 31,	
(thousands of CAD dollars)	**2018**	2017	2016
Revenue	$ 119,131	$ 93,592	$ 88,375
Net income	18,671	27,789	15,503
EBITDA[1, 2]	$ 35,862	$ 30,015	$ 29,529
Adjusted EBITDA[1]	33,316	33,403	33,454
EBITDA margin (% of revenue)[1, 2]	30.1%	32.1%	33.4%
Adjusted EBITDA margin (% of revenue)[1]	28.0%	35.7%	37.9%
Free cash flow[1]	$ 25,150	$ 22,918	$ 19,993
Dividend declared per share	$ 0.80	$ 0.80	$ 0.80
Earnings per share, basic[3]	1.07	1.59	0.89
Earnings per share, diluted[3]	1.06	1.58	0.88

		As at December 31,	
	2018	2017	2016
Total assets	$ 161,962	$ 171,825	$ 131,321
Total non-current liabilities	$ 25,979	$ 45,202	$ 25,637

[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 reported by other corporations. Refer to section 22 "Non-IFRS Financial Measures". Refer to section 9 "Financial Measures and Key Performance Indicators" for a reconciliation of EBITDA and adjusted EBITDA to net income.

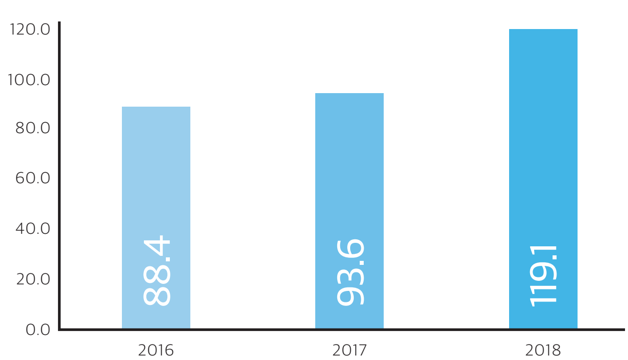
[2] The 2018 EBITDA for the year ended December 31, 2018, includes a net adjustment in relation to the fair value estimate of the contingent consideration associated with our AVS acquisition of $3.6 million.

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

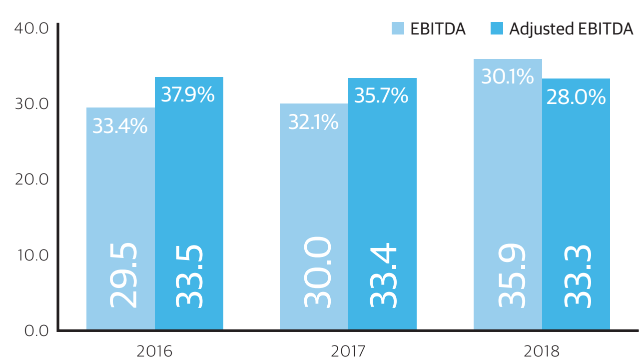
Overall, 2018 was a strong year for ISC. Revenue was up 27.3 per cent year-over-year, and the Company recognized revenue of $119.1 million for the year compared to $93.6 million in 2017. EBITDA was also up 19.5 per cent year-over year, coming in at $35.9 million for 2018 compared to $30.0 million in the prior period.

The primary driver of our growth in 2018 came from our Services segment, largely through the acquisition of AVS Systems Inc. at the end of 2017. With the integration of AVS now complete, we expect to continue to compete effectively in the Know-Your-Customer ("KYC") and collateral management

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



Consolidated EBITDA[1] and Consolidated Adjusted 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 22 "Non-IFRS Financial Measures".

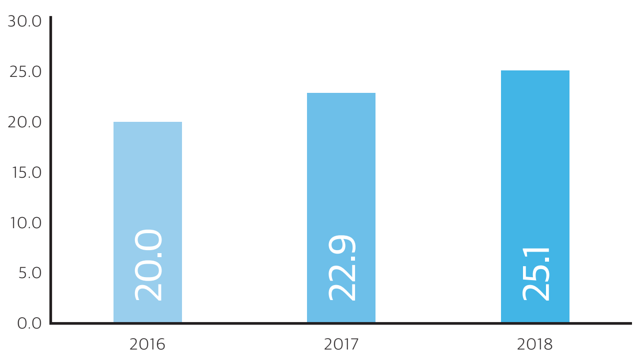
Percentages expressed represent the EBITDA and adjusted EBITDA margin percentages, respectively.

services space while increasing our market share over the course of 2019.

EBITDA margin and adjusted EBITDA margin were down year-over-year as expected as the acquisition of a high revenue, lower margin business like AVS at the end of 2017 was anticipated to have an impact on our EBITDA margin going forward. The diversification of our business over the last three years has allowed us to offset the economic impact to our Registry Operations segment and still deliver top and bottom line growth.

As noted, while our Registry Operations segment has felt the effects of the economy, notably increases in interest rates and the introduction of new mortgage rules, it yet again delivered strong results while generating strong free cash flow.

Consolidated free cash flow[1]
for the year ended December 31,
(CAD$ millions)



[1] ISC changed the recognition of current income taxes within the definition of free cash flow in 2017 to match the balance recognized on the statement of comprehensive income. Comparative figures for 2016 have been updated accordingly. 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 22 "Non-IFRS Financial Measures".

At the start of 2018, we expanded our reporting from two to three segments with the introduction of the Technology Solutions segment, which now complements our Registry Operations and Services segments.

Technology Solutions segment had a successful year with a number of new business wins announced in the first quarter of 2018. As this segment's business model evolves, we expect to realize additional revenue from this segment in 2019, with a focus on profitability.

For our outlook and guidance for 2019, see section 10 "Outlook".

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.

We continue 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.

Effective January 1, 2018, we redefined our reportable segments as a result of acquisitions made in 2017 and an increased emphasis on technology solutions to complement existing registry operations and services businesses, as well as how we allocate resources among, and the general management of, our reportable segments. As such, the results of our technology solutions activities, including our subsidiary, Enterprise Registry Solutions Limited ("ERS"), are presented within the Technology Solutions segment. These results were previously reported in Corporate. We have retrospectively restated our 2017 comparative segment results to account for this redefinition. A functional summary of these three segments is as follows:

- Registry Operations delivers registry services on behalf of governments and private sector organizations. Currently, through this segment, ISC provides registry and information services on behalf of the Province of Saskatchewan under a 20-year Master Service Agreement ("MSA"), in effect until 2033.
- Services delivers products and services that utilize public records and data to provide value to customers in the financial and legal sectors.
- Technology Solutions provides the development, delivery and support of registry (and related) technology solutions.

The balance of our corporate activities and shared services functions are reported as Corporate.

5.2 Registry Operations segment

Our Registry Operations segment involves the provision of registry and information services 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.

Currently, ISC provides registry and information services on behalf of the Province of Saskatchewan under the MSA and is the exclusive full-service solution provider of the Saskatchewan Land Registry, the Saskatchewan Personal Property Registry and the Saskatchewan Corporate Registry (collectively, the "Saskatchewan Registries"). Additional information about the MSA is available in the Company's Annual Information Form for the year ended December 31, 2018, on the Company's website at www.company.isc.ca and in the Company's profile on SEDAR at www.sedar.com.

For all services in this segment, competitors include infrastructure funds and private equity firms as well as information services companies, registry software providers and other such information-based companies that develop and provide software platforms to manage registry and related information services. These types of companies may compete with ISC by acting as, or partnering with, businesses that can provide other required processes, such as customer service and delivery, in conjunction with software platforms to provide full-service solutions.

Our Registry Operations 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.

Saskatchewan Land Registry

The Saskatchewan Land Registry ("Land Registry") includes the Saskatchewan Land Titles Registry ("Land Titles Registry"), Saskatchewan Land Surveys Directory ("Land Surveys") and Saskatchewan Geomatics services ("Geomatics").

Saskatchewan 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, in the Province of Saskatchewan. The Land Titles Registry provides access to timely and reliable land ownership information to support new and used home sales, land and home development transfers and other value-added transactions. Its primary users include law 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 land values, provincial population and mortgage qualifying requirements also affect the housing market which, in turn, influences 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, calculated as a percentage of the value of the land and/or property being registered. We typically charge 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 80.0 per cent of all Land Titles Registry registration transactions were submitted online in 2018.

Saskatchewan 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.

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

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

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.

Geomatics customers include government departments (provincial and municipal), resource companies, land developers, utility, pipeline and transportation companies, and the public.

Unlike the other services offered within the Land Registry, Geomatics generates revenue mainly through 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, a province-wide civic address registry and an online maintenance system, but does not receive transaction-based fees related to the use of the portal.

We also provide 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. We have been hosting and supporting MARS since 2015 in exchange for a service fee.

Saskatchewan Personal Property Registry

The Saskatchewan Personal Property Registry ("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, such as 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.

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

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

Customers are charged flat fees per transaction and the automated web-based system enables real-time completion of search and registration services as well as minimizes operational effort to deliver services.

Customers complete almost all searches in the registry online. The high online usage is stable with minimal numbers of end-use consumers needing staff assistance to complete their transactions.

Saskatchewan Corporate Registry

The Saskatchewan Corporate Registry ("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 most of its fees in the Corporate Registry in relation to maintenance services provided to business entities that file annual returns or wish to make changes to their structure or profile.

In July 2016, the Corporate Registry began using the Company's RegSys platform, thereby providing customers with a more convenient service to search, register and maintain corporate entities in Saskatchewan. In addition, RegSys also offers customers access to digitally verified registry documents and options to self-manage staff access. Approximately 89.0 per cent of all registrations in the Corporate Registry were submitted online in 2018. A number of permanent changes to the services and fee structure were implemented with the launch of the system.

5.3 Services segment

Our Services segment delivers solutions uniting public record data, customer authentication, corporate legal services and collateral management to support lending practices of clients with business across Canada. These solutions are provided through our wholly owned subsidiary, ESC Corporate Services Ltd. ("ESC").

This segment currently has two revenue components: transactional fees and per unit charges. We earn revenue through transaction fees for search and registration services, as well as KYC services. All government fees associated with the service are either embedded in the search fee or charged in addition to the service transaction fee. Corporate supplies are charged a per unit fee in the same manner as a product in a retail transaction.

Effective January 1, 2018, we simplified the way in which we classify and describe revenue for our Services segment. Formerly, we reported revenue in three categories: search and registration services, KYC services and corporate supplies. With the addition of AVS, we have changed that to two revenue categories, namely Legal Support Services and Financial Support Services. This allows us to better reflect the business by the industries and customers we serve. Legal Support Services revenue consists of revenue from the corporate supplies business, as well as search and registration services provided to our legal customers. Financial Support Services consists of search and registration, KYC and other services provided to non-legal customers, such as financial institutions and auto and equipment finance companies.

In our Services segment, our core legal and financial services revenue is fairly diversified and has little seasonality; rather, it fluctuates in line with the general economic drivers. Our collateral management product line experiences seasonality aligned to vehicle and equipment financing cycles, which are generally stronger in the second and fourth quarters. Some smaller categories of products or services can have some seasonal variation, increasing slightly during the second and fourth quarters.

Legal Support Services

This category captures revenue from nationwide search and registration services to legal professionals directly or indirectly. We provide search services, including corporate, business name, personal property, real property, corporate name search reports (also known as NUANS[1] reports), trademark and Bank Act (Canada) searches. We also provide registration and filing services such as personal property, trademark, business incorporations, amendments and amalgamations to legal professionals.

The Company has an online workflow platform to service legal customers through a team of experienced law clerks in both Ontario and Quebec. We hold an official service licence under the Ontario Business Information System from the Government of Ontario's Ministry of Government and Consumer Services, which is currently renewed until January 2021. ESC also holds licences from the Government of Ontario to distribute and register *Personal Property Security Act* searches and registrations, as well as the Government of Quebec's Corporate Registry and Corporations Canada for registering corporations directly within each of these two registry systems.

Our corporate supplies business helps companies to organize and maintain their corporate legal documents and provides customized corporate minute books, corporate seals, share certificates, legal supplies and related ancillary accessories for businesses and corporations. We also service the consumer market through direct supply relationships with office products providers.

Our competitors vary by market and geography. They primarily include other intermediaries and suppliers to legal professionals that provide value through convenience and intermediation of various public registries. There is a small number of competitors supplying the legal market with customized products, while the consumer market is typically serviced by big box office supply retailers.

Financial Support Services

We support financial and credit institutions' 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 such as corporate registry, personal property registry, land registry, litigation, bankruptcy and *Bank Act* (Canada) searches.

We use our proprietary platform for financial institutions and companies in the financial services sector to on-board new commercial accounts while remaining compliant with Canadian KYC and Anti-Money Laundering regulations captured under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada). The customer on-boarding verification reports we generate leverage our search services to provide our clients with a process and system to verify, retrieve and store information about corporate clients to meet these regulatory requirements.

In addition, we provide automation software technology services to serve lending, leasing, and credit issuing businesses and institutions in Canada. With the addition of AVS, we now service the full credit-lending cycle and deliver proven credit due diligence, protection and default solutions to the Canadian financing industry.

In the financial support services marketplace, we compete against a small number of distinctly different service providers, all of whom offer additional services beyond our KYC programs.

5.4 Technology Solutions segment

Our Technology Solutions segment provides the development, delivery and support of registry (and related) technology solutions.

We generate revenue through the following:

- Sale of software licences related to the technology platform;
- Provision of technology solution definition and implementation services; and
- Provision of monthly hosting, support and maintenance services.

Through our wholly owned subsidiary ERS, we offer RegSys – a complete registry solution that provides a readily transferable technology platform capable of serving a wide range of registry needs. RegSys is a multi-register platform that delivers the flexibility, scalability and features that enable public sector organizations to deliver enhanced services to businesses and citizens.

With a full suite of integrated modules which provide core functionality for submission, enforcement and enquiry processing, RegSys delivers solutions enabling the provision of core services to citizens in a user-friendly, efficient manner across multiple access points. The RegSys solution has also been used to manage other legal registers such as intellectual property, securities, licences, charities, Uniform Commercial Code ("UCC") and pension schemes.

Our customers include governments and regulatory organizations, such as chambers of commerce, that have responsibility to authorize, license, maintain and revoke the function of a registry.

Competitors include other registry software providers that develop and provide software platforms to manage registries. On the technology services side, our competitors include all

[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.

technology services organizations that provide application development, systems integration and/or application management services. This includes large multinationals or local niche players, both of which we partner with to complement our offering depending on the clients' needs.

6 Business Strategy

Strategic priorities

ISC's core goal is to deliver value to shareholders through the consistent performance of its existing business and the execution of appropriate growth opportunities. The Company developed a strategy that is focused on three key functions:

- Operating registries on behalf of governments;
- Implementing and supporting registry and related technology solutions; and
- Delivering value-add services utilizing public data and records.

ISC's strategy is executed through effective operations, reasonable growth and acquisitions, with strategic priorities supporting the achievement of the core goal:

- To be the global leader in registry operations and solutions and the Canadian leader in the provision of value-add services utilizing public data and records;
- To deliver organic revenue growth with continued emphasis on EBITDA growth, and increasing revenue from our products, registry expertise and advisory services; and
- To provide an enhanced customer experience for those interacting with ISC, registry systems and registry information.

7 Results of Operations

Consolidated statements of comprehensive income

	Three Months Ended December 31,		Year Ended December 31,	
(thousands of CAD dollars)	**2018**	2017	**2018**	2017
Revenue	$ 31,016	$ 23,589	$ 119,131	$ 93,592
Expenses:				
Wages and salaries	10,255	7,913	37,842	32,802
Cost of goods sold	7,033	1,378	25,084	4,141
Depreciation and amortization	2,678	1,792	9,867	7,507
Information technology services	2,339	2,365	8,479	10,852
Occupancy costs	1,419	1,295	5,626	5,293
Professional and consulting services	962	1,421	4,785	6,303
Financial services	585	683	2,302	2,400
Other	705	692	2,718	2,396
Total expenses	25,976	17,539	96,703	71,694
Net income before items noted below	5,040	6,050	22,428	21,898
Finance (expense) income				
Interest income	117	172	416	369
Interest expense	(179)	(247)	(790)	(876)
Net finance expense	(62)	(75)	(374)	(507)
Share of profit in associate	–	–	–	610
Change in contingent consideration	(195)	–	3,567	–
Gain on sale of associate	–	15,438	–	15,438
Income before tax	4,783	21,414	25,621	37,439
Income tax expense	(1,631)	(2,640)	(6,950)	(9,650)
Net income	$ 3,152	$ 18,774	$ 18,671	$ 27,789
Other comprehensive income (loss)				
Unrealized gain (loss) on translation of financial statements of foreign operations	248	(1)	232	429
Change in fair value of marketable securities, net of tax	(37)	(2)	(108)	(39)
Other comprehensive income (loss) for the period	211	(3)	124	390
Total comprehensive income	$ 3,363	$ 18,771	$ 18,795	$ 28,179

7.1 Fourth Quarter Results

Consolidated revenue

Revenue was $31.0 million for the three months ended December 31, 2018, an increase of $7.4 million or 31.5 per cent compared to the same period in 2017. The increase was due to additional revenue in our Services segment mainly due to our acquisition of AVS in late 2017, offsetting lower revenue in our Registry Operations segment.

(thousands of CAD dollars)	Three Months Ended December 31, 2018	2017
Land Registry (Land Titles Registry, Land Surveys, and Geomatics)	$ 11,920	$ 13,762
Personal Property Registry	2,384	2,294
Corporate Registry	2,476	2,468
Registry Operations revenue	$ 16,780	$ 18,524
Services revenue	11,591	4,035
Technology Solutions revenue	6,277	4,821
Corporate and other	(3,632)	(3,791)
Total revenue	$ 31,016	$ 23,589

Registry Operations

Overall

Revenue for our Registry Operations segment was $16.8 million for the three months ended December 31, 2018, a decline of $1.7 million or 9.4 per cent compared to the fourth quarter of 2017. Overall fourth quarter revenue was lower due to decreased revenue from the Land Titles Registry, which is explained further in the following section.

Saskatchewan Land Registry

Revenue for the Land Registry was $11.9 million for the quarter ended December 31, 2018, a decrease of 13.4 per cent compared to the same period in 2017.

(i) Saskatchewan Land Titles Registry

Land Titles Registry revenue for the fourth quarter of 2018 was $11.0 million, a decline of $1.9 million or 14.6 per cent compared to the fourth quarter of 2017. Most of the revenue in the Land Titles Registry is derived from value-based fees, and the decrease was mainly due to lower transaction volumes along with lower high-value property registration revenue.

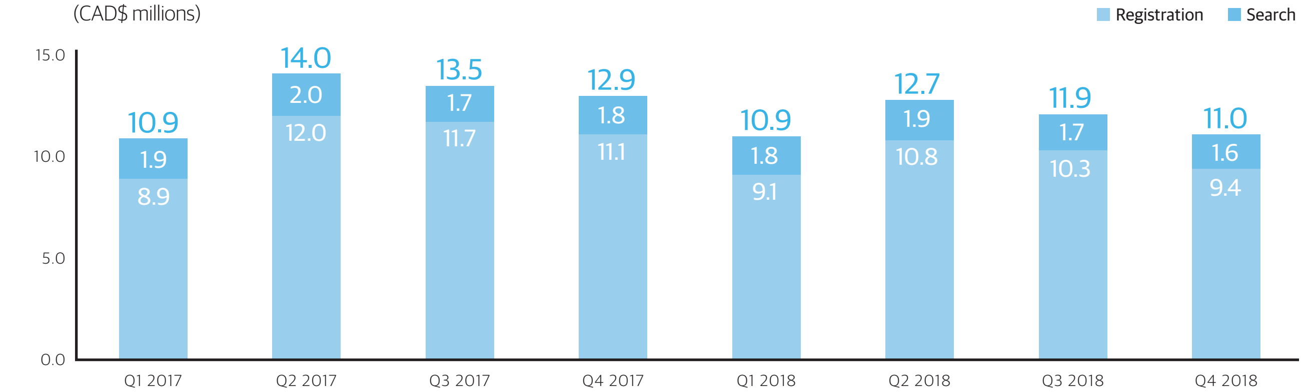
High-value property registration revenue was lower in the fourth quarter of 2018 when compared to a record revenue for this line item in 2017. Each high-value registration generated revenue of $10,000 or more, and revenue from these types of registrations was $1.1 million for the fourth quarter of 2018, down from $1.9 million in the same period in 2017.

Overall transaction volumes decreased by 13.1 per cent for the fourth quarter of 2018 compared to the same period last year. The volume of regular land transfers, mortgage registrations and title searches declined by 10.6 per cent, 9.0 per cent and 10.4 per cent, respectively, compared to the same period in 2017. Volume appears to continue to be impacted by the new mortgage qualification guidelines, introduced in January 2018, along with increases in interest rates since July 2017.

The following graphs show the Land Titles Registry revenue by type of transaction and the overall transaction volume, respectively. Seasonality remains consistent year-over-year with the fourth quarter typically generating less revenue than the third quarter. For more information on seasonality, see section 8 "Summary of Consolidated Quarterly Results".

