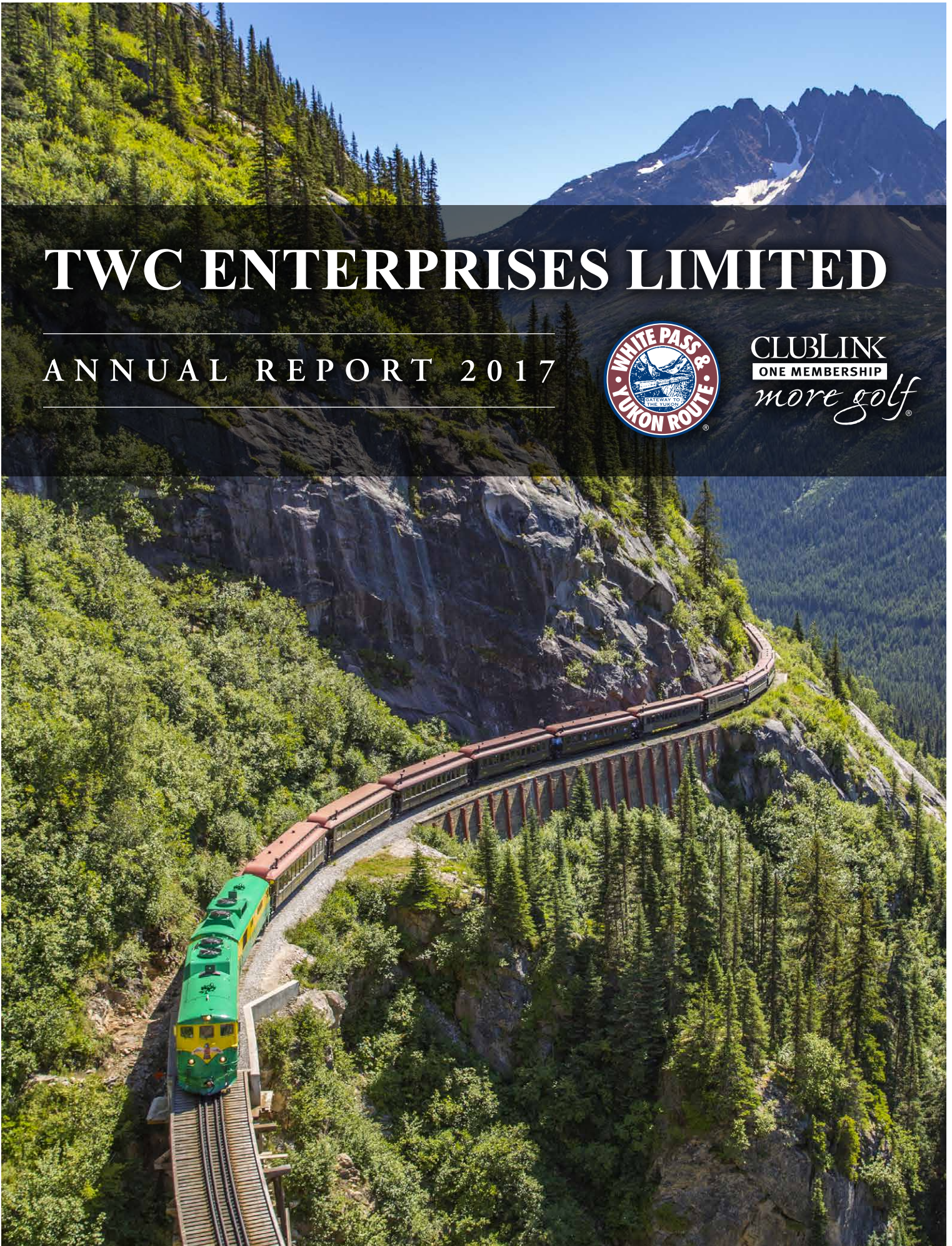


TWC ENTERPRISES LIMITED

ANNUAL REPORT 2017



CLUBLINK
ONE MEMBERSHIP
more golf®



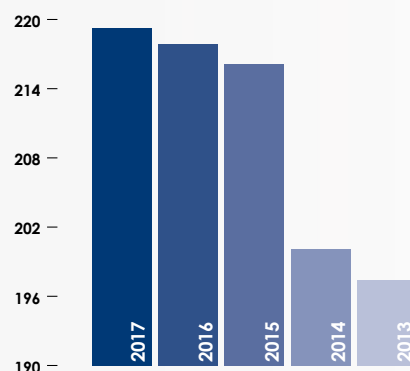
TWC ENTERPRISES LIMITED

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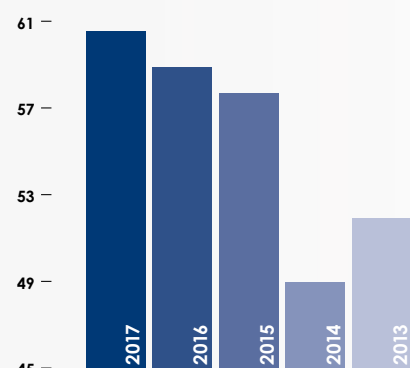
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TWC is engaged in golf club operations under the trade-mark "ClubLink One Membership More Golf". ClubLink is Canada's largest owner and operator of golf clubs with 53½, 18-hole equivalent championship and 3½, 18-hole equivalent academy courses at 41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

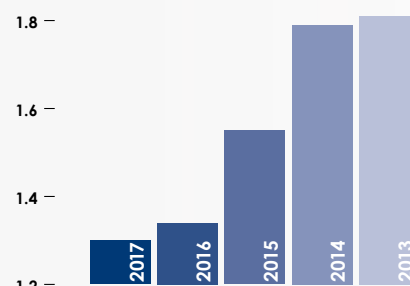
TWC is also engaged in rail and port operations based in Skagway, Alaska, which operate under the trade name "White Pass & Yukon Route." The railway stretches approximately 110 kilometres (67.5 miles) from Skagway, Alaska to Carcross, Yukon. In addition, White Pass operates three docks, primarily for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



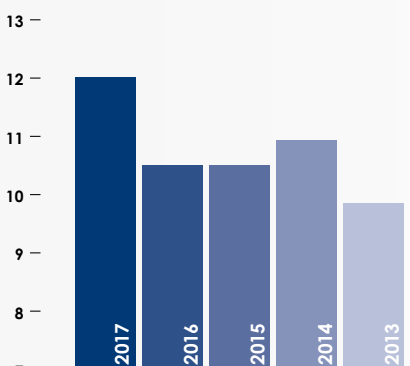
OPERATING REVENUE (millions of dollars)



NET OPERATING INCOME (millions of dollars)



GROSS BORROWINGS TO SHAREHOLDERS' EQUITY RATIO



CLOSING PRICE PER SHARE ON TSX (\$)

FINANCIAL HIGHLIGHTS

The following table summarizes the consolidated five year financial results of the Company:

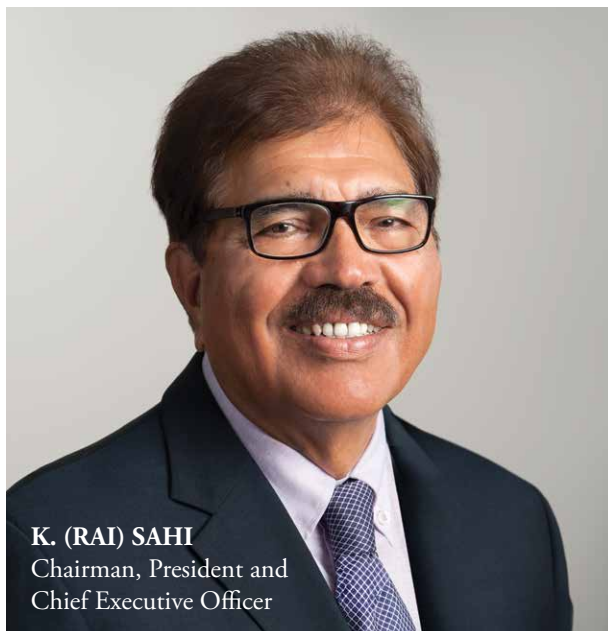
For the Years Ended December 31	2017	2016	2015	2014	2013
OPERATIONS					
Operating revenue (\$000)	219,230	217,835	216,147	200,104	197,425
Net operating income (\$000) ⁽¹⁾	60,528	58,863	57,673	48,938	51,886
Operating margin (%) ⁽¹⁾	27.6	27.0	26.7	24.5	26.3
Net earnings (\$000)	2,044	16,558	4,259	3,465	13,154
Funds from operations (\$000) ⁽¹⁾	40,086	39,820	34,514	25,878	34,339
OPERATING DATA					
CLUBLINK ONE MEMBERSHIP MORE GOLF					
Canadian Full Privilege Golf Members	14,991	15,077	15,015	15,177	15,583
Championship rounds - Canada ⁽²⁾	1,058,000	1,063,000	1,040,000	950,000	957,000
18-hole equivalent championship golf courses - Canada ^(2,3)	42.5	42.5	42.5	43.5	41.5
Championship rounds - US ⁽²⁾	340,000	373,000	395,000	373,000	358,000
18-hole equivalent championship golf courses - US ^(2,3)	11.0	11.0	12.0	12.0	11.0
WHITE PASS & YUKON ROUTE					
Rail passengers	429,000	408,000	402,000	410,000	395,000
Port passengers from cruise ships	846,000	816,000	816,000	820,000	822,000
Cruise ship dockings	370	363	378	396	388
COMMON SHARE DATA (000)					
Shares outstanding at year end	27,346	27,346	27,136	26,419	26,104
Weighted average shares outstanding	27,346	27,345	27,359	27,264	27,220
PER COMMON SHARE DATA (\$)					
Basic and diluted earnings	0.07	0.61	0.16	0.13	0.48
Eligible cash dividend	0.08	0.06	-	0.225	0.30
Eligible stock dividend	-	0.075	0.30	0.075	-
FINANCIAL POSITION					
Total assets (\$000)	630,054	679,116	712,065	673,335	658,679
Gross borrowings (\$000)	301,893	318,531	350,134	358,216	350,702
Shareholders' equity (\$000)	231,988	237,759	225,190	200,556	193,293
Gross borrowings to shareholders' equity ratio	1.30	1.34	1.55	1.79	1.81
Net book value per share ⁽¹⁾	8.48	8.69	8.30	7.59	7.40

(1) Net operating income, operating margin, funds from operations and net book value per share are not recognized measures under International Financial Reporting Standards ("IFRS"). Management believes that, in addition to net earnings, these measures are useful supplemental information to provide investors with an indication of the Company's performance. Investors should be cautioned, however, that these measures should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of the Company's performance or to cash flows from operating, investing and financing activities, as a measure of liquidity and cash flows. TWC's method of calculating these measures is consistent from year to year, but may be different than those used by other companies (see "Management's Discussion and Analysis of Financial Condition and Results of Operations").

(2) Excluding academy courses.

(3) 18-hole equivalent championship golf courses operating during the year ended December 31.

CHAIRMAN'S MESSAGE



K. (RAI) SAHI
Chairman, President and
Chief Executive Officer

Fellow Shareholders:

We are pleased to report that the 2017 net operating income increased to \$60.5M in 2017 compared to \$58.9M in 2016. This was driven primarily by further growth in the White Pass & Yukon Route results through additional passengers.

White Pass & Yukon Route continues to be the premier tourist excursion for tourists taking an Alaskan cruise and is committed to ensuring that the experience is best in class. The experience is truly one of a kind.

The cruise ship industry is committed to bringing more ships with higher capacities to Skagway. An additional 30,000 passengers to port arrived in 2017 and a further 189,000 passengers are expected over the next two years. With the extra passengers to port in the coming years, this will allow ample opportunity to grow the White Pass business even further in the coming years.

With an average capture rate of approximately 50%, the additional passengers to port will result in an incremental 90,000 rail passengers on our excursion over 2018 and 2019.



PHOTO: JACQUELINE TAYLOR-ROSE

Our golf operations which are under the brand name of ClubLink represent Canada's largest owner and operator of golf clubs with 53 ½ 18-hole equivalent championship golf courses.

