

TO THE SHAREHOLDERS OF TWC ENTERPRISES LIMITED

We have audited the accompanying consolidated financial statements of TWC Enterprises Limited (the "Company"), which comprise the consolidated balance sheets as at December 31, 2016 and December 31, 2015, and the consolidated statements of earnings and comprehensive earnings, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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



Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario

March 28, 2017

(thousands of Canadian dollars)	Notes	December 31, 2016	December 31, 2015
ASSETS			
Current			
Cash		\$ 2,382	\$ 2,251
Accounts receivable	20	5,547	10,636
Mortgages and loans receivable	3, 20	6	14,045
Inventories and prepaid expenses	4	4,996	6,486
		12,931	33,418
Mortgages and loans receivable	3, 20	1,451	1,258
Other assets	5	11,822	11,819
Property, plant and equipment	6	602,180	613,583
Intangible assets	7	19,127	20,382
Goodwill	8	31,605	31,605
Total assets		\$ 679,116	\$712,065
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	9	\$ 21,655	\$ 26,448
Borrowings	10	67,507	57,892
Prepaid annual dues and deposits		18,905	24,140
		108,067	108,480
Borrowings	10	249,704	290,671
Deferred membership fees	11	18,329	24,457
Deferred income tax liabilities	12	65,257	63,267
Total liabilities		441,357	486,875
Share capital	13	111,987	109,953
Retained earnings		96,775	83,892
Accumulated other comprehensive income		28,997	31,345
Total shareholders' equity		237,759	225,190
Total liabilities and shareholders' equity		\$ 679,116	\$712,065

See Accompanying Notes

On behalf of the Board of Directors



K. (Rai) Sahi
Chairman, President and Chief Executive Officer



Donald Turple
Director

TWC Enterprises Limited
Consolidated Statements of Earnings and Comprehensive Earnings

For the years ended December 31, 2016 and 2015

(thousands of Canadian dollars, except per share amounts)	Notes	2016	2015
REVENUE			
Operating revenue		\$ 217,835	\$216,147
Amortization of membership fees	11	11,210	11,162
		229,045	227,309
EXPENSES			
Cost of sales		23,778	23,131
Labour and employee benefits		82,056	81,888
Utilities		9,464	9,621
Selling, general and administrative expenses		6,601	7,418
Property taxes		4,898	4,916
Repairs and maintenance		4,780	4,853
Insurance		4,569	4,666
Fertilizers and pest control products		2,901	3,430
Fuel and oil		2,174	2,686
Other expenses		18,546	20,741
Impairment	6, 7	-	5,381
Depreciation of property, plant and equipment	6	25,214	25,270
Amortization of intangible assets	7	1,200	1,117
Land lease rent		5,303	5,489
Interest, net	14	18,151	19,362
		209,635	219,969
Earnings before income taxes		19,410	7,340
Provision for (recovery of) income taxes	12		
Current		(112)	2,631
Deferred		2,964	450
		2,852	3,081
Net earnings		16,558	4,259
Unrealized foreign currency translation earnings (losses)		(2,348)	20,375
Total comprehensive earnings		\$ 14,210	\$ 24,634
Weighted average shares outstanding	13	27,345,000	27,359,000
Earnings per share basic and diluted	13	\$ 0.61	\$ 0.16

See Accompanying Notes

TWC Enterprises Limited
Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2016 and 2015

(thousands of Canadian dollars, except common shares)	Notes	Common Shares	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, January 1, 2015		26,419,342	\$ 101,952	\$ 87,634	\$ 10,970	\$ 200,556
Activity during 2015						
Comprehensive earnings		-	-	4,259	20,375	24,634
Shares issued pursuant to stock dividend	13B	742,183	8,001	(8,001)	-	-
Shares cancelled pursuant to sunset clause	13C	(25,980)	-	-	-	-
Balance, December 31, 2015		27,135,545	109,953	83,892	31,345	225,190
Activity during 2016						
Comprehensive earnings		-	-	16,558	(2,348)	14,210
Cash dividend	13B	-	-	(1,641)	-	(1,641)
Shares issued pursuant to stock dividend	13B	209,048	2,034	(2,034)	-	-
Other		947	-	-	-	-
Balance, December 31, 2016		27,345,540	\$ 111,987	\$ 96,775	\$ 28,997	\$ 237,759

See Accompanying Notes

TWC Enterprises Limited
Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(thousands of Canadian dollars)	Notes	2016	2015
OPERATING ACTIVITIES			
Net earnings		\$ 16,558	\$ 4,259
Items not affecting cash:			
Amortization of membership fees	11	(11,210)	(11,162)
Depreciation of property, plant and equipment	6	25,214	25,270
Amortization of intangible assets	7	1,200	1,117
Land lease rent expense		5,303	5,489
Interest, net	14	18,151	19,362
Unrealized foreign exchange loss		-	3,188
Impairment of capital and intangible assets	6, 7	-	5,381
Income tax expense	12	2,852	3,081
Collection of membership fee instalments	11	5,094	6,011
Land lease rent paid		(5,269)	(5,365)
Interest paid		(17,947)	(18,789)
Income taxes paid		(2,158)	(1,730)
Accounts receivable		6,006	(6,777)
Inventories and prepaid expenses		1,490	(7)
Accounts payable and accrued liabilities		(3,137)	6,125
Prepaid annual dues and deposits		(5,235)	11,730
Cash provided by operating activities		36,912	47,183
INVESTING ACTIVITIES			
Operating property, plant and equipment expenditures	6	(9,932)	(9,765)
Expansion property, plant and equipment expenditures	6	(9,768)	(2,317)
Other long-term assets		(248)	(3,712)
Cash used in investing activities		(19,948)	(15,794)
FINANCING ACTIVITIES			
Deferred financing costs		(176)	(94)
Revolving borrowings		(6,331)	1,460
Non-revolving borrowings - amortization payments		(20,388)	(18,820)
Finance lease obligations - advances		676	684
Finance lease obligations - repayments		(2,539)	(2,916)
Mortgages and loans receivable		13,754	(13,188)
Dividends paid		(1,641)	-
Cash used in financing activities		(16,645)	(32,874)
Net effect of currency translation adjustment on cash		(188)	1,952
Net increase in cash during the year		131	467
Cash, beginning of year		2,251	1,784
Cash, end of year		\$ 2,382	\$ 2,251

See Accompanying Notes

1. NATURE OF OPERATIONS

TWC Enterprises Limited (the “Company” or “TWC”) was formed under the laws of Canada. The Company’s executive office is located at 15675 Dufferin Street, King City, Ontario L7B 1K5. TWC is a publicly traded company on the Toronto Stock Exchange (“TSX”) under the symbol “TWC.”

TWC is engaged in golf club operations under the trademark “ClubLink One Membership More Golf.” TWC is Canada’s largest owner and operator of golf clubs with 53½, 18-hole equivalent championship and 3½, 18-hole equivalent academy courses at 41 locations in Ontario, Quebec and Florida.

TWC is also engaged in rail and port operations based in Skagway, Alaska which operate under the trade name White Pass & Yukon Route (“White Pass”). The railway stretches approximately 110 kilometres (67.5 miles) from Skagway, Alaska to Carcross, Yukon. In addition, White Pass operates three docks, primarily for cruise ships.

Both White Pass and the golf club operations located in the United States have a functional currency in United States (“US”) dollars, which are translated into Canadian dollars for reporting purposes in these consolidated financial statements.

2. BASIS OF PRESENTATION

(A) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These financial statements were authorized for issuance by the Board of Directors on February 24, 2017.

(B) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

(C) Significant accounting judgments and estimates

The preparation of financial statements that conform with IFRS requires management to make judgments and estimates and form assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The following section discusses the accounting estimates, judgments and assumptions that the Company has made and how they affect the amounts reported in the consolidated financial statements.

Judgment is commonly used in determining whether a balance or transaction should be recognized in the financial statements and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgments and estimates are often interrelated.

On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from management’s judgments and estimates.

Effective January 1, 2016, TWC has declared its 8.00% USD mortgage facility as a hedge against its net investment in White Pass. Accordingly, the foreign exchange translation gain or loss on this mortgage is now reflected in accumulated other comprehensive income effective January 1, 2016.

Amortization of membership fees

One of the most critical accounting estimates used by TWC is the weighted average remaining life of memberships sold by join year, which is used to recognize membership fee revenue. The membership fee revenue is amortized over the weighted average remaining membership life by year joined. Subsequent to this amortization period, membership fees are recorded as revenue upon receipt. These amortization periods should decline each year by one year as each group gets one year older, producing a relatively uniform revenue stream from membership fees over the average remaining life of memberships sold by join year. However, these average ages may not decline on a consistent basis if a disproportionate amount of older or younger members decide to resign at any particular time. This could result in a deferral or acceleration of membership fee revenue, the amount of which would be dependent on the variability of the change in average ages. To date, there have been no significant variances in the average ages.

For the years ended December 31, 2016 and 2015

2. BASIS OF PRESENTATION (continued)

(C) Significant accounting judgments and estimates (continued)

Property, plant and equipment

Property, plant and equipment are depreciated over their useful lives on a straight-line basis. The Company assesses on an annual basis the useful life and residual value of these assets, which are used in the calculation of depreciation expense. The useful lives assigned are disclosed in the list of accounting policies. Due to the relatively large proportion of these assets to total assets, the selection of the method of depreciation and the length of depreciation period could have a material impact on depreciation expense and net book value of property, plant and equipment.