Saskatchewan Land Titles Registry Revenue by Type

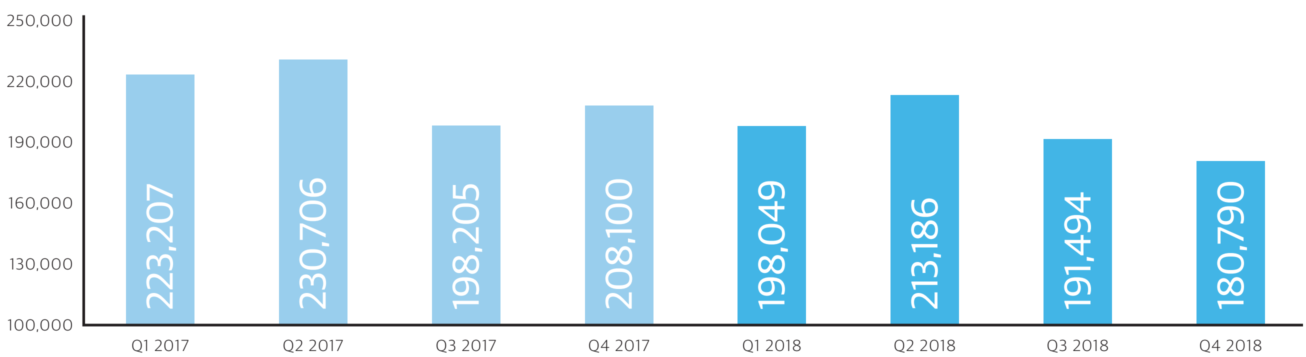
(CAD$ millions)



Note: Values may not add up due to rounding from minor maintenance transactions not displayed.

Saskatchewan Land Titles Registry Transaction Volume

(Number of transactions)



(ii) Saskatchewan Land Surveys and Geomatics

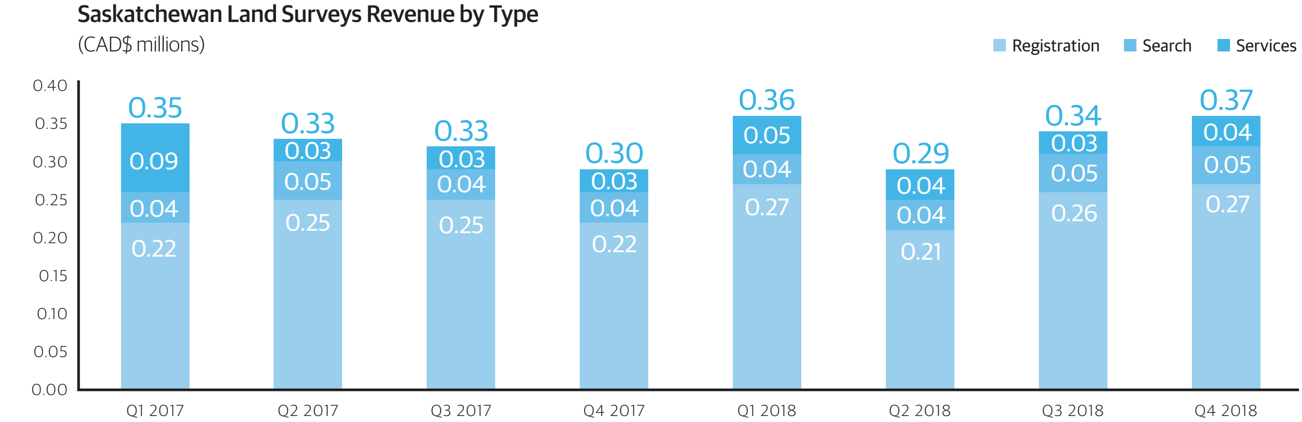
Jointly, the revenue from Land Surveys and Geomatics was $0.9 million for the fourth quarter of 2018, a slight rise of $39 thousand, or 4.6 per cent, compared to last year.

Revenue from Land Surveys was up $69 thousand, compared to the same period in 2017, mainly due to an increase in registration revenue. Overall transaction volumes grew for the fourth quarter, up 14.6 per cent on higher search volumes compared to the same period in 2017.

The following graph shows the Land Surveys revenue by type of transaction.

Saskatchewan Land Surveys Revenue by Type

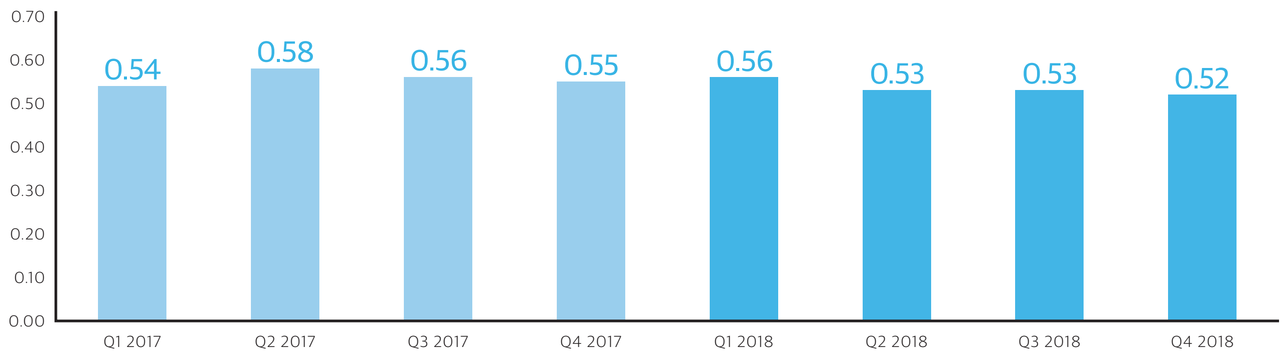
(CAD$ millions)



Note: Values may not add due to rounding.

Geomatics revenue was lower by 5.6 per cent, or $30 thousand, compared to the same quarter in 2017 due to lower requests for geomatics services. The following graph illustrates Geomatics revenue by quarter.

Saskatchewan Geomatics Revenue
(CAD$ millions)



Saskatchewan Personal Property Registry

Revenue for the Personal Property Registry for the fourth quarter of 2018 was $2.4 million, a rise of 3.9 per cent, or $90 thousand compared with the same period in 2017. This was primarily due to higher search revenue due to pricing changes made to search transactions in July 2018, offsetting declines in registration revenue.

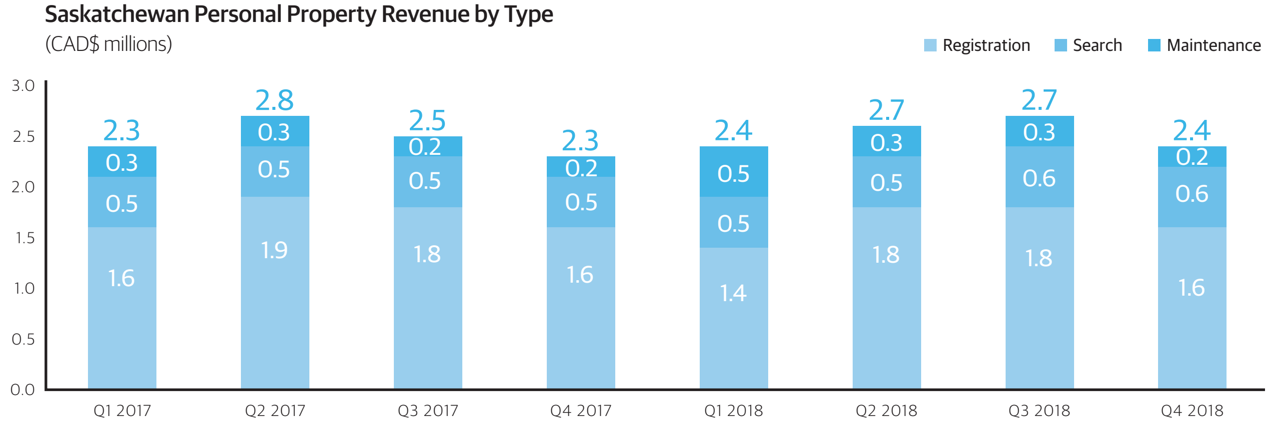
Total registration revenue declined by 3.2 per cent mainly due to personal property security registration setups, which saw volumes decline by 2.3 per cent and revenue decrease by 3.5 per cent compared to the same period in 2017. Revenue declined by a higher rate than volume, illustrating that average registration term-length dropped slightly during this period.

The registration revenue decline was offset by higher search revenue and maintenance revenue, which grew 26.8 per cent and 7.7 per cent, respectively.

Revenue results for the fourth quarter are weaker compared to the third quarter, reflecting the typical pattern of seasonality.

The following graph depicts the Personal Property Registry revenue by type of transaction.

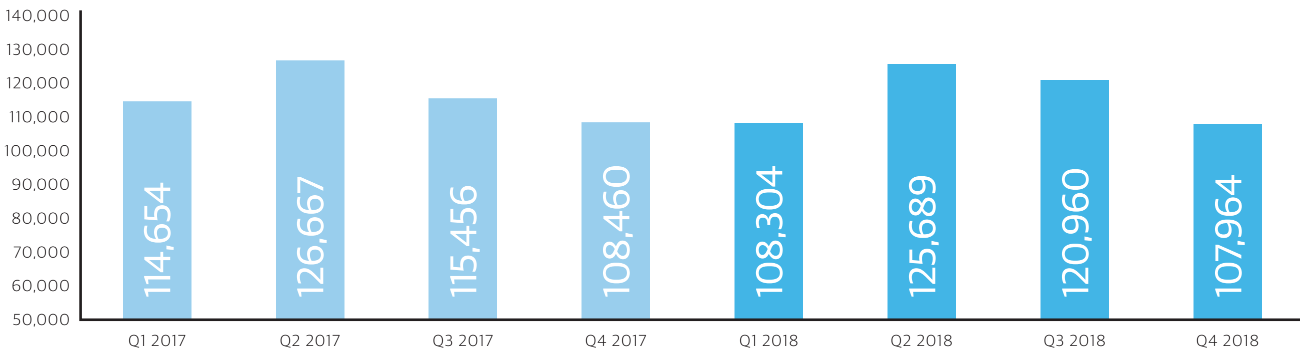
Saskatchewan Personal Property Revenue by Type
(CAD$ millions)



Note: Values may not add due to rounding.

As shown by the following graph, overall transaction volumes for the fourth quarter of 2018 declined by 0.5 per cent compared to the same period last year.

Saskatchewan Personal Property Registry Transaction Volume
(Number of transactions)



During the fourth quarter of 2018, registration volumes dropped by 1.4 per cent while search volumes shrunk by a modest 0.5 per cent. Maintenance transactions improved by 3.3 per cent.

Saskatchewan Corporate Registry

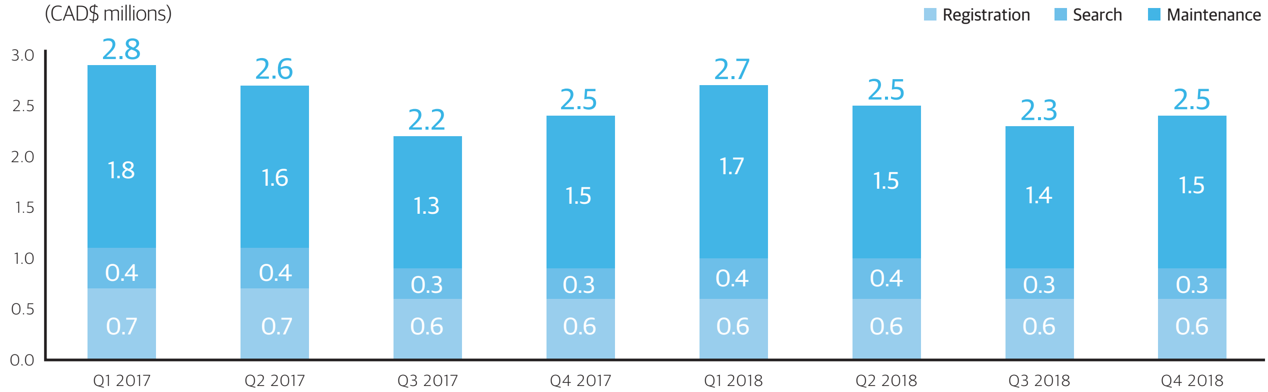
Revenue for the Corporate Registry for the quarter ended December 31, 2018, was $2.5 million, flat compared to the same period in 2017.

Revenue from the filing of annual returns and renewals, included as part of maintenance revenue, decreased by 0.9 per cent in the quarter compared to the same period in 2017, while revenue from the incorporation and registration of new business entities increased by 0.9 per cent compared to the fourth quarter last year.

Registration and search revenue increased by 0.8 per cent and 2.0 per cent, respectively, compared to the fourth quarter in 2017. These increases offset maintenance revenue, which was down a slight 0.3 per cent.

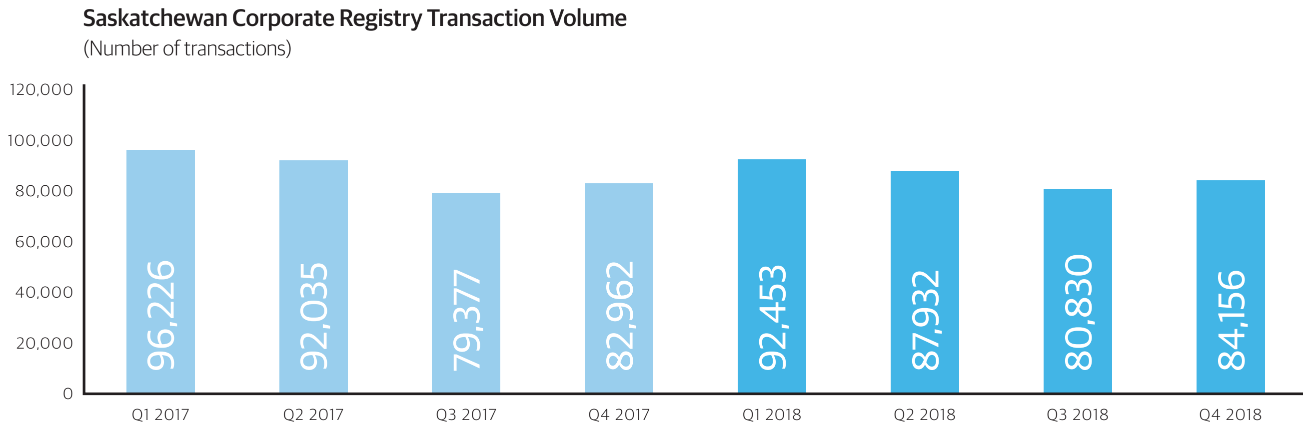
The following graph illustrates the Corporate Registry revenue by type of transaction. Quarterly revenue continues to mirror the Corporate Registry's typical pattern of seasonality.

Saskatchewan Corporate Registry Revenue by Type
(CAD$ millions)



Note: Values may not add due to rounding.

The following graph shows the transaction volumes for the Corporate Registry by quarter.



Transaction volumes for the fourth quarter increased by 1.4 per cent compared to the same period last year. Specifically, search volumes grew by 3.0 per cent, whereas registration and maintenance volumes declined by 1.2 per cent and 1.0 per cent, respectively, compared to the same period in 2017.

As of December 31, 2018, there were approximately 74,447 active Saskatchewan Business Corporations registered with the Corporate Registry compared to 72,913 as at December 31, 2017.

Services

Key drivers for this segment include increased regulatory and compliance requirements for financial institutions, as well as the growing trend to outsource business processes and services to realize cost savings and focus on core business activities. Economic activity can affect credit lending, mergers, acquisitions, incorporations and various new business startup activities, which also impacts activity for our Services segment.

Following the acquisition of AVS in December 2017, our Services segment broadened its existing market share in collateral management with the addition of large financial institutions and original equipment manufacturer ("OEM") captives financing activity across Canada. We now distinguish ourselves further from our competitors through a technology platform that provides a fully automated workflow for our clients to handle their collateral management needs.

For the three months ended December 31, 2018, revenue in this segment was $11.6 million, an increase of $7.6 million compared to the fourth quarter of 2017.

ESC has focused on enhancing its KYC services, which has aided in the on-boarding of new customers during the period. Revenue was up as a result of an increasing uptake of services for financial services customers for KYC, due diligence and collateral security registration. This combination of organic growth along with the ramping up of new customers contributed to the increase this quarter. A significant driver of growth compared to the previous year was the new revenue from our collateral management product line following the acquisition of AVS, as noted above.

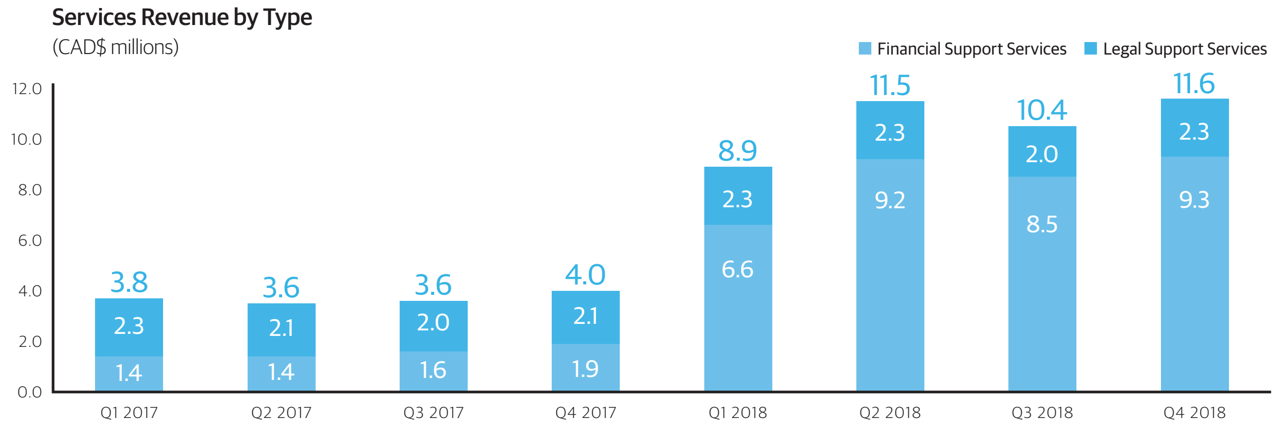
Legal Support Services

Legal Support Services consists of revenue from nationwide search and registration services, as well as corporate supplies provided to legal professionals. Revenue in the fourth quarter of 2018 was $2.3 million, an improvement of 5.3 per cent, or $114 thousand, compared to the fourth quarter in 2017.

Financial Support Services

Revenue in the fourth quarter of 2018 for our Financial Support Services offering was $9.3 million compared to $1.9 million for the same period of 2017, mainly due to additional revenue from our acquisition of AVS. On-boarding and ramping up of new customers and organic growth also contributed.

Our Services revenue for the last eight quarters is shown in the following graph.

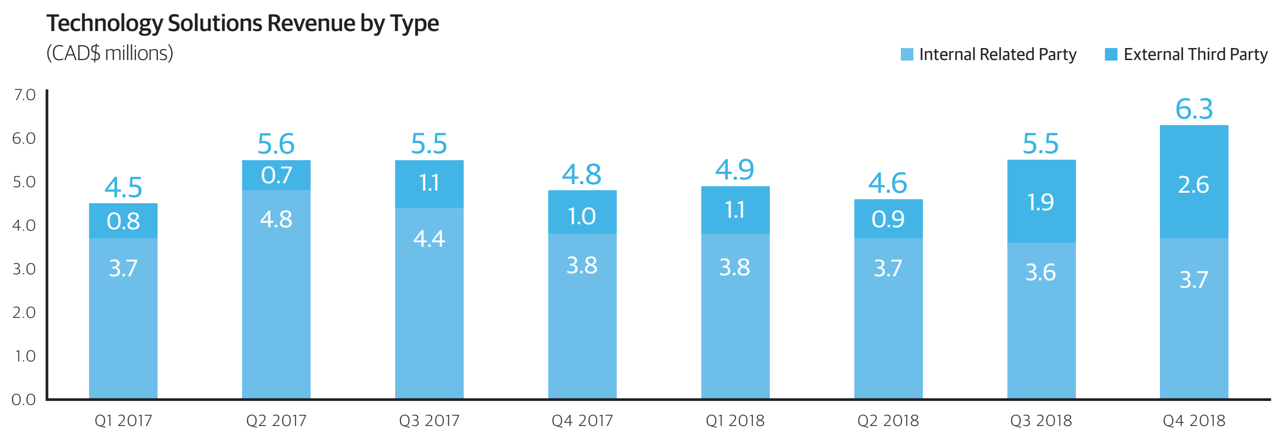


Note: Values may not add due to rounding.

Technology Solutions

We generate revenue from external third parties through the sale of software licences related to the technology platform and the provision of technology solution definition and implementation services, and monthly hosting, support and maintenance services. Our Technology Solutions segment also records revenue from internal related parties, such as our Registry Operations segment.