Canadian golf operations achieved a small increase in net operating income by way of a modest increase in revenue and a focus on cost control.

The Canadian and Florida golf markets continue to be challenging as a result of an oversupply of golf courses which has put a downward pressure on revenue per round across the industry. Notwithstanding this environment, our member counts have stabilized. However, this trend has put downward pressure on membership fees earned.

Our nearly 5,000 employees are very talented and we strive to ensure that they are motivated and engaged. The Company's success is dependent upon their satisfaction. Sincere thanks for their valued contributions to our company. It is also a pleasure to work alongside our hard-working and engaged management team.

Our members continue to be a key component to the success of our Canadian golf operations and we thank them for their support and patronage.

I would also like to thank our directors for their guidance and direction, in addition to our valued shareholders for their support.



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



PHOTO: KEVAN ASHWORTH

CLUBLINK

One Membership, More Golf

PHOTO: PETE DI BARTOLOMEO

WALK ON UP TO EMERALD HILLS

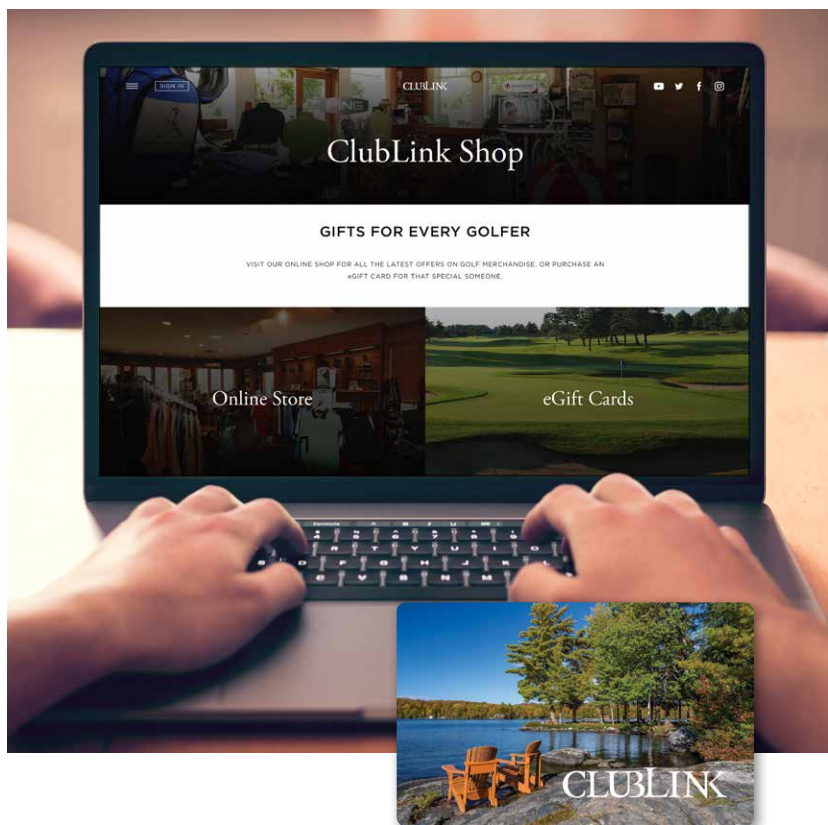


In 2017, Emerald Hills Golf Club in Whitchurch-Stouffville, Ont., became the first ClubLink Club to provide access to its Home Club Members without the need for booking tee times. All ClubLink Prestige-level Members also receive this benefit at Emerald Hills.

The concept is as convenient as it is simple: Members show up, check in with the golf shop staff to inform them who and how many are in their party, and the approximate time they would like to play which is accommodated as promptly as possible.

Under the new protocol, which was received enthusiastically, reciprocal access to Emerald Hills by other ClubLink Members is welcome by booking in advance through LinkLine or LinkLine OnLine. Members of other ClubLink Clubs enjoy the new system but only as accompanied guests of an Emerald Hills Member.

Emerald Hills was one of the four original ClubLink Clubs (King Valley Golf Club, Heron Point Golf Links and Cherry Downs Golf Club are the others). Originally 18 holes, another nine holes were added in 2005. The 27-hole configuration is ideal for the “walk-up” concept as it provides three separate starting points for golfers.



ONLINE STORE HAS SOMETHING FOR EVERY GOLFER

ClubLink introduced an e-commerce site in 2017 to provide Members, and all other golfers, with an easy way to purchase merchandise or gift cards from their home or office or mobile device.

The “one-stop shopping” site is a virtual pro shop where Members can browse through just about every conceivable golf product by category or by brand. Among its many advantages is the capability to showcase our inventory to Members year-round, a significant advantage in our seasonal operations.

Members may also purchase ClubLink eGift Cards which can be redeemed for merchandise, membership, golf lessons, dining, green fees at our daily-fee Clubs, or stays at our Muskoka resorts.

A PREMIUM EXPERIENCE FOR CLUBLINK MEMBERS

With his playoff win over Charlie Hoffman last July, Jhonattan Vegas became just the sixth golfer to defend his title since the RBC Canadian Open was first played in 1904. And while the on-course action at Glen Abbey was outstanding, the opportunities for ClubLink Members and their guests to enjoy the overall experience were exceptional.

Each year, ClubLink is pleased to offer innovative hosting opportunities and unique viewing experiences to its Members and their guests. In 2017, for example, the ClubLink Hospitality Suite overlooking the 18th green provided a “ringside” seat to all the action. ClubLink Members are also offered the “guaranteed best possible price” for tournament tickets.

The 2018 RBC Canadian Open will take place once again at Glen Abbey from July 23 to 29.



PHOTO: GRANT FRASER

CLUBLINK One Membership, More Golf

NATIONAL PINES HOSTS PGA TOUR CANADA

National Pines Golf Club in Barrie, Ont., played host to the 2017 Ontario Championship, the newest event on the Mackenzie Tour-PGA TOUR Canada schedule. The Club was the site of the TOUR's season-ending Freedom 55 Financial Championship in 2007 and 2008 when current PGA TOUR players such as Canadian Graham DeLaet were in the field.

The event was significant not only because it demonstrated ClubLink's support of promising young pros but also because the Canadian Junior Golf Association was the host organization. The CJGA is dedicated to providing high-level competition and instruction to Canada's junior golfers and operates junior tournaments throughout the country. ClubLink is a longtime supporter of the CJGA.

"We are delighted to have the opportunity to conduct an official Mackenzie Tour event and to work with one of our partners in ClubLink makes it that much more special," said Brad Parkins, the CJGA's chief operating officer.



ONTARIO
CHAMPIONSHIP
HOSTED BY
NATIONAL PINES GOLF CLUB



A CLUB FOR EVERY GOLFER

As it has every year, in 2017, the multi-tiered ClubLink Players Club continued to generate more loyalty and present greater value to daily-fee players in the Greater Toronto Area. For an annual fee, Players Club cardholders receive various discounts and preferred access to our daily-fee Clubs including Glen Abbey, Cherry Downs, The Club at Bond Head and Hidden Lake as well as limited access to Eagle Ridge, National Pines, Station Creek, Grandview and Glendale.

Premium, Premium Advantage and Ultimate cardholders also enjoy limited "Member For The Day" access opportunities to a selection of our Member Clubs.



WHITE PASS & YUKON ROUTE

The scenic railway of the world



SKAGWAY WELCOMES RECORD NUMBER OF PASSENGERS

White Pass & Yukon Route, “The Scenic Railway of the World,” was pleased to welcome a record number of cruise visitors in 2017. More than 845,520 passengers visited Skagway and, of those, more than half—430,000—took advantage of the exhilarating opportunity to enjoy a memorable trip aboard one of our historic trains. This number of passengers was the third-highest in our history.

2017 also marked increased ridership aboard our Bennett-Carcross product which carried 12,504 passengers. We benefited from partnerships with the Canadian Chamber of Commerce and celebrated Canada’s 150th birthday with a special Parks Canada excursion.

WHITE PASS & YUKON ROUTE The scenic railway of the world



PHOTO: JACQUELINE TAYLOR-ROSE

KEEPING THINGS RUNNING SMOOTHLY

Our commitment to communications with the public was reaffirmed with the redesign of All Aboard Magazine and our web site, www.wpyr.com. The web site improvements included increased video specific to our main tour offerings, a more attractive user interface to draw more visitors into the site, and adding more online bookable products to boost internet pre-sales on more than half of our excursion catalogue products. The onboard magazine changes provide a publication that is easier to read and includes increased emphasis on onboard activities and Train Shoppe gift items.

We continued with our infrastructure advancements including the redesign and removal of the 15B Bridge with the widening of the highline corridor to facilitate track straightening and rail line safety enhancements.

Notable items from Health and Safety included a heavier-gauge rail upgrade and continuation of the welded-rail project with almost two miles of new track completed. In addition, we were pleased to see a reduction in employee injuries.



ALL ABOARD FOR 2018

We anticipate a strong 2018 as all indications show a continuation of a robust Alaska cruise market. Current projections are for 948,257 cruise visitors arriving in Skagway this season.

Specifically, Skagway is looking forward to welcoming the Norwegian Bliss, the largest cruise vessel to sail in Alaskan water and specifically designed with the Alaska cruise market in mind. The Norwegian Bliss has an upper threshold of almost 5,000 passengers.

We will continue our port infrastructure improvements as well as increasing our mooring capacity on the railroad dock.

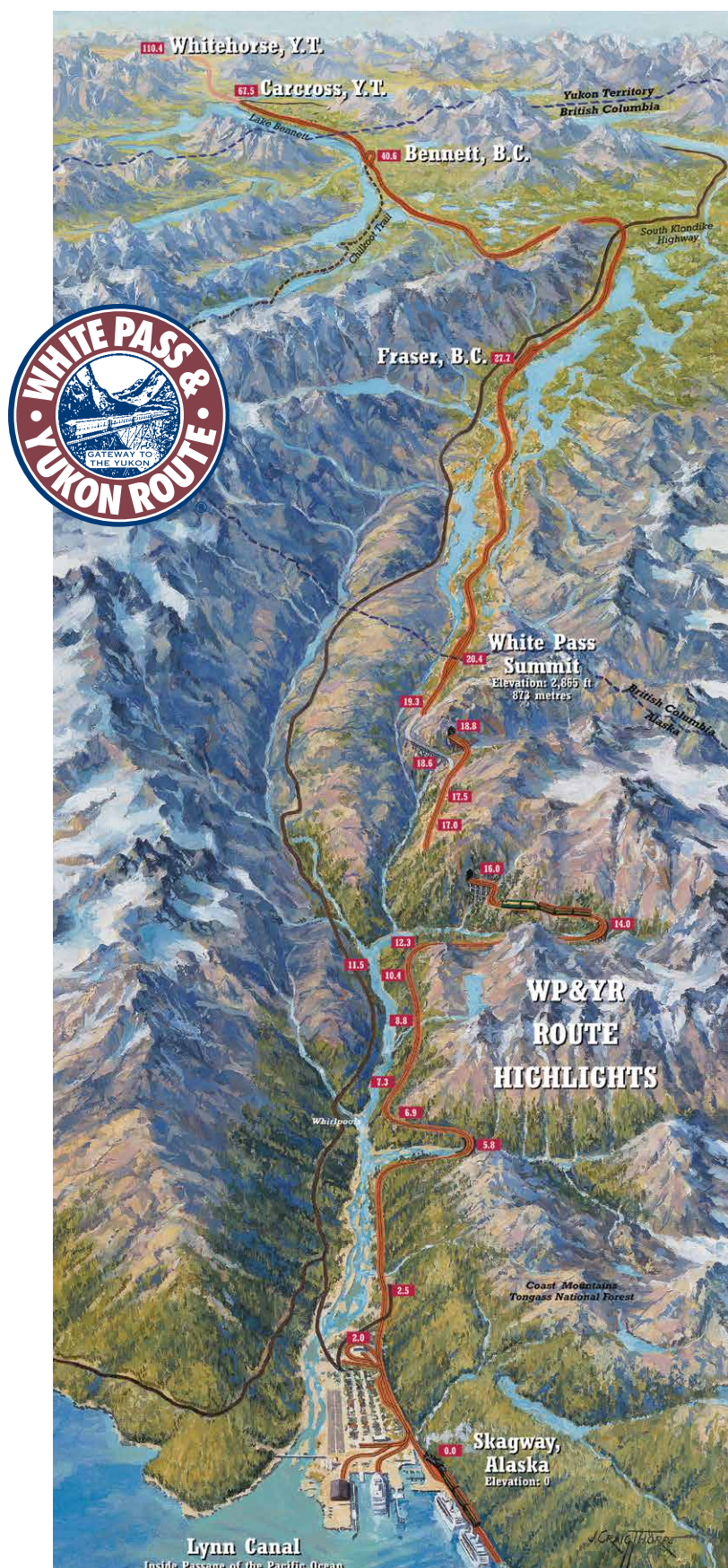


PHOTO: JACQUELINE TAYLOR-ROSE



PHOTO: JACQUELINE TAYLOR-ROSE

TWC ENTERPRISES LIMITED



GOLF COURSE LOCATIONS (41)