When determining whether an asset is property, plant and equipment or an investment property, the original intent of the acquisition is considered in order to conclude as to which category is used.

Intangible assets

Intangible assets includes amounts assigned to the membership base from past business combinations of member golf courses. These are amortized over a thirty year time frame. Inherent in this useful life is the estimate of the weighted average life of a member which is fifteen years, as well as the practice of our current members referring colleagues and family members as new ClubLink members. As part of the thirty year useful life amortization period, it is estimated that the average member (which typically has a fifteen year average life) will refer one other member for a combined thirty year useful life.

Impairment

Property, plant and equipment, intangible assets and goodwill are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying amount of an asset may not be recoverable. Goodwill is also tested on an annual basis at the end of each fiscal year. Estimates are made in the assessment of any impairment calculation, which are described more fully in the accounting policy note.

The impairment process begins with the identification of the appropriate asset or cash-generating unit for purposes of impairment testing. Identification and measurement of any impairments are based on the asset's recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Value in use is generally based on an estimate of discounted future cash flows. Judgment is required in determining the appropriate discount rate. Assumptions must also be made about future sales, margins and market conditions over the long-term life of the assets or cash-generating unit.

The Company cannot predict if an event that triggers impairment will occur, when it will occur or how it will affect reported asset amounts. Although estimates are reasonable and consistent with current conditions, internal planning and expected future operations, such estimates are subject to significant uncertainties and judgments. As a result, it is reasonably possible that the amounts reported for asset impairments could be different if different assumptions were used or if market and other conditions were to change. The changes could result in non-cash charges that could materially affect the Company's consolidated financial statements.

Income taxes

TWC records income taxes using the balance sheet liability method of accounting. Under this method, deferred income tax assets and liabilities are determined according to differences between the carrying amounts and tax bases of the assets and liabilities. Management uses judgment and estimates in determining the appropriate rates and amounts to record for deferred income taxes, giving consideration to timing and probability. Previously recorded tax assets and liabilities are remeasured using tax rates in effect when these differences are expected to reverse in accordance with enacted laws or those substantively enacted as at the date of the consolidated financial statements.

The Company operates in several tax jurisdictions. As a result, its income is subject to various rates of taxation. The complexity of tax regulations require assessments of uncertainties and judgments in estimating the taxes the Company will ultimately pay. While the Company believes that its positions and filings are appropriate and supportable, certain matters are periodically challenged by tax authorities. The final taxes paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions and resolution of disputes arising from federal, provincial, state and local tax audits. The resolution of these uncertainties and the associated final taxes may result in adjustments to the Company's tax assets and tax liabilities and have a corresponding impact to net earnings.

2. BASIS OF PRESENTATION (continued)

(C) Significant accounting judgments and estimates (continued)

Contingencies

The Company is exposed to possible losses and gains related to environmental matters and other various claims and lawsuits pending for and against it in the ordinary course of business. Prediction of the outcome of such uncertain events (i.e., being virtually certain, probable, remote or undeterminable), determination of whether recognition or disclosure in the consolidated financial statements is required and estimation of potential financial effects are matters for judgment. Where no amounts are recognized, such amounts are contingent and disclosure may be appropriate. While the amount disclosed in the consolidated financial statements may not be material, the potential for large liabilities exists and therefore these estimates could have a material impact on the Company's consolidated financial statements.

Other

Property shutdowns, sales of business units or other corporate restructuring trigger incremental costs to the Company (i.e., expenses for employee termination, contract termination and other exit costs). These activities are complex processes that can take several months to complete and involve making and reassessing estimates.

(D) Accounting policies

The following are the Company's accounting policies under IFRS:

Scope of consolidation

The consolidated financial statements of TWC, as the parent company, include the accounts of all entities that are controlled directly or indirectly by the Company. This includes the following wholly-owned major operating subsidiaries: ClubLink Corporation ULC, ClubLink US Corporation and White Pass & Yukon Canada, Inc. and their respective subsidiaries. Control is achieved when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Intercompany transactions between subsidiaries are eliminated on consolidation.

Accounts receivable

Amounts are recorded at fair value less an allowance for doubtful accounts. In assessing the allowance, consideration is given to the financial solvency of specific customers and performing an evaluation of the remaining receivables according to their default risk primarily based on the age of the receivable and historical loss experience. Account balances are charged off against the allowance after all collection efforts have been exhausted and the likelihood of recovery is considered remote. Recoveries are credited back to the allowance account.

Inventories

Inventories are stated at the lower of cost and net realizable value and consist of food, beverages and merchandise. Cost of sales represents the amount of inventories expensed during the year.

(a) Golf club operations

Cost of sales are determined on a weighted-average basis.

(b) Rail and port operations

Cost of sales are determined on a first-in, first-out basis.

Property, plant and equipment

Property, plant and equipment ("PP&E") is recorded at cost less impairment and accumulated depreciation.

PP&E include land and improvements thereto, buildings and related equipment. Operating PP&E, including assets under finance lease, are depreciated on a straight-line basis over their estimated useful lives as follows:

Land	Not depreciated
Buildings and land improvements	25 - 60 years
Docks.....	40 years
Bunkers, cart paths and irrigation.....	20 years
Rolling stock and equipment	5 - 30 years

For the years ended December 31, 2016 and 2015

2. BASIS OF PRESENTATION (continued)

(D) Accounting policies (continued)

Property, plant and equipment (continued)

PP&E include properties under construction or held for future development. TWC capitalizes all direct costs relating to the development and construction of these properties. TWC also capitalizes interest and direct project development and management costs during construction of qualifying assets. TWC currently does not have any properties under construction.

Materials and supplies related to the rail operations are recorded at cost, determined on a first-in, first-out basis, and are charged to expense or added to the cost of property, plant and equipment when used.

Intangible assets

Purchased intangible assets with finite useful lives are recorded at acquisition cost and amortized on a straight-line basis over their estimated useful life. All of TWC's intangible assets, with the exception of goodwill, have estimable useful lives and are therefore subject to amortization.

Intangible assets are amortized on a straight-line basis as follows:

Membership base	30 years
Brand	30 years
Below market rent terms	over the length of the lease

Business combinations and goodwill

The Company accounts for all business combinations using the acquisition method. As at the date of acquisition, the purchase price is allocated to the fair values of the assets acquired and liabilities assumed. Goodwill represents the excess of the cost of acquired net assets over the fair values assigned to the tangible and intangible assets acquired and to the fair value of liabilities assumed.

Goodwill is the excess of the cost of the business combination over the fair value of TWC's share in the net assets acquired on the acquisition date. Goodwill is tested for impairment, at a minimum, annually and recorded at cost less any recognized impairment losses. The reversal of any recorded impairment to goodwill is not allowed.

Impairment of long-lived assets

The Company reviews long-lived assets such as property, plant and equipment and acquired intangible assets, for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable.

The Company assesses recoverability of these assets by comparing their carrying amount to the recoverable amount, which is the higher of value in use and fair value less costs to sell. Where the carrying amount of an asset or a group of assets exceeds its recoverable amount, the asset is considered to be impaired, and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or group of assets' recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

2. BASIS OF PRESENTATION (continued)

(D) Accounting policies (continued)

Accounts payable, borrowings and other liabilities

Trade payables and other non-derivative financial liabilities are recognized initially at fair value and in the case of borrowings include attributable transaction costs.

Deferred income taxes

The Company uses the balance sheet liability method of accounting for deferred income taxes. Temporary differences arising from the difference between the tax base of an asset or liability and its carrying amount on the consolidated balance sheets and unutilized tax losses are used to calculate deferred income tax liabilities or assets. Deferred income tax liabilities and assets are calculated using the substantively enacted tax rates and laws that are expected to be in effect in the periods that the temporary differences are expected to reverse. The effect of changes in tax rates is included in earnings in the period, which includes the substantive enactment.

Foreign currency translation

(a) Functional currency and currency translation account

The functional currency of TWC and its subsidiaries is the local currency. The assets and liabilities of TWC's foreign operations where the functional currency is not the Canadian dollar are translated using the rate of exchange at the balance sheet date, whereas revenue and expenses are translated using average exchange rates during the respective periods. The resulting foreign currency translation adjustments are included in accumulated other comprehensive income or loss. This is the only component in this category. The accumulated balance of the foreign currency translation reserve reflects the differences since January 1, 2010, the transition date to IFRS. When a foreign operation is disposed of, the foreign currency translation adjustment applicable to that entity is recognized in the consolidated statement of earnings.

(b) Local currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the entity at the applicable exchange rate on the date of each transaction. Monetary assets and liabilities that are denominated in foreign currencies other than the functional local currency are translated at the year-end closing rate with the resulting gains and losses reflected in the consolidated statement of earnings.

(c) Cash flow statement

Operating, investing and financing cash flows are translated using average exchange rates during the respective periods. The effects on cash due to fluctuations in exchange rates are shown in a separate line in the consolidated statement of cash flows.

Financial instruments

All financial instruments are classified into one of the following five categories: fair value through profit or loss ("FVTPL"), held to maturity, loans and receivables, available for sale financial assets or other financial liabilities. Subsequent measurement and recognition of changes in the value of financial instruments depend on their initial classification.