Revenue in our Technology Solutions segment was $6.3 million for the three months ended December 31, 2018, compared to $4.8 million for the same period in 2017. Revenue for the three months ended December 31, 2018, increased due to the achievement of initial contract milestones related to definition and implementation services to external third parties compared to the same period in 2017.



Note: Values may not add due to rounding.

Consolidated expenses

For the three months ended December 31, 2018, consolidated expenses (all segments) were $26.0 million, an increase of $8.4 million compared to $17.5 million for the same period in 2017, a significant portion of which is related to our acquisition of AVS in our Services segment. A breakdown by category is provided in the table below, with significant variances explained thereafter.

As well, during the quarter, the Company changed the presentation of project initiative expenses to reclassify them according to their nature as also shown in the table. Management believes the revised presentation aligns with management's operation of the business and provides more relevant information to users.

				Three Months Ended December 31,
(thousands of CAD dollars)	2018	2017 (as reported)	Reclassification	2017 (as reclassified)
Expenses				
Wages and salaries	$ 10,255	$ 7,913	$ –	$ 7,913
Cost of goods sold	7,033	1,378	–	1,378
Depreciation and amortization	2,678	1,792	–	1,792
Information technology services	2,339	2,093	271	2,364
Occupancy costs	1,419	1,295	–	1,295
Professional and consulting services	962	711	711	1,422
Financial services	585	683	–	683
Project initiatives	–	1,005	(1,005)	–
Other	705	669	23	692
Total expenses	$ 25,976	$ 17,539	$ –	$ 17,539

A summary of changes in our expenses is as follows:

- Wages and salaries were $10.3 million, up $2.3 million, for the three months ended December 31, 2018, compared to the same period in 2017. The increase was due to:
  - annual wages and salary increases and standardization of salary and incentive programs across the business;
  - additional wages and salaries in our Services segment following the acquisition of AVS in December 2017; and
  - additional wages and salaries in our Technology Solutions segment following successful contract awards, partially offset by a portion of wages and salaries capitalized for system development work that was completed in the fourth quarter of 2017.
- Cost of goods sold was $7.0 million for the fourth quarter of 2018, an increase of $5.7 million compared to the fourth quarter of 2017 due to the nature of our expanded collateral management product line in our Services segment which has a higher cost of goods sold.
- Depreciation and amortization costs were $2.7 million for the three months ended December 31, 2018, compared to $1.8 million in the same period in 2017, due to increased amortization in our Services segment related to the AVS acquisition at the end of 2017.
- Professional and consulting services were $1.0 million for the three months ended December 31, 2018, compared to $1.4 million in the same period of 2017. The decrease in 2018 is mainly due to lower costs incurred for acquisition and integration activities.

Net finance expense

Net finance expense for the three months ended December 31, 2018, was flat compared to the three months ended December 31, 2017.

Change in contingent consideration

In the fourth quarter, the Company, through its wholly owned subsidiary ESC, completed the early settlement of the AVS contingent consideration and the finalization of the AVS Share Purchase Agreement adjustments, with a net result of $0.2 million. The net impact of the change in contingent consideration was included in "change of contingent consideration" on the consolidated financial statements of comprehensive income of the Financial Statements.

Net income and earnings per share

Net income for the three months ended December 31, 2018, was $3.2 million or $0.18 per basic and diluted share, a decrease of $15.6 million compared to the fourth quarter of 2017 when net income was $18.8 million or $1.07 per basic and diluted share. The decrease was mainly due to the gain on the sale of our ownership interest in Dye & Durham in the fourth quarter of 2017. Without the impact of the gain, net income, in the fourth quarter of 2017, would have been $5.4 million or $0.31 per basic and diluted share. The remaining difference is due to increased depreciation and taxes in the fourth quarter of 2018 as compared to 2017, as well as additional staff costs from the acquisition of AVS.

Adjusted EBITDA

Adjusted EBITDA was $7.7 million, a 24.8 per cent margin, for the three months ended December 31, 2018, compared to $9.0 million, a 38.0 per cent margin, for the same period in 2017. Adjusted EBITDA decreased due to increased wages and salaries, cost of goods sold and the change in the contingent consideration related to our purchase of AVS, partially offset by lower acquisition and integration costs. As expected, the decreased adjusted EBITDA margin compared to last year reflects the lower margin profile of our collateral management product line following the acquisition of AVS.

7.2 Year-End results

Consolidated revenue

Revenue was $119.1 million for the year ended December 31, 2018, compared to $93.6 million in 2017, an increase of 27.3 per cent. The increase was primarily due to additional revenue from our Services segment following the acquisition of AVS in 2017.

(thousands of CAD dollars)	Year-Ended December 31, 2018	2017
Land Registry (Land Titles Registry, Land Surveys, and Geomatics)	$ 50,031	$ 54,792
Personal Property Registry	10,190	9,953
Corporate Registry	10,038	10,143
Registry Operations revenue	$ 70,259	$ 74,888
Services revenue	42,384	14,902
Technology Solutions revenue	21,225	20,421
Corporate and other	(14,737)	(16,619)
Total revenue	$ 119,131	$ 93,592

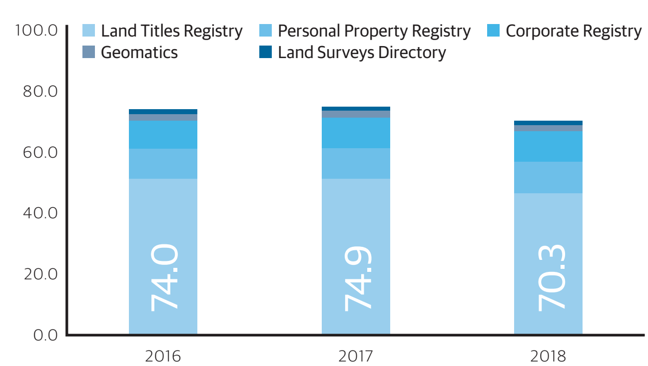
Registry Operations

Overall

Revenue for our Registry Operations segment was $70.3 million for the year ended December 31, 2018, a decrease of $4.6 million, or 6.2 per cent, compared to 2017. Compared to 2017, the results were lower due to decreased revenue from the Land Registry, which is explained further in the sections below.

The Company's top five customers for the Registry Operations segment represent 19.1 per cent of the total segment revenue for the year ended December 31, 2018. Of those customers, no single customer represented more than 10.0 per cent of total Registry Operations segment revenue.

Total Registry Operations Revenue for the year ended December 31,
(CAD$ millions)



Land Registry

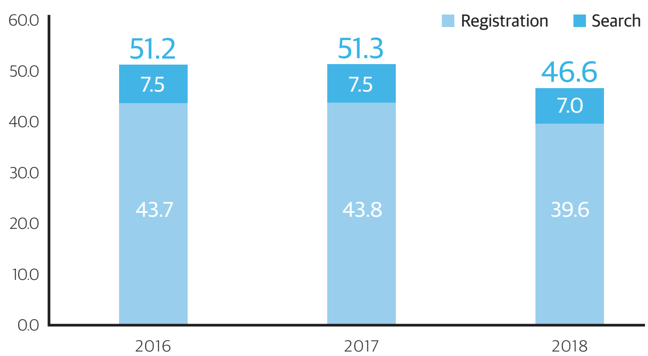
Land Registry revenue was $50.0 million for the year ended December 31, 2018, a decrease of $4.8 million or 8.7 per cent compared to 2017.

(i) Land Titles Registry

Land Titles Registry revenue for the year ended December 31, 2018, was $46.6 million, a decline of $4.7 million or 9.2 per cent compared to 2017 revenue of $51.3 million, largely due to lower volumes for the year, down 8.9 per cent.

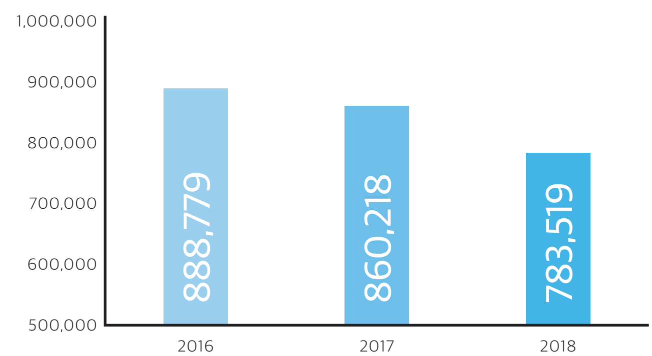
High-value property registration revenue was lower in 2018 when compared to a record revenue of $5.6 million in 2017. Each high-value registration generated revenue of $10,000 or more, and revenue from these types of registrations was $3.9 million for 2018, down by $1.7 million versus 2017.

Saskatchewan Land Titles Registry Revenue by Type for the year ended December 31,
(CAD$ millions)[1]



[1] Values may not total due to rounding from Maintenance transactions that were too small to display in chart.

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



Overall revenue-generating transactions in the Land Titles Registry fell 8.9 per cent in 2018, due to a slower real estate market in Saskatchewan. The volume of regular land transfers, mortgage registrations and title searches declined by 4.9 per cent, 10.7 per cent and 7.5 per cent, respectively, compared to 2017.

As discussed previously, new mortgage qualification guidelines introduced in January 2018, along with increases in interest rates since July 2017, have impacted volume and revenue in 2018. We anticipate these factors will continue to influence the property market in the near term, particularly if further increases to interest rates occur in 2019.

The primary customers of the Land Titles Registry are law firms, financial institutions, developers and resource companies. For the year ended December 31, 2018, our top 20 Land Titles Registry customers represented about 40.2 per cent of revenue, and our top 100 Land Titles Registry customers represented 76.3 per cent of revenue.

In 2018, 80.0 per cent of all Land Titles Registry registration transactions were submitted online, an increase of 0.1 per cent compared to 2017.

(ii) Land Surveys and Geomatics

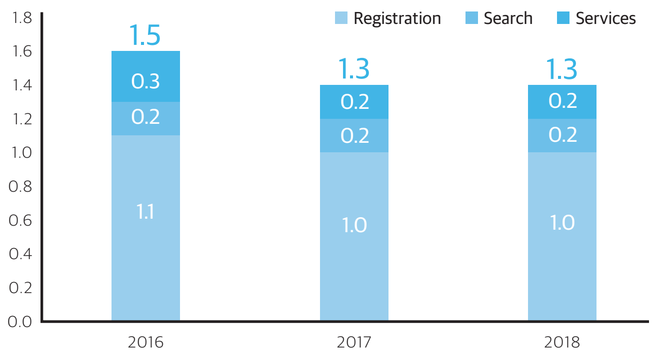
Collectively, the revenue from Land Surveys and Geomatics was $3.5 million for the year ended December 31, 2018, a decrease of $60 thousand, or 1.7 per cent, compared to 2017. The overall decrease was due to lower revenue from Geomatics, which saw lower demand for its products and services.

In 2018, Land Surveys generated revenue of $1.3 million, up $42 thousand or 3.2 per cent for the year due to higher transaction volumes, which were higher by 3.5 per cent year-over-year.

Land Surveys customers include surveyors, developers, resource companies, governments and other businesses that access our mapping systems and survey plans to support their development plans. For the year ended December 31, 2018, our top 20 Land Surveys customers represented 89.7 per cent of revenue and the top 100 customers accounted for 94.8 per cent.

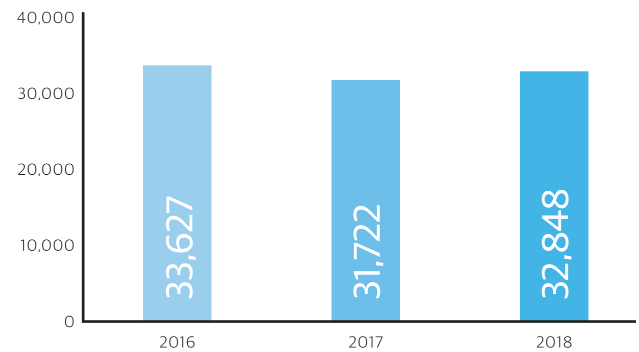
For 2018, Geomatics revenue was $2.1 million, a decline of $0.1 million, or 4.6 per cent compared to $2.2 million in 2017.

Saskatchewan Land Surveys Revenue by Type for the year ended December 31,
(CAD$ millions)[1]



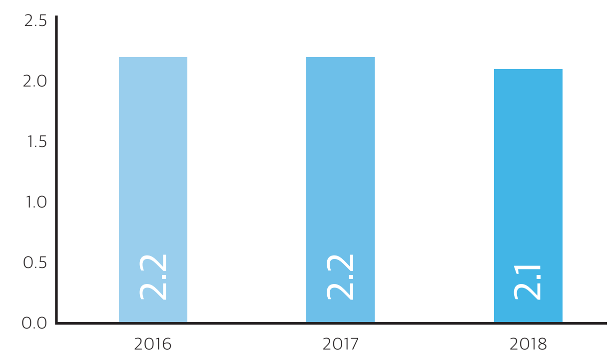
[1] Values may not total due to rounding.

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



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, 2018, our top 20 Geomatics customers comprised 87.5 per cent of revenue, while our top 100 customers represented 97.4 per cent of revenue.

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

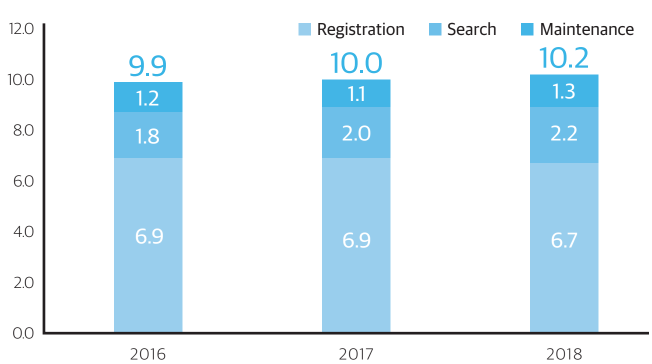


Personal Property Registry

Revenue for the Personal Property Registry for the year ended December 31, 2018, was $10.2 million, which represents an increase of 2.4 per cent, or $0.2 million, from 2017.

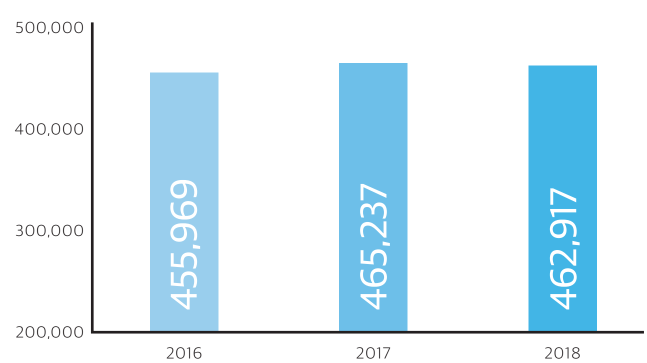
Registration revenue for this registry decreased by 3.7 per cent in 2018, compared to 2017. This was offset by increased search and maintenance revenue in 2018, up 12.3 per cent and 23.5 per cent respectively. This was primarily due to higher search revenue as a result of pricing changes made to search transactions in July 2018.

Saskatchewan Personal Property Registry Revenue by Type for the year ended December 31,
(CAD$ millions)[1]



[1] Values may not total due to rounding.

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



The graph above reflects year-over-year transaction volumes. Overall volumes declined by a modest 0.5 per cent in 2018. Registration volume decreased 2.9 per cent and search volume declined 0.3 per cent, while maintenance volumes improved by 5.9 per cent.

Personal property security registration setup volumes decreased in 2018 by 3.9 per cent compared to 2017. Revenue for the same transaction type decreased by 3.9 per cent in 2018 compared to 2017. This suggests that average registration term-length overall was stable over the year.

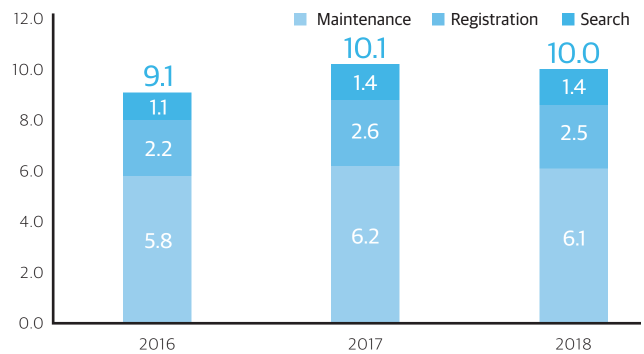
Customers of the Personal Property Registry are primarily in the financial sector as well as law firms. The top 20 Personal Property Registry customers generated 80.8 per cent of the revenue in 2018, while the top 100 customers represented 93.6 per cent of revenue.

Corporate Registry

Revenue for the Corporate Registry in 2018 was $10.0 million, down 1.0 per cent or $0.1 million compared to 2017. This is a result of lower transaction volumes in 2018, down 1.5 per cent compared to 2017.

Saskatchewan Corporate Registry Revenue by Type for the year ended December 31,

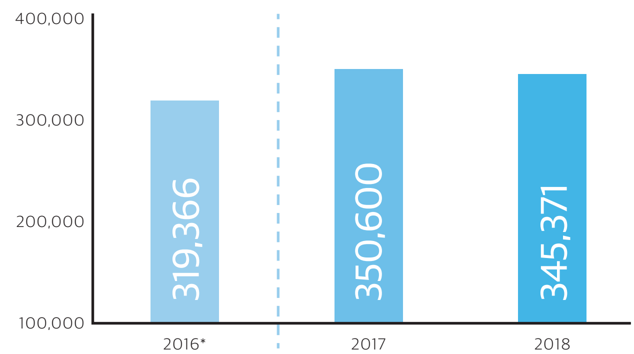
(CAD$ millions)[1]



[1] Values may not total due to rounding.

Saskatchewan Corporate Registry Transaction Volume for the year ended December 31,

(Number of transactions)



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

In 2018, registration, search and maintenance revenue declined by 2.5 per cent, 0.2 per cent and 0.6 per cent, respectively, compared to 2017. This revenue decline was a product of lower transaction volumes. Registration, search and maintenance volume declined by 1.8 per cent, 0.4 per cent and 3.5 per cent, respectively, compared to 2017. More specifically, revenue from the filing of annual returns and renewals declined by 3.8 per cent in 2018 compared to 2017. Revenue from the incorporation and registration of new business entities dropped by 2.3 per cent compared to 2017.

For the Corporate Registry, customers mainly include law 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 31.6 per cent of revenue in 2018, and the top 100 customers made up about 49.2 per cent.

Services

For the year ended December 31, 2018, revenue in the Services segment was $42.4 million, an increase of $27.5 million compared to $14.9 million in 2017.

Revenue improved as a result of new revenue of $26.4 million from our collateral management product line following the acquisition of AVS, along with the organic growth within existing lines.

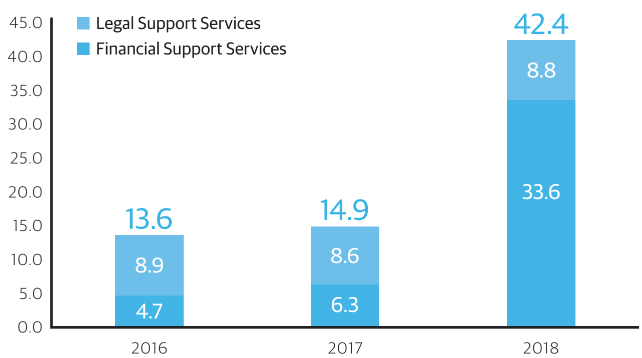
Legal Support Services

As a result of organic growth during the year, Legal Support Services revenue in 2018 was $8.8 million, a modest rise of 2.2 per cent, or $190 thousand compared to 2017.

Financial Support Services

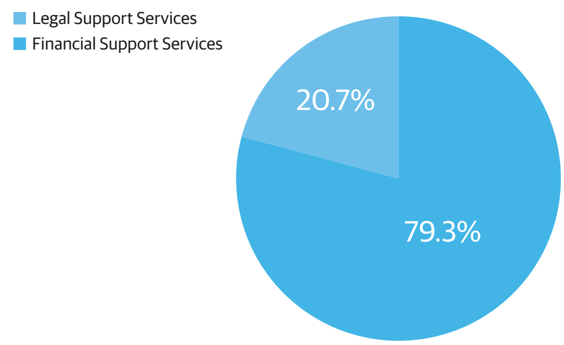
Revenue in 2018 for Financial Support Services was $33.6 million compared to $6.3 million in 2017. Again, this was primarily due to additional revenue from our acquisition of AVS.

Services Revenue by Type for the year ended December 31,
(CAD$ millions)[1]



[1] Values may not add due to rounding.

Services Revenue for the year ended December 31, 2018



The top 20 customers of our Services segment comprised about 74.1 per cent of the revenue for 2018, while the top 100 customers made up nearly 86.5 per cent of revenue. No single customer accounted for more than 25.0 per cent of Services' revenue in the same period.