National Capital Region (Ottawa) (4)

Club de golf Hautes Plaines
Eagle Creek Golf Club
GreyHawk Golf Club
Kanata Golf and Country Club

Montreal/Tremblant (4)

Club de golf Islesmere
Club de golf Le Fontainebleau
Club de golf Val des Lacs
Le Maître de Mont-Tremblant

Muskoka (3)

Grandview Golf Club
Rocky Crest Golf Club
The Lake Joseph Club

Northeast Greater Toronto Area (10)

Bethesda Grange/Rolling Hills Golf Clubs
Cherry Downs Golf and Country Club
DiamondBack Golf Club
Emerald Hills Golf Club
King Valley Golf Club
King's Riding Golf Club
National Pines Golf Club
Station Creek Golf Club
The Club at Bond Head
Wyndance Golf Club

West Greater Toronto Area (12)

Blue Springs Golf Club
Caledon Woods Golf Club
Eagle Ridge Golf Club
Glen Abbey Golf Club
Glencairn Golf Club
Glendale Golf and Country Club
Greenhills Golf Club
Greystone Golf Club
Heron Point Golf Links
Hidden Lake Golf Club
RattleSnake Point Golf Club
The Country Club

Central Florida (3)

Club Renaissance
Sandpiper Golf Club
Scepter Golf Course

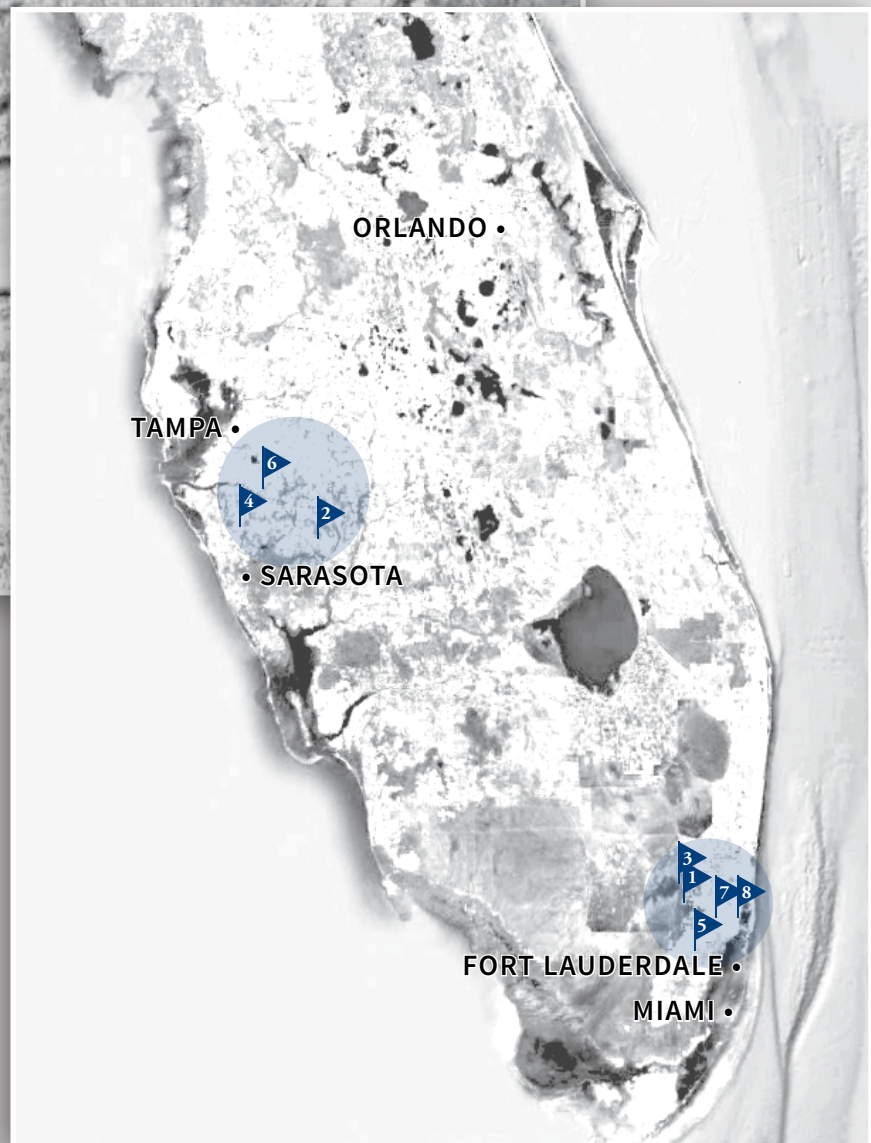
Southeast Florida (5)

Heron Bay Golf Club
Palm Aire Country Club (Oaks, Cypress)
Palm Aire Country Club (Palms)
TPC Eagle Trace
Woodlands Country Club





ONTARIO/QUEBEC REGION



FLORIDA REGION

GOLF CLUB AND RESORT PROPERTY LISTING (see map on page 15)

	Championship Golf Holes	Academy Golf Holes	Future Golf Holes	Current Rooms	Surplus Land in Acres
ONTARIO/QUEBEC REGION					
Prestige					
1. Greystone Golf Club, Milton, Ontario	18	—	—	—	—
2. King Valley Golf Club, The Township of King, Ontario	18	—	—	—	—
3. RattleSnake Point Golf Club, Milton, Ontario	36	9	—	—	—
Hybrid – Prestige					
4. Glen Abbey Golf Club, Oakville, Ontario	18	—	—	—	—
Platinum					
5. Blue Springs Golf Club, Acton, Ontario	18	9	—	—	—
6. Club de Golf Islesmere, Laval, Quebec (a)	27	—	—	—	—
7. Club de Golf Le Fontainebleau, Blainville, Quebec	18	—	—	—	—
8. DiamondBack Golf Club, Richmond Hill, Ontario	18	—	—	—	—
9. Eagle Creek Golf Club, Dunrobin, Ontario	18	—	—	—	—
10. Emerald Hills Golf Club, Whitchurch-Stouffville, Ontario	27	—	—	—	—
11. Glencairn Golf Club, Milton, Ontario	27	—	—	—	—
12. Grandview Golf Club, Huntsville, Ontario	18	—	18	—	—
13. Heron Point Golf Links, Ancaster, Ontario	18	—	—	—	—
14. Kanata Golf & Country Club, Kanata, Ontario	18	—	—	—	—
15. King's Riding Golf Club, The Township of King, Ontario	18	—	—	—	—
16. Le Maître de Mont-Tremblant, Mont-Tremblant, Quebec	18	—	—	—	—
17. Rocky Crest Golf Club, Mactier, Ontario	18	—	18	—	—
18. The Lake Joseph Club, Port Carling, Ontario	18	9	—	—	—
19. Wyndance Golf Club, Uxbridge, Ontario	18	9	—	—	—
Gold					
20. Caledon Woods Golf Club, Bolton, Ontario	18	—	—	—	—
21. Club de Golf Hautes Plaines, Gatineau, Quebec	18	—	—	—	—
22. Eagle Ridge Golf Club, Georgetown, Ontario	18	—	—	—	—
23. Glendale Golf and Country Club, Hamilton, Ontario	18	—	—	—	—
24. Greenhills Golf Club, London, Ontario (a)	18	—	—	—	—
25. GreyHawk Golf Club, Ottawa, Ontario	36	—	—	—	—
26. National Pines Golf Club, Innisfil, Ontario (a)	18	—	—	—	—
27. Station Creek Golf Club, Whitchurch-Stouffville, Ontario	36	—	—	—	—
28. The Country Club, Woodbridge, Ontario (a)	36	9	—	—	—
Hybrid – Gold					
29. Cherry Downs Golf & Country Club, Pickering, Ontario	18	9	18	—	—
30. Club de Golf Val des Lacs, Ste. Sophie, Quebec	18	—	—	—	—
31. The Club at Bond Head, Bond Head, Ontario (a)	36	—	—	—	—
Hybrid – Silver					
32. Bethesda Grange, Whitchurch-Stouffville, Ontario	18	—	—	—	—
33. Hidden Lake Golf Club, Burlington, Ontario	36	—	—	—	—
Daily Fee					
34. Grandview Inn Course, Huntsville, Ontario	—	9	—	—	—
35. Rolling Hills Golf Club, Whitchurch-Stouffville, Ontario	36	—	—	—	—
Muskoka, Ontario Resorts					
36. The Lake Joseph Club, Port Carling, Ontario	—	—	—	25	—
37. Rocky Crest Resort/Lakeside at Rocky Crest, Mactier, Ontario (b)	—	—	—	84	—
38. Sherwood Inn, Port Carling, Ontario	—	—	—	49	—
FLORIDA REGION					
Hybrid – Prestige					
1. TPC Eagle Trace, Coral Springs, Florida	18	—	—	—	—
Hybrid – Platinum					
2. Club Renaissance, Sun City Center, Florida	18	—	—	—	—
3. Heron Bay Golf Club, Coral Springs, Florida	18	—	—	—	—
Gold					
4. Scepter Golf Club, Sun City Center, Florida	27	—	—	—	—
Hybrid – Gold					
5. Woodlands Country Club, Tamarac, Florida	36	—	—	—	—
Hybrid – Silver					
6. Sandpiper Golf Club, Sun City Center, Florida	27	—	—	—	—
Daily Fee					
7. Palm Aire Country Club (Oaks, Cypress), Pompano Beach, Florida	36	—	—	—	—
8. Palm Aire Country Club (Palms), Pompano Beach, Florida	18	—	—	—	—
OTHER					
Kings Point Golf Club, Sun City Center, Florida (c)	—	—	—	—	51
Caloosa Greens Golf Club, Sun City Center, Florida (c)	—	—	—	—	72
Highland Gate, Aurora, Ontario (50%)	—	—	—	—	101
Falcon Watch Golf Club, Sun City Center, Florida (c)	—	—	—	—	116
North Lakes Golf Club, Sun City Center, Florida (c)	—	—	—	—	174
King Haven, The Township of King, Ontario	—	—	—	—	278
Harwood, Montreal, Quebec	—	—	—	—	400
Total 18-hole Equivalent Courses, Rooms, Acres	53.5	3.5	3.0	158	1,192

Notes: (a) Operated by ClubLink under long-term leases.
(b) Rocky Crest Resort consists of 65 units and Lakeside at Rocky Crest consists of 19 units.
(c) North Lakes, Falcon, Caloosa Greens and Kings Point Golf Clubs are closed.

This management's discussion and analysis of financial condition and results of operations ("MD&A") should be read in conjunction with TWC Enterprises Limited's ("TWC" or the "Company", formerly ClubLink Enterprises Limited) audited consolidated financial statements and accompanying notes for the year ended December 31, 2017. This MD&A has been prepared as at March 14, 2018 and all amounts are in Canadian dollars unless otherwise indicated.

In this document, unless otherwise indicated, all financial data are prepared in accordance with International Financial Reporting Standards ("IFRS").