- (i) Cash, held to maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Premiums or discounts and transaction costs are amortized into net earnings, using the effective interest method.
- (ii) Available for sale financial assets are measured at fair value, with unrealized gains and losses recorded in accumulated other comprehensive earnings until the asset is realized, at which time they will be recorded in net earnings.
- (iii) FVTPL financial instruments are measured at fair value. All gains and losses resulting from changes in fair value are included in net earnings in the period in which they arise.

For the years ended December 31, 2016 and 2015

2. BASIS OF PRESENTATION (continued)

(D) Accounting policies (continued)

Financial instruments (continued)

The following is a summary of the accounting model the Company applies to each of its significant categories of financial instruments:

Balance Sheet Classification	Financial Instrument Designation
Cash	Loans and receivables
Accounts receivable	Loans and receivables
Mortgages and loans receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Borrowings	Other financial liabilities

Transaction costs related to the Company's borrowings are netted against the related liability and are expensed using the effective interest method.

All financial assets are tested for impairment. At each balance sheet date, the Company assesses whether there is objective evidence that financial assets not carried at FVTPL are impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset, and if that event will have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably measured.

An impairment loss is reported as a write off if it is deemed unlikely to either collect the contractual amounts owing and/or to recover the acquisition cost by selling any collateral provided.

The fair value of financial instruments that are not quoted in an active market is determined by applying various valuation techniques with maximum use of observable market inputs. The valuation techniques used are discounted cash flows, option pricing models, valuations with reference to recent transactions in the same instrument and valuation with reference to other financial instruments that are substantially the same.

An item may only be designated in a hedging relationship if changes in fair value of the hedging item are expected to offset virtually all changes in fair value of the hedged item attributable to the hedged risk. This offsetting must be expected at inception of the hedge and throughout the hedging period.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents and assesses, both at hedge inception and on an ongoing basis, whether the derivative financial instruments that are used in hedging transactions are highly effective in offsetting expected changes in the hedged items.

Gains and losses on derivative financial instruments that are not designated in a hedging relationship and gains and losses related to the "ineffective" portion of effective hedges are recognized in other operating income and expenses.

Hedge accounting is discontinued prospectively if the hedging instrument or hedged item is terminated or sold, or if it is determined that the hedging instrument is no longer effective.

The Company designates a certain long-term debt as a hedge of net investments in foreign currencies. Effective January 1, 2016, TWC has declared its 8.00% USD mortgage facility as a hedge against its net investment in White Pass. In this type of hedging relationship, the change in value of the "effective" portion of the derivative instrument is recognized in other comprehensive income and the change in value of the "ineffective" portion is recognized in profit or loss. Accordingly, the foreign exchange translation gain or loss on this mortgage is now reflected in accumulated other comprehensive income effective January 1, 2016. The amounts recognized in other comprehensive income are reclassified to profit or loss when the corresponding exchange gains or losses arising from the translation of foreign operations are recognized in profit or loss.

Share capital

Repurchased common shares are recorded at acquisition cost and are presented as a deduction from shareholders' equity. On retirement of treasury shares, any excess over the calculated average issue price is charged to retained earnings.

2. BASIS OF PRESENTATION (continued)

(D) Accounting policies (continued)

Share-based compensation

Share-based compensation represents equity-settled awards. Equity-settled awards are measured at grant-date fair value and are not subsequently remeasured. The grant-date fair value is recognized over the period in which the employees become unconditionally entitled to the options with a corresponding increase in share-based reserves included in shareholders' equity. The fair values are determined by using a Black-Scholes option-pricing model. In the periods presented, no stock options have been issued nor has any share-based compensation expense been recorded. On November 20, 2014, the Company's stock option plan was cancelled.

Revenue recognition

Golf club operations revenue includes annual dues (recognized on a daily basis as earned) and sales to members and customers of green fees, cart rentals, food and beverage, merchandise and room rentals, which are all recognized when the service is provided. Membership fee revenue is amortized over the estimated weighted average remaining membership life by year joined. Subsequent to this amortization period, membership fees are recorded as revenue upon receipt. An allowance for future resignations is considered as part of this model.

Rail and port operations revenue is recognized as earned when these services are provided.

Non-monetary transactions

The Company records non-monetary transactions at the fair value of the assets or services exchanged unless the exchange transaction lacks commercial substance or the fair value of neither the asset or service received nor the asset or service given up is reliably measurable.

The Company has recorded \$863,000 (2015 – \$943,000) of operating revenue relating to non-monetary transactions.

Multi-employer pension plan

The rail and port operations participate in various multi-employer benefit plans, on a contributory and non-contributory basis, depending on the plan.

Multi-employer plans can be classified as either defined contribution or defined benefit plans, depending on the terms and conditions applicable to the plan. In the absence of any regulations governing the calculation of the share of the underlying financial position and the performance attributable to each participating employer, and in the absence of a contractual agreement between the plan and the participants of the financing of any shortfall (or distribution of any surplus), these multi-employer plans are treated by the Company as defined contribution plans in accordance with International Accounting Standard ("IAS") 19 Employee Benefits.

Lease payments

The Company is a lessee of property, plant and equipment, mainly leased golf clubs and tidelands, under operating leases that do not transfer the substantive risks and rewards of ownership. Rent expense on operating leases is recognized on a straight-line basis over the life of the lease including renewal terms, if at inception of the lease, renewal is reasonably assured.

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability is included in the consolidated balance sheet under borrowings.

Earnings per share

Basic earnings per share is calculated by dividing net earnings by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated using the treasury stock method. Under this method, proceeds that could be obtained upon exercise of options, if dilutive, are assumed to be used to purchase common shares at the average market price during the period. On November 20, 2014, the Company's stock option plan was cancelled.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

For the years ended December 31, 2016 and 2015

2. BASIS OF PRESENTATION (continued)

(D) Accounting policies (continued)

Joint ventures (continued)

Investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the joint venture since the acquisition date. The consolidated statement of income reflects the Company's share of the results of operations of the joint venture. Any change in other comprehensive income of the joint venture is presented as part of the Company's consolidated statement of comprehensive earnings.

When the Company's share of losses of a joint venture exceeds the Company's interest in that joint venture, the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture.

When the Company transacts with a joint venture, profits and losses resulting from the transactions are recognized in the Company's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Company.

(E) Accounting changes

Accounting Standards Effective for 2016

The Company has adopted the following new and revised IFRS standards, as issued by the International Accounting Standards Board ("IASB") along with any amendments, effective January 1, 2016. This change was made in accordance with the applicable transitional provisions.

IFRS 11, Joint Arrangements

In May 2014, the IASB issued Amendments to IFRS 11, "Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations" ("IFRS 11"). The objective of the amendments is to add new guidance to IFRS 11 on accounting for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3, "Business Combinations." Acquirers of such interests are to apply the relevant principles on business combination accounting in IFRS 3 and other standards, as well as disclosing the relevant information specified in these standards for business combinations. This amendment to IFRS 11 is effective for annual periods beginning on or after January 1, 2016, and should be applied prospectively. The implementation of this section had no impact on the Company's financial statements

IAS 16 and IAS 38 – Property, Plant and Equipment and Intangible Assets

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant, and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the event that the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible assets are highly correlated. This standard must be applied for accounting periods beginning on or after January 1, 2016. The Company amortizes property, plant and equipment and intangible assets using the straight-line method and, therefore, the application of these amendments to IAS 16 and IAS 38 did not have any impact on its consolidated financial statements.

Future Accounting Pronouncements

The following standards have been released by the IASB but have not yet been adopted.

IFRS 15, Revenue from Contracts and Customers

IFRS 15, Revenue from Contracts and Customers ("IFRS 15") was issued by the IASB on May 28, 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue, which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

2. BASIS OF PRESENTATION (continued)

(E) Accounting changes (continued)

IFRS 9, Financial Instruments

IFRS 9, Financial Instruments (“IFRS 9”) was issued by the IASB on July 24, 2014, and will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9; fair value through profit or loss (“FVTPL”) and amortized cost. Financial liabilities held for trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative host contracts not within the scope of this standard. The effective date for this standard is for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

IFRS 16, Leases

IFRS 16, Leases (“IFRS 16”) was issued by the IASB on January 13, 2016, and will replace IAS 17, Leases. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted if IFRS 15 has also been applied. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

3. MORTGAGES AND LOANS RECEIVABLE

Mortgages and loans receivable consist of the following:

(thousands of Canadian dollars)	2016	2015
Loan receivable from affiliated company	\$ -	\$ 13,840
Officer loan	1,258	1,258
Vendor take-back mortgages	199	205
	1,457	15,303
Less: current portion	6	14,045
	\$ 1,451	\$ 1,258

The loan receivable from affiliated company represents a US\$10,000,000 amount from an affiliated company that was repaid on February 3, 2016 and described in Note 16.

The officer loan bears interest at a market rate determined by the Compensation Committee of the Board of Directors of the Company which is 2.70% per annum (2015 – 2.85%), has maturities from December 31, 2018 to January 29, 2019, and was incurred to purchase common shares of a subsidiary that have subsequently been exchanged for common shares of the Company. The Company has indicated its intention to enforce the payment terms of these loans in the event of a decline in market value of the shares. The common shares financed by these loans, which are being held by the Company as collateral, had a market value of \$1,791,000 at December 31, 2016 (2015 – \$1,791,000).

The vendor take-back mortgages mature in November 2020 and have an average fixed interest rate of 8.44% (2015 – 8.44%).