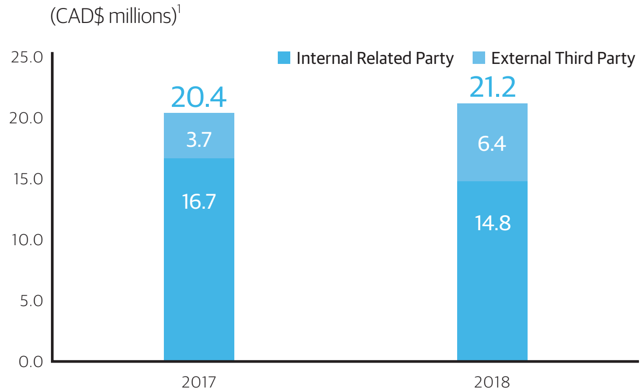
Technology Solutions

Revenue in our Technology Solutions segment was $21.2 million for the year ended December 31, 2018, compared to $20.4 million for the same period in 2017.

During the year, we announced the signing of solution delivery and implementation agreements with the Province of Nova Scotia's Registry of Joint Stock Companies, the Companies Registration Office in Ireland, the Government of Yukon and with the Secretary of State of Missouri. Revenue from external third parties increased year-to-date due to the achievement of initial contract milestones associated with the agreements entered into during the year. This revenue will continue to grow as the Company achieves performance-related milestones identified in contracts.

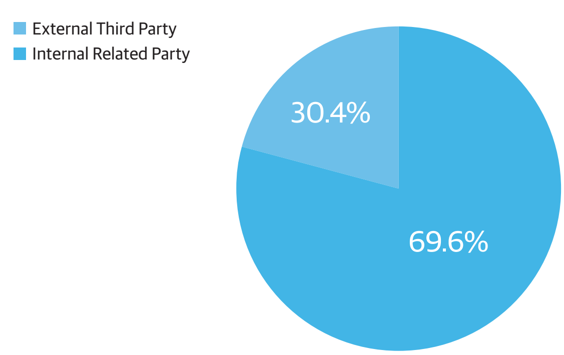
Internal related party revenue provided year-to-date decreased due to a reduction in our costs to provide the services to our internal customers as a result of the savings associated with the termination of our DXC Technology Company ("DXC") contract in 2017 and increased efficiencies as a result of the implementation of RegSys.

Technology Solutions Revenue by Type for the year ended December 31,
(CAD$ millions)[1]



[1] Values may not add due to rounding.

Technology Solutions Revenue for the year ended December 31, 2018



Consolidated expenses

For the year ended December 31, 2018, consolidated expenses (all segments) were $96.7 million, an increase of 34.9 per cent, compared to $71.7 million for the same period in 2017. During the quarter, the Company changed the presentation of project initiative expenses to reclassify them according to their nature – see table below. Management believes the revised presentation aligns with management's operation of the business and provides more relevant information to users.

				Year Ended December 31,
(thousands of CAD dollars)	**2018**	2017 (as reported)	Reclassification	2017 (as reclassified)
Expenses				
Wages and salaries	$ 37,842	$ 32,802	$ –	$ 32,802
Cost of goods sold	25,084	4,141	–	4,141
Depreciation and amortization	9,867	7,507	–	7,507
Information technology services	8,479	10,179	673	10,852
Occupancy costs	5,626	5,292	1	5,293
Professional and consulting services	4,785	4,511	1,792	6,303
Financial services	2,302	2,235	165	2,400
Project initiatives	–	2,823	(2,823)	–
Other	2,718	2,204	192	2,396
Total expenses	$ 96,703	$ 71,694	$ –	$ 71,694

A summary of changes in our expenses is as follows:

- Wages and salaries were $37.8 million, up $5.0 million, for the year ended December 31, 2018, compared to the same period in 2017. The increase was primarily due to:
  - annual wages and salary increases and standardization of salary and incentive programs across the business;
  - additional wages and salaries in our Services segment following the acquisition of AVS in December 2017; and
  - additional wages and salaries in our Technology Solutions segment following successful contract awards.
- Cost of goods sold was $25.1 million for the year ended 2018, an increase of $20.9 million compared to 2017 due to the nature of our expanded collateral management product line in our Services segment which has a higher cost of goods sold.
- Depreciation and amortization costs were $9.9 million for the year ended December 31, 2018, compared to $7.5 million in the same period in 2017. The increase is due to increased amortization in our Services segment related to the AVS acquisition in 2017, somewhat offset by lower depreciation in our Registry Operations segment due to certain assets being fully depreciated.
- Information technology services costs were $8.5 million, down $2.4 million compared to 2017. The decrease in 2018 reflects savings associated with the termination of our technology services contract with DXC and bringing those resources in-house.
- Professional and consulting services decreased for the year ended December 31, 2018, to $4.8 million compared to $6.3 million (after the reclassification) in 2017. The decrease was due to less cost incurred for acquisition and integration activities in 2018.

Net finance expense

Net finance expense for the year ended December 31, 2018, was nearly flat at $0.4 million compared to $0.5 million for the same period in 2017.

Change in contingent consideration

During the year, the Company, through its wholly owned subsidiary ESC, adjusted the fair value and paid the early settlement of the AVS contingent consideration and finalized the Purchase Price Accounting adjustments. The net result of $3.6 million was included in "change of contingent consideration" on the consolidated financial statements of comprehensive income of the Financial Statements.

Gain on sale of associate

In 2015, through its wholly owned subsidiary, ISC Enterprises Inc., the Company invested $3.3 million in OneMove Technologies Inc. (now Dye & Durham), acquiring 30.0 per cent of the issued and outstanding voting common shares.

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

ISC's 30.1 per cent ownership level and related rights gave the Company significant influence over Dye & Durham, but did 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.

On October 5, 2017, the Company sold its 30.1 per cent ownership interest in Dye & Durham for $25.0 million and recorded a gain before tax of $15.4 million (after tax of $13.4 million).

Tax provision

The Company is subject to federal and provincial income taxes at an estimated combined statutory rate of 27.0 per cent (2017 – 26.75 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:

	Year Ended December 31,	
(thousands of CAD dollars)	**2018**	2017
Net income before tax	$ 25,621	$ 37,439
Combined statutory income tax rate	27.00%	26.75%
Expected income tax expense	6,918	10,015
Increase (decrease) in income tax resulting from:		
Non-taxable items	(963)	(2,228)
Non-deductible expenses	429	539
Foreign income tax rate differential	447	336
Scientific research and experimental development reassessment	–	324
Adjustment to prior year's deferred tax assets	(235)	266
Impact of change in tax rate	(5)	109
Unrecognized tax asset[1]	350	114
Other	9	175
Income tax expense	$ 6,950	$ 9,650

[1] No deferred tax asset has been recognized in respect of $3.0 million of tax losses in 2018 related to ERS (2017 – $0.9 million).

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

Net income and earnings per share

Net income for the year ended December 31, 2018, was $18.7 million, or $1.07 per basic and $1.06 per diluted share, compared to $27.8 million, or $1.59 per basic and $1.58 per diluted share, for the same period in 2017. The decrease in net income and earnings per share was principally due to the gain on the sale of our ownership interest in Dye & Durham in 2017. Without the gain, net income last year would have been $14.4 million, or $0.82 per basic and diluted share and as compared to 2018, the increase in 2018 is due to higher revenue from our Services segment and the change in contingent consideration related to our AVS purchase.

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)	**2018**	2017
Net income	$ 18,671	$ 27,789
Weighted average number of shares, basic	17,500,000	17,500,000
Potential dilutive shares resulting from stock options	42,455	95,648
Weighted average number of shares, diluted	17,542,455	17,595,648
Earnings per share ($ per share)		
Total, basic	$ 1.07	$ 1.59
Total, diluted	$ 1.06	$ 1.58

Adjusted EBITDA

Adjusted EBITDA was $33.3 million for the year ended December 31, 2018, compared to $33.4 million in the same period last year, with ISC generating an adjusted EBITDA margin of 28.0 per cent for the period compared to 35.7 per cent in the year ended December 31, 2017. As expected, the decreased adjusted EBITDA margin compared to last year reflects the lower margin profile of our collateral management product line following the acquisition of AVS.

8 Summary of Consolidated Quarterly Results

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

In our Services segment, our core legal and financial services revenue is fairly diversified and has little seasonality; rather, it fluctuates in line with the general economic drivers. Our collateral management product line experiences seasonality aligned to vehicle and equipment financing cycles, which are generally stronger in the second and fourth quarters. Some smaller categories of products or services can have some seasonal variation, increasing slightly during the second and fourth quarters.

Our Technology Solutions segment does not experience seasonality but can fluctuate due to the timing of project-related revenue. The balance of our corporate activities and shared services functions do not experience seasonality. Expenses are generally consistent from quarter to quarter but can fluctuate due to the timing of project-related or acquisition activities.

As a result, our EBITDA margin fluctuates in line with the above factors. It should be noted that, in 2018, the EBITDA margin profile for the Company changed compared to previous years, following the acquisition of AVS, which has a high revenue, lower margin profile.

	2018				2017			
(thousands of CAD dollars)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	$ 31,016	$ 30,186	$ 31,058	$ 26,872	$ 23,589	$ 23,862	$ 24,646	$ 21,496
Expenses	25,976	23,775	24,316	22,636	17,539	18,168	18,406	17,583
Net income before items noted below	5,040	6,411	6,742	4,236	6,050	5,694	6,240	3,913
Net finance income (expense)	(62)	520	(424)	(409)	(75)	(215)	(105)	(112)
Share of profit (loss) in associate	–	–	–	–	–	200	587	(177)
Gain on sale of associate	–	–	–	–	15,438	–	–	–
Change in contingent consideration	(195)	2,762	1,000	–	–	–	–	–
Income before tax	4,783	9,693	7,318	3,827	21,414	5,679	6,722	3,624
Income tax expense	(1,631)	(1,921)	(2,156)	(1,242)	(2,640)	(3,823)	(1,989)	(1,198)
Net income	$ 3,152	$ 7,772	$ 5,162	$ 2,585	$ 18,774	$ 1,856	$ 4,733	$ 2,426
Other comprehensive income (loss)	211	(159)	(265)	337	(3)	(57)	546	(96)
Total comprehensive income	$ 3,363	$ 7,613	$ 4,897	$ 2,922	$ 18,771	$ 1,799	$ 5,279	$ 2,330
EBITDA margin (% of revenue)[1,2]	24.3%	38.4%	32.6%	24.7%	33.2%	31.8%	35.8%	26.8%
Adjusted EBITDA margin (% of revenue)[1]	24.8%	30.4%	30.5%	25.9%	38.0%	36.4%	38.8%	28.9%
Earnings per share, basic[3]	$ 0.18	$ 0.45	$ 0.29	$ 0.15	$ 1.07	$ 0.11	$ 0.27	$ 0.14
Earnings per share, diluted[3]	$ 0.18	$ 0.44	$ 0.29	$ 0.15	$ 1.07	$ 0.11	$ 0.27	$ 0.14

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 reported by other corporations. Refer to section 22 "Non-IFRS Financial Measures". Refer to section 9 "Financial Measures and Key Performance Indicators" for a reconciliation of EBITDA and adjusted EBITDA to net income.

2 The 2018 EBITDA for the three months and year ended December 31, 2018, includes a net adjustment in relation to the fair value estimate of the contingent consideration associated with our AVS acquisition of $0.2 million and $3.6 million, respectively.

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

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 22 "Non-IFRS Financial Measures".

Consolidated earnings before interest, taxes, depreciation and amortization

(thousands of CAD dollars)	Three Months Ended December 31, 2018	2017	Year Ended December 31, 2018	2017
Net income	$ 3,152	$ 18,774	$ 18,671	$ 27,789
Depreciation and amortization	2,678	1,792	9,867	7,507
Net finance expense	62	75	374	507
Income tax expense	1,631	2,640	6,950	9,650
Gain on sale of associate	–	(15,438)	–	(15,438)
EBITDA	7,523	7,842	35,862	30,015
Adjustments				
Stock-based compensation expense (income)	(55)	67	157	327
Stock option expense	166	120	617	471
Acquisition and integration costs[1]	44	925	(3,402)	2,591
Gain on disposal of property, plant and equipment assets	27	–	82	(1)
Adjusted EBITDA	$ 7,705	$ 8,954	$ 33,316	$ 33,403
EBITDA margin (% of revenue)	24.3%	33.2%	30.1%	32.1%
Adjusted EBITDA margin (% of revenue)	24.8%	38.0%	28.0%	35.7%

[1] Acquisition and integration costs for the three months and year ended December 31, 2018, include a net adjustment in relation to the fair value estimate of the contingent consideration associated with our AVS acquisition of $0.2 million and $3.6 million, respectively.

Earnings before interest, taxes, depreciation and amortization by segment

(thousands of CAD dollars)	Three Months Ended December 31, 2018	2017	Year Ended December 31, 2018	2017
Registry Operations	$ 6,726	$ 9,289	$ 31,242	$ 35,631
Services	1,497	39	9,686	1,706
Technology Solutions	(49)	471	(115)	538
Corporate and other	(651)	(1,957)	(4,951)	(7,860)
Consolidated EBITDA	$ 7,523	$ 7,842	$ 35,862	$ 30,015

EBITDA for our Registry Operations segment for the fourth quarter of 2018 was $6.7 million compared to $9.3 million for the same period last year and for the year ended December 31, 2018, was $31.2 million compared to $35.6 million last year. The decreases are a result of the overall decline in revenue from the Saskatchewan registries.

EBITDA for our Services segment increased $1.5 million for the three months ended December 31, 2018, compared to the same period last year and was $9.7 million compared to $1.6 million for the year ended December 31, 2018, and 2017, respectively. The increase is due to the growth in our collateral management product line since the acquisition of AVS as well as continued organic growth in the segment.

EBITDA for our Technology Solutions segment for the three months and year ended December 31, 2018, was lower compared to 2017 due to more development work being capitalized and higher contract liabilities recorded in 2017. Costs increased in 2018, including wages and salaries, due to increased staffing to deliver on new contract awards and the annual wages and salary increases and standardization of salary and incentive programs across the business, including in our ERS subsidiary.

EBITDA for Corporate and other for the three months and year ended December 31, 2018, improved in comparison to 2017 mainly due to less acquisition and integration costs in 2018.

Consolidated free cash flow

(thousands of CAD dollars)	Three Months Ended December 31, 2018	2017	Year Ended December 31, 2018	2017
Net cash flow provided by operating activities	$ 7,828	$ 8,401	$ 27,707	$ 32,924
Net change in non-cash working capital[1]	(1,336)	(3,879)	217	(7,871)
Cash provided by operating activities excluding working capital	6,492	4,522	27,924	25,053
Cash additions to property, plant and equipment	(332)	(289)	(547)	(448)
Cash additions to intangible assets	(793)	(1,429)	(2,227)	(1,686)
Consolidated free cash flow[2]	$ 5,367	$ 2,804	$ 25,150	$ 22,919

[1] Refer to Note 27 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 reported by other corporations. Refer to section 22 "Non-IFRS Financial Measures".

Consolidated free cash flow for the three months ended December 31, 2018, was $5.4 million compared to $2.8 million for the same period of 2017 and was $25.2 million for the year ended December 31, 2018, compared to $22.9 million for the same period last year. The increase in 2018 is due to higher results in our Services segment and lower costs associated with acquisition and integration activities.

10 Outlook

The following section includes forward-looking information, including statements related to the industries in which we operate, growth opportunities and our future financial position and results, including expected revenue, EBITDA, EBITDA margin and capital expenditures. Refer to section 3 "Caution Regarding Forward-Looking Information".

The diversification of our business remains a key part of our strategy driven by the positive impact our Services segment is having on the business overall. In 2019, ISC will continue to look for efficiencies across the business, drive the organic growth of all our segments by winning new business and exploring appropriate acquisition targets which are complementary to, or add value to, our existing lines of business.

ISC anticipates consolidated revenue growth in 2019 to be driven by its Services segment through the continuing expansion of our collateral management product line, including further automation of the fulfillment of these services, thereby reducing our cost of delivery.

The Registry Operations segment is expected to remain a strong free cash flow contributor and a direct beneficiary of any future upswing in economic conditions in Saskatchewan. ISC will continue to monitor economic conditions while always looking for greater operational efficiencies. Should there be further increases to interest rates in 2019, this could place further downward pressure on transaction volumes.

In Technology Solutions, as projects for contracts the Company signed in 2018 continue to move into implementation in 2019, ISC expects to begin to recognize increased revenue from those contracts.

The key drivers of expenses will continue to be wages and salaries, cost of goods sold and information technology costs, as well as costs associated with the pursuit of new business opportunities. We also expect to spend between $2.0 million and $4.0 million on business-as-usual capital expenditures.

Taking the preceding outlook for 2019 into account, the Company expects revenue of between $129.0 million and $135.0 million, EBITDA to be between $31.0 million and $35.0 million and an EBITDA margin between 24.0 per cent and 27.0 per cent.

11 Liquidity and Capital Resources

11.1 Cash flow

Our primary source of operating cash flow is generated from revenue related to the Registry Operations and Services segments. 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 17 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. The majority of cash is held with Canadian chartered banks and the risk of loss is believed to be minimal. As at December 31, 2018, the Company held $28.7 million in cash compared to $31.3 million as at December 31, 2017, a decrease of $2.6 million.

The Company expects to be able to meet its cash requirements, including being able to settle current liabilities of $26.6 million (December 31, 2017 – $22.7 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 years ended December 31, 2018, and 2017:

	Three Months Ended December 31,		Year Ended December 31,	
(thousands of CAD dollars)	**2018**	2017	**2018**	2017
Net cash flow provided by operating activities	$ 7,828	$ 8,401	$ 27,707	$ 32,924
Net cash flow used in investing activities	(12,338)	(1,146)	(13,939)	(18,426)
Net cash flow used in financing activities	(4,148)	(14,542)	(16,367)	(16,758)
Effects of exchange rate changes on cash held in foreign currencies	6	(19)	(15)	(8)
Decrease in cash	(8,652)	(7,306)	(2,614)	(2,268)
Cash, beginning of period	$ 37,303	$ 38,571	$ 31,265	$ 33,533
Cash, end of period	$ 28,651	$ 31,265	$ 28,651	$ 31,265

Net cash flow provided by operating activities

Net cash flow provided by operating activities for the three months ended December 31, 2018, was $7.8 million compared to $8.4 million for the same period in 2017 and was $27.7 million for the year ended December 31, 2018, compared to $32.9 million for the same period last year. The decrease in 2018 compared to last year is principally due to changes in working capital driven by increased receivables as the result of higher sales, higher taxes due to increased results and the full utilization of loss- carryforwards, and increased contract assets related to our Technology Solutions segment.

Net cash flow used in investing activities

Net cash flow used in investing activities for the three months ended December 31, 2018, was $12.3 million, a decrease of $11.2 million compared to the same period last year and for the year ended December 31, 2018, was $13.9 million compared to $18.4 million in 2017. The decrease in 2018 is due to the purchase of our subsidiary AVS in 2017, partially offset by the gain on sale of our share in Dye & Durham also in 2017.

Net cash flow used in financing activities

Net cash flow used in financing activities for the three months ended December 31, 2018, was $4.1 million compared to $14.5 million for the three months ended December 31, 2017, and for the year ended December 31, 2018, was $16.4 million, a decrease of $0.4 million compared to the same period in 2017. The decrease in the quarter was due to the repayment of the operating loan in the fourth quarter of 2017, while the year-to-date decrease was due to a change in timing of long-term debt repayments as a result of the new amended and restated credit agreement.

11.2 Capital expenditures

Capital expenditures for the three months ended December 31, 2018, were $1.1 million compared to $1.7 million for the same period in 2017. For the year ended December 31, 2018, capital expenditures were $2.8 million compared to $2.0 million for the same period in 2017. The decrease in the quarter is primarily due to the timing of development work recognized in the fourth quarter last year. The increase for the year ended December 31, 2018, compared to 2017 is due to focus on system development work across our segments and ongoing enhancements to the systems supporting our Corporate area.

	Three Months Ended December 31,		Year Ended December 31,	
(thousands of CAD dollars)	**2018**	2017	**2018**	2017
Registry Operations	$ 192	$ 41	$ 451	$ 41
Services	86	360	411	427
Technology Solutions	352	1,126	1,428	1,278
Corporate and other	495	191	485	297
Total capital expenditures	$ 1,125	$ 1,718	$ 2,775	$ 2,043

11.3 Debt

Debt for the three months ended December 31, 2018, was $20.0 million compared to $21.6 million at December 31, 2017.

On November 6, 2018, the Company entered into a new amended and restated credit agreement ("Credit Facilities"). The aggregate amount available under the Credit Facilities is now $80.0 million, comprised of (i) a $10.0 million committed revolving operating facility ("Facility 1") for general corporate purposes and (ii) a $70.0 million delayed draw term loan facility ("Facility 2"), $20.0 million of which was used to refinance the previous credit facilities under the original agreement with the balance available to the Company for future growth opportunities.

Facility 1 will mature on November 6, 2021, unless renewed prior to that time and is repayable by ISC upon demand by the lender and the lender may terminate at any time. Facility 2 is repayable by ISC through quarterly payments, commencing January 2019 and matures on November 6, 2021, unless renewed prior to that time. At December 31, 2018, the Company had nil cash drawings on the operating facility (2017 – nil). At December 31, 2018, non-cash drawings, consisting of letters of credit and similar, were approximately $0.2 million (2017 – nil).