FORWARD-LOOKING STATEMENTS

This annual report contains certain forward-looking information and statements relating but not limited to, operations, anticipated or prospective financial performance, results of operations, business prospects and strategies of TWC. Forward-looking information typically contains statements with words such as "consider", "anticipate", "believe", "expect", "plan", "intend", "may", "likely", or similar words suggesting future outcomes or statements regarding an outlook, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Readers should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements of TWC to differ materially from those suggested by the forward-looking statements, some of which may be beyond the control of management.

Although TWC believes it has a reasonable basis for making the forecasts or projections included in this MD&A, readers are cautioned not to place undue reliance on such forward-looking information. By its nature, TWC's forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts and other forward-looking statements will not occur. These factors include, but are not limited to, availability of credit, weather conditions, the economic environment, environmental regulation and competition.

The above list of important factors affecting forward-looking information is not exhaustive, and reference should be made to the other risks discussed in TWC's filings with Canadian securities regulatory authorities. TWC undertakes no obligation, except as required by law, to update publicly or otherwise any forward-looking information, whether as a result of new information, future events or otherwise, or the above list of factors affecting this information.

NON-IFRS MEASURES

The Company has prepared the financial information contained in this discussion and analysis in accordance with IFRS. Reference is also made to net operating income, operating margin, cash flow from operations, funds from operations and adjusted funds from operations. The calculations of these measures can be found embedded in the MD&A.

TWC uses non-IFRS measures as a benchmark measurement of our own operating results and as a benchmark relative to our competitors. We consider these non-IFRS measures to be a meaningful supplement to net earnings. We also believe these non-IFRS measures are commonly used by securities analysts, investors and other interested parties to evaluate our financial performance. These measures, which included direct operating expenses and net operating income do not have standardized meaning under IFRS. While these non-IFRS measures have been disclosed herein to permit a more complete comparative analysis of the Company's operating performance and debt servicing ability relative to other companies, readers are cautioned that these non-IFRS measures as reported by TWC may not be comparable in all instances to non-IFRS measures as reported by other companies.

The glossary of financial terms is as follows:

Direct operating expenses = expenses that are directly attributable to the Company's business units and are used by management in the assessment of their performance. These exclude expenses which are attributable to corporate decisions such as impairment.

Net operating income = operating revenue - direct operating expenses

Operating margin = net operating income/operating revenue

Funds from operations = net earnings +/- items not effecting cash less business combination transaction costs

Adjusted funds from operations = funds from operations less operating property, plant and equipment expenditures

Operating property, plant and equipment expenditures = capital expenditures to maintain existing operations

Expansion property, plant and equipment expenditures = capital expenditures which expand existing operations

NON-IFRS MEASURES (continued)

Funds from operations ("FFO") is a key measure of our financial performance and is defined as net income prior to non cash items such as depreciation/amortization. FFO also adjusts for the non-cash earnings impact of membership fees and excludes transaction costs on business combinations which are required to be expensed.

Our definition of funds from operations may differ from the definition used by other organizations, as well as the definition of funds from operations used by the Real Property Association of Canada ("REALPAC"), the main difference being the adjustment for the non cash component of membership fee revenue which is not considered by REALPAC.

Net operating income is an important metric used by management in evaluating the Company's operating performance as it represents the revenue and expense items that can be directly attributable to the specific business unit's ongoing operations. It is not a measure of financial performance under IFRS and should not be considered as an alternative to measures of performance under IFRS. The most directly comparable measure specified under IFRS is net earnings.

BUSINESS STRATEGY AND CORPORATE OVERVIEW

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's strategic objective is to grow long-term shareholder value by improving net operating income and operating margins of both underlying businesses. Management has been actively looking for golf club acquisition opportunities in Ontario, Quebec and Florida.

In addition, management is pursuing capital investments in both business segments which will grow our revenue and create long-term value for our shareholders.

OVERVIEW OF BUSINESS SEGMENTS

Golf Club Operations Segment

TWC is engaged in golf club operations under the trademark "ClubLink One Membership More Golf" ("ClubLink"). ClubLink 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 geographical Regions: (a) Ontario/Quebec and (b) Florida.

ClubLink'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, ClubLink is able to offer golfers in their Region a wide variety of unique membership, daily fee, corporate event and resort opportunities. ClubLink is also able to obtain the benefit of operating synergies to maximize revenue and achieve economies of scale to reduce costs.

Revenue at all golf club properties is enhanced by cross-marketing, as the demographics of target markets for each are substantially similar. Revenue is further improved by TravelLink, corporate golf events, business meetings and social events that utilize golf capacity and related facilities at times that are not in high demand by ClubLink's members.

Member and Hybrid Golf Club revenue is maximized by the sale of flexible personal and corporate memberships that offer reciprocal playing privileges at ClubLink golf clubs and, on payment of an additional fee, inter-regional play within ClubLink through the TravelLink program and ClubCorp Holdings Inc. golf clubs.

Daily fee golf club revenue is maximized through unique and innovative marketing programs in conjunction with dynamic pricing.

The TravelLink program offers two levels that allow ClubLink members inter-regional access. The first level (Basic TravelLink), a free membership benefit, provides ClubLink members inter-regional access with preferred green fee pricing. Level 2 (TravelLink 2nd Home Club) is optional and provides ClubLink members with the ability to elect a second Home Club in another region for an annual fee, and allows members to receive all the benefits of a Home Club Member (access to prime tee times, practice facilities, member events).

OVERVIEW OF BUSINESS SEGMENTS (continued)

Golf Club Operations Segment (continued)

In recent years, ClubLink has been focusing on providing enhanced value for its memberships as well as cultivating a family-type atmosphere at its golf clubs.

ClubLink also has annual membership programs, which are unique to each Region. These product offerings include Players Card and Players Club in the Ontario/Quebec Region; as well as the ClubLink Card in the Florida Region. While traditional full privilege golf members have been declining, ClubLink has been focusing on these supplemental categories to replace annual dues revenue.

(a) Ontario/Quebec

ClubLink's Ontario/Quebec Region is organized into two clusters: the major metropolitan areas of Southern Ontario and Muskoka, Ontario's premier resort area, extending from London to Huntsville to Pickering, with a particularly strong presence in the Greater Toronto Area; and Quebec/Eastern Ontario, extending from the National Capital Region to Montreal, including Mont-Tremblant, Quebec's premier resort area.

In 2018, ClubLink will operate 27 Ontario/Quebec Region Member Golf Clubs in three categories as follows:

Prestige:	Greystone, King Valley, RattleSnake Point
Platinum:	Blue Springs, DiamondBack, Eagle Creek, Emerald Hills, Fontainebleau, Glencairn, Grandview, Heron Point, Islesmere, Kanata, King's Riding, Lake Joseph, Le Maître, Rocky Crest, Wyndance
Gold:	Caledon Woods, Country Club, Eagle Ridge, Glendale, Greenhills, GreyHawk, Hautes Plaines, National Pines, Station Creek

In 2018, ClubLink will operate six Ontario/Quebec Region Hybrid Golf Clubs in three categories as follows:

Hybrid – Prestige:	Glen Abbey
Hybrid – Gold:	Cherry Downs, The Club at Bond Head, Val des Lacs
Hybrid – Silver:	Bethesda Grange, Hidden Lake

Hybrid Golf Clubs are available for daily fee (public) play, reciprocal access by other ClubLink Members and provide a home club for Members with reciprocal access to the ClubLink system.

In 2018, ClubLink will operate two Ontario/Quebec Region Daily Fee Golf Clubs as follows:

Daily Fee:	Grandview Inn, Rolling Hills
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Going in to 2018, ClubLink will have approximately 400 Players Card memberships. Players Card annual memberships allow golfers unlimited access to Rolling Hills during spring and fall shoulder seasons in addition to twilight golf during the summer season. A fixed number of rounds certificates are also included with each Players Card.

Going in to 2018, ClubLink will have approximately 1,900 Players Club memberships. The Players Club memberships have varying degrees of access to ClubLink's daily fee golf clubs at different price points.

Players Card and Players Club member databases also provide ClubLink an opportunity to cultivate these relationships into a full privilege golf membership.

ClubLink owns sufficient land to develop an additional 18 holes at Cherry Downs Golf Club in Pickering, Grandview Golf Club in Muskoka and Rocky Crest Golf Club in Muskoka. Management currently has no plans to proceed with development at any of the properties within its budgeting horizons.

OVERVIEW OF BUSINESS SEGMENTS (continued)

Golf Club Operations Segment (continued)

(a) Ontario/Quebec (continued)

In 2018, ClubLink will operate The Lake Joseph Club, Rocky Crest Resort and Sherwood Inn.

The Lake Joseph Club and Rocky Crest Resort operate seasonally from May to October while Sherwood Inn is available during the off season for group and weekend bookings.

ClubLink's remaining Muskoka land holdings, excluding golf course development sites, include zoned and serviced land that are capable of supporting a substantial number of resort rooms/villas, conference facilities and residential homes.

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.

(b) United States

ClubLink's Florida Region includes eleven 18-hole equivalent championship golf courses.

In 2018, ClubLink is operating eight Florida Region Golf Clubs in six categories as follows:

Hybrid – Prestige:	TPC Eagle Trace
Hybrid – Platinum:	Club Renaissance, Heron Bay
Gold:	Scepter
Hybrid – Gold:	Woodlands
Hybrid – Silver:	Sandpiper
Daily Fee:	Palm Aire (Cypress/Oaks), Palm Aire (Palms)

ClubLink has been actively selling ClubLink Card Holder annual memberships in the southeast Florida marketplace. ClubLink Card Holder members have the ability to book preferred tee times at discounted green fees.

Effective July 1, 2016, Falcon Watch Golf Club was closed and will not re-open due to a lack of demand at this golf club. Nine holes will remain in use as part of the Scepter Golf Club.

Rail and Port Operations Segment

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

White Pass has continued to invest in programs to build its core operating business. As a standalone entity, White Pass has an experienced on-site management team and has been able to generate growth in the passenger traffic and corresponding US dollar revenue since its acquisition in 1997. Significant initiatives in this business segment have included capitalizing on historical relationships with the cruise lines, supporting investments to create one of the leading port facilities in southeast Alaska, including a floating dock to facilitate larger cruise ships and an investment to repower our locomotive fleet to reduce both environmental emissions and ongoing operating costs. These initiatives have affirmed White Pass as Alaska's premier shore excursion for the travelling public.

OVERVIEW OF BUSINESS SEGMENTS (continued)

Rail and Port Operations Segment (continued)

The railway was constructed by White Pass during the Klondike Gold Rush of 1898/1899 and completed in 1900. From 1900 until 1982, it was used for the carriage of general freight, ore concentrates, petroleum products and passengers. Railway operations were suspended in 1982 when a major ore concentrate customer shut down its mine. The South Klondike Highway between Whitehorse and Skagway, subsequently constructed in 1985, transferred the transportation of ore concentrates from rail to road service. The railway reopened in 1988 and has since been operating as a seasonal passenger tourism railway. TWC acquired White Pass in 1997.

White Pass operates three docks in Skagway, which support the tourist railway and provides 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.

The primary market is the cruise industry, which recognizes Skagway as a marquee port for its Alaskan cruises. White Pass maintains a symbiotic relationship with the cruise lines – carrying almost half of all cruise passengers – making it Alaska's premier shore excursion and a high volume, highly rated and profitable shore excursion for the cruise lines. The relationship is supported with an existing incentive program and extensive cooperative pre-cruise and on-board promotion. White Pass also markets to motor coach tour companies and independent travelers who arrive via ferry and the South Klondike Highway.

Corporate Operations Segment

TWC's objective at the corporate level is to identify opportunities to generate incremental returns and cash flow. Historically, the nature of these investments included debt and equity instruments in both public and private organizations. Currently, management is focused on improving the returns of the existing operating business segments.

SELECTED FINANCIAL INFORMATION

The table below sets forth selected financial data relating to the Company's fiscal years ended December 31, 2017, December 31, 2016 and December 31, 2015. This financial data is derived from the Company's audited consolidated financial statements, which are prepared in accordance with IFRS.