For the years ended December 31, 2016 and 2015

4. INVENTORIES AND PREPAID EXPENSES

Inventories and prepaid expenses consist of the following:

(thousands of Canadian dollars)	2016	2015
Golf merchandise and supplies	\$ 2,129	\$ 2,618
Golf food and beverage	1,104	1,138
Rail gift shop	495	576
Other	1,268	2,154
	\$ 4,996	\$ 6,486

5. OTHER ASSETS

Other assets consist of the following:

(thousands of Canadian dollars)	2016	2015
Investment in joint venture	\$ 5,847	\$ 4,803
Rail inventory and supplies	4,846	5,701
Other	1,129	1,315
	\$ 11,822	\$ 11,819

On December 16, 2014, TWC and a land developer entered into a joint venture agreement to develop the Highland Gate Golf Club property into residential development. In order to effect the joint venture arrangement, TWC sold a 50% interest in the Highland Gate Golf Club including land, buildings, intangible assets and goodwill for proceeds of \$3,750,000. TWC and the land developer each own an equal interest in the entity, which will undertake the residential development. All key decisions respecting the joint venture require the agreement and consent of both TWC and the developer.

As part of the joint venture arrangement, TWC and the developer share joint control of the Highland Gate land. Given that the land is held with intentions of development, in connection with the joint venture described above, under IFRS 11, Joint Arrangement ("IFRS 11") this arrangement has been accounted for as part of the development joint venture using the equity basis of accounting. To date, the joint venture has no earnings as the development is in its early stages.

Summarized financial information for the Highland Gate joint venture at 100% and TWC's ownership interest is provided below:

(thousands of Canadian dollars)	2016	2015
Current assets	\$ 351	\$ 115
Development costs	5,647	3,614
Land	7,500	7,500
Liabilities and deferred profit	(1,804)	(1,624)
Net assets of Highland Gate joint venture at 100%	\$ 11,694	\$ 9,605
Net assets of Highland Gate joint venture at Company's share (50%)	\$ 5,847	\$ 4,803

The deferred profit represents 50% of the gain that was not recognized when the Company sold the land to the joint venture.

For the years ended December 31, 2016 and 2015

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

(thousands of Canadian dollars)	Land	Buildings and Land Improvements	Docks	Bunkers, Cart Paths and Irrigation	Rolling Stock and Equipment	Total
Cost						
At January 1, 2015	\$ 303,884	\$ 200,204	\$ 72,024	\$ 103,905	\$ 149,023	\$ 829,040
Additions	684	3,247	337	1,219	6,595	12,082
Impairment (Note 8)	(636)	(1,880)	-	(1,330)	(578)	(4,424)
Foreign exchange difference	5,557	9,343	13,942	1,797	14,210	44,849
At December 31, 2015	309,489	210,914	86,303	105,591	169,250	881,547
Additions	2,883	4,608	1,406	2,209	8,594	19,700
Disposals	-	-	-	-	(1,622)	(1,622)
Foreign exchange difference	(1,030)	(1,711)	(2,519)	(320)	(2,617)	(8,197)
At December 31, 2016	\$ 311,342	\$ 213,811	\$ 85,190	\$ 107,480	\$ 173,605	\$ 891,428
Accumulated Depreciation						
At January 1, 2015	\$ -	\$ 69,355	\$ 19,366	\$ 57,215	\$ 84,490	\$ 230,426
Depreciation	-	6,374	4,386	5,682	8,862	25,270
Foreign exchange difference	-	2,259	4,104	423	5,482	12,268
At December 31, 2015	-	77,954	27,856	63,320	98,834	267,964
Depreciation	-	6,805	4,382	5,429	8,598	25,214
Disposals	-	-	-	-	(1,622)	(1,622)
Foreign exchange difference	-	(421)	(773)	(81)	(1,033)	(2,308)
At December 31, 2016	\$ -	\$ 84,338	\$ 31,465	\$ 68,668	\$ 104,777	\$ 289,248
Net book value at December 31, 2015	\$ 309,489	\$ 132,960	\$ 58,447	\$ 42,271	\$ 70,416	\$ 613,583
Net book value at December 31, 2016	\$ 311,342	\$ 129,473	\$ 53,725	\$ 38,812	\$ 68,828	\$ 602,180

Certain property, plant and equipment have been assigned as collateral for borrowings (Note 10).

As at December 31, 2016, ClubLink had equipment under finance lease with a net book value of \$6,690,000 (2015 - \$8,576,000).

For the years ended December 31, 2016 and 2015

7. INTANGIBLE ASSETS

Intangible assets consist of the following:

(thousands of Canadian dollars)	Membership Base	Brand	Other	Total
Cost				
At January 1, 2015	\$ 12,512	\$ 13,873	\$ 2,534	\$ 28,919
Impairment (Note 8)	(343)	(396)	(218)	(957)
Foreign exchange difference	348	-	34	382
At December 31, 2015	12,517	13,477	2,350	28,344
Foreign exchange difference	(64)	-	(7)	(71)
At December 31, 2016	\$ 12,453	\$ 13,477	\$ 2,343	\$ 28,273
Accumulated Amortization				
At January 1, 2015	\$ 2,648	\$ 2,737	\$ 1,382	\$ 6,767
Amortization	435	482	200	1,117
Foreign exchange difference	49	-	29	78
At December 31, 2015	3,132	3,219	1,611	7,962
Amortization	615	449	136	1,200
Foreign exchange difference	(9)	-	(7)	(16)
At December 31, 2016	\$ 3,738	\$ 3,668	\$ 1,740	\$ 9,146
Net book value at December 31, 2015	\$ 9,385	\$ 10,258	\$ 739	\$ 20,382
Net book value at December 31, 2016	\$ 8,715	\$ 9,809	\$ 603	\$ 19,127

8. GOODWILL AND IMPAIRMENT

Goodwill consists of the following:

(thousands of Canadian dollars)	Total
At January 1, 2015	\$ 31,605
Additions	-
At December 31, 2015	31,605
Additions	-
At December 31, 2016	\$ 31,605

Goodwill relates to the acquisition of the Canadian golf club operations by the Company. The Canadian golf club operations has three cash-generating units: Eastern Ontario, Montreal and Muskoka/Southern Ontario. All of the goodwill has been allocated to the Muskoka/Southern Ontario cash-generating unit as this unit is expected to gain an economic advantage from the business combination that generated the goodwill. A cash-generating unit ("CGU") was defined by management to represent a group of golf clubs due to the reciprocal playing privileges that members have at other golf clubs within a geographic area.

8. GOODWILL AND IMPAIRMENT (continued)

Goodwill is not amortized, but tested annually for impairment in the fourth quarter in conjunction with the Company's planning for the following year. The recoverable amount of a CGU is the greater of (a) its fair value less costs to dispose and (b) value in use. In determining the recoverable amounts of the Company's CGU in 2016, the Company utilized the fair value less costs to dispose methodology. When there is no binding sales agreement, fair value less costs to dispose is estimated as the discounted future after-tax cash flows expected to be derived from selling the golf clubs within the CGU as a group to a market participant in consideration of each golf club's highest and best use, less an amount for costs to dispose. When discounting estimated future cash flows, the Company uses an after-tax discount rate that would approximate what market participants would assign. Estimated cash flows are based on expected future selling prices, operating costs and capital costs, as appropriate depending on the highest and best use determination by management. If the recoverable amount of the CGU is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. The carrying amount of the CGU includes the carrying amounts of golf club properties, plant and equipment, and goodwill and intangible assets. Impairment losses are recognized in the period they are incurred.

As at December 31, 2016 and December 31, 2015, the Company performed impairment testing on goodwill and identified no impairment.

Where there are indicators of impairment, the Company is required to perform impairment testing of a cash generating unit (CGU) combining all cash flows from each property within a CGU. As at December 31, 2015, the Company performed impairment testing on the assets within the Montreal CGU and concluded an impairment adjustment was warranted. The Company also concluded that the assets of a separate property were impaired. Reasons for impairment included declining operating performance and a decline in members at these properties. A total impairment in the amount of \$5,381,000 was recorded to both property, plant and equipment and intangible assets. Impairment expense in 2016 is nil.