Facility 2 is subject to quarterly instalments at 2.5 per cent of original drawings (currently $0.5 million per quarter) with borrowings repayable in full on November 6, 2021.

The Company was in compliance with all covenants throughout the year. The amount of borrowing costs capitalized during 2018 and 2017 was nil.

11.4 Total assets

Total assets were $162.0 million at December 31, 2018, compared to $171.8 million at December 31, 2017. The decrease was primarily due to the amortization of intangible assets.

(thousands of CAD dollars)	Registry Operations	Services	Technology Solutions	Corporate and Other	**As at December 31, 2018**
Total assets excluding intangibles, goodwill and cash	$ 25,074	$ 7,611	$ 3,170	$ 12,442	**$ 48,297**
Intangibles	4,054	30,815	5,418	417	**40,704**
Goodwill	5,800	34,198	4,312	–	**44,310**
Cash	–	–	–	28,651	**28,651**
Total assets	$ 34,928	$ 72,624	$ 12,900	$ 41,510	**$ 161,962**

(thousands of CAD dollars)	Registry Operations	Services	Technology Solutions	Corporate and Other	As at December 31, 2017
Total assets excluding intangibles, goodwill and cash	$ 27,133	$ 5,340	$ 1,572	$ 15,020	$ 49,065
Intangibles	5,516	36,488	4,992	26	47,022
Goodwill	5,800	34,513	4,160	–	44,473
Cash	–	–	–	31,265	31,265
Total assets	$ 38,449	$ 76,341	$ 10,724	$ 46,311	$ 171,825

11.5 Working capital

As at December 31, 2018, working capital was $15.0 million compared to $18.3 million at December 31, 2017. The decrease in working capital is the result of the contingent liability related to our ERS subsidiary moving from a non-current to a current liability and increased contract liabilities within our Technology Solutions segment. The higher current liabilities are somewhat offset by the contract assets associated with our Technology Solutions segment and increased trade and other receivables in our Services segment related to new customer accounts.

(thousands of CAD dollars)	**As at December 31, 2018**	As at December 31, 2017
Current assets	**$ 41,573**	$ 40,989
Current liabilities	**(26,600)**	(22,652)
Working capital	**$ 14,973**	$ 18,337

11.6 Outstanding share data

The number of basic issued and outstanding Class A Shares as at December 31, 2018, was 17.5 million and the number of fully diluted shares was 17.5 million. On November 6, 2018, the Board declared a quarterly cash dividend of $0.20 per Class A Share, to be paid on or before January 15, 2019, to shareholders of record as of December 31, 2018.

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 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 16 of the Financial Statements for information pertaining to the share-based compensation plan.

Share-based compensation recovery of expense for the three months ended December 31, 2018, totalled $55 thousand (2017 – $66 thousand expense) and for the year ended December 31, 2018, totalled $157 thousand (2017 – $327 thousand). The total carrying amount of the liability arising from the DSUs as of December 31, 2018, totalled $1.1 million (December 31, 2017 – $1.1 million).

As at December 31, 2018, the DSU plan balance was 72,114.15 (December 31, 2017 – 52,610.60) with a weighted average award price of $17.44 per DSU.

12.2 Stock option plan

The Company established a stock option plan that was approved by shareholders in 2014 and subsequently amended and restated with the approval of shareholders on May 17, 2017. Refer to Note 16 of the Financial Statements for information pertaining to the share-based compensation plan.

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, 2018, totalled $166 thousand (2017 – $120 thousand) and for the year ended December 31, 2018, totalled $617 thousand (2017 – $471 thousand). The total carrying amount of the equity settled employee benefit reserve arising from these stock options as at December 31, 2018, totalled $1.7 million (December 31, 2017 – $1.1 million).

As at December 31, 2018, a total of 1,548,247 (December 31, 2017 – 1,076,600) stock options had been granted. The outstanding share options at the end of the period had a weighted average exercise price of $17.27 (December 31, 2017 – $17.01). The number of options exercisable at the end of the period was 587,851 (December 31, 2017 – 318,700) and had a weighted average exercise price of $16.50 (December 31, 2017 – $16.08) based on a range of exercise prices from $15.04 to $18.85.

13 Commitments

The Company is subject to contractual obligations such as leasing office space, an information technology service agreement with Information Systems Management Canada Corporation ("ISM"), other management services contracts and the MSA with the Government of Saskatchewan. The following table summarizes our commitments as of December 31, 2018:

(thousands of CAD dollars)	2019	2020	2021	2022	2023	Thereafter	Total
Office leases[1]	$ 3,440	$ 3,412	$ 3,471	$ 2,725	$ 2,509	$ 6,287	$ 21,844
Information Technology[2] and other service agreements	5,038	3,161	2,669	2,610	2,562	–	16,040
Master Service Agreement[3]	500	500	500	500	500	5,000	7,500
Total	$ 8,978	$ 7,073	$ 6,640	$ 5,835	$ 5,571	$ 11,287	$45,384

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

2 ISM provides hardware management services and support services for software and hardware infrastructure pursuant to a service agreement, which was renewed for a five-year term on December 31, 2018.

3 The MSA requires the Company to pay the Government of Saskatchewan and to manage and operate the Saskatchewan Land Titles Registry, Saskatchewan Land Surveys Directory, Saskatchewan Personal Property Registry, Saskatchewan Corporate Registry, Common Business Identifier Program and Business Registration Saskatchewan Program on behalf of the Government of Saskatchewan for a 20-year period expiring on May 30, 2033.

14 Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as at December 31, 2018.

15 Related Party Transactions

Routine operating transactions with related parties are settled at agreed upon exchange amounts under normal trade terms. Refer to Note 23 of our Financial Statements for information pertaining to transactions with related parties.

16 Critical Accounting Estimates

ISC's critical accounting estimates are contained in Note 2 of the Financial Statements under the summary of use of estimates and judgments and include references to:

- the carrying value, impairment and estimated useful lives of property, plant and equipment;
- the carrying value, impairment and estimated useful lives of intangible assets and goodwill;
- the recoverability of deferred tax assets; and
- the amount and timing of revenue from contracts from customers and the associated carrying value of assets recognized from the costs incurred to fulfill the contracts.

The preparation of the 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

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2018, or on such date as they became applicable. These changes were made in accordance with the applicable transitional provisions. Refer to Note 2 of the Financial Statements for further information pertaining to the adoption and changes in these policies.

Standard	Description
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. The adoption of the new standard did not have a material impact on the Financial Statements of the Company.
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. The adoption of the new standard did not require any adjustments to the values recorded in the Company's Financial Statements in the period of initial application (January 1, 2018). However, the Company has adjusted its disclosure. See Note 3 and Note 21 of the Financial Statements.
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 IFRS standards. The new revenue standard permits either a full retrospective method of adoption with restatement of all prior periods presented, or a modified retrospective method with the cumulative effect of applying the new standard recognized as an adjustment to opening retained earnings in the period of adoption. The Company has decided to adopt the new revenue standard using the modified retrospective method, with no impact to opening retained earnings. See Note 3, Note 7, Note 15 and Note 22 of the Financial Statements for disclosures relating to this new standard.

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

Proposed Standard	Description	Effective Date
IFRS 16 – *Leases*	Effective January 1, 2019, the Company will adopt IFRS 16 – *Leases*. The Company's first quarter 2019 interim financial statements will be its first financial statements issued in accordance with IFRS 16. IFRS 16 supersedes the current accounting standards for leases, including IAS 17 – *Leases* and IFRIC 4 – *Determining Whether an Arrangement Contains a Lease*. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less or the underlying asset has a low value. The standard provides recognition exceptions for low value and short-term leases. A lessee will be required to recognize, on its statement of financial position, a right-of-use asset, representing its right to use the underlying leased asset, and a lease liability, representing its obligation to make lease payments. As a result of adopting IFRS 16, we will recognize a significant increase to both assets and liabilities on our consolidated statements of financial position, as well as a decrease to operating costs (and therefore an increase to EBITDA) to remove lease rent, an increase to depreciation and amortization (due to depreciation of the right-of-use asset), and an increase to finance costs (due to accretion of the lease liability). ISC will apply IFRS 16 using the full retrospective approach and, therefore, the comparative information will be restated and reported under the new accounting standard IFRS 16, effective January 1, 2019. ISC will recognize leases on the statement of financial position as at January 1, 2019, and will adjust the opening balance of each affected component of equity for the prior period presented as if the new accounting policy had already been applied. The following table sets out the expected impact on the most significantly impacted items in the statement of financial position and statement of comprehensive income:	January 1, 2019

Excerpt – Statement of Financial Position (thousands of CAD dollars)	**2018** **(as reported)**	Impact of IFRS 16	Jan. 1, 2019
Total current assets	$ 41,573	$ –	$ 41,573
Total non-current assets	120,389	11,720	132,109
Total assets	**$ 161,962**	$ 11,720	$ 173,682
Total current liabilities	$ 26,600	$ 1,778	$ 28,378
Total non-current liabilities	25,979	10,441	36,420
Total liabilities	**$ 52,579**	$ 12,219	$ 64,798
Total shareholders' equity	**109,383**	(499)	108,884
Total liabilities and shareholders' equity	**$ 161,962**	$ 11,720	$ 173,682

Excerpt – Statement of Comprehensive Income (thousands of CAD dollars)	**2018** **(as reported)**	Impact of IFRS 16	2018 (as revised for IFRS 16)
Revenue	**$ 119,131**	$ –	$ 119,131
Total expenses (excluding depreciation and amortization)	86,836	(2,262)	84,574
Depreciation and amortization	9,867	1,908	11,775
Total expenses	**96,703**	(354)	96,349
Operating profit	**22,428**	354	22,782
Net finance expense	(374)	(399)	(773)
Change in contingent consideration	3,567	–	3,567
Income before tax	**25,621**	(45)	25,576
Income tax expense	(6,950)	11	(6,939)
Net income	**$ 18,671**	$ (34)	$ 18,637

18 Financial Instruments and Financial Risks

Financial instruments held in the normal course of business, included in our consolidated statements of financial position as at December 31, 2018, consist of cash, short-term investments, trade and other receivables, accounts payable and accrued liabilities, long-term debt and other long-term liabilities.

The Company does not currently use any form of derivative financial instruments to manage our exposure to credit risk, interest rate risk, market risk or foreign currency exchange risk. Refer to Note 21 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 and other receivables, accounts payable and accrued liabilities approximate fair value due to their immediate or relatively short-term maturity. With long-term debt, ISC has amended and restated its borrowings under the Credit Facilities, which is managed with prime loans, short-term bankers' acceptance, letter of credit or letter of guarantee. These borrowings will bear interest at a base rate of prime plus applicable margin varying between 0.45 per cent and 2.25 per cent per annum. The Company is not exposed to significant interest rate risk because interest bearing financial instruments are at a low level relative to total assets and equity.

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

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. Its customers are predominantly provincial, federal and municipal government ministries and agencies, and its private sector customers are diverse.

The majority of cash is held with Canadian chartered banks and the Company believes the risk of loss to be minimal. The maximum exposure to credit risk at December 31, 2018, is \$38.1 million (December 31, 2017 – \$39.1 million) equal to the carrying value of the Company's financial assets, those being cash at \$28.7 million (December 31, 2017 – \$31.2 million), short-term nvestments at \$0.4 million (December 31, 2017 – \$0.3 million) and trade receivables at \$9.0 million (December 31, 2017 – \$7.5 million). Quarterly reviews of the aged receivables are completed. The Company expects to fully collect the carrying value on all outstanding receivables. Therefore, the risk to the Company is considered to be low.

18.3 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 flow.

18.4 Market risk

The Company's exposure to market risk is limited to the DSU liability whose fair value is affected by equity prices.

18.5 Interest rate risk

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company is not exposed to significant interest rate risk.

18.6 Foreign currency exchange risk

The Company operates internationally and is exposed to fluctuations in various currencies with the euro being the most material. Movements in foreign currencies against the Canadian dollar may impact revenue, the value of assets and liabilities, and affect the Company's profit and loss. The Company's exposure to other currencies is negligible at the end of the period.

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.

ISC considers risks that may affect the Company's ability to achieve its goals and objectives on an ongoing basis, and implements processes to manage those risks. ISC is continuously monitoring 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 leadership 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.

A complete list of risk factors is contained in the Company's Annual Information Form available on the Company's website at www.company.isc.ca and in the Company's profile on SEDAR at www.sedar.com.

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

Compliance with Customer Contracts	Inability to comply with the requirements in customer contracts, including the Master Service Agreement with the Government of Saskatchewan, could result in the loss/termination of customer contracts as well as impacting ISC's reputation and future growth strategies.
Misalignment of Registry Service Delivery	There is a risk that activities, investments, etc. enabling the successful and profitable evolution of registry services are not supported by the Government of Saskatchewan.
Revenue Diversification	There is a risk that ISC's current revenue sources are not significantly diversified to withstand economic challenges or downturns connected to common revenue drivers.
Information Technology	Our operations rely on information technology systems. There is a risk that we do not have the information technology systems in place to effectively facilitate current and future requirements to support our business needs and the achievement of our strategic goals. There is also a risk of potential service disruptions or service delays. We also rely on third-party service providers for aspects of our IT infrastructure and the provision of critical IT-related services.
Cybersecurity	There is a risk that ISC could experience unplanned outages, unauthorized access, or unplanned disclosure of confidential information due to a cybersecurity incident.
Acquisitions	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.
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.
Competition	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 service or other approvals from the Office of Public Registry Administration ("OPRA") or other regulators.
Human and Organizational Capital	ISC may not have the required competencies, skills and knowledge to execute on strategic priorities as a growing publicly traded company.
Reputational	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, failure to protect our intellectual property rights, inability to successfully implement on growth strategies or failure to comply with rules, regulations and disclosures.

20 Internal Controls over Financial Reporting

The Company's management, including the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, is responsible for establishing and maintaining appropriate internal controls 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, 2018, 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 Executive Vice-President and Chief Financial Officer concluded that our internal controls over financial reporting were effective as at December 31, 2018.

No changes in our internal controls over financial reporting that have occurred during the period have materially affected or are reasonably likely to materially affect our internal controls 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 Executive Vice-President and Chief Financial Officer, is responsible for establishing and maintaining appropriate disclosure controls 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 Executive Vice-President and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosures.

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, 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 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.

2018 Consolidated Financial Statements

For the Year Ended December 31, 2018

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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, has performed an independent audit of the consolidated financial statements and that report follows. The auditor has full and unrestricted access to the Audit Committee to discuss the audit and related findings.

Jeff Stusek
President and Chief Executive Officer

Shawn B. Peters, CPA, CA, ICD.D
Executive Vice-President and Chief Financial Officer

March 20, 2019

Independent Auditor's Report

To the Shareholders of Information Services Corporation:

Opinion

We have audited the consolidated financial statements of Information Services Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flow for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Leigh Derksen.

Deloitte LLP

Chartered Professional Accountants
Licensed Professional Accountants

Regina, Saskatchewan
March 20, 2019

Consolidated Statements of Financial Position

(thousands of CAD dollars)	Note	**As at December 31, 2018**	As at December 31, 2017
Assets			
Current assets			
Cash	4	$ 28,651	$ 31,265
Short-term investments	5	448	301
Trade and other receivables	6	8,964	7,510
Contract assets	7	1,414	–
Income tax recoverable		5	–
Prepaid expenses		2,091	1,913
Total current assets		41,573	40,989
Non-current assets			
Property, plant and equipment	9	3,795	4,504
Intangible assets	10	40,704	47,022
Goodwill	11	44,310	44,473
Deferred tax asset	14	31,580	34,837
Total non-current assets		120,389	130,836
Total assets		**$ 161,962**	$ 171,825
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	13	$ 17,118	$ 16,522
Long-term debt – current portion	17	2,000	1,500
Income tax payable	14	2,561	3,223
Contract liabilities	15	2,599	1,407
Contingent consideration – current portion	26	2,322	–
Total current liabilities		26,600	22,652
Non-current liabilities			
Contingent consideration	26	–	15,723
Deferred tax liability	14	7,979	9,419
Long-term debt	17	18,000	20,060
Total non-current liabilities		25,979	45,202
Shareholders' equity			
Share capital	20	19,955	19,955
Equity settled employee benefit reserve	16	1,687	1,070
Accumulated other comprehensive income		514	390
Retained earnings		87,227	82,556
Total shareholders' equity		109,383	103,971
Total liabilities and shareholders' equity		**$ 161,962**	$ 171,825

See Note 28 for Commitments and Contingencies
See accompanying Notes

APPROVED BY THE BOARD OF DIRECTORS ON MARCH 20, 2019:

Joel Teal
Director

Tony Guglielmin
Director

Consolidated Statements of Comprehensive Income

(thousands of CAD dollars)	Note	Year Ended December 31, 2018	Year Ended December 31, 2017
Revenue	22	$ 119,131	$ 93,592
Expenses			
Wages and salaries		37,842	32,802
Cost of goods sold		25,084	4,141
Depreciation and amortization	9, 10	9,867	7,507
Information technology services		8,479	10,852
Occupancy costs		5,626	5,293
Professional and consulting services		4,785	6,303
Financial services		2,302	2,400
Other		2,718	2,396
Total expenses		96,703	71,694
Net income before items noted below		22,428	21,898
Finance income (expense)			
Interest income	4	416	369
Interest expense	26	(790)	(876)
Net finance (expense)		(374)	(507)
Share of profit in associate		–	610
Change in contingent consideration	26	3,567	–
Gain on sale of associate	12	–	15,438
Income before tax		25,621	37,439
Income tax expense	14	(6,950)	(9,650)
Net income		**$ 18,671**	$ 27,789
Other comprehensive income (loss)			
Items that may be subsequently reclassified to net income			
Unrealized gain on translation of financial statements of foreign operations		232	429
Change in fair value of marketable securities, net of tax		(108)	(39)
Other comprehensive income for the period		124	390
Total comprehensive income		**$ 18,795**	$ 28,179
Earnings per share ($ per share)			
Total, basic	19	**$ 1.07**	$ 1.59
Total, diluted	19	**$ 1.06**	$ 1.58

See accompanying Notes

Consolidated Statements of Changes in Equity

(thousands of CAD dollars)	Note	Retained Earnings	Share Capital	Accumulated Other Comprehensive Income	Equity Reserve	Total
Balance at January 1, 2017		$ 68,767	$ 19,955	$ –	$ 599	$ 89,321
Net income		27,789	–	–	–	27,789
Other comprehensive income		–	–	390	–	390
Stock option expense	16	–	–	–	471	471
Dividend declared		(14,000)	–	–	–	(14,000)
Balance at December 31, 2017		$ 82,556	$ 19,955	$ 390	$ 1,070	$ 103,971
Balance at January 1, 2018		$ 82,556	$ 19,955	$ 390	$ 1,070	$ 103,971
Net income		18,671	–	–	–	18,671
Other comprehensive income		–	–	124	–	124
Stock option expense	16	–	–	–	617	617
Dividend declared		(14,000)	–	–	–	(14,000)
Balance at December 31, 2018		**$ 87,227**	**$ 19,955**	**$ 514**	**$ 1,687**	**$ 109,383**

See accompanying Notes

Consolidated Statements of Cash Flows

(thousands of CAD dollars)	Note	Year Ended December 31, 2018	Year Ended December 31, 2017
Operating			
Net income		$ 18,671	$ 27,789
Add: Charges not affecting cash			
Depreciation	9	1,182	1,446
Amortization	10	8,685	6,061
Foreign exchange loss (gain)		58	(8)
Deferred tax expense recognized in net income		1,803	4,604
Loss (gain) on disposal of property, plant and equipment		82	(1)
Recovery of MARS* project expenses	10	19	232
Net finance expense		374	507
Stock option expense	16	617	471
Share of profit in associate		–	(610)
Change in contingent consideration	26	(3,567)	–
Gain on sale of associate		–	(15,438)
Net change in non-cash working capital	27	(217)	7,871
Net cash flow provided by operating activities		**27,707**	32,924
Investing			
Interest received		416	369
Cash received on disposal of property, plant and equipment		–	3
Short-term investments		(250)	–
Additions to property, plant and equipment		(548)	(448)
Additions to intangible assets		(2,227)	(1,686)
Net cash outflow on acquisition in subsidiary	26	(11,330)	(38,724)
Net cash outflow on investment in associate	12	–	(2,451)
Net proceeds from sale of associate	12	–	24,511
Net cash flow used in investing activities		**(13,939)**	(18,426)
Financing			
Interest paid		(807)	(883)
Repayment of long-term debt		(1,560)	(1,875)
Repayment of operating loan		–	(10,000)
Drawdown of operating loan		–	10,000
Dividend paid		(14,000)	(14,000)
Net cash flow used in financing activities		**(16,367)**	(16,758)
Effects of exchange rate changes on cash held in foreign currencies		(15)	(8)
Decrease in cash		(2,614)	(2,268)
Cash, beginning of year		31,265	33,533
Cash, end of year		**$ 28,651**	$ 31,265

* Mineral Administration Registry Saskatchewan

See accompanying Notes

1 Nature of the Business

Information Services Corporation is the parent company of its subsidiary group (collectively, the "Company", or "ISC") and is a Canadian corporation with its Class A Limited Voting Shares ("Class A Shares") listed on the Toronto Stock Exchange ("TSX") under the symbol ISV. The head and registered office of the Company is 300 - 10 Research Drive, Regina, Saskatchewan, S4S 7J7. The Company is a provider of registry and information management services for public data and records. The Company has seven regional service centres in Saskatchewan and has offices in Regina, SK, Toronto, ON, Montreal, QC, Vernon, BC, and Dublin, Ireland. As of January 1, 2018, ISC has three reportable segments: Registry Operations, Services and Technology Solutions. A functional summary of these segments is as follows:

- Registry Operations delivers registry services on behalf of governments and private sector organizations. Currently, through this segment, ISC provides registry and information services on behalf of the Province of Saskatchewan under a 20-year Master Service Agreement ("MSA"), in effect until 2033.
- Services delivers products and services that utilize public records and data to provide value to customers in the financial and legal sectors.
- Technology Solutions provides the development, delivery and support of registry (and related) technology solutions.