(thousands of Canadian dollars, except per share amounts)	2017	2016	2015	% Change 2017/2016	% Change 2016/2015
OPERATING REVENUE	\$ 219,230	\$ 217,835	\$ 216,147	0.6%	0.8%
DIRECT OPERATING EXPENSES	158,702	158,972	158,474	(0.2%)	0.3%
NET OPERATING INCOME	60,528	58,863	57,673	2.8%	2.1%
Operating margin (%)	27.6%	27.0%	26.7%	2.2%	1.1%
Amortization of membership fees	7,987	11,210	11,162	(28.8%)	0.4%
Depreciation and amortization	(26,032)	(26,414)	(26,387)	(1.4%)	0.1%
Land lease rent	(5,170)	(5,303)	(5,489)	(2.5%)	(3.4%)
Interest, net	(16,682)	(18,151)	(19,362)	(8.1%)	(6.3%)
Other expense, net	(304)	(795)	(10,257)	(212.7%)	(92.2%)
Impairment expense	(31,605)	-	-	N/A	N/A
Income taxes	13,322	(2,852)	(3,081)	N/A	(7.4%)
NET EARNINGS	\$ 2,044	\$ 16,558	\$ 4,259	(87.7%)	288.8%
BASIC AND DILUTED EARNINGS PER SHARE	\$ 0.07	\$ 0.61	\$ 0.16	(88.5%)	281.3%
FUNDS FROM OPERATIONS	\$ 40,086	\$ 39,820	\$ 34,514	0.9%	15.4%
TOTAL ASSETS	\$ 630,054	\$ 679,116	\$ 712,065	(7.2%)	(4.6%)
GROSS BORROWINGS	\$ 301,893	\$ 318,531	\$ 350,134	(5.2%)	(9.0%)
SHAREHOLDERS' EQUITY	\$ 231,988	\$ 237,759	\$ 225,190	(2.4%)	5.6%

Summary of Canadian/US Exchange Rates Used for Translation Purposes

The following exchange rates translate one US dollar into the Canadian dollar equivalent.

	2017	2016	2015
Balance Sheet, at December 31	1.2545	1.3427	1.3840
Statement of Earnings, average for the year	1.2980	1.3256	1.2788

2017 CONSOLIDATED OPERATING HIGHLIGHTS

The Company is required to perform an annual impairment test on its goodwill - which is assigned to the Canadian golf club operations. The test combines all cash flows from each property within the cash generating unit. As at December 31, 2017, the Company performed impairment testing on goodwill and concluded an impairment existed. The entire amount of goodwill in the amount of \$31,605,000 has been expensed. The main reason for the impairment is the trend of decreased collection of membership fees and the expected challenges in the future to reverse this trend.

Consolidated net earnings decreased to \$2,044,000 in 2017 from \$16,558,000 in 2016. Consolidated net earnings in 2017 were subject to an impairment charge of goodwill in the amount of \$31,605,000 as described above. This was partially offset by a deferred tax recovery in the amount of \$17,662,000 relating to the US based deferred income tax liabilities arising from the substantively enacted decrease in Federal US income tax rates from 34% to 21%. Consolidated net earnings were \$4,259,000 in 2015 which were subject to \$10,257,000 in non cash or one-time expenses.

Basic and diluted earnings per share decreased to 7 cents per share in 2017, compared to 61 cents per share in 2016 and 16 cents per share in 2015.

The exchange rate used for translating US denominated earnings has changed to a yearly average of 1.2980 in 2017 from 1.3256 in 2016 due to the strengthening Canadian dollar over this time frame and has changed from 1.2788 in 2015.

Net operating income for the Canadian golf club operations segment increased 0.9% to \$32,062,000 in 2017 from \$31,763,000 in 2016. This compares to \$31,361,000 in 2015.

Net operating income for the US golf club operations segment decreased to US\$652,000 in 2017 from US\$1,330,000 in 2016 primarily due to a decrease of 8.8% in championship golf rounds. The foreign exchange rate served as a deterrent to Canadian golfers visiting Florida in the 2017 winter season, and was further impacted by the poor weather in that market, including a hurricane event. This compares to US \$1,477,000 in 2015.

Net operating income for the rail and port operations increased 8.9% to US\$23,763,000 from US\$21,829,000 in 2016 due to an increase of approximately 21,000 rail passengers. This compares to \$21,318,000 in 2015.

Interest, net decreased 8.1% to \$16,682,000 in 2017 from \$18,151,000 in 2016 primarily due to a lower debt level in 2017 and compares to \$19,362,000 in 2015.

The income tax provision was impacted by a \$17,662,000 deferred income tax recovery resulting from a decline in the US Federal income tax rate from 34% to 21%. This was enacted as part of US income tax reform announced in December 2017.

RESULTS OF OPERATIONS BY BUSINESS SEGMENT

The results of operations by business segment should be read in conjunction with the segmented information contained in note 17 of the audited consolidated financial statements for the year ended December 31, 2017.

The following is a summary of the results of operations for the past three fiscal years.

(thousands of Canadian dollars)	2017	2016	2015
Operating revenue by segment			
<i>Canadian golf club operations</i>	\$ 140,518	\$ 140,085	\$ 139,620
<i>US golf club operations</i>	23,037	25,271	26,124
<i>Rail and port operations</i>	55,675	52,479	50,403
Operating revenue	\$ 219,230	\$ 217,835	\$ 216,147
Net operating income by segment			
<i>Canadian golf club operations</i>	\$ 32,062	\$ 31,763	\$ 31,361
<i>US golf club operations</i>	938	1,864	1,841
<i>Rail and port operations</i>	30,468	28,122	27,281
<i>Corporate operations</i>	(2,940)	(2,886)	(2,810)
Net operating income	\$ 60,528	\$ 58,863	\$ 57,673

Capital expenditures for the past three fiscal years are summarized as follows:

(thousands of Canadian dollars)	2017	2016	2015
Operating capital			
<i>Canadian golf club operations</i>	\$ 6,899	\$ 5,566	\$ 4,756
<i>US golf club operations</i>	1,349	1,433	1,082
<i>Rail and port operations</i>	4,482	2,933	3,927
	12,730	9,932	9,765
Expansion capital			
<i>Canadian golf club operations</i>	1,803	5,582	911
<i>US golf club operations</i>	-	-	80
<i>Rail and port operations</i>	3,261	4,186	1,326
	5,064	9,768	2,317
Total capital expenditures	\$ 17,794	\$ 19,700	\$ 12,082

RESULTS OF OPERATIONS BY BUSINESS SEGMENT (continued)

Review of Canadian Golf Club Operations for the Year Ended December 31, 2017

Summary of Canadian Golf Club Operations

(statistics)	2017	2016	% Change
18-hole equivalent championship golf courses	42.5	42.5	-
Championship golf rounds	1,058,000	1,063,000	(0.5%)
Full privilege golf members	14,991	15,077	(0.6%)
(thousands of Canadian dollars)	2017	2016	% Change
Operating revenue	\$ 140,518	\$ 140,085	0.3%
Direct operating expenses	(108,456)	(108,322)	0.1%
Net operating income	32,062	31,763	0.9%
Amortization of membership fees	7,688	10,936	(29.7%)
Depreciation and amortization	(14,180)	(14,485)	(2.1%)
Land lease rent	(4,848)	(5,049)	(4.0%)
Impairment	(31,605)	-	N/A
Other income (expense)	2,266	(682)	N/A
Segment earnings (loss) before interest and income taxes	\$ (8,617)	\$ 22,483	N/A
Operating margin %	22.8%	22.7%	0.4%

Canadian Golf Club Operating Revenue

Canadian golf club operating revenue is recorded as follows:

(thousands of Canadian dollars)	2017	2016	% Change
Annual dues	\$ 51,071	\$ 51,459	(0.8%)
Corporate events, guest fees and cart rentals	33,308	33,370	(0.2%)
Food and beverage	41,115	41,289	(0.4%)
Merchandise, rooms and other	15,024	13,967	7.6%
Total operating revenue	\$ 140,518	\$ 140,085	0.3%

Total operating revenue increased 0.3% to \$140,518,000 from \$140,085,000 in 2016 due to the increase in merchandise revenue resulting from added sales from ClubLink's online presence.

Canadian Golf Club Direct Operating Expenses

Canadian golf club direct operating expenses are recorded as follows:

(thousands of Canadian dollars)	2017	2016	% Change
Cost of sales	\$ 20,724	\$ 20,556	0.8%
Labour and employee benefits	56,632	56,630	-
Utilities	6,861	7,205	(4.8%)
Selling, general and administrative	4,108	3,542	16.0%
Property taxes	2,557	2,879	(11.2%)
Insurance	1,499	1,572	(4.6%)
Repairs and maintenance	3,125	3,108	0.5%
Fertilizers and pest control products	1,832	1,863	(1.7%)
Fuel and oil	1,008	870	15.9%
Other operating expenses	10,110	10,097	0.1%
Total direct operating expenses	\$ 108,456	\$ 108,322	0.1%

RESULTS OF OPERATIONS BY BUSINESS SEGMENT (continued)

Review of Canadian Golf Club Operations for the Year Ended December 31, 2017 (continued)

Canadian Golf Club Direct Operating Expenses (continued)

Direct operating expenses have increased 0.1% to \$108,456,000 from \$108,322,000.

Gross margin on food and beverage sales increased to 69.3% in 2017 compared to 68.6% in 2016 due to decreases in food costs year over year.

Gross margin on merchandise sales increased to 28.6% in 2017 compared to 25.1% in 2016, due to a change in mix of merchandise sales in 2017 in addition to enhanced sales from ClubLink's online presence.

On September 19, 2017, the cart storage facility at The Club at Bond Head sustained a total loss due to fire, including all golf carts in this facility. During 2017, the Company has recorded \$900,000 insurance proceeds as part of other expenses.

On October 13, 2017, the Company sustained a significant fire event which impacted the clubhouse at Le Maître de Mont-Tremblant. The Company has opened an insurance claim for the event. A loss in the amount of \$819,000 has been recorded due to this event.

Canadian Membership Fees

Full privilege golf members decreased 0.6% to 14,991 on December 31, 2017 from 15,077 on December 31, 2016.

ClubLink has implemented programs designed to cater to the needs of a changing golf demographic and to address the current industry and company trend of negative full privilege golf membership growth. ClubLink has announced expanded member retention and value-added programs. These include graduated annual dues pricing for intermediates up to age 35 and seniors over the age of 70 who have been members for at least 10 years. Complimentary restricted family membership benefits have been included for Gold, Platinum and Prestige level members. Further enhancements for 2016 included a 10-month instalment program for annual dues. Management believes that these added value benefits will attract new members and retain existing members by adding to their package of member benefits.

Changes in full privilege golf members and future membership fee instalments are as follows:

(thousands of Canadian dollars)	Golf Members	2017 Future Membership Fee Instalments	Golf Members	2016 Future Membership Fee Instalments
Balance, beginning of year	15,077	\$ 26,205	15,015	\$ 26,818
Sales to new members	1,228	5,044	1,154	6,919
Reinstated members	208	315	215	523
Transfer and upgrade fees from existing members	-	635	-	561
Resignations and terminations	(1,522)	(4,129)	(1,307)	(3,975)
Instalments received in cash	-	(3,970)	-	(4,641)
Balance, end of year (Full Privilege)	14,991	\$ 24,100	15,077	\$ 26,205

In general, golf members are becoming more transient between member golf clubs since there is less membership fees being charged per member by both ClubLink and our competitors. This has translated into both more sales and more resignations.

RESULTS OF OPERATIONS BY BUSINESS SEGMENT (continued)

Review of Canadian Golf Club Operations for the Year Ended December 31, 2017 (continued)

Canadian Membership Fees (continued)

Membership fees are amortized over the estimated weighted average remaining membership by year joined. This is determined by subtracting the average age of members that joined in that year from 70 and dividing the result by 2. The amortization period is reviewed annually and any adjustments are made prospectively. Membership fee revenue recognized in 2017 decreased 29.7% to \$7,688,000 from \$10,936,000 in 2016. This decline is primarily the result of the members that joined in 2003 and 2005 completing their amortization period in 2016. 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.