Expected future cash flows used in the impairment testing of goodwill are inherently uncertain and could materially change over time. Cash flows are significantly affected by a number of factors including estimates of growth rates, capital expenditures and resignation rates of members. Should management's estimates of the future not reflect actual events, impairments may be identified.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

(thousands of Canadian dollars)	2016	2015
Trade payables	\$ 5,565	\$ 5,744
Accrued payroll costs	4,171	5,055
Accrued land lease rent	5,366	5,331
Accrued interest	1,243	1,426
Income taxes payable	872	2,363
Accrued liabilities and other	4,438	6,529
	\$ 21,655	\$ 26,448

For the years ended December 31, 2016 and 2015

10. BORROWINGS

Borrowings consist of the following:

(thousands of Canadian dollars)	2016	2015
Revolving:		
Secured revolving operating line of credit to a maximum of US \$10,000,000 due June 30, 2018 (nil; 2015 - US \$10,000,000) (a)	\$ -	\$ 13,840
Secured revolving operating line of credit to a maximum of \$70,000,000 due June 30, 2018 (b)	58,561	45,325
Secured revolving operating line of credit to a maximum of US \$27,980,000 due December 16, 2018 (US \$359; 2015 - US \$14,182,000) (c)	482	19,628
Unsecured revolving operating line of credit from a related party to a maximum of \$50,000,000 due on demand (Note 16)	47,084	35,000
	106,127	113,793
Non-revolving:		
Mortgages with blended monthly payments of principal and interest		
7.540% Mortgage due January 1, 2017	-	2,891
8.345% Mortgages due July 1, 2022	12,375	14,045
7.550% Mortgage due July 1, 2022	1,491	1,698
7.416% Mortgages due September 1, 2023	19,337	21,468
7.268% Mortgage due July 1, 2024	8,287	9,077
8.060% Mortgage due July 1, 2024	44,521	48,736
6.194% Mortgage due March 1, 2026	39,889	42,989
6.315% Mortgage due December 1, 2027	35,590	37,764
8.000% Mortgage due October 1, 2029 (US \$13,081,000; 2015 - US \$13,644,000)	17,564	18,883
	179,054	197,551
Term Loan:		
Term loan due September 1, 2020 (US \$22,138,000; 2015 - US \$23,998,000) (d)	29,725	33,213
Finance Lease Obligations:		
Canadian denominated	2,700	3,413
US denominated (US \$689,000; 2015 - US \$1,564,000)	925	2,164
	3,625	5,577
Gross borrowings	318,531	350,134
Less: deferred financing costs	1,320	1,571
Borrowings	317,211	348,563
Less: current portion	67,507	57,892
	\$ 249,704	\$ 290,671

Note a: As at December 31, 2016, there is US\$10,000,000 availability (2015 – nil) under this facility. This is a revolving operating line of credit with a two-year term and provisions for annual one-year extensions. This facility bears interest at LIBOR plus 175 basis points or 2.28% (2015 – 1.99%).

Note b: As at December 31, 2016, there are \$1,018,000 (2015 – \$1,049,000) in letters of credit issued, representing unavailable funds reserved for government withdrawals, and there is availability of \$9,821,000 (2015 – \$14,026,000) under this facility. This is a revolving operating line of credit with a two-year term and provisions for annual one-year extensions. This facility bears interest at bankers' acceptance rates plus 1.60% or 2.65% (2015 – 2.58%).

Note c: The rail and port operations maintain a secured revolving operating line of credit with a US financial institution. This loan bears interest at 2.49% (2015 – 1.99%).

Note d: The term loan is due to a US financial institution and is denominated in US dollars. It bears interest at LIBOR plus 300 basis points or 3.64% (2015 – 3.24%). It is repayable by fixed monthly principal payments in the amount of US\$155,000 plus interest.

For the years ended December 31, 2016 and 2015

10. BORROWINGS (continued)

Borrowings are collateralized by certain property, plant and equipment assets (Note 6).

Minimum principal debt repayments for the next five years and thereafter are as follows:

(thousands of Canadian dollars)	Revolving Maturities	Term Loan Amortization Payments	Mortgage and Term Loan Maturities	Finance Lease Obligations	Total Borrowings
2017	\$ 47,084	\$ 18,649	\$ -	\$ 1,774	\$ 67,507
2018	59,043	19,843	-	984	79,870
2019	-	21,125	-	528	21,653
2020	-	21,670	20,568	224	42,462
2021	-	21,486	-	115	21,601
2022 and thereafter	-	85,438	-	-	85,438
	\$ 106,127	\$ 188,211	\$ 20,568	\$ 3,625	\$ 318,531

Future minimum finance lease obligation payments are as follows:

(thousands of Canadian dollars)	Maturities	Amortization Payments	Finance Lease Obligations	Interest	Total Minimum Lease Payments
2017	\$ -	\$ 1,774	\$ 1,774	\$ 104	\$ 1,878
2018	1	983	984	53	1,037
2019	-	528	528	26	554
2020	1	223	224	10	234
2021	-	115	115	3	118
	\$ 2	\$ 3,623	\$ 3,625	\$ 196	\$ 3,821

The above finance lease obligations have a weighted average interest rate of 3.75% (2015 – 3.58%).

For the years ended December 31, 2016 and 2015

11. DEFERRED MEMBERSHIP FEES

Deferred membership fees consist of the following:

(thousands of Canadian dollars)	2016	2015
Unamortized membership fees (note 11A)	\$ 40,485	\$ 47,624
Future membership fee instalments (note 11B)	(22,156)	(23,167)
Deferred membership fees	\$ 18,329	\$ 24,457

Unamortized membership fees represents the portion of collected or committed membership fees that have not been booked as revenue.

Future membership fee instalments represents the amount of uncollected committed membership fee instalments. The Company forgives future instalments upon resignation of a member.

The net deferred membership fees represents the excess of membership fees collected over membership fee revenue recognized.

(A) Changes in unamortized membership fees are as follows:

(thousands of Canadian dollars)	2016	2015
Balance, beginning of year	\$ 52,031	\$ 56,714
Sales to new members	7,078	7,192
Transfer and reinstatement fees	1,500	2,275
Resignations and terminations	(4,053)	(3,169)
Amortization of membership fees to revenue	(11,210)	(11,162)
Exchange difference	(35)	181
Balance, end of year	45,311	52,031
Allowance for future resignations and terminations	(4,826)	(4,407)
Unamortized membership fees	\$ 40,485	\$ 47,624

(B) Changes in future membership fee instalments are as follows:

(thousands of Canadian dollars)	2016	2015
Balance, beginning of year	\$ 27,574	\$ 27,174
Sales to new members	7,078	7,192
Transfer and reinstatement fees	1,500	2,275
Resignations and terminations	(4,053)	(3,169)
Instalments received in cash	(5,094)	(6,011)
Exchange difference	(23)	113
Balance, end of year	26,982	27,574
Allowance for future resignations and terminations	(4,826)	(4,407)
Future membership fee instalments	\$ 22,156	\$ 23,167

For the years ended December 31, 2016 and 2015

11. DEFERRED MEMBERSHIP FEES (continued)

The following table estimates future cash flows and revenue recognition based on the collection of future membership fee instalments outstanding on December 31, 2016, net of an allowance for resignations and terminations. The estimated collection of future membership fee instalments, amortization of unamortized membership fees and the estimated deferred membership fees, assuming no further memberships sold is as follows:

(thousands of Canadian dollars)	Estimated collection of future membership fee instalments	Estimated amortization of deferred membership fees	Estimated deferred membership fees, at year-end
Balance, December 31, 2016			\$ 18,329
2017	\$ 3,148	\$ 7,698	13,779
2018	2,800	6,523	10,056
2019	2,471	5,025	7,502
2020	2,159	4,124	5,537
2021	1,820	3,289	4,068
2022 and thereafter	9,758	13,826	-
	\$ 22,156	\$ 40,485	

Membership fees are amortized over the estimated weighted average remaining life of memberships purchased by join year. The amortization period is reviewed annually and any adjustments are made prospectively.

Details on amortization period in years, amortization of membership fee revenue and members at year end is broken down by member join year as follows:

Member Join Year	Amortization Period (yrs) 2016	Amortization Period (yrs) 2015	Amortization of Membership Fees (\$000) 2016	Amortization of Membership Fees (\$000) 2015
1994-2002	Cash	Cash	\$ 303	\$ 500
2003	1	2	1,267	1,241
2004	2	3	1,177	1,169
2005	1	2	2,130	2,094
2006	4	5	866	862
2007	3	4	1,506	1,496
2008	5	6	745	746
2009	6	7	654	664
2010	6	7	482	494
2011	9	10	422	441
2012	11	12	226	244
2013	11	12	256	285
2014	12	13	293	331
2015	13	14	268	339
2016	14	-	341	-
Canadian subtotals			\$ 10,936	\$ 10,906
US revenue			274	256
Totals			\$ 11,210	\$ 11,162

For the years ended December 31, 2016 and 2015

12. INCOME TAXES

(A) Income tax provision

The provision for income taxes differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate income tax rates to earnings before income taxes. The major components of these differences are explained as follows:

(thousands of Canadian dollars)	2016	2015
Earnings before income taxes	\$ 19,410	\$ 7,340
Expected corporate tax rate	26.50%	26.50%
Calculated income tax provision	5,144	1,945
Difference in statutory tax rates	1,005	460
Capital items	126	651
Foreign currency translation of temporary differences	(230)	332
Intercompany financing	(1,612)	-
Adjustment to prior year amounts	(1,554)	(559)
Permanent differences and other	(27)	252
	\$ 2,852	\$ 3,081

The tax rate used for the 2016 and 2015 reconciliations above is the corporate rate of 26.50% payable by corporate entities in Ontario, Canada.

(B) Deferred income tax liabilities

The tax effects of temporary differences that give rise to the deferred income tax assets and liabilities are summarized as below:

(thousands of Canadian dollars)	Capital and Intangible Assets	Loss Carry Forwards and Other	Total
Balance, January 1, 2015	\$ 57,966	\$ (2,766)	\$ 55,200
Recognized in earnings	(379)	829	450
Recognized in equity through comprehensive earnings	8,700	(1,083)	7,617
As at December 31, 2015	66,287	(3,020)	63,267
Recognized in earnings	(697)	3,661	2,964
Recognized in equity through comprehensive earnings	(1,637)	663	(974)
As at December 31, 2016	\$ 63,953	\$ 1,304	\$ 65,257

For the year ended December 31, 2016, there were unused tax losses of US\$9,350,000 (2015 - US\$9,350,000) on which no deferred tax assets have been recognized. The unrecognized tax losses will expire from 2022 to 2033.