The balance of our corporate activities and shared services functions are reported as Corporate and other.

As at December 31, 2018, ISC's principal revenue generating segments were Registry Operations and Services.

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, 2018, for issue on March 20, 2019.

Basis of measurement

The consolidated financial statements have been prepared on a going concern basis using the historical cost basis except for financial instruments that are measured at fair values 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 functional currency of the parent company.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Information Services Corporation and its wholly owned significant operating subsidiaries: ISC Saskatchewan Inc. ("ISC Sask"), ISC Enterprises Inc. ("ISC Ent"), ESC Corporate Services Ltd. ("ESC") and Enterprise Registry Solutions Limited ("ERS"). All intragroup assets and liabilities, equity, income, expenses and cash flows are eliminated in full on consolidation.

Use of estimates and judgments

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

Significant items subject to estimates and underlying assumptions include:

- the carrying value, impairment and estimated useful lives of property, plant and equipment (Note 9);
- the carrying value, impairment and estimated useful lives of intangible assets (Note 10) and goodwill (Note 11);
- the recoverability of deferred tax assets (Note 14); and
- the amount and timing of revenue from contracts from customers (Note 22) and the associated carrying value of assets recognized from the costs incurred to fulfil the contracts (Note 7).

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

Changes in accounting policies

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2018, or on such date as they became applicable. These changes were made in accordance with the applicable transitional provisions.

Standard	Description
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. The adoption of the new standard did not have a material impact on the Financial Statements of the Company.
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. The adoption of the new standard did not require any adjustments to the values recorded in the Company's consolidated financial statements in the period of initial application (January 1, 2018). However, the Company has adjusted its disclosure. See Note 3 and Note 21.
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 IFRS standards. The new revenue standard permits either a full retrospective method of adoption with restatement of all prior periods presented, or a modified retrospective method with the cumulative effect of applying the new standard recognized as an adjustment to opening retained earnings in the period of adoption. The Company has decided to adopt the new revenue standard using the modified retrospective method, with no impact to opening retained earnings. See Note 3, Note 7, Note 15 and Note 22 for disclosures relating to this new standard.

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	Term of lease
Office furniture	2-10 years
Office equipment	2-10 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 consist of acquired and internally developed internal-use software and business solutions. It also includes externally acquired customer contracts, customer and partner relationships, brand, non-competes, other intangible assets, and assets under development.

Intangible assets acquired

Internal-use software and business solutions acquired are carried at cost less accumulated amortization and any accumulated impairment losses. Internal-use software, business solutions, customer and partner relationships, brand, non-competes, and other intangible assets acquired through business combinations are initially recorded at their fair value based on the present value of expected future cash flows, which involves estimates about the future cash flows and discount rates.

Internally generated intangible assets

Research expenditures are expensed while expenditures for internal-use software developed internally and business solutions developed internally and marketed externally are capitalized only when they meet the recognition criteria for internally generated intangible assets as provided under IFRS. 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.

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. 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.

Amortization of intangible assets

Amortization is recorded on intangible assets using the straight-line method 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.

Internal-use software	3-15 years
Business solutions	3-7 years
Contracts	Term of contract
Customer and partner relationships	5-15 years
Brand, non-competes and other	1-15 years
Assets under development	N/A (not ready for use)

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 ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs; otherwise, they are allocated to the smallest group of CGUs 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 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) 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 CGU) 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 CGU) 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 CGUs expected to benefit from the synergies of the combination. CGUs 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 CGUs for impairment testing are disclosed in Note 11.

When the recoverable amount of the CGU is less than the carrying amount of the CGU, 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 CGU 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.

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

On January 1, 2018, the Company adopted IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15") using the modified retrospective method, with no impact to opening retained earnings. IFRS 15 supersedes previous accounting standards for revenue, including IAS 18 – *Revenue*.

IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRS. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services.

This is achieved by applying the following five steps:

1. identify the contract with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfilment costs.

The application of this new standard does not have a significant impact on our results as our revenue is primarily fee-for-service based with a relatively small portion of overall revenue associated with the transfer of goods related to the delivery of the service.

The Company recognizes revenue at either a point in time or over time as determined by an analysis of the terms and performance conditions of each individual customer contract on a contract-by-contract basis. The individual contract terms determine whether, when and the amount of the revenue recognized.

The Company considers and assesses enforceability, collectability, contract combinations and modifications as part of the revenue recognition process.

The revenue recognition policies associated with each of the Company's revenue streams are as follows:

Registry Operations revenue

Our Registry Operations segment delivers registry services to governments and private sector organizations. Our revenue is generated by providing registry and information services to end-users on behalf of the Province of Saskatchewan under the MSA. The majority of revenue is generated by earning fees from end-use customers through registrations, searches, maintenance transactions and value-added services.

The majority of the associated transaction fees are based on a flat or value-based, stand-alone selling price for each distinct service which is recognized at a point of time. There is a smaller amount of fees generated under the MSA related to programs and other registries whereby the Company earns an annual operating fee or hosting and management fees versus revenue per transaction. Revenue from annual operating fees and hosting and management contracts is recognized over time on a monthly basis.

A smaller portion of revenue in the Saskatchewan Land Registry is value-added services and relates to our Geomatics business. Geomatics revenue is contract dependent, based on the distinct good or service promised to the customer, and is either recognized at a point in time or over time for support and maintenance contracts.

Amounts received from customers in advance of the satisfaction of our performance obligations are recorded as "contract liabilities" on our consolidated statements of financial position. Amounts in "contract liabilities" are recognized into revenue as we render services to our customers.

Services revenue

Our Services segment delivers solutions uniting public record data, customer authentication, corporate legal services and collateral management services to support lending practices to clients with business across Canada. We classify revenue in two categories, namely Legal Support Services and Financial Support Services.

Legal Support Services captures revenue related to services provided to legal professionals directly or indirectly from nationwide search and registration services and through the sale of supplies to help companies organize and maintain their corporate legal documents. Revenue for Legal Support Services is recognized at a point in time when services are rendered or goods are delivered.

Financial Support Services captures revenue related to services provided to financial and credit institutions to support their due diligence activities for compliance and credit granting services, including collateral management services. Revenue for Financial Support Services is recognized at a point in time when services are rendered.

Most of our Services revenue involves interacting with government registries to access public records to provide services to our customers. For this access, our Services segment usually pays a fee to the government. Where we provide simple searches to our customers, government fees are not included in our revenue (record government fees on a net basis). Where our services include a number of collateral management services, government fees are a key input to these services and are recorded in revenue (record government fees on a gross basis).

Technology Solutions revenue

Our Technology Solutions segment provides the development, delivery and support of registry (and related) technology solutions. We generate revenue through the following:

- Sale of software licences related to the technology platform;
- Provision of technology solution definition and implementation services; and
- Provision of monthly hosting, support and maintenance services.

Licencing revenue is determined by assessing each individual contract to determine whether the licence obligation is distinct from the other performance obligations within the contract. The Company may have various types of licence obligations depending on the contract:

- If the licence obligation is distinct, the Company determines if the licence should be recognized at a point in time ("right to use") or over time ("right to access") throughout the licence period.
  - For contracts that provide the customer a right to use the Company's intellectual property ("IP") at a point in time, licence revenue is recognized once the technology is available for use and the control over the right to use the IP is transferred to the customer.
  - For contracts that provide the customer a right to access the Company's IP over time, licence revenue is recognized over the licence period.
- For those contracts where the licence obligation is determined not to be distinct from other performance obligations, the licence revenue is allocated to the associated performance obligations and recognized upon achievement of the milestones applicable to those obligations.

The Company is currently allocating the majority of its licence revenue along with the associated performance obligations and recognizing it upon achievement of the milestones applicable to those obligations.

Solution definition and implementation services revenue is recognized either at a point in time or over time using the output method, based on an assessment of the contract's stand-alone selling price allocated to the performance milestones within the contract.

Hosting, support and maintenance revenue is recognized according to the delivery of the performance obligations in the contract and the stand-alone selling price allocated to the obligations. These services may be provided through either fixed price, deliverable-based contracts or fee-for-service contracts. Hosting contracts generally result in linear monthly revenue recognition over the term of the contract. Service 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. Service revenue from time and material contracts is recognized at the contractual rates as labour hours are delivered and direct expenses are incurred.

Amounts received from customers in advance of the satisfaction of our performance obligations are recorded as "contract liabilities" on our consolidated statements of financial position. Amounts in "contract liabilities" are recognized into revenue as we render services or achieve performance milestones. Costs the Company incurs related to the fulfilment of a contract but prior to reaching a performance milestone are recorded as a "contract asset" on the consolidated statements of financial position. Once the milestone is achieved, these costs are recorded in the consolidated statements of comprehensive income.

Employee benefits

The Company provides pension plans for all eligible employees.

Saskatchewan employees 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 and ERS employees have an option to make contributions to a defined contribution plan. The Company's obligations are limited to matching employee contributions up to a maximum of 5.0 per cent. These contributions are expensed.

Financial instruments

Effective January 1, 2018, we adopted IFRS 9 – *Financial Instruments* ("IFRS 9") which supersedes IAS 39 – *Financial Instruments: recognition and measurement* ("IAS 39"). 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. There is no significant effect on the carrying value of our other financial instruments under IFRS 9 related to this new requirement.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost ("AC"), fair value through other comprehensive income ("FVTOCI"), and fair value through profit and loss ("FVTPL"). The IFRS 9 accounting model for financial liabilities is broadly the same as that in IAS 39, meaning that most financial liabilities will continue to be measured at amortized cost.

IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" model for determining impairment or recognition of credit losses on financial assets measured at AC or FVTOCI. There is no impact to ISC as credit losses are historically low as most customers with credit are governments, banking institutions, and legal firms with strong credit.

Below is a summary showing the classification and measurement bases of our financial instruments as at January 1, 2018, as a result of adopting IFRS 9 (along with a comparison to IAS 39).

Financial Instrument	IAS 39		IFRS 9	
	Classification	Measurement	Classification	Measurement
Assets				
Cash	FVTPL	Fair value	AC	AC
Short-term investments (GICs)	FVTPL	Fair value	AC	AC
Short-term investments – marketable securities	Available-for-sale	Fair value	FVTOCI	FVTOCI
Receivables	Loans and receivables	Amortized cost using effective interest rate method	AC	AC
Liabilities				
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost using effective interest rate method	Amortized cost method	Amortized cost using effective interest rate method
Contingent consideration[1]	FVTPL	Fair value	FVTPL	FVTPL
Long-term debt < 1 year	Other financial liabilities	Amortized cost using effective interest rate method	Amortized cost method	Amortized cost using effective interest rate method
Long-term debt	Other financial liabilities	Amortized cost using effective interest rate method	Amortized cost method	Amortized cost using effective interest rate method

[1] Contingent consideration related to the AVS Systems Inc. acquisition – see Note 26

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 16. 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 market value of the Company's Class A Shares on the TSX. At the end of each reporting period, the estimates are reassessed 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 reassessed 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 16. 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.

Foreign currency

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

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

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

Recent accounting pronouncements

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

Proposed Standard	Description	Effective Date
IFRS 16 – *Leases*	Effective January 1, 2019, the Company will adopt IFRS 16 – *Leases*. The Company's first quarter 2019 interim financial statements will be its first financial statements issued in accordance with IFRS 16. IFRS 16 supersedes the current accounting standards for leases, including IAS 17 – *Leases* and IFRIC 4 – *Determining Whether an Arrangement Contains a Lease*. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less or the underlying asset has a low value. The standard provides recognition exceptions for low value and short-term leases. A lessee will be required to recognize, on its statement of financial position, a right-of-use asset, representing its right to use the underlying leased asset, and a lease liability, representing its obligation to make future minimum lease payments. As a result of adopting IFRS 16, we will recognize an increase to both assets and liabilities on our consolidated statements of financial position, as well as a decrease to operating costs (and therefore an increase to earnings before Interest, taxes, depreciation and amortization ("EBITDA")) to remove lease expense, an increase to depreciation and amortization (due to depreciation of the right-of-use asset), and an increase to finance costs (due to accretion of the lease liability). ISC will apply IFRS 16 using the full retrospective approach and, therefore, the comparative information will be restated and reported under the new accounting standard IFRS 16, effective January 1, 2019. ISC will recognize leases on the statement of financial position as at January 1, 2019, and will adjust the opening balance of each affected component of equity for the prior period presented as if the new accounting policy had already been applied. The table below sets out the expected impact on the most significantly impacted items in the statement of financial position and statement of comprehensive income:	January 1, 2019

Excerpt – Statement of Financial Position (thousands of CAD dollars)	**2018 (as reported)**	Impact of IFRS 16	Jan. 1, 2019
Total current assets	$ 41,573	$ –	$ 41,573
Total non-current assets	120,389	11,720	132,109
Total assets	**$ 161,962**	$ 11,720	$ 173,682
Total current liabilities	$ 26,600	$ 1,778	$ 28,378
Total non-current liabilities	25,979	10,441	36,420
Total liabilities	**$ 52,579**	$ 12,219	$ 64,798
Total shareholders' equity	**109,383**	(499)	108,884
Total liabilities and shareholders' equity	**$ 161,962**	$ 11,720	$ 173,682

Excerpt – Statement of Comprehensive Income (thousands of CAD dollars)	**2018 (as reported)**	Impact of IFRS 16	2018 (as revised for IFRS 16)
Revenue	**$ 119,131**	$ –	$ 119,131
Total expenses (excluding depreciation and amortization)	86,836	(2,262)	84,574
Depreciation and amortization	9,867	1,908	11,775
Total expenses	**96,703**	(354)	96,349
	22,428	354	22,782
Net finance expense	**(374)**	(399)	(773)
Change in contingent consideration	3,567	–	3,567
Income before tax	**25,621**	(45)	25,576
Income tax expense	(6,950)	11	(6,939)
Net income	**$ 18,671**	$ (34)	$ 18,637

4 Cash

Cash is held on deposit and certain accounts earn interest at a range of 0.50 per cent to prime less 1.95 per cent in 2018 and 2017. Interest income earned in 2018 is $416 thousand (2017 – $369 thousand).

5 Short-Term Investments

The components of short-term investments are as follows:

(thousands of CAD dollars)	December 31, 2018	December 31, 2017
Guaranteed investment certificates (GICs)	$ 400	$ 150
Marketable securities at fair value	48	151
Total short-term investments	**$ 448**	$ 301

GICs consist of one-year certificates issued by and held as collateral by a Canadian chartered bank at an interest rate of 0.50 per cent per annum with maturity dates occurring in January 2019, June 2019 and September 2019. Marketable securities consist of an investment in less than 5.0 per cent of the issued and outstanding shares of a company listed on the Australian Stock Exchange, which was acquired as part of the ERS acquisition in 2017.

6 Trade and Other Receivables

The components of trade and other receivables are as follows:

(thousands of CAD dollars)	December 31, 2018	December 31, 2017
Trade receivables	$ 7,884	$ 6,497
GST/HST/VAT receivables	353	383
Other	727	630
Total trade and other receivables	**$ 8,964**	$ 7,510

7 Contract Assets

The components of contract assets are as follows:

(thousands of CAD dollars)	December 31, 2018	December 31, 2017
Unbilled revenue	$ 636	$ –
Contract fulfilment costs	778	–
Total contract assets	**$ 1,414**	$ –

The Company adopted IFRS 15 – *Revenue from Contracts with Customers* on January 1, 2018, using the modified retrospective method and began to record contract assets in 2018.

Unbilled revenue is uninvoiced amounts due from customers under Technology Solutions contracts that arise when the Company meets performance-related milestones. At the point the Company invoices the amounts, they are reclassified into trade receivables.

Contract fulfilment costs are costs the Company incurs related to the fulfilment of Technology Solutions contracts but prior to reaching a performance milestone. Once the performance milestone is achieved, these costs, along with the associated revenue, will be recognized in the consolidated statements of comprehensive income.

The Company does not have any contract acquisition costs at the end of the reporting period and did not recognize any amortization of contract acquisition costs during the period.

There were no impairment losses recognized on any contract asset during the reporting period.

8 Seasonality

Our Registry Operations segment experiences moderate seasonality, primarily because Saskatchewan 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. In our Services segment, our core legal and financial services revenue is fairly diversified and has little seasonality; rather, it fluctuates in line with the general economic drivers. Our collateral management product line experiences seasonality aligned to vehicle and equipment financing cycles, which are generally stronger in the second and fourth quarters. Some smaller categories of products or services can have some seasonal variation, increasing slightly during the second and fourth quarters. Our Technology Solutions segment does not experience seasonality but can fluctuate due to the timing of project related revenue. The balance of our corporate activities and shared services functions, reported under Corporate, do not experience seasonality. Expenses are generally consistent from quarter to quarter, but can fluctuate due to the timing of project-related or acquisition activities.

9 Property, Plant And Equipment

(thousands of CAD dollars)	Leasehold Improvements	Office Furniture	Office Equipment	Hardware	Assets Under Development	Total
Cost						
Balance at December 31, 2016	$ 10,680	$ 3,203	$ 193	$ 2,485	$ –	$ 16,561
Acquired assets	51	19	–	47	–	117
Additions	44	18	2	252	118	434
Disposals	–	(26)	–	(158)	–	(184)
Transfers	53	–	–	–	(53)	–
Foreign exchange adjustments	–	–	–	2	–	2
Balance at December 31, 2017	$ 10,828	$ 3,214	$ 195	$ 2,628	$ 65	$ 16,930
Additions	24	69	4	217	234	548
Disposals	(616)	(2)	(6)	(188)	–	(812)
Transfers	134	–	4	162	(300)	–
Foreign exchange adjustments	–	1	–	6	1	8
Balance at December 31, 2018	$ 10,370	$ 3,282	$ 197	$ 2,825	$ –	$ 16,674
Accumulated depreciation						
Balance at December 31, 2016	$ 6,504	$ 2,509	$ 110	$ 2,036	$ –	$ 11,159
Depreciation	794	254	26	372	–	1,446
Disposals	–	(24)	–	(156)	–	(180)
Foreign exchange adjustments	–	–	–	1	–	1
Balance at December 31, 2017	$ 7,298	$ 2,739	$ 136	$ 2,253	$ –	$ 12,426
Depreciation	786	148	21	227	–	1,182
Disposals	(536)	(1)	(7)	(187)	–	(731)
Foreign exchange adjustments	–	–	–	2	–	2
Balance at December 31, 2018	$ 7,548	$ 2,886	$ 150	$ 2,295	$ –	$ 12,879
Carrying value						
At December 31, 2017	$ 3,530	$ 475	$ 59	$ 375	$ 65	$ 4,504
At December 31, 2018	**$ 2,822**	**$ 396**	**$ 47**	**$ 530**	**$ –**	**$ 3,795**

10 Intangible Assets

(thousands of CAD dollars)	Internal Use Software – Acquired	Internal Use Software – Internally Developed	Business Solutions – Acquired	Business Solutions – Internally Developed	Brand, Non-Compete, Other	Contracts, Customer & Partner Relationships	Assets Under Development	Total
Cost								
Balance at December 31, 2016	$ 15,996	$ 77,433	$ –	$ 1,627	$ 1,333	$ 12,854	$ 872	$ 110,115
Acquired assets	9,728	–	1,997	–	891	14,417	–	27,033
Additions	84	277	–	–	–	–	1,248	1,609
Disposals	(15)	(364)	–	–	–	–	–	(379)
Transfers	–	–	–	240	–	–	(240)	–
Foreign exchange adjustments	–	–	116	–	33	41	–	190
Balance at December 31, 2017	$ 25,793	$ 77,346	$ 2,113	$ 1,867	$ 2,257	$ 27,312	$ 1,880	$ 138,568
Additions	325	–	–	–	–	–	1,902	2,227
Disposals	(283)	(209)	–	–	–	–	–	(492)
Transfers	–	–	–	2,317	–	–	(2,317)	–
Foreign exchange adjustments	–	–	77	59	22	27	7	192
Balance at December 31, 2018	$ 25,835	$ 77,137	$ 2,190	$ 4,243	$ 2,279	$ 27,339	$ 1,472	$ 140,495
Accumulated Depreciation								
Balance at December 31, 2016	$ 7,597	$ 75,378	$ –	$ 1,286	$ 219	$ 1,140	$ –	$ 85,620
Amortization	2,786	1,227	281	80	332	1,355	–	6,061
Disposals	(15)	(364)	–	–	–	–	–	(379)
Recovery of MARS* expenses	–	–	–	232	–	–	–	232
Foreign exchange adjustments	–	–	7	–	3	2	–	12
Balance at December 31, 2017	$ 10,368	$ 76,241	$ 288	$ 1,598	$ 554	$ 2,497	$ –	$ 91,546
Amortization	4,131	476	319	455	631	2,673	–	8,685
Disposals	(283)	(209)	–	–	–	–	–	(492)
Recovery of MARS* expenses	–	–	–	19	–	–	–	19
Foreign exchange adjustments	–	–	17	2	9	5	–	33
Balance at December 31, 2018	$ 14,216	$76,508	$ 624	$ 2,074	$ 1,194	$ 5,175	$ –	$ 99,791
Carrying Value								
At December 31, 2017	$ 15,425	$ 1,105	$ 1,825	$ 269	$ 1,703	$ 24,815	$ 1,880	$ 47,022
At December 31, 2018	**$ 11,619**	**$ 629**	**$ 1,566**	**$ 2,169**	**$ 1,085**	**$ 22,164**	**$ 1,472**	**$ 40,704**

* Mineral Administration Registry Saskatchewan

11 Goodwill

The components of goodwill are as follows:

(thousands of CAD dollars)	December 31, 2018	December 31, 2017
Balance, beginning of the period	$ 44,473	$ 13,141
Additions	–	31,105
Purchase price adjustment relating to AVS acquisition (Note 26)	(315)	–
Foreign exchange adjustment	152	227
Balance, end of year	**$ 44,310**	$ 44,473

For the purposes of the annual impairment testing, goodwill is allocated to the following CGUs which are the groups of units expected to benefit from the synergies of the business combinations:

(thousands of CAD dollars)	December 31, 2018	December 31, 2017
ISC	$ 5,800	$ 5,800
ESC	34,198	34,513
ERS	4,312	4,160
Balance at December 31, 2018	**$ 44,310**	$ 44,473

The Company performs a goodwill impairment test annually on December 31 and whenever there is an indication of impairment. No impairment of goodwill was identified as a result of the Company's most recent annual impairment test.