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

Member Join Year	Amortization Period (yrs) 2017	Amortization Period (yrs) 2016	Amortization of Membership Fees (\$000) 2017	Amortization of Membership Fees (\$000) 2016	Members at year end 2017	Members at year end 2016	% Change
1994-2002	Cash	Cash	\$ 231	\$ 303	4,689	4,961	(5.5%)
2003	Cash	1	34	1,267	600	656	(8.5%)
2004	1	2	1,207	1,177	555	593	(6.4%)
2005	Cash	1	108	2,130	1,354	1,447	(6.4%)
2006	3	4	871	866	541	574	(5.7%)
2007	2	3	1,508	1,506	965	1,054	(8.4%)
2008	4	5	748	745	543	589	(7.8%)
2009	5	6	646	654	614	675	(9.0%)
2010	5	6	474	482	722	797	(9.4%)
2011	8	9	410	422	542	594	(8.8%)
2012	10	11	215	226	332	381	(12.9%)
2013	10	11	232	256	316	365	(13.4%)
2014	11	12	272	293	537	605	(11.2%)
2015	12	13	220	268	502	632	(20.6%)
2016	13	14	272	341	951	1,154	(17.6%)
2017	14	-	240	-	1,228	-	N/A
Totals			\$ 7,688	\$ 10,936	14,991	15,077	(0.6%)

Due to the fact the 2004 member group has completed its amortization period in 2017, amortization of membership fees is expected to decline to approximately \$6,600,000 in 2018.

RESULTS OF OPERATIONS BY BUSINESS SEGMENT (continued)***Review of Canadian Golf Club Operations for the Year Ended December 31, 2017 (continued)******Canadian Membership Fees (continued)***

The following is an age analysis of ClubLink's Canadian Region golf members:

	2017	2016 % Change	
Under 30 years	1,422	1,340	6.1%
31 - 40 years	851	826	3.0%
41 - 50 years	2,175	2,413	(9.9%)
51 - 60 years	4,969	5,164	(3.8%)
61 - 70 years	3,553	3,449	3.0%
71 and over	1,437	1,275	12.7%
Not available	584	610	(4.3%)
	14,991	15,077	(0.6%)

The average age of a Canadian full privilege golf member as at December 31, 2017 is 54.1 years as compared to 53.9 years as at December 31, 2016.

RESULTS OF OPERATIONS BY BUSINESS SEGMENT (continued)

Review of US Golf Club Operations for the Year Ended December 31, 2017

Summary of US Golf Club Operations

(statistics)	2017	2016	% Change
18-hole equivalent championship golf courses	11.0	11.0	-
Championship golf rounds	340,000	373,000	(8.8%)
Full privilege golf members	973	1,087	(10.5%)
(thousands of dollars)	2017	2016	% Change
Operating revenue	\$ 17,639	\$ 18,924	(6.8%)
Direct operating expenses	(16,987)	(17,594)	(3.5%)
Net operating income	652	1,330	(51.0%)
Amortization of membership fees	231	206	12.1%
Depreciation and amortization	(1,971)	(2,009)	(1.9%)
Other expense, net	(10)	(25)	(60.0%)
Segment loss before interest and income taxes (US dollars)	(1,098)	(498)	(120.5%)
Exchange	(238)	(56)	(325.0%)
Segment loss before interest and income taxes (Cdn dollars)	\$ (1,336)	\$ (554)	(141.2%)
Operating margin	3.7%	7.0%	(47.1%)

US Golf Club Operating Revenue

US golf club operating revenue is recorded as follows:

(thousands of dollars)	2017	2016	% Change
Annual dues	\$ 5,219	\$ 5,678	(8.1%)
Corporate events, guest fees and cart rentals	8,918	9,569	(6.8%)
Food and beverage	2,584	2,828	(8.6%)
Merchandise and other	918	849	8.1%
Subtotal (US dollars)	17,639	18,924	(6.8%)
Exchange	5,398	6,347	(15.0%)
Total (Cdn dollars)	\$ 23,037	\$ 25,271	(8.8%)

RESULTS OF OPERATIONS BY BUSINESS SEGMENT (continued)

Review of US Golf Club Operations for the Year Ended December 31, 2017 (continued)

US Golf Club Direct Operating Expenses

US golf club direct operating expenses are recorded as follows:

(thousands of dollars)	2017	2016	% Change
Cost of sales	\$ 1,557	\$ 1,610	(3.3%)
Labour and employee benefits	8,201	8,518	(3.7%)
Utilities	1,305	1,377	(5.2%)
Selling, general and administrative	135	104	29.8%
Property taxes	924	906	2.0%
Insurance	457	495	(7.7%)
Repairs and maintenance	761	700	8.7%
Fertilizers and pest control products	623	783	(20.4%)
Fuel and oil	218	194	12.4%
Management fee	460	652	(29.4%)
Other operating expenses	2,346	2,255	4.0%
Subtotal (US dollars)	16,987	17,594	(3.5%)
Exchange	5,112	5,813	(12.1%)
Total (Cdn dollars)	\$ 22,099	\$ 23,407	(5.6%)

Review of Rail and Port Operations for the Year Ended December 31, 2017

Summary of Rail and Port Operations

(statistics)	2017	2016	% Change
Rail passengers	429,000	408,000	5.1%
Port passengers	846,000	816,000	3.7%
Cruise ship dockings	370	363	1.9%
(thousands of dollars)	2017	2016	% Change
Operating revenue	\$ 43,207	\$ 40,391	7.0%
Direct operating expenses	(19,444)	(18,562)	4.8%
Net operating income	23,763	21,829	8.9%
Depreciation and amortization	(7,166)	(6,987)	2.6%
Land lease rent	(251)	(191)	31.4%
Other income (expense), net	(1,615)	25	N/A
Segment earnings before interest and income taxes (US dollars)	14,731	14,676	0.4%
Exchange	4,032	3,959	1.8%
Segment earnings before interest and income taxes (Cdn dollars)	\$ 18,763	\$ 18,635	0.7%
Operating margin	55.0%	54.0%	1.9%

RESULTS OF OPERATIONS BY BUSINESS SEGMENT (continued)

Review of Rail and Port Operations for the Year Ended December 31, 2017 (continued)

Rail and Port Operating Revenue

Rail and port operating revenue is recorded as follows:

(thousands of dollars)	2017	2016	% Change
Railroad	\$ 32,296	\$ 30,000	7.7%
Port	8,546	8,128	5.1%
Gift shop and other	2,365	2,263	4.5%
Subtotal (US dollars)	43,207	40,391	7.0%
Exchange	12,468	12,088	3.1%
Total (Cdn dollars)	\$ 55,675	\$ 52,479	6.1%

The number of rail passengers has increased 5.1% to 429,000 in 2017 as compared to 408,000 in 2016 resulting in a 7.7% increase in railroad revenue.

The number of port passengers has increased 3.7% to 846,000 in 2017 as compared to 816,000 in 2016.

Rail and Port Direct Operating Expenses

Rail and port direct operating expenses are recorded as follows:

(thousands of dollars)	2017	2016	% Change
Cost of sales	\$ 825	\$ 827	(0.2%)
Labour and employee benefits	10,183	9,410	8.2%
Utilities	406	332	22.3%
Selling, general and administrative	1,392	1,503	(7.4%)
Property taxes	562	561	0.2%
Insurance	1,557	1,643	(5.2%)
Repairs and maintenance	506	569	(11.1%)
Fuel and oil	940	805	16.8%
Other operating expenses	3,073	2,912	5.5%
Subtotal (US dollars)	19,444	18,562	4.8%
Exchange	5,763	5,795	(0.6%)
Total (Cdn dollars)	\$ 25,207	\$ 24,357	3.5%

On July 6, 2017, an engine fire damaged a locomotive. An insurance claim has been opened and management has engaged a third party to repair the locomotive in the amount of US\$1,000,000. Business interruption proceeds in the amount of US\$110,000 have been recorded as operating revenue. An impairment of US\$940,000 have been recorded in relation to this locomotive.

On September 5, 2017, the Company sustained permanent damage to a rockfall netting providing cover for the Railroad Dock at White Pass. Business interruption proceeds in the amount of US\$571,000 have been recorded as operating revenue. The estimated cost to replace the netting is US\$1,000,000 which will be partially covered by insurance.

RESULTS OF OPERATIONS BY BUSINESS SEGMENT (continued)***Review of Corporate Operations and Unallocated Amounts for the Year Ended December 31, 2017***

For the year ended December 31, 2017, the corporate operations segment incurred costs of \$2,940,000 as compared to \$2,886,000 in 2016. There is no operating revenue earned by the corporate operations segment.

Corporate operations operating costs are recorded as follows:

(thousands of Canadian dollars)	2017	2016	% Change
Labour and employee benefits	\$ 1,848	\$ 1,795	3.0%
Insurance	144	162	(11.1%)
Selling, general and administrative expenses	948	929	2.0%
	\$ 2,940	\$ 2,886	1.9%

CRITICAL ACCOUNTING ESTIMATES

The Company's discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with IFRS.

The Company's significant accounting policies and accounting estimates under IFRS are contained in the consolidated financial statements (see Note 2 for description). Certain of these policies involve critical accounting estimates as they require us to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions. We have discussed the development, selection and application of our key accounting policies, and the critical accounting estimates and assumptions they involve, with the external auditors and the audit committee of the Board of Directors.

FINANCIAL CONDITION

The following is a summary consolidated balance sheet and analysis for the last two fiscal years

(thousands of Canadian dollars)	2017	2016	Net Change	Ref
Assets				
Cash	\$ 848	\$ 2,382	\$ (1,534)	
Accounts receivable	6,519	5,547	972	
Mortgages and loans receivable	1,451	1,457	(6)	
Inventories and prepaid expenses	6,368	4,996	1,372	
Other assets	19,088	11,822	7,266	
Property, plant and equipment and intangibles	595,780	621,307	(25,527)	1
Goodwill	-	31,605	(31,605)	2
	\$ 630,054	\$ 679,116	\$ (49,062)	
Liabilities				
Accounts payable and accrued liabilities	\$ 23,317	\$ 21,655	\$ 1,662	
Borrowings	300,836	317,211	(16,375)	3
Prepaid annual dues and deposits	12,720	18,905	(6,185)	
Deferred membership fees	14,550	18,329	(3,779)	4
Deferred income tax liabilities	46,643	65,257	(18,614)	
	398,066	441,357	(43,291)	
Shareholders' Equity				
Share capital	111,987	111,987	-	
Retained earnings	96,631	96,775	(144)	
Accumulated other comprehensive income	23,370	28,997	(5,627)	5
	231,988	237,759	(5,771)	
	\$ 630,054	\$ 679,116	\$ (49,062)	

Please see reference notes on page 34.

FINANCIAL CONDITION (continued)

The following notes describe significant changes in the balance sheets presented on page 33:

1. Property, plant and equipment and intangibles decreased \$25,527,000 primarily due to a stronger Canadian dollar than at December 31, 2016, resulting in a lower net book value for US denominated property, plant and equipment.
2. Goodwill was determined to be impaired and was written down for December 31, 2017. This goodwill was allocated to the Canadian golf club operation and was recorded as an impairment.
3. Borrowings have decreased \$16,375,000 due to the changes as follows:

(thousands of dollars)	2017	2016	Change
Borrowings, beginning of year	\$ 318,531	\$ 350,134	\$ (31,603)
Amortization payments	(18,546)	(20,388)	1,842
Revolving payments	8,753	(6,331)	15,084
Finance leases	(1,751)	(1,863)	112
Unrealized foreign exchange	(5,094)	(3,021)	(2,073)
Gross borrowings, end of year	301,893	318,531	(16,638)
Deferred financing costs	(1,057)	(1,320)	263
Borrowings, end of year	\$ 300,836	\$ 317,211	\$ (16,375)

4. Deferred membership fees have decreased \$3,779,000 due to the changes as follows:

(thousands of dollars)	2017	2016	Change
Deferred membership fees, beginning of year	\$ 18,329	\$ 24,457	\$ (6,128)
Membership fee instalments received in cash	4,254	5,094	(840)
Amortization of membership fees to revenue	(7,987)	(11,210)	3,223
Exchange	(46)	(12)	(34)
Deferred membership fees, end of year	\$ 14,550	\$ 18,329	\$ (3,779)

5. The Company has recorded a negative adjustment to its accumulated other comprehensive gain account of \$5,627,000 due to a change in the Canadian/US exchange rate to 1.2545 at December 31, 2017 from 1.3427 at December 31, 2016. This change has a corresponding impact on the US dollar assets and liabilities of the Company.