As at December 31, 2016, TWC and its subsidiaries, have the following non-capital income tax losses available to reduce future years' income for income tax purposes, the benefit of which have been recognized.

(thousands of Canadian dollars)	US Jurisdiction Losses	Expiry Date
	\$ 6,529	2033

13. SHARE CAPITAL

(A) Authorized and issued share capital

The authorized share capital is an unlimited number of common shares and preferred shares. As at December 31, 2016 and 2015, there are 27,345,540 and 27,135,545 common shares outstanding, respectively. As at December 31, 2016, no preferred shares have been issued. Please refer to the consolidated statements of changes in shareholders' equity for details.

(B) Dividends

During 2015, ClubLink declared and issued four quarterly stock dividends of 7.5 cents per common share on March 27, 2015, June 15, 2015, September 15, 2015 and December 15, 2015. There were 742,183 shares issued under these stock dividends.

During the first quarter of 2016, TWC declared and issued one stock dividend of 7.5 cents per common share on March 28, 2016. There were 209,048 shares issued under this stock dividend.

During 2016, ClubLink declared and paid three quarterly cash dividends of 2 cents per common share for a total of 6 cents per common share or \$1,641,000 for the year.

(C) Shares repurchased and cancelled

The Company was approved by the Toronto Stock Exchange for a normal course issuer bid to purchase up to 1,338,000 of its common shares which expired on September 19, 2016. No shares were repurchased for cancellation under the normal course issuer bid.

The Company was approved by the Toronto Stock Exchange for a normal course issuer bid to purchase up to 1,367,000 of its common shares which will expire on September 19, 2017. The Company did not make any purchases under this bid.

On July 22, 2015, a sunset clause for holders of unexchanged shares of ClubLink Corporation ULC resulted in the cancellation of 25,980 TWC shares.

In recording the repurchase and cancellation of shares, share capital is reduced by the weighted average issue price of the outstanding common shares with the differential to the purchase price being credited or charged to retained earnings.

(D) Earnings per share

The Company has completed five stock dividends since January 1, 2015, totalling 951,231 shares. After giving effect to retroactive application of the issuance of these shares, the weighted average number of shares for the year ended December 31, 2015 amounted to 27,359,000. The revised earnings per share for the year ended December 31, 2015 amounted to \$0.16.

(thousands of Canadian dollars)	December 31, 2015	Restated December 31, 2015
Net earnings	\$ 4,259	\$ 4,259
Weighted average common shares outstanding (000)	27,150,000	27,359,000
Basic and diluted earnings per share	\$ 0.16	\$ 0.16

The dilutive effect of outstanding stock options per share is based on the application of the treasury stock method. Under this method, the proceeds from the exercise of such securities are assumed to be used to purchase common shares of TWC. Effective November 20, 2014, the stock option plan was cancelled. Diluted earnings per share is the same as basic earnings per share.

For the years ended December 31, 2016 and 2015

14. INTEREST, NET

Interest expense consists of the following:

(thousands of Canadian dollars)	2016	2015
Revolving lines of credit	\$ 3,402	\$ 2,765
Non-revolving mortgages	13,441	14,654
Term loan	987	1,023
Finance lease obligations	153	239
Line of credit from related party	186	479
Line of credit to related party	(63)	(71)
Amortization of deferred financing costs	423	570
Gross interest expense	18,529	19,659
Interest revenue	(378)	(297)
Interest, net	\$ 18,151	\$ 19,362

15. EMPLOYEE BENEFIT PLANS

The rail and port operations are required to participate in a multi-employer benefit plan sponsored by the Railroad Retirement Board for employees in the US. The Company contributed 20.75% (2015 – 20.75%) of eligible compensation for the year ended December 31, 2016. The amounts contributed to the plan by the Company for the years ended December 31, 2016 and 2015, were US\$1,308,000 in each year.

The rail and port operations also participate in two benefit plans covering substantially all of its employees covered by collective bargaining agreements. These plans are both contributory and non-contributory multi-employer plans. The plans provide health care and other welfare benefits during the employees' working lives and, for a monthly premium, benefits after retirement. Amounts charged to benefit costs and contributed to the plans for the years ended December 31, 2016 and 2015, totaled US\$1,049,000 and US\$979,000, respectively. The Company makes monthly contributions to the plans based on hours worked by employees and based on monthly premiums.

16. RELATED PARTY TRANSACTIONS

The immediate parent and controlling party of the Company is Paros Enterprises Limited (“Paros”) and its parents – S.N.A. Management Limited. These companies are privately-owned companies whose shareholder is the Chairman, President and Chief Executive Officer of the Company – K. (Rai) Sahi.

K. (Rai) Sahi, the Chairman, President and Chief Executive Officer of the Company is also the controlling shareholder of Morguard Corporation (“Morguard”).

The Company has provided an unsecured revolving demand credit facility to Morguard in the amount of \$30,000,000, with no fixed maturity date. The facility bears interest at TWC’s short-term borrowing rate plus 10 basis points. As at December 31, 2015, there was US\$10,000,000 (CDN\$13,840,000) outstanding on this facility. Interest earned for the year ended December 31, 2015, amounted to CDN\$71,000. As at December 31, 2016, there was no amount outstanding on the facility, and interest earned for the year amounted to CDN\$63,000.

Morguard has provided an unsecured revolving demand credit facility to TWC in the amount of \$50,000,000 with no fixed maturity date. This facility has been utilized for short-term borrowing needs from time to time in 2015 and 2016. This facility bears interest at Morguard’s short-term borrowing rate plus 10 basis points. Interest incurred for the year ended December 31, 2016 amounted to \$186,000 (2015 - \$479,000).

The Company has provided an unsecured revolving demand credit facility to Paros in the amount of \$5,000,000, with no fixed maturity date. This facility bears interest at prime plus 1%. During the years ended December 31, 2016 and 2015, there were no advances or repayments under this facility.

Paros has provided an unsecured revolving demand credit facility to TWC in the amount of \$5,000,000 with no fixed maturity date. This facility bears interest at prime plus 1%. During the years ended December 31, 2016 and 2015, there were no advances or repayments under this facility.

The purpose of these credit facilities is to allow each of the above entities to manage its financing activities in the most effective manner.

The Company receives managerial and consulting services from Morguard. The Company paid a management fee of \$240,000 for the year ended December 31, 2016 (2015 - \$240,000), under a contractual agreement, which is included in operating expenses. Morguard provides back-office services to ClubLink US Corporation. The Company paid a management fee of \$652,000 (CDN\$866,000) for the period ended December 31, 2016 (December 31, 2015 - nil) under a contractual agreement, which is included in operating expenses.

During 2016, the Company earned \$479,000 (2015 - \$476,000) in golf revenue (primarily food and beverage and corporate events) from related parties controlled by the Chairman, President and Chief Executive Officer of the Company.

A total of US\$53,000 of rental revenue was earned by TWC for the year ended December 31, 2016 (2015 - US\$53,000) from Morguard relating to a shared office facility in Florida.

All related party transactions were made in the ordinary course of business and on substantially the same terms including interest rates and security as for comparable transactions with parties of a similar standing.

The remuneration of key management personnel of TWC as determined in its two most latest Management Information Circulars are as follows:

(thousands of Canadian dollars)	2016	2015
Salaries, incentives and short-term benefits ⁽¹⁾	\$ 1,514	\$ 1,489
Termination benefits	-	-
Share-based payments	-	-
	\$ 1,514	\$ 1,489

(1) Includes annual salary, incentives and short-term benefits earned in the year

For the years ended December 31, 2016 and 2015

17. SEGMENTED INFORMATION

TWC's reportable segments are strategic business units that offer different services and/or products. The Company's operating segments have been determined based on reports reviewed that are used to make strategic decisions by the President and CEO, the Company's chief operating decision maker.

TWC operates in two distinct business segments: (a) golf club operations and (b) rail and port operations. In addition, the corporate operations segment oversees the two business segments.

TWC is engaged in golf club operations under the trademark "ClubLink One Membership More Golf". TWC is Canada's largest owner and operator of golf clubs with 53½, 18-hole equivalent championship and 3½, 18-hole equivalent academy courses, at 41 locations in two separate geographic Regions: (a) Canada and (b) United States.

TWC's golf clubs are strategically organized in clusters that are located in densely populated metropolitan areas and resort destinations frequented by those who live and work in these areas. By operating in regions, TWC is able to offer golfers a wide variety of unique membership, corporate event and resort opportunities. TWC is also able to obtain the benefit of operating synergies to maximize revenue and achieve economies of scale to reduce costs.

TWC is also engaged in rail and port operations based in Skagway, Alaska which operate under the trade name of "White Pass & Yukon Route". This includes a tourist railway stretching approximately 110 kilometres (67.5 miles) from Skagway, Alaska to Carcross, Yukon.

White Pass also operates three docks in Skagway, which provide four berths for cruise ships operating west coast schedules throughout the May to September tourist season. The largest of the three docks, with two berths, is owned while the two remaining docks are situated on state and city property and operate under long-term tideland leases.

Rail and port operations are economically dependent upon the Alaska cruise line industry. For the year ended December 31, 2016, Carnival Cruises and its subsidiaries, Princess Cruises and Holland America Cruises, made up approximately 53.2% of White Pass port passengers (2015 – 54.3%). The loss of this customer could have a material impact on the operations of the Company.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Any inter-segment transfers are recorded at cost.