The Company has used the value in use method to evaluate the carrying amount of goodwill for the ESC and ERS CGUs and the market capitalization approach for ISC. Key assumptions include an estimate of current cash flow, taxes, a perpetual growth rate of 2.0 per cent (2017 – 2.0 per cent) and discount rates ranging from 14.3 to 15.6 per cent (2017 – 15.0 to 15.1 per cent).

Recoverable amounts

Management's past experience and future expectations of the business performance are used to make a best estimate of the expected revenue, earnings before interest, taxes, and depreciation and amortization and operating cash flows for a three-year period.

Perpetual growth rate

The perpetual growth rate is based on management's current assessment of the long-term growth prospect of the Company in the jurisdictions in which it operates.

Working capital and capital investment

The Company's valuation model also takes account of working capital and capital investments to maintain the condition of the assets of each CGU group.

12 Investment in Associate

In 2015, through its wholly owned subsidiary ISC Ent, the Company invested $3.3 million in OneMove Technologies Inc. (now Dye & Durham), acquiring 30.0 per cent of the issued and outstanding voting common shares.

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

ISC's 30.1 per cent ownership level and related rights gave the Company significant influence over Dye & Durham, but did 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.

On October 5, 2017, the Company sold its 30.1 per cent ownership stake in Dye & Durham for $25.0 million and recorded a gain before tax of $15.4 million (after tax of $13.4 million).

13 Accounts Payable and Accrued Liabilities

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

(thousands of CAD dollars)	December 31, 2018	December 31, 2017
Trade payables	$ 1,349	$ 1,437
Accrued liabilities	8,506	7,489
Customer deposits	3,763	4,096
Dividend payable	3,500	3,500
Total accounts payable and accrued liabilities	**$ 17,118**	$ 16,522

14 Tax Provision

The Company is subject to federal and provincial income taxes at an estimated combined statutory rate of 27.0 per cent (2017 – 26.75 per cent).

(thousands of CAD dollars)	December 31, 2018	December 31, 2017
Current tax expense	$ 5,147	$ 5,046
Deferred tax expense	1,803	4,604
Income tax expense	**$ 6,950**	$ 9,650

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, 2018	2017
Net income before tax	$ 25,621	$ 37,439
Combined statutory income tax rate	27.00%	26.75%
Expected income tax expense	6,918	10,015
Increase (decrease) in income tax resulting from:		
Non-taxable items	(963)	(2,228)
Non-deductible expenses	429	539
Foreign income tax differential	447	336
Scientific research and experimental development reassessment	–	324
Adjustment to prior years' deferred tax assets	(235)	266
Impact of change in tax rate	(5)	109
Unrecognized tax asset[1]	350	114
Other	9	175
Income tax expense	**$ 6,950**	$ 9,650

[1] No deferred tax asset has been recognized in respect of $3.0 million of tax losses in 2018 related to ERS (2017 – $0.9 million).

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)	Net Balance January 1, 2018	Recognized in Profit or Loss	Acquisitions	Foreign Exchange Movement	Net Balance December 31, 2018	Deferred Tax Asset	Deferred Tax Liability
Property, plant and equipment	$ 201	$ (12)	$ –	$ (3)	$ 186	$ 171	$ 15
Intangible assets	23,552	(285)	–	(12)	23,255	31,153	(7,898)
Investment in associate	–	–	–	–	–	–	–
Non-capital losses	1,372	(1,372)	–	–	–	–	–
Other assets	293	(134)	–	1	160	256	(96)
Net deferred tax assets (liabilities)	**$ 25,418**	**$ (1,803)**	**$ –**	**$ (14)**	**$ 23,601**	**$ 31,580**	**$ (7,979)**

(thousands of CAD dollars)	Net Balance January 1, 2017	Recognized in Profit or Loss	Acquisitions	Foreign Exchange Movement	Net Balance December 31, 2017	Deferred Tax Asset	Deferred Tax Liability
Property, plant and equipment	$ 254	$ (43)	$ (10)	$ -	$ 201	$ 180	$ 21
Intangible assets	30,632	(323)	(6,741)	(16)	23,552	32,992	(9,440)
Investment in associate	(232)	232	–	–	–	–	–
Non-capital losses	5,750	(4,378)	–	–	1,372	1,372	–
Other assets	385	(92)	–	–	293	293	–
Net deferred tax assets (liabilities)	$ 36,789	$ (4,604)	$ (6,751)	$ (16)	$ 25,418	$ 34,837	$ (9,419)

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

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

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 reviews 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.

No deferred tax has been recognized in respect of tax losses related to ERS. At December 31, 2018, the aggregate unrecognized losses are $3.9 million, which, if recognized, equates to $0.5 million (2017 – $0.1 million). The tax asset will be recognized as sufficient future taxable profits are earned. These losses do not expire.

15 Contract Liabilities

The components of contract liabilities are as follows:

(thousands of CAD dollars)	December 31, 2018	December 31, 2017
Amounts received in advance of Registry Operations transaction, maintenance and support contracts (i)	$ 322	$ 243
Amounts received in advance of Technology Solutions support and delivery contracts (ii)	2,277	1,164
Total contract liabilities	**$ 2,599**	$ 1,407

(i) Revenue that relates to Registry Operations transactions is recognized at a point in time. Revenue that relates to Registry Operations maintenance and support contracts is recognized over time. A contract liability is recognized for payments received from end-use customers in advance of services being provided and is recognized into revenue either at the point in time the service is rendered or over the service period.

(ii) Revenue that relates to Technology Solutions contracts is recognized over time as the performance obligations in the contract are achieved. These obligations may be based on a time period or on performance-based milestones identified in the contract. A contract liability is recognized for payments received from customers in advance and is recognized into revenue either over the service period or when performance milestones are achieved.

Revenue recognized in 2018 that was included in the contract liability balance at December 31, 2017:

(thousands of CAD dollars)	Year Ended December 31, 2018
Registry Operations transaction, maintenance and support contracts	$ 243
Technology Solutions support and delivery contracts	665
Total revenue recognized that was included in the balance at the beginning of the period	**$ 908**

The Company has elected to apply the practical expedient as per IFRS 15 B16 and does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which the Company recognizes revenue at the amount to which it has the right to invoice for services performed.

16 Share-Based Compensation Plan

Deferred share unit ("DSU") plan

The Company has established a DSU plan to provide directors and senior officers of ISC with the opportunity to participate in the long-term success of ISC and to promote a greater alignment of interests between its directors, senior officers and shareholders. The ISC Board 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 in the form of additional DSUs at the same rate as dividends on 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, 2018, are as follows:

	Units	Weighted Average Award Price
Balance at December 31, 2017	52,610.60	$ 17.37
DSUs granted May 16, 2018	17,706.00	17.85
DSUs redeemed August 15, 2018	(6,905.45)	17.50
Total notional dividend equivalents declared to date	8,703.00	16.87
Balance at December 31, 2018	**72,114.15**	**$ 17.44**

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 reassessed based on the fair value of the DSUs as of the reporting period. Any change in estimate is recognized as a liability and an expense at the end of the reporting period.

Share-based compensation expense for the twelve months ended December 31, 2018, totalled $157 thousand (2017 – $327 thousand). The total carrying amount of the liability arising from the DSUs as of December 31, 2018, totalled $1.1 million (December 31, 2017 – $1.1 million). The liability amount is included within accounts payable and accrued liabilities on the consolidated statements of financial position.

The fair value of the DSUs at December 31, 2018, has been calculated using the market value of the Company's Class A Shares on the TSX.

Stock option plan

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

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

A summary of the status of the stock option plan and the changes within the twelve months ended December 31, 2018, are as follows:

	Units	Average Exercise Price
Balance at December 31, 2017	1,076,600	$ 17.01
Stock options granted May 16, 2018	471,647	17.85
Balance at December 31, 2018	**1,548,247**	**$ 17.27**

The outstanding share options at the end of the period had a weighted average exercise price of $17.27 (December 31, 2017 – $17.01). The number of options exercisable at the end of the period was 587,851 (December 31, 2017 – 318,700) and had a weighted average exercise price of $16.50 (December 31, 2017 – $16.08) based on a range of exercise prices from $15.04 to $18.85 (December 31, 2017 – $15.04 to $18.80).

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

	May 16, 2018	May 17, 2017	August 15, 2016	August 12, 2015	May 13, 2014
Spot price	$ 17.85	$ 18.85	$ 17.40	$ 15.04	$ 18.80
Expected volatility	19.93%	19.33%	17.77%	18.97%	22.50%
Risk-free interest rate	2.00%	1.60%	1.30%	2.00%	2.50%
Dividend yield	4.83%	4.73%	4.48%	4.54%	4.20%
Expected life (days)	2,920	2,920	2,920	2,920	2,920
Fair value	**$ 1.73**	$ 1.66	$ 1.35	$ 1.45	$ 2.74

The Company included the following variables:

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

Compensation expense is recognized in proportion to the amount of stock options vested. Share-based compensation related to the stock option plan for the twelve months ended December 31, 2018, totalled $617 thousand (2017 – $471 thousand). The total carrying amount of the equity settled employee benefit reserve arising from these stock options as of December 31, 2018, totalled $1.7 million (December 31, 2017 – $1.1 million).

17 Debt

On November 6, 2018, the Company entered into a new amended and restated credit agreement (the "Credit Facilities"). The aggregate amount available under the Credit Facilities is now $80.0 million, comprised of (i) a $10.0 million committed revolving operating facility ("Facility 1") for general corporate purposes and (ii) a $70.0 million delayed draw term loan facility ("Facility 2"), $20.0 million of which was used to refinance the previous credit facilities under the original agreement, with the balance available to the Company for future growth opportunities.

Facility 1 will mature on November 6, 2021, unless renewed prior to that time and is repayable by ISC upon demand by the lender and the lender may terminate at any time. Facility 2 is repayable by ISC through quarterly payments, commencing January 2019, and matures on November 6, 2021, unless renewed prior to that time. At December 31, 2018, the Company had nil cash drawings on the operating facility (2017 – nil). At December 31, 2018, non-cash drawings, consisting of letters of credit and similar, were approximately $0.2 million (2017 – nil).

Facility 2 is subject to quarterly instalments at 2.5 per cent of original drawings (currently $0.5 million per quarter) with borrowings repayable in full on November 6, 2021.

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 0.45 per cent and 2.25 per cent per annum depending on the type of advance and the Company's leverage ratio. The Company is also required to pay a commitment fee quarterly in arrears, at the rate between 0.29 per cent and 0.40 per cent per annum, depending on the Company's leverage ratio and the unutilized and uncancelled portions of the Credit Facilities.

(thousands of CAD dollars)	**December 31, 2018**	December 31, 2017
Term loans		
Revolving facility	$ –	$ 9,935
Term loan facility		
Current portion	2,000	1,500
Long-term portion	18,000	10,125
Total long-term debt	**$ 20,000**	$ 21,560

The Credit Facilities contain financial covenants, 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 year.

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 and a deed of movable hypothec in the amount of $17.25 million registered in the province of Quebec.

The amount of borrowing costs capitalized during 2018 and 2017 was nil.

18 Liabilities Arising from Financing Activities

The tables below provide the reconciliation of movements of liabilities to cash flows arising from financing activities.

(thousands of CAD dollars)	Year Ended December 31, 2018	2017
Financing activities		
Interest paid (a)	$ (807)	$ (883)
Repayment of long-term debt (b)	(1,560)	(1,875)
Repayment of operating loan (c)	–	(10,000)
Drawdown of operating loan (c)	–	10,000
Dividends paid (d)	(14,000)	(14,000)
Net cash flow used in financing activities	**$ (16,367)**	$ (16,758)

(thousands of CAD dollars)	As at December 31, 2017	Cash Flows		Non-cash Changes Dividends Declared	Other	As at December 31, 2018
Interest payable	$ –	$ (807)	(a)	$ –	$ 807	$ –
Long-term debt including current portion	21,560	(1,560)	(b)	–	–	20,000
Dividends payable	3,500	(14,000)	(d)	14,000	–	3,500
	$ 25,060	$ (16,367)		$ 14,000	$ 807	**$ 23,500**

(thousands of CAD dollars)	As at December 31, 2016	Cash Flows		Non-cash Changes Dividends Declared	Other	As at December 31, 2017
Interest payable	$ –	$ (883)	(a)	$ –	$ 883	$ –
Long-term debt including current portion	23,435	(1,875)	(b)	–	–	21,560
Operating loan	–	–	(c)	–	–	–
Dividends payable	3,500	(14,000)	(d)	14,000	–	3,500
	$ 26,935	$ (16,758)		$ 14,000	$ 883	$ 25,060

19 Earnings Per Share

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

(thousands of CAD dollars, except number of shares and earnings per share)	Year Ended December 31, 2018	2017
Net income	$ 18,671	$ 27,789
Weighted average number of shares, basic	17,500,000	17,500,000
Potential dilutive shares resulting from stock options	42,455	95,648
Weighted average number of shares, diluted	17,542,455	17,595,648
Earnings per share ($ per share)		
Total, basic	**$ 1.07**	$ 1.59
Total, diluted	**$ 1.06**	$ 1.58

20 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, 2017	17,500,000	$ 19,955	1	$ –
No movement	–	–	–	–
Balance at December 31, 2017	17,500,000	19,955	1	$ –
Balance at January 1, 2018	17,500,000	19,955	1	–
No movement	–	–	–	–
Balance at December 31, 2018	**17,500,000**	**$ 19,955**	**1**	**$ –**

Capital management

The Company's objective in managing capital is to ensure that adequate resources are available to fund organic growth and to enable it to undertake future growth opportunities while continuing as a going concern. The Company's capital is composed of debt and shareholders' equity.

Operating cash flows are used to provide sustainable cash dividends to shareholders and fund capital expenditures in support of organic growth. In addition, operating cash flows, supplemented throughout the year with the operating facility if necessary, are used to fund working capital requirements.

Equity and the available but undrawn portion of the term facility will assist in financing future growth opportunities.

The Company's capital at December 31, 2018, consists of long-term debt, share capital, employee benefit reserve, accumulated other comprehensive income and retained earnings (comprising total shareholders' equity).

(thousands of CAD dollars)	**December 31, 2018**	December 31, 2017
Long-term debt	$ 20,000	$ 21,560
Share capital	19,955	19,955
Accumulated other comprehensive income	514	390
Equity settled employee benefit reserve	1,687	1,070
Retained earnings	87,227	82,556
Capitalization	**$ 129,383**	$ 125,531

21 Financial Instruments and Related Risk Management

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

Credit risk

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

The majority of cash is held with Canadian chartered banks and the Company believes the risk of loss to be minimal. The maximum exposure to credit risk at December 31, 2018, is $38.1 million (December 31, 2017 – $39.1 million) equal to the carrying value of the Company's financial assets, which are itemized in the table below. Quarterly reviews of the aged receivables are completed. The Company expects to fully collect the carrying value 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, 2018	December 31, 2017
Cash	$ 28,651	$ 31,265
Short-term investments	448	301
Trade and other receivables:		
- current	6,287	5,903
- up to three months past due date	2,171	1,282
- greater than three months past due date	506	325
Total credit risk	**$ 38,063**	$ 39,076

Interest rate risk

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments.

The Company is subject to interest rate risks on its debt (Note 17). This debt bears interest at rates that float, which can vary in accordance with changes in prime borrowing rates. The Company manages interest rate risk by monitoring its balance sheet, cash flows and the effect of market changes in interest rates. The Company has the option of using short-term bankers' acceptance notes to lock in rates at any time.

The following table presents a sensitivity analysis to changes in market interest rates and their potential impact on the Company for the periods ended December 31, 2018, and 2017. As the sensitivity is hypothetical, it should be used with caution. The Company is not exposed to significant interest rate risk.

	December 31, 2018		December 31, 2017	
(thousands of CAD dollars)	+ 100 bps*	– 100 bps	+ 100 bps	– 100 bps
Increase (decrease) in interest expense	$ 209	$ (209)	$ 125	$ (125)
Decrease (increase) in net income before tax	$ 209	$ (209)	$ 125	$ (125)
Decrease (increase) in total comprehensive income	$ 154	$ (154)	$ 92	$ (92)

* 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, 2018:

(thousands of CAD dollars)	Carrying Amount	Contractual Cash Flows	0-6 months	7-12 months	12+ months
Long-term debt	$ 20,000	$ 22,214	$ 1,415	$ 1,411	$ 19,388
Accounts payable and accrued liabilities	17,118	17,118	17,118	–	–
Total liabilities	**$ 37,118**	**$ 39,332**	**$ 18,533**	**$ 1,411**	**$ 19,388**

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

Market risk

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

			December 31, 2018		December 31, 2017	
(thousands of CAD dollars)	Classification	Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Cash	AC	L2	$ 28,651	$ 28,651	$ 31,265	$ 31,265
Short-term investments						
GICs	AC	L2	400	400	150	150
Marketable securities	FVTOCI	L1	48	48	151	151
Trade and other receivables	AC	L2	8,964	8,964	7,510	7,510
Financial liabilities						
Accounts payable and accrued liabilities	AC	L2	17,118	17,118	16,522	16,522
Contingent consideration[1]	FVTPL	L2	–	–	14,762	14,762
Long-term debt	AC	L2	20,000	20,000	21,560	21,560

[1] Contingent consideration related to the AVS Systems Inc. acquisition – see Note 26.

Fair value of financial instruments

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

- Level 1 – Quoted prices are readily available from an active market.
- Level 2 – Inputs, other than quoted prices included in Level 1 that are observable either directly or indirectly.
- Level 3 – Inputs are not based on observable market data.

The carrying values of cash, trade and other receivables, accounts payable and accrued liabilities approximate fair value due to their immediate or relatively short-term maturity. With long-term debt, ISC has amended and restated its borrowings under the Credit Facilities, which is managed with prime loans, short-term bankers' acceptance, letter of credit or letter of guarantee. These borrowings will bear interest at a base rate of prime plus applicable margin varying between 0.45 per cent and 2.25 per cent per annum. The Company is not exposed to significant interest rate risk because interest bearing financial instruments are at a low level relative to total assets and equity.

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

Foreign currency exchange risk

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

Based on the balance of foreign net monetary assets and net assets carried on the consolidated statements of financial position, the impact of an increase (decrease) of 10.0 per cent in the euro relative to the Canadian dollar as at December 31, 2018, on net monetary assets was a decrease (increase) of $23 thousand (December 31, 2017 – $63 thousand) and on net assets was an increase (decrease) of $743 thousand (December 31, 2017 – $736 thousand). The Company's exposure to other currencies is negligible at the end of the period.