FINANCIAL CONDITION (continued)

The Company currently has a working capital deficiency, which is as follows:

(thousands of Canadian dollars)	2017	2016
Current assets	\$ 13,741	\$ 12,931
Current liabilities	68,399	108,067
Working capital deficiency	\$ (54,658)	\$ (95,136)

The Company has typically always had a working capital deficiency at each year-end and quarter-end date due to the nature of its operations and financing arrangements. The Company expects this situation to continue in the future. Reasons for the working capital deficiency include:

- i) Year-end is at the end of the operating season for both of its major business segments (rail and port operations as well as Canadian golf operations) which causes the working capital deficiency to be particularly acute;
- ii) The minimum principal debt amortization repayments get funded monthly from the following year's operations which has not yet been reflected in the working capital balances.
- iii) The Company is typically a net borrower- any excess cash gets applied against its lines of credit;
- iv) Revenue is collected in advance for the Canadian and US golf operations in the form of event deposits and annual dues collected in advance which gets reflected as a current liability;
- v) Neither of the Company's two major lines of credit are current obligations and are part of \$51,727,000 in available lines of credit at December 31, 2017 compared to \$65,633,000 at December 31, 2016.

Notwithstanding the deficiency, management believes the Company is in a stable liquidity position due to the reasons noted above.

Shareholders' Equity

Consolidated shareholders' equity at December 31, 2017 totaled \$231,988,000 or \$8.48 per share, compared to \$237,759,000 or \$8.69 per share at December 31, 2016. The number of common shares outstanding stayed flat at 27,345,540 shares as at December 31, 2017 from December 31, 2016 as reflected in the chart below.

The following is a summary of the common share activity:

(number of shares)	2017	2016
Balance, beginning of year	27,345,540	27,135,545
Shares issued pursuant to stock dividend	-	209,048
Shares cancelled through sunset clause	-	947
Balance, end of year	27,345,540	27,345,540

The following is a summary of dividends declared in 2016 and 2017:

Date of declaration	Record date	Distribution date	Cash/stock	Amount per share
March 3, 2016	March 18, 2016	March 28, 2016	Stock	0.075
May 5, 2016	May 31, 2016	June 15, 2016	Cash	0.02
August 4, 2016	August 31, 2016	September 15, 2016	Cash	0.02
November 3, 2016	November 30, 2016	December 15, 2016	Cash	0.02
February 28, 2017	March 15, 2017	March 31, 2017	Cash	0.02
May 4, 2017	May 31, 2017	June 15, 2017	Cash	0.02
August 10, 2017	August 31, 2017	September 15, 2017	Cash	0.02
November 2, 2017	November 30, 2017	December 15, 2017	Cash	0.02

LIQUIDITY AND CAPITAL RESOURCES

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 they arise. TWC's capital availability and demonstrated ability to execute transactions give it a competitive advantage in corporate development opportunities.

A summarized statement of cash flows is as follows:

(thousands of Canadian dollars)	2017	2016
Cash provided by operating activities	\$ 33,795	\$ 36,912
Operating property, plant and equipment expenditures	(12,730)	(9,932)
Expansion property, plant and equipment expenditures	(5,064)	(9,768)
Proceeds on real estate sale	5,074	-
Mortgages and loans receivable	6	13,754
Revolving borrowings	8,753	(6,331)
Non-revolving borrowings – amortization payments	(18,546)	(20,388)
Finance lease obligations, net	(1,751)	(1,863)
Cash dividends	(2,188)	(1,641)
Other long term assets	(7,761)	(248)
Other	(1,122)	(364)
Net change in cash during the year	(1,534)	131
Cash, beginning of year	2,382	2,251
Cash, end of year	\$ 848	\$ 2,382

Funds and adjusted funds from operations are calculated as follows:

(thousands of Canadian dollars)	2017	2016
Net earnings	\$ 2,044	\$ 16,558
Depreciation of property, plant and equipment	24,836	25,214
Amortization of intangible assets	1,196	1,200
Deferred income tax expense (recovery)	(15,760)	2,964
Amortization of membership fees	(7,987)	(11,210)
Collection of membership fee instalments	4,254	5,094
Impairment	31,605	-
Net gain on property, plant and equipment	(102)	-
Funds from operations	40,086	39,820
Operating capital expenditures	(12,730)	(9,932)
Adjusted funds from operations	\$ 27,356	\$ 29,888

Please see page 17 for a description and definition of the funds from operations calculations.

LIQUIDITY AND CAPITAL RESOURCES (continued)

The analysis of TWC's liquidity is as follows:

(thousands of Canadian dollars)	Availability on December 31, 2017		Availability on December 31, 2016	
	Maximum	Available	Maximum	Available
Cash	\$ 848	\$ 848	\$ 2,382	\$ 2,382
Revolving line of credit (US golf)	12,545	-	13,427	13,427
Revolving line of credit (corporate)	70,000	5,315	70,000	9,821
Revolving line of credit (rail)	32,165	7,331	37,569	37,087
Related party revolving line of credit	50,000	38,233	50,000	2,916
	\$ 165,558	\$ 51,727	\$ 173,378	\$ 65,633

Funds will be used during 2018 for operating capital expenditures, expansion capital expenditures and to pay debt obligations as they become due.

Liquidity risk arises from general funding needs and in the management of assets, liabilities and optimal capital structure. TWC manages liquidity risk to maintain sufficient liquid financial resources to meet its commitments and obligations in the most cost-effective manner possible.

Based on TWC's financial position at December 31, 2017, and projected future earnings, management expects to be able to fund its working capital requirements, and meet its other obligations including debt repayments.

The following is an analysis of the Company's net borrowings and their characteristics on December 31, 2017 compared to December 31, 2016:

(thousands of Canadian dollars)	Interest Rate 2017	Interest Rate 2016	Total Indebtedness 2017	Total Indebtedness 2016	Average Term to Maturity (Yrs) 2017	Average Term to Maturity (Yrs) 2016
Revolving (US golf)	3.11%	2.28%	\$ 10,000	\$ -	2.00	1.50
Revolving (rail)	3.12%	2.49%	19,796	359	0.92	1.92
Revolving (related party)	2.99%	2.14%	-	9,000	N/A	N/A
Non-revolving	8.00%	8.00%	12,472	13,081	11.75	12.75
Term loan	4.38%	3.64%	20,278	22,138	2.67	3.67
Exchange	-	-	15,918	15,277	-	-
Subtotal US borrowings	4.50%	4.61%	78,464	59,855		
Revolving (corporate)	3.12%	2.65%	63,667	58,561	1.50	1.50
Revolving (related party)	2.99%	2.09%	11,767	35,000	N/A	N/A
Non-revolving	7.10%	7.11%	146,155	161,490	7.44	8.39
Finance lease obligations	3.86%	3.75%	1,840	3,625	1.67	1.78
Subtotal CDN borrowings	5.72%	5.38%	223,429	258,676		
Gross borrowings	5.41%	5.24%	301,893	318,531		
Cash			(848)	(2,382)		
Net borrowings			\$ 301,045	\$ 316,149		

LIQUIDITY AND CAPITAL RESOURCES (continued)

TWC's consolidated borrowings include revolving lines of credit, non-revolving mortgages, term loan and finance lease obligations. The following table illustrates future maturities and amortization payments of consolidated borrowings for the next five years and thereafter as at December 31, 2017:

(thousands of Canadian dollars)	Revolving Maturities	Amortization Payments	Non-revolving Maturities	Finance Lease Obligations	Total Borrowings
2018	\$ 11,767	\$ 19,621	\$ -	\$ 974	\$ 32,362
2019	101,046	20,897	-	528	122,471
2020	-	21,493	19,217	223	40,933
2021	-	21,412	-	115	21,527
2022	-	21,685	-	-	21,685
2023 and thereafter	-	62,915	-	-	62,915
	\$ 112,813	\$ 168,023	\$ 19,217	\$ 1,840	\$ 301,893

TWC expects to meet its 2018 obligations by way of funds from operations, and using unutilized lines of credit if necessary.

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:

- The Country Club: December 31, 2022 (formerly December 31, 2026)
- National Pines Golf Club: November 15, 2024
- Greenhills Golf Club: February 28, 2026
- The Club at Bond Head: December 31, 2029

In December 2017, the landlord of the Country Club provided the Company with a five year notice - as provided in the lease document. The lease now expires on December 31, 2022, rather than the original expiration of December 31, 2026.

TWC has three 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 rent payments for the next five years and thereafter as follows:

(thousands of Canadian dollars)	Golf Club Operations	Rail and Port Operations	Total
2018	\$ 5,060	\$ 271	\$ 5,331
2019	5,467	271	5,738
2020	5,578	271	5,849
2021	5,691	271	5,962
2022	5,808	271	6,079
2023 and thereafter	10,532	3,189	13,721
	\$ 38,136	\$ 4,544	\$ 42,680

Operating Activities

Cash provided by operating activities has decreased 8.4% to \$33,795,000 in 2017 from \$36,912,000 in 2016 primarily due to the change in working capital in the amount of \$5,772,000 due primarily to a change in the timing of collection of annual dues.

LIQUIDITY AND CAPITAL RESOURCES (continued)

Investing Activities

Cash used in investing activities increased 3.2% to \$20,581,000 in 2017 from \$19,948,000 in 2016.

Property, plant and equipment expenditures are broken down as follows:

(thousands of Canadian dollars)	2017	2016
Operating property, plant and equipment expenditures		
Canadian golf club operations		
Golf carts	\$ 3,091	\$ 1,400
Turf improvements	1,089	1,550
Turf equipment	1,060	936
Facilities, administrative and other	1,659	1,680
US golf club operations		
Golf carts	774	352
Turf improvements	408	540
Turf equipment	60	246
Other	107	295
Rail and port operations		
Track improvements	291	873
Bridge upgrades	761	189
Rolling stock upgrades	1,756	1,474
Dock upgrades	801	73
Facilities, administrative and other	873	324
	12,730	9,932
Expansion property, plant and equipment expenditures		
Canadian golf club operations		
Land and buildings	1,803	5,582
Rail and port operations		
Locomotive upgrades	571	1,684
Railroad dock mooring fender	-	1,284
Main track rail replacement	1,087	1,218
Bridge replacement	1,585	-
Other	18	-
	5,064	9,768
Total	\$ 17,794	\$ 19,700

LIQUIDITY AND CAPITAL RESOURCES (continued)

Financing Activities

Cash flows used in financing activities were \$13,902,000 in 2017 compared to \$16,645,000 in 2016.

The Company's \$70,000,000 secured revolving operating line of credit due June 30, 2018 was renewed to June 30, 2019. The Company's US\$10,000,000 revolving operating line of credit was renewed to December 31, 2019. These facilities have a two year term and provisions for annual one year extensions.

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 expired on September 19, 2017. During 2017, 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, 2018. During 2017, no shares were repurchased for cancellation under the normal course issuer bid.

During 2017, TWC declared and paid four quarterly dividends of 2 cents per common share for a total of 8 cents per common share or \$2,188,000 for the year.

TWC finances its operations and expansion through a combination of operating cash flows, revolving and non-revolving secured debt and finance lease obligations. In the past, TWC has issued debt and shares to facilitate acquisitions and to provide working capital. Wherever possible, expansion activities are financed through secured long term debt with repayment obligations corresponding to the expected cash flows.