Geographical information is not separately presented as the industry segments operate in separate and distinct geographical segments on their own.

For the Year Ended December 31, 2016

(thousands of Canadian dollars)	Canadian Golf Club Operations	US Golf Club Operations	Rail and Port Operations	Corporate Operations	Total
Operating revenue	\$ 140,085	\$ 25,271	\$ 52,479	\$ -	\$ 217,835
Direct operating expenses	(108,322)	(23,407)	(24,357)	(2,886)	(158,972)
Net operating income (loss)	31,763	1,864	28,122	(2,886)	58,863
Amortization of membership fees	10,936	274	-	-	11,210
Depreciation and amortization	(14,485)	(2,667)	(9,262)	-	(26,414)
Land lease rent	(5,049)	-	(254)	-	(5,303)
Other expenses, net	(682)	(25)	29	(117)	(795)
Segment earnings (loss) before interest and income taxes	\$ 22,483	\$ (554)	\$ 18,635	\$ (3,003)	37,561
Interest, net (unallocated)					(18,151)
Provision for income taxes (unallocated)					(2,852)
Net earnings					\$ 16,558
Capital expenditures	\$ 11,148	\$ 1,433	\$ 7,119	\$ -	\$ 19,700

For the years ended December 31, 2016 and 2015

17. SEGMENTED INFORMATION (continued)

For the Year Ended December 31, 2015					
(thousands of Canadian dollars)	Canadian Golf Club Operations	US Golf Club Operations	Rail and Port Operations	Corporate Operations	Total
Operating revenue	\$ 139,620	\$ 26,124	\$ 50,403	\$ -	\$ 216,147
Direct operating expenses	(108,259)	(24,283)	(23,122)	(2,810)	(158,474)
Net operating income (loss)	31,361	1,841	27,281	(2,810)	57,673
Amortization of membership fees	10,906	256	-	-	11,162
Depreciation and amortization	(15,032)	(2,543)	(8,812)	-	(26,387)
Land lease rent	(5,251)	-	(238)	-	(5,489)
Segment earnings (loss) before interest and income taxes	\$ 21,984	\$ (446)	\$ 18,231	\$ (2,810)	36,959
Interest, net (unallocated)					(19,362)
Other expenses, net (unallocated)					(10,257)
Provision for income taxes (unallocated)					(3,081)
Net earnings					\$ 4,259
Capital expenditures	\$ 5,667	\$ 1,162	\$ 5,253	\$ -	\$ 12,082

Where there are indicators of impairment, the Company is required to perform impairment testing of a cash generating unit (CGU) combining all cash flows from each property within a CGU. As at December 31, 2015, the Company performed impairment testing on the assets within the Montreal CGU and concluded an impairment adjustment was warranted. The Company also concluded that the assets of a separate property were impaired. Reasons for impairment included declining operating performance and a decline in members at these properties. A total impairment in the amount of \$5,381,000 was recorded to both property, plant and equipment and intangible assets within the Company's Canadian Golf Club Operations. This was recorded as other expense.

December 31, 2016					
(thousands of Canadian dollars)	Canadian Golf Club Operations	US Golf Club Operations	Rail and Port Operations	Corporate Operations	Total
Segment assets	\$ 477,290	\$ 40,598	\$ 160,601	\$ 627	\$679,116
Segment liabilities	\$ 239,611	\$ 11,080	\$ 93,184	\$ 97,482	\$441,357

December 31, 2015					
(thousands of Canadian dollars)	Canadian Golf Club Operations	US Golf Club Operations	Rail and Port Operations	Corporate Operations	Total
Segment assets	\$ 485,590	\$ 43,314	\$ 182,835	\$ 326	\$712,065
Segment liabilities	\$ 268,709	\$ 21,372	\$ 109,447	\$ 87,347	\$486,875

For the years ended December 31, 2016 and 2015

18. OPERATING LEASE COMMITMENTS

Land Lease Rent

TWC has certain golf clubs that it operates, which are under long-term lease arrangements and are subject to standard lease termination clauses.

The following are the golf clubs under lease with expiration dates:

- National Pines Golf Club: November 15, 2024
- Greenhills Golf Club: February 28, 2026
- The Country Club: December 31, 2026
- The Club at Bond Head: December 31, 2029

TWC has two non-cancellable leases for tidelands with the State of Alaska, that expire in 2051, and a non-cancellable lease for tidelands with the City of Skagway, which expires in 2023.

TWC is committed to the following minimum land lease rentals for the next five years and thereafter as follows:

(thousands of Canadian dollars)	Golf Club Operations	Rail and Port Operations	Total
2017	\$ 4,948	\$ 250	\$ 5,198
2018	5,352	250	5,602
2019	5,459	250	5,709
2020	5,569	250	5,819
2021	5,683	250	5,933
2022 and thereafter	30,860	2,507	33,367
	\$ 57,871	\$ 3,757	\$ 61,628

During 2016, the Company paid \$64,000 (2015 - \$63,000) in percentage rent in addition to the golf club operations land lease commitments described above.

Guarantees

In the normal course of operations, the Company executes agreements that provide for indemnification and guarantees to third parties in transactions such as business dispositions, business acquisitions, sales of assets and sales of services.

19. CAPITAL MANAGEMENT

TWC's objective is to ensure that capital resources are readily available to meet obligations as they become due, to complete its approved capital expenditure program and to take advantage of attractive acquisitions as these opportunities arise.

Certain secured debt obligations of the golf club operations segment have restrictive covenants that require maintenance of certain financial ratios. These covenants include debt service ratios, borrowings to adjusted equity/asset ratios and a minimum total equity requirement. For all of 2015 and 2016, the Company was in compliance with these borrowings covenants.

The rail and port operations segment also has certain restrictive covenants on its secured borrowings. These covenants include a minimum net worth ratio and a debt service ratio. White Pass was in compliance with its covenants for all of 2016 and 2015.

TWC monitors capital on the basis of the net borrowings-to-adjusted equity ratio. This ratio is calculated as net borrowings divided by adjusted equity. Net borrowings is calculated as gross borrowings less cash. Adjusted equity is comprised of all components of shareholders' equity (i.e., share capital, retained earnings and accumulated other comprehensive gain or loss) and deferred membership fees less a related statutory tax provision.

For the years ended December 31, 2016 and 2015

19. CAPITAL MANAGEMENT (continued)

The Company sets its capital structure in proportion to risk. It manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, purchase and cancel shares pursuant to issuer bids, issue new shares, or sell assets to reduce borrowings.

TWC's objective is to maintain a net borrowings-to-adjusted equity ratio of less than 2.50, in order to maintain access to financing at a reasonable cost. The net borrowings-to-adjusted equity ratios at December 31, 2016 and December 31, 2015, are as follows:

(thousands of Canadian dollars)	2016	2015
Gross borrowings	\$ 318,531	\$ 350,134
Cash	(2,382)	(2,251)
Loan receivable from affiliated company	-	(13,840)
Net borrowings (A)	\$ 316,149	\$ 334,043
Share capital	\$ 111,987	\$ 109,953
Retained earnings	96,775	83,892
Accumulated other comprehensive gain	28,997	31,345
Deferred membership fees	18,329	24,457
Less: tax provision at statutory income tax rates	(4,857)	(6,481)
Adjusted equity (B)	\$ 251,231	\$ 243,166
Net borrowings-to-adjusted equity ratio (A/B)	1.26	1.37

Both operating segments have revolving credit arrangements, which are used to fund operations. This allows each segment the flexibility to manage its highly seasonal cash inflows and regular year round disbursements while providing appropriate returns to the shareholders. Cash flows considered surplus to the long-term needs of the business segment are generally utilized in corporate operations.

TWC may access financing from related party companies such as Morguard and Paros, as needed.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial assets and liabilities

Pursuant to IFRS, financial instruments are classified into one of the following five categories: FVTPL, held to maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. The carrying values of the Company's financial instruments on the consolidated balance sheets are classified into the following categories:

(thousands of Canadian dollars)	2016	2015
Loans and receivables ⁽¹⁾	\$ 9,386	\$ 28,190
Other financial liabilities ⁽²⁾	338,866	375,011

(1) Includes cash, accounts receivable and mortgages and loans receivable.

(2) Includes accounts payable and accrued liabilities and borrowings.

A portion of the accounts receivable balance has been pledged in conjunction with the assignment of certain property, plant and equipment as collateral for borrowings.

For the years ended December 31, 2016 and 2015

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair values

The Company has determined, using considerable judgment, the estimated fair values of its financial instruments based on the valuation methodologies which are described below. The fair values of TWC's financial instruments approximate their carrying values for financial statement purposes.

The methods and assumptions used to estimate the fair value of each type of financial instrument are as follows:

The fair values of cash, accounts receivable, accounts payable and accrued liabilities, and revolving lines of credit approximate their carrying values given their short-term maturities.

The carrying value of mortgages and loans receivable is assumed to approximate fair value as they bear interest at current market rates.

The fair value of non-revolving borrowings was estimated based on the discounted cash flows of the borrowings at the Company's estimated incremental interest rates for borrowings of the same remaining maturities.

Financial instruments recorded at fair value on the consolidated balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.

Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – valuation techniques with inputs not based on observable market inputs.

Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange and interest rate risks), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is the responsibility of the corporate finance department whose function is to identify, evaluate and, where appropriate, hedge financial risks. The Company's overall risk management program focuses on establishing policies to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company aims to develop a disciplined control environment in which all employees understand their roles and obligations. Risks are monitored and are regularly discussed with the board of directors.

Foreign exchange risk

As discussed in Note 1, the rail and port operations and the United States golf club operations have a reporting currency in US dollars. Therefore, fluctuations in the US dollar exchange rate will impact the earnings of TWC.

To help manage this risk, the Company has sought a certain amount of its financing to be in a US dollar base currency.

For the year ended December 31, 2016, if the Canadian dollar had weakened (strengthened) 10% against the US dollar, all other variables held constant, the after tax earnings would have increased (declined) by \$998,000 (2015 - \$1,208,000).

From time to time, the Company may enter into foreign exchange contracts to fix the exchange exposure on certain of its borrowings.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate risk

The following debt instruments have variable interest rates:

(thousands of Canadian dollars)	2016	2015
Revolving line of credit - US golf (December 31, 2016 - LIBOR plus 175 basis points or 2.28% December 31, 2015 - LIBOR plus 175 basis points or 1.99%)	\$ -	\$ 13,840
Revolving line of credit - corporate (December 31, 2016 - BA's plus 160 basis points or 2.65%; prime plus 47.5 basis points or 3.18% December 31, 2015 - BA's plus 160 basis points or 2.58%; prime plus 47.5 basis points or 3.18%)	58,561	45,325
Revolving line of credit - rail (December 31, 2016 - LIBOR plus 187.5 basis points or 2.49% December 31, 2015 - LIBOR plus 175 basis points or 1.99%)	482	19,628
Operating line of credit from related party (cost of funds plus 10 basis points)	47,084	35,000
Term loan (December 31, 2016 - LIBOR plus 300 basis points or 3.64% December 31, 2015 - LIBOR plus 300 basis points or 3.24%)	29,725	33,213
	\$ 135,852	\$ 147,006

For the year ended December 31, 2016, an increase (decrease) of 100 basis points of each the Canadian and US variable interest rate borrowings would have increased (decreased) interest expense by \$1,328,000 (2015 - \$1,349,000).

The objective of the Company's interest rate management activities is to minimize the volatility of the Company's earnings.

Credit risk

Credit risk arises from cash held with banks and financial institutions, as well as credit exposure to trade accounts receivable and mortgages and loans receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

The objective of managing credit risk is to prevent losses in financial assets. It is TWC's experience that the credit worthiness of its member accounts receivable balances is very good because it has the ability to suspend the playing and charging privileges of members who have overdue accounts in order to manage credit risk exposure to its members.

Further, the Company collects deposits on group functions such as corporate events, banquets and resort stays to help reduce this risk.

The rail and port operations have historically had very few bad debts because of its strong relationships with the cruise lines and related travel groups.

The credit risk associated with mortgages and loans receivable is considered minimal as they are adequately secured. Collateral for mortgages and loans receivable include a charge on the underlying asset for vendor take-back mortgages and loans and the underlying security for share purchase loans.

The carrying amount of accounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of earnings within operating expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts receivable. Subsequent recoveries of amounts previously written off are credited to the allowance account.

For the years ended December 31, 2016 and 2015

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk (continued)

The following table describes the changes in the allowance for doubtful accounts receivable:

(thousands of Canadian dollars)	2016	2015
Balance, beginning of year	\$ 505	\$ 471
Increase in allowance through bad debt expense	-	69
Bad debt write-offs	(144)	(35)
Balance, end of year	\$ 361	\$ 505

The following table sets forth details of the age of receivables that are not overdue, as well as an analysis of overdue amounts and related allowance for doubtful accounts:

(thousands of Canadian dollars)	2016	2015
Accounts receivable		
Current	\$ 5,024	\$ 10,100
Past due for more than one day but not more than 60 days	281	225
Past due for more than 60 days	603	816
Less: allowance for doubtful accounts	(361)	(505)
Subtotal	5,547	10,636
Mortgages and loans receivable		
Current	1,457	15,303
Past due	-	-
Less: allowance for doubtful accounts	-	-
Subtotal	1,457	15,303
Total loans and receivables	\$ 7,004	\$ 25,939

For the years ended December 31, 2016 and 2015

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk arises through excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available cash reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and through the availability of funding from committed credit facilities.

The Company and its subsidiaries are subject to risks associated with borrowings, including the possibility that existing mortgages may not be refinanced or may not be refinanced on as favorable terms or with interest rates as favourable as those of the existing facilities. The Company and its subsidiaries reduce these risks by its continued efforts to stagger and to extend the maturity profile of its borrowings, enhance the value of its real estate properties and foster excellent relations with its lenders.

The Company believes that cash on hand, future free cash flows generated by operations and availability under its revolving operating facility will be adequate to meet its financial obligations.

The Company has financial liabilities with varying contractual maturity dates. Total financial liabilities at December 31, 2016, based on contractual undiscounted payments are as follows:

(thousands of Canadian dollars)	2017	2018	2019	2020	2021	2022 and beyond	Total
Accounts payable and accrued liabilities	\$ 21,655	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,655
Revolving lines of credit	47,084	59,043	-	-	-	-	106,127
Non-revolving mortgages - principal	16,152	17,346	18,628	20,004	21,486	85,438	179,054
Non revolving mortgages - interest	12,309	11,093	9,785	8,380	6,870	14,745	63,182
Term loan - principal	2,497	2,497	2,497	22,234	-	-	29,725
Term loan - interest	1,035	944	854	453	-	-	3,286
Finance lease obligations - principal	1,774	984	528	224	115	-	3,625
Finance lease obligations - interest	104	53	26	10	3	-	196
	<u>\$102,610</u>	<u>\$ 91,960</u>	<u>\$ 32,318</u>	<u>\$ 51,305</u>	<u>\$ 28,474</u>	<u>\$ 100,183</u>	<u>\$406,850</u>

Total financial liabilities at December 31, 2015, based on contractual undiscounted payments are as follows:

(thousands of Canadian dollars)	2016	2017	2018	2019	2020	2021 and beyond	Total
Accounts payable and accrued liabilities	\$ 26,448	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,448
Revolving lines of credit	35,000	59,165	19,628	-	-	-	113,793
Non-revolving mortgages - principal	17,727	16,409	17,373	18,657	20,037	107,348	197,551
Non revolving mortgages - interest	13,612	12,353	11,133	9,823	8,416	21,785	77,122
Term loan - principal	2,574	2,574	2,574	2,574	22,917	-	33,213
Term loan - interest	1,036	952	869	785	418	-	4,060
Finance lease obligations - principal	2,591	1,667	852	384	83	-	5,577
Finance lease obligations - interest	154	75	29	10	1	-	269
	<u>\$ 99,142</u>	<u>\$ 93,195</u>	<u>\$ 52,458</u>	<u>\$ 32,233</u>	<u>\$ 51,872</u>	<u>\$ 129,133</u>	<u>\$458,033</u>

For the years ended December 31, 2016 and 2015

21. CONTINGENCIES

From time to time, TWC and certain of its subsidiaries, employees, officers and/or directors are defendants in a number of legal actions arising in the ordinary course of operations. In the opinion of management, it is expected that the ultimate resolution of such pending legal proceedings will not have a material effect on TWC's consolidated financial position.

The Company leases a portion of the Skagway harbour and related tidelands from the Municipality under a lease that expires in March 2023. Leasehold improvements to the tidelands include two docks and ore handling equipment.

The ore handling equipment has historically been used for the handling and transporting of ore concentrates onto freight ships for transportation to international ports. White Pass participated in these ore handling activities until 1990 since it owned the ore handling equipment at which point the equipment was sold to a third party. The practice of handling ore has continued from 1990 to today by a third party.

Prior to the sale of the ore handling equipment in 1990, environmental assessments demonstrated that there were pollutants in the harbour relating to the historic handling and transporting of ore concentrates.

The Alaska Department of Environmental Conservation (ADEC) lists the Skagway harbour as "impaired," but has not previously attempted any corrective measures to remediate the harbour due to the fact that there has been a natural sedimentary cap which has covered the foreign matter.

In 2016, ADEC started to hold meetings with the stakeholders involved - including (a) the owner of the tidelands (Municipality of Skagway), (b) the current owner of equipment, (c) the current lessee, (d) the historic lessee and (e) the operators of the equipment over time. ADEC has asked the remediation be addressed, but has not directed any formal orders at any one party.

White Pass has engaged an environmental consultant to review the situation in the harbour.

Currently, the outcome and corrective measures (if any) of the remediation is not known and the Company has not made any accruals for future costs (if any).

22. COMPARATIVE AMOUNTS

To conform with the financial statement presentation for 2016, \$1,477,000 in direct costs of originating membership fees in 2015 have been reclassified to labour and employee benefits and other operating expenses for better presentation and comparability.

To conform with the financial statement presentation for 2016, \$7,418,000 in other operating expenses in 2015 have been reclassified to selling, general and administrative expenses for better presentation and comparability.

23. SUBSEQUENT EVENTS

On January 25, 2017, ClubLink sold the property that was formerly known as Grandview Resort in Huntsville, Ontario for proceeds of \$5,600,000. This property has been closed since February 2012.

On February 28, 2017, the Company declared a 2 cents per common share cash dividend, payable March 31, 2017 to shareholders of record on March 15, 2017.