22 Revenue

The Company derives its revenue from the transfer of goods or services at either a point in time or over time. This is consistent with the revenue from third parties' information that is disclosed for each reportable segment under IFRS 8 – *Operating Segments* (see Note 25). The following table presents our revenue disaggregated by revenue type. Sales and usage tax are excluded from revenue.

Segment revenue

(thousands of CAD dollars)	Year Ended December 31, 2018	2017
Registry Operations		
Land Registry (Land Titles Registry, Land Surveys, and Geomatics)	$ 50,031	$ 54,792
Personal Property Registry	10,190	9,953
Corporate Registry	10,038	10,143
Services	42,360	14,902
Technology Solutions	6,442	3,724
Corporate and other	70	78
Total revenue	**$ 119,131**	$ 93,592

The following table presents our revenue disaggregated by timing of revenue recognition:

Timing of revenue recognition

(thousands of CAD dollars)	Year Ended December 31, 2018	2017
At a point in time		
Registry Operations revenue		
Land Registry (Land Titles Registry, Land Surveys, and Geomatics)	$ 48,137	$ 52,834
Personal Property Registry	10,190	9,953
Corporate Registry	9,198	9,314
Services revenue	42,360	14,902
Corporate and other	70	78
	$ 109,955	$ 87,081
Over time		
Registry Operations revenue		
Land Registry (Land Titles Registry, Land Surveys, and Geomatics)	1,894	1,958
Corporate Registry	840	829
Technology Solutions revenue	6,442	3,724
	$ 9,176	$ 6,511
Total revenue	**$ 119,131**	$ 93,592

In the "Over time" category, the Land Registry and Corporate Registry contracts primarily result in linear revenue recognition over the life of the contract. Likewise, the support and maintenance portion of contracts related to Technology Solutions revenue primarily results in linear revenue recognition over the life of the contract. Conversely, revenue recognition associated with the licence and solution delivery portion of contracts is dependent on milestone achievement. In 2018, the portion of Technology Solutions contract revenue recognized that was dependent on milestone achievement versus total revenue recognized was 55.0 per cent. At December 31, 2018, the Company has contracts where the milestone is either in progress or is expected to be satisfied in the near term. For the unsatisfied portion of milestone-based contracts, the Company expects that 98.0 per cent of the total will be recognized in 2019, with the remainder recognized in 2020.

23 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.

24 Compensation of Key Management Personnel

Key management personnel includes the directors, the President and Chief Executive Officer, Chief Financial Officer, Executive Vice-Presidents, Vice Presidents and President, ESC. The compensation of the key management team during the period was as follows:

	Year Ended December 31,	
(thousands of CAD dollars)	**2018**	2017
Wages, salaries and short-term benefits	$ 3,811	$ 3,065
Share-based compensation	774	722
Defined contribution plan	205	147
Total compensation	**$ 4,790**	$ 3,934

The compensation of directors and the President and Chief Executive Officer is determined by the Board upon recommendation of its Compensation Committee having regard to the performance of individuals and market trends.

25 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 uses EBITDA and earnings before interest and taxes ("EBIT") as key measures of profit for the purpose of assessing performance of each segment and to make decisions about the allocation of resources. EBITDA is calculated as income before depreciation and amortization, net finance expense, and income tax expense. EBIT is calculated as income after depreciation and amortization expense but before gain or loss on disposition of property, plant and equipment, net finance expense, and income tax expense.

Effective January 1, 2018, ISC has three reportable segments – Registry Operations, Services, and Technology Solutions compared to two – Registries and Services in previous reporting periods. A functional summary of these three segments is as follows:

- Registry Operations delivers registry services on behalf of governments and private sector organizations.
- Services delivers products and services that utilize public records and data to provide value to customers in the financial and legal sectors.
- Technology Solutions provides the development, delivery and support of registry (and related) technology solutions.

Corporate includes our corporate activities and shared services functions, share of profit (loss) in associate not included in operating segments, and eliminations of inter-segment revenue and costs. The Registry Operations and Services segments operate substantially in Canada. The Technology Solutions segment operates both in Canada and Ireland.

We have restated our 2017 comparative segment results to account for the new segments.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. We account for transactions between reportable segments in the same way we account for transactions with external parties; however, we eliminate them on consolidation.

Revenue and EBIT

For the year ended December 31, 2018

(thousands of CAD dollars)	Registry Operations	Services	Technology Solutions	Corporate and other	Consolidated Total
Revenue from third parties	$ 70,259	$ 42,360	$ 6,442	$ 70	$ 119,131
Plus: inter-segment revenue	–	24	14,783	(14,807)	–
Total revenue	70,259	42,384	21,225	(14,737)	119,131
Expenses excluding depreciation and amortization	(39,017)	(36,265)	(21,340)	9,786	(86,836)
Change in contingent consideration	–	3,567	–	–	3,567
EBITDA	31,242	9,686	(115)	(4,951)	35,862
Depreciation and amortization	(1,750)	(6,069)	(1,032)	(1,016)	(9,867)
EBIT	$ 29,492	$ 3,617	$ (1,147)	$ (5,967)	$ 25,995
Net finance (expense)					(374)
Income tax expense					(6,950)
Net income					**$ 18,671**
Additions to non-current assets including acquisitions	**$ 451**	**$ 96**	**$ 1,428**	**$ 485**	**$ 2,460**

For the year ended December 31, 2017

(thousands of CAD dollars)	Registry Operations	Services	Technology Solutions	Corporate and other	Consolidated Total
Revenue from third parties	$ 74,888	$ 14,902	$ 3,724	$ 78	$ 93,592
Plus: inter-segment revenue	–	–	16,697	(16,697)	–
Total revenue	74,888	14,902	20,421	(16,619)	93,592
Expenses excluding depreciation and amortization	(39,257)	(13,196)	(19,883)	8,149	(64,187)
Share of profit in associate	–	–	–	610	610
EBITDA	35,631	1,706	538	(7,860)	30,015
Depreciation and amortization	(2,723)	(2,943)	(572)	(1,269)	(7,507)
EBIT	$ 32,908	$ (1,237)	$ (34)	$ (9,129)	$ 22,508
Net finance (expense)					(507)
Gain on sale of associate					15,438
Income tax expense					(9,650)
Net income					$ 27,789
Additions to non-current assets including acquisitions	$ 5,841	$ 45,628	$ 8,532	$ 2,748	$ 62,749

Inter-segment revenues are charged among segments at arm's-length rates, based on rates charged to third parties. Total consolidated revenue is attributed to customers within Ireland and Canada. For the twelve months ended December 31, 2018, revenue within Ireland was $5.2 million (2017 – $3.0 million) and the remainder was in Canada. No single customer represented more than 10.0 per cent of the total consolidated revenue.

Assets and liabilities

As at December 31, 2018 (thousands of CAD dollars)	Registry Operations	Services	Technology Solutions	Corporate and other	Consolidated Total
Assets					
Total assets, excluding intangibles, goodwill and cash	$ 25,074	$ 7,611	$ 3,170	$ 12,442	$ 48,297
Intangibles	4,054	30,815	5,418	417	40,704
Goodwill	5,800	34,198	4,312	–	44,310
Cash	–	–	–	28,651	28,651
Total assets	**$ 34,928**	**$ 72,624**	**$ 12,900**	**$ 41,510**	**$ 161,962**
Liabilities	**$ 5,019**	**$ 10,662**	**$ 7,399**	**$ 29,499**	**$ 52,579**

As at December 31, 2017 (thousands of CAD dollars)	Registry Operations	Services	Technology Solutions	Corporate and other	Consolidated Total
Assets					
Total assets, excluding intangibles, goodwill and cash	$ 27,133	$ 5,340	$ 1,572	$ 15,020	$ 49,065
Intangibles	5,516	36,488	4,992	26	47,022
Goodwill	5,800	34,513	4,160	–	44,473
Cash	–	–	–	31,265	31,265
Total Assets	$ 38,449	$ 76,341	$ 10,724	$ 46,311	$ 171,825
Liabilities	$ 7,306	$ 27,091	$ 3,523	$ 29,934	$ 67,854

Non-current assets are held in Canada and Ireland. At December 31, 2018, non-current assets held in Ireland were $9.1 million (December 31, 2017 – $8.2 million) while the remainder were held in Canada.

26 Acquisitions

During 2017, the Company completed the acquisition of three entities: ERS, Alliance and AVS. The acquisitions completed included provisional fair values at December 31, 2017 for the AVS acquisition due to the proximity of the acquisition to the year end. The review of the fair value of assets and liabilities acquired was completed within twelve months of the acquisition date and the final consideration was adjusted by $213 thousand. This has resulted in the value of the net assets acquired increasing by $102 thousand and goodwill decreasing by $315 thousand.

A table outlining the net cash flow related to these acquisitions is provided below, followed by a table providing the preliminary allocation of the net purchase price for accounting purposes as reported in the Company's 2017 consolidated financial statements and the subsequent adjustments to finalize the purchase price allocation within the twelve months of the acquisition date. All subsequent adjustments relate to the AVS acquisition.

Net cash outflow related to the acquisition (thousands of CAD dollars)	Preliminary	Adjustments	**Final**
Total consideration			
ERS acquired Jan. 23, 2017	$ 14,145	$ –	$ 14,145
Alliance acquired Jun. 1, 2017	1,127	–	1,127
AVS acquired Dec. 21, 2017	40,231	(213)	40,018
	$ 55,503	$ (213)	$ 55,290
Add (deduct) items not yet paid in cash at Dec. 31, 2017			
Working capital	(348)	18	(330)
Contingent consideration	(14,762)	195	(14,567)
Consideration paid in cash	40,393	–	40,393
Less: cash balance acquired	(1,669)	–	(1,669)
Total net cash flow related to the acquisitions	$ 38,724	$ –	**$ 38,724**

The table below presents the final allocation of the net purchase price for accounting purposes for all acquisitions in the prior year as reported in the Company's 2017 consolidated financial statements and subsequent adjustments to finalize the purchase price allocation within the measurement period.

(thousands of CAD dollars)	Preliminary	Adjustments	Final
Assets			
Cash	$ 1,669	$ –	$ 1,669
Short-term investments	183	–	183
Trade and other receivables	3,637	–	3,637
Income tax recoverable	15	–	15
Prepaid expenses	328	(17)	311
Property, plant and equipment	117	–	117
Intangible assets	27,033	–	27,033
	32,982	(17)	32,965
Liabilities			
Accounts payable and accrued liabilities	1,024	(25)	999
Deferred revenue	99	–	99
Income tax payable	710	(94)	616
Deferred tax liability	6,751	–	6,751
	8,584	(119)	8,465
Net assets acquired	$ 24,398	$ 102	$ 24,500
Goodwill arising on acquisition			
Total consideration allocated	55,503	(213)	55,290
Net assets acquired	24,398	102	24,500
Total goodwill arising on acquisition	$ 31,105	$ (315)	**$ 30,790**

Contingent consideration

As part of the ERS acquisition, the Company agreed to pay up to €5.0 million in consideration contingent upon the retention of existing leadership and the award and realization of future business over a 30-month period. For accounting purposes, the retention portion of the contingent consideration is classified as post acquisition remuneration and is not included as part of the related acquisition consideration.

As part of the AVS acquisition, the Company agreed to pay up to $20.0 million in additional consideration contingent on the realization of future business with financial institutions and auto and equipment finance companies across Canada over a period of 13 months ending January 31, 2019. During the year, the Company, through its wholly owned subsidiary ESC, entered into an agreement to amend the AVS Share Purchase Agreement to provide for the early settlement of the AVS contingent consideration on November 15, 2018, for an amount of $11.0 million paid in cash.

A continuity of contingent consideration related to the ERS and AVS acquisitions is presented below:

(thousands of CAD dollars)	December 31, 2018	December 31, 2017
Balance, beginning of the period	$ 15,723	$ –
AVS acquisition	–	14,762
Remuneration expense through wages and salaries	1,290	914
Accretion recognized in interest expense	6	9
Change in AVS contingent consideration	(3,567)	–
Early settlement of AVS contingent consideration	(11,000)	–
Foreign exchange adjustment	(130)	38
Balance, end of the period	$ 2,322	$ 15,723
Current portion	$ 2,322	$ –
Long-term portion	–	15,723
	$ 2,322	$ 15,723

The following table summarizes relevant information pertaining to the contingent consideration:

(thousands of CAD dollars)	Carrying Amount	Estimated Future Payments	0-6 Months	7-12 Months
ERS – retention	$ 2,322	$ 3,128	$ –	$ 3,128
ERS – future business realization[1]	–	–	–	–
Total contingent consideration	$ 2,322	$ 3,128	$ –	$ 3,128

[1] Under the ERS acquisition, the upper limit of this contingent payment is €3.0 million. As of December 31, 2018, the Company's estimated future payment is $ nil.

27 Net Change in Non-Cash Working Capital

The net change during the period comprised the following:

(thousands of CAD dollars)	Year Ended December 31, 2018	2017
Trade and other receivables	$ (1,583)	$ 1,067
Prepaid expenses	(195)	283
Contract assets	(1,414)	–
Accounts payable and accrued liabilities	1,108	670
Contract liabilities	1,150	845
Contingent liability	1,290	961
Income taxes	(573)	4,045
Net change in non-cash working capital	**$ (217)**	$ 7,871

Income taxes paid, net of refunds received, for the twelve months ended December 31, 2018, totalled $5.7 million (2017 – $1.0 million).

28 Commitments and Contingencies

Leasing arrangements

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

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

Master Service Agreement

Pursuant to the MSA with the Government of Saskatchewan dated May 30, 2013, the Company was appointed, on an exclusive basis, to manage and operate the Saskatchewan Land Titles Registry, Saskatchewan Land Surveys Directory, Saskatchewan Personal Property Registry and Saskatchewan 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

As of December 31, 2018, the Company has commitments over the next five years that include future minimum payments for leasing of office space, an information technology ("IT") service agreement with Information Systems Management Canada Corporation, other management services contracts and a commitment to the Government of Saskatchewan under the MSA:

(thousands of CAD dollars)	Office Leases	IT and Other Service Agreements	Master Service Agreement	Total
2019	$ 3,440	$ 5,038	$ 500	$ 8,978
2020	3,412	3,161	500	7,073
2021	3,471	2,669	500	6,640
2022	2,725	2,610	500	5,835
2023	2,509	2,562	500	5,571
Thereafter	6,287	-	5,000	11,287
Total commitments	**$ 21,844**	**$ 16,040**	**$ 7,500**	**$ 45,384**

Contingencies

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, 2018, the liability was nil (December 31, 2017 – nil).

Through the normal course of operations, the Company has entered into an indemnity agreement with a surety company to provide a surety bond required under a contract with a customer. In the event that the Company fails to perform under the contract and the surety company incurs a cost on the surety bond, the Company is obligated to repay the costs incurred in relation to the claim up to the value of the bond. The Company's obligation under the bond issued by the surety company expires on completion of obligations under the customer contract to which the bond relates. The term of the surety bond is from February 2018 to September 2019.

At December 31, 2018, the outstanding surety bond totalled $1.7 million (December 31, 2017 – nil). The Company has not recorded any liability related to this bond, as management believes that no material events of default exist under the contract with its customer.

29 Pension Expense

The total pension costs under the Company's defined contribution plans for the year were $1.7 million (2017 – $1.6 million).

30 Reclassifications

During the year, the Company changed the presentation of project initiative expenses to reclassify them to their nature. Management believes the revised presentation aligns with management's operation of the business and provides more relevant information to users.

Expenses (thousands of CAD dollars)	2017 (as reported)	Reclassification	2017 (as reclassified)
Wages and salaries	$ 32,802	$ –	$ 32,802
Cost of goods sold	4,141	–	4,141
Depreciation and amortization	7,507	–	7,507
Information technology services	10,179	673	10,852
Occupancy costs	5,292	1	5,293
Professional and consulting services	4,511	1,792	6,303
Financial services	2,235	165	2,400
Project initiatives	2,823	(2,823)	–
Other	2,204	192	2,396
Total expenses	$ 71,694	$ –	$ 71,694

31 Subsequent Events

On February 19, 2019, the Company announced that its wholly owned subsidiary ESC Corporate Services Ltd. ("ESC"), acquired substantially all of the assets used in the business of Securefact Transaction Services, Inc. for $6.8 million by way of an asset purchase agreement.

On March 20, 2019, the Board declared a quarterly cash dividend of $0.20 per Class A Share, payable on or before April 15, 2019, to shareholders of record as of March 31, 2019.

Board of Directors

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

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

Tom Christiansen
Swift Current, Saskatchewan
Director since: 2009
Member of the Compensation Committee

Doug Emsley
Regina, Saskatchewan
Director since: 2013
Chair of the Compensation Committee

Tony Guglielmin
Vancouver, British Columbia
Director since: 2013
Chair of the Audit Committee

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

Iraj Pourian
Vancouver, British Columbia
Director since: 2016
Member of the Governance and Nominating Committee

Laurie Powers
Regina, Saskatchewan
Director since: 2018
Member of the Compensation Committee

Heather Ross
Toronto, Ontario
Director since: 2018
Member of the Governance and Nominating Committee

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

ISC Leadership

Jeff Stusek
President and Chief Executive Officer

Shawn B. Peters, CPA, CA
Executive Vice-President and Chief Financial Officer

Kathy E. Hillman-Weir, Q.C.
Executive Vice-President, Chief Corporate Officer, General Counsel and Corporate Secretary

Ken Budzak
Executive Vice-President, Registry Operations

Loren Cisyk
Executive Vice-President, Technology Solutions

Laurel Garven
Vice-President, Business Strategy

Catherine McLean
Vice-President, People and Culture

Dennis White
Vice-President, Marketing and Business Development

Clare Colledge
President, ESC Corporate Services Ltd.

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, 2018.

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, 2018.

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, 2018.

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

Ownership

As at March 20, 2019, the Board and management are not aware of any shareholder who directly or indirectly owns or exercises, or directs control over, more than 10.0 per cent of our Class A Shares, other than:

(a) Crown Investments Corporation of Saskatchewan which holds 5,425,000 Class A Shares representing 31.0 per cent of the issued and outstanding Class A Shares; and

(b) CI Investments, Inc. which holds 2,605,210 Class A Shares representing approximately 14.9 per cent of the issued and outstanding Class A Shares.

Auditor

Deloitte LLP
Suite 900 – 2103 11th Avenue
Regina, Saskatchewan S4P 3Z8 Canada

Transfer Agent

AST Trust Company (Canada)

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

Toll-free in North America: 1 (800) 387-0825
www.astfinancial.com
inquiries@astfinancial.com

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 & Capital Markets
Toll-free in North America: 1 (855) 341-8363
Outside North America: 1 (306) 798-1137
investor.relations@isc.ca

Annual General Meeting

The annual general meeting of shareholders will be held at 9:00 a.m. (Saskatchewan time, MDT) on Wednesday May 15, 2019, at Innovation Place, 6 Research Drive, Regina, Saskatchewan.

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
2018	Quarterly	Dec 28, 2018	Dec 31, 2018	Jan 15, 2019	$0.20
		Sep 28, 2018	Sep 30, 2018	Oct 15, 2018	$0.20
		Jun 28, 2018	Jun 30, 2018	Jul 15, 2018	$0.20
		Mar 28, 2018	Mar 31, 2018	Apr 15, 2018	$0.20
2017	Quarterly	Dec 28, 2017	Dec 31, 2017	Jan 15, 2018	$0.20
		Sep 28, 2017	Sep 30, 2017	Oct 15, 2017	$0.20
		Jun 28, 2017	Jun 30, 2017	Jul 15, 2017	$0.20
		Mar 29, 2017	Mar 31, 2017	Apr 15, 2017	$0.20
2016	Quarterly	Dec 29, 2016	Dec 31, 2016	Jan 15, 2017	$0.20
		Sep 28, 2016	Sep 30, 2016	Oct 15, 2016	$0.20
		Jun 26, 2016	Jun 30, 2016	Jul 15, 2016	$0.20
		Mar 27, 2016	Mar 31, 2016	Apr 15, 2016	$0.20
2015	Quarterly	Dec 29, 2015	Dec 31, 2015	Jan 15, 2016	$0.20
		Sep 28, 2015	Sep 30, 2015	Oct 15, 2015	$0.20
		Jun 26, 2015	Jun 30, 2015	Jul 15, 2015	$0.20
		Mar 27, 2015	Mar 31, 2015	Apr 15, 2015	$0.20
2014	Quarterly	Dec 29, 2014	Dec 31, 2014	Jan 15, 2015	$0.20
		Sep 26, 2014	Sep 30, 2014	Oct 15, 2014	$0.20
		Jun 26, 2014	Jun 30, 2014	Jul 15, 2014	$0.20
		Mar 27, 2014	Mar 31, 2014	Apr 15, 2014	$0.20
2013	Quarterly	Dec 27, 2013	Dec 31, 2013	Jan 15, 2014	$0.20
		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.

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ISC

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