The Company primarily uses credit facilities, along with funds generated from operating activities, to fund development capital spending and interest and principal payments on borrowings.

The Company currently does not expect to access debt or equity capital markets for financing over the next twelve months; however, the Company may access these markets.

OFF-BALANCE SHEET FINANCING AND GUARANTEES

TWC and its subsidiaries do not engage in off-balance sheet financing, except for the existence of operating leases, which are primarily for the rental of golf courses and for the rental of tide lands in Skagway, Alaska.

From time to time, TWC enters into agreements to provide financial or performance assurances to third parties of which letters of credit of \$1,018,000 (2016 - \$1,018,000) and unsecured surety bonds of \$1,602,000 (2016 - \$1,601,000) were outstanding as at December 31, 2017.

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, sales of services, securitization agreements and underwriting and agency agreements.

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. This facility bears interest at TWC's short-term borrowing rate plus 10 basis points. 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 bears interest at Morguard's short-term borrowing rate plus 10 basis points. As at December 31, 2016, the total loan payable outstanding on this facility was \$47,084,000. Interest incurred for the year ended December 31, 2016 amounted to \$123,000. As at December 31, 2017, the total loan payable outstanding on this facility was \$11,767,000, and interest incurred amounted to \$400,000. Net interest payable at December 31, 2017 was \$28,000 (December 31, 2016 - \$145,000).

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, 2017 and 2016, 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, 2017 and 2016, 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, 2017 (December 31, 2016 - \$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 US\$460,000 (CDN\$598,000) for the year ended December 31, 2017 (December 31, 2016 - US\$652,000; CDN\$866,000) under a contractual agreement, which is included in operating expenses.

During 2017, the Company earned \$548,000 (2016 - \$479,000) 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, 2017 (December 31, 2016 - 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.

ENVIRONMENTAL AND HEALTH AND SAFETY OBLIGATIONS

The Company's operations and properties are subject to extensive federal, provincial, territorial, state, municipal and local environmental laws and requirements in both Canada and the United States, relating to, among other things, air emissions, the management of contaminants including hazardous materials and waste, discharges to waters and the remediation of environmental impacts. The Company believes it has identified and provided for the expenditures relating to known environmental matters, including compliance issues and the assessment and remediation of the environmental condition of its properties, whether currently or previously owned, or other properties where it may have environmental matters. The Company's total costs and liabilities cannot be predicted with certainty due to, among other things, the various issues described above, changing environmental laws, requirements and the potential necessity to conduct additional investigations.

TWC continually demonstrates its commitment to ensuring the health and safety of anyone affected by its operations and to responsibly manage the impact of its operations on the environment. In implementing its policies, TWC employs the benefits of strong environment, health and safety ("EH&S") management systems to a wide range of stakeholders in Canada and the United States. Stakeholders include all employees and the communities where TWC operates, along with customers, investors, partners, and service providers. This commitment extends throughout the entire Company at every level, starting with the Board of Directors.

The EH&S committee of the Company's Board of Directors meets on a regular basis to review and oversee TWC's policies and programs as well as to review the EH&S performance of each business unit. The committee also oversees the Company's compliance with applicable EH&S laws and regulations and monitors trends, issues and events which could have a significant impact on the Company.

TWC continually monitors changes in both EH&S technologies and regulations both directly and through its involvement with various industry associations.

TWC believes that safe operations are essential for a productive and engaged workforce. TWC is committed to workplace incident prevention and makes expenditures towards the necessary human and financial resources and site-specific systems to ensure compliance with its health and safety policies. Any injuries that may occur are investigated to determine root cause and to establish and put in place necessary controls, with the goal of preventing recurrence.

FINANCIAL INSTRUMENTS

TWC has a number of financial instruments which are described in Note 20 to the audited consolidated financial statements for the year ending December 31, 2017.

Risks associated with these financial instruments and information on their fair values are also disclosed in Note 20.

SUMMARY OF FINANCIAL RESULTS BY QUARTER

The table below sets forth selected financial data for the most recent eight quarters ending December 31, 2017. The financial data is derived from the Company's unaudited interim financial statements, which are prepared in accordance with IFRS as follows:

(thousands of Canadian dollars, except per share amounts)	2017				2016			
	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31
Total assets	\$ 630,054	\$ 680,979	\$ 702,854	\$ 685,578	\$ 679,116	\$ 690,478	\$ 699,487	\$ 687,861
Operating revenue	28,328	97,357	69,436	24,109	28,766	94,448	69,999	24,622
Net operating income	819	39,467	19,484	758	1,427	37,334	18,973	1,129
Operating margin (%)	2.9%	40.5	28.1	3.1	5.0	39.5	27.1	4.6
Net earnings (loss)	(19,574)	19,472	5,754	(3,608)	(1,457)	17,869	5,866	(5,720)
Basic earnings (loss) per share	(0.72)	0.71	0.21	(0.13)	(0.05)	0.65	0.21	(0.21)
Eligible stock dividends per share	-	-	-	-	-	-	-	0.075
Eligible cash dividends per share	0.02	0.02	0.02	0.02	0.02	0.02	0.02	-

FOURTH QUARTER RESULTS

For the Fourth Quarter ended December 31,

(thousands of Canadian dollars, except per share amounts)	2017	2016	Change
Operating revenue	\$ 28,328	\$ 28,766	(1.5%)
Cost of sales and operating expenses	27,509	27,339	0.6%
Net operating income	819	1,427	(42.6%)
Operating margin (%)	2.9%	5.0%	(42.0%)
Amortization of membership fees	1,868	2,715	(31.2%)
Depreciation and amortization	(6,610)	(6,766)	(2.3%)
Land lease rent	(1,292)	(1,326)	(2.6%)
Interest, net	(4,058)	(4,561)	(11.0%)
Impairment	(31,605)	-	N/A
Other expense, net	(1,341)	(420)	219.3%
Income tax recovery	22,645	7,474	203.0%
Net loss	\$ (19,574)	\$ (1,457)	N/A
Weighted average shares outstanding (000)	27,346	27,345	-
Basic and diluted loss per share	\$ (0.72)	\$ (0.05)	N/A

The following exchange rates translate one US dollar into the Canadian dollar equivalent:

Statement of earnings, average for the fourth quarter	1.2715	1.3339
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The majority of the revenue and net operating income earned in the fourth quarter relate to the activities of the Canadian and US golf operations as certain golf clubs remain open in the fall and annual dues revenue is recognized on a monthly basis. The Florida golf course acquisitions have also helped to increase revenue and operating income for the fourth quarter. Costs for the end of season maintenance and operating expenses negatively impact net operating income in the fourth quarter.

Net operating income for the fourth quarter of 2017 has decreased 42.6% to \$819,000 from \$1,427,000 in 2016. Net loss for the fourth quarter of 2017 has increased to \$19,574,000 from \$1,457,000 in 2016 due primarily to the \$31,605,000 goodwill impairment charge recorded in the fourth quarter of 2017, partially offset by a deferred tax recovery relating to the US tax reform package announced in the fourth quarter of 2017.

SEASONALITY

The quarterly earnings performance of the Company reflects the highly seasonal nature of both business segments. The majority of revenue and earnings from the Canadian golf operations and the rail and port operations segments occur during the second and third quarters of the year. Accordingly, the quarterly reported net earnings of the Company will fluctuate with those of the underlying business segments.

RISKS AND UNCERTAINTIES

TWC manages a number of risks in each of its business segments in order to achieve an acceptable level of risk without hindering its ability to maximize returns. Management has procedures to identify and manage significant operational and financial risks.

In addition to the risks described elsewhere in this MD&A, this section describes the principal risks that could have a material and adverse effect on the Company's financial condition, results of operations, cash flows or business, as well as cause actual results to differ materially from expectations expressed in or implied by forward-looking statements. The risks described below are not the only risks that could affect the Company. Additional risks and uncertainties not currently known or that are currently deemed to be immaterial may also materially and adversely affect TWC's financial condition, results of operations, cash flows or business.

Economic & Business Risk

A decline in the economic environment and its impact on disposable income in areas where TWC operates may have an adverse effect on operating revenue. The Company's business segments are dependent upon discretionary spending by consumers and corporations which in turn is impacted by general economic conditions.

An extended recession could materially affect both business segments' revenue and financial performance as discretionary spending declines.

The ability to attract and retain full privilege golf members and the number of rounds played at member, hybrid and daily fee golf clubs have historically been dependent upon (i) discretionary spending by consumers and corporations, which may be affected by general economic conditions in the markets that it operates, and (ii) the popularity of golf as a leisure activity. There is no certainty that current levels of participation will be sustained or increase in the future. A decrease in the overall number of golfers, their rates of participation and consumer or corporate spending on golf, individually or collectively, could have a material adverse effect on the Company's business, financial condition and results of operations. Given that a substantial portion of the Company's golf activities are carried out in Southern Ontario, the results of operations will depend heavily on the financial condition of this market.

A decline in the economic environment and its impact on disposable income in areas where TWC's clusters are located may have an adverse effect on the Company's golf club operations revenue. The Company believes this is mitigated and that revenue from member clubs would remain relatively constant since a member is committed to pay annual dues and consume a food and beverage minimum to maintain their membership. While the sale of new memberships may decline in such circumstances, almost all Member Golf Clubs have a membership base that generates sufficient operating revenue to sustain profitable operations at that property.

Corporate event bookings, which represent a material portion of the Company's golf revenue, are susceptible to major changes in the economic environment.

The success of the rail and port operations are economically dependent upon the flow of cruise ship traffic along the west coast of North America to Alaska. These operations can be disrupted for reasons beyond the control of management, including new taxes, commercial and weather-related changes to ship scheduling. There is a risk, beyond the control of TWC, that receivables due from Carnival Cruises will not be paid or paid in a timely manner.

Economic Dependency

Rail and port operations are economically dependent upon the Alaska cruise line industry. For the year ended December 31, 2017, Carnival Cruises and its subsidiaries, Princess Cruises and Holland America Cruises, made up approximately 54.1% of White Pass port passengers (2016 – 53.2%). The loss of this customer could have a material impact on the operations of the Company.

Foreign Currency Risk

TWC operates both in Canada and the United States and reports its earnings in Canadian dollars. Certain TWC borrowings have a base currency of US dollars as well. Fluctuations in exchange rates could affect the cost of capital or the contribution from operations in the United States, and the value of the Company's investments in the United States.

RISKS AND UNCERTAINTIES (continued)

Availability of Credit/Liquidity

No assurance can be given that borrowings will be available to the Company or its subsidiaries to replace existing credit facilities on terms acceptable to the Company, if at all. Failure to renew or replace credit facilities as they mature would require TWC to obtain alternative sources of capital, which may include the sale of assets or the issuance of equity at prices that may be dilutive to current shareholders.

Renewal Risk

TWC is exposed to renewal risk on its maturing borrowings. A total of 58% (December 31, 2016 – 72%) of TWC's consolidated borrowings is fully amortizing over the remaining term to maturity and 42% (December 31, 2016 – 28%) of TWC's borrowings is subject to this risk.

Interest Rate Risk

TWC is exposed to market risk related to interest rate fluctuations. The majority of TWC's borrowings has fixed interest rates over its remaining term to maturity, with 42% (December 31, 2016 – 43%) of its debt subject to this risk.

Risks Associated with Information Systems

Golf club operations rely on information systems in its business to obtain, rapidly process and analyze data to manage:

- its tee sheet and reservation system;
- its member database;
- the accurate billing of receivables and collections from members;
- the accurate accounting for and payment to vendors; and
- the processing of financial data.

Rail and port operations rely on information systems to manage train scheduling, cruise ship bookings, communications and accounting data.

Results of operations from both business segments could be adversely affected if these systems are interrupted, damaged by unforeseen events or fail for any extended period of time, including due to the action of third parties.

Competition

The competitive environment in all business segments is evolving. There have been significant additions to alternative products in the golf club, resort and tourism sectors in Ontario. While the Company has certain competitive advantages which management believes will offset, in part, the impact of this increased competition, it has been affected by these developments.

The Company faces strong competition in the Florida golf marketplace from golf clubs that have been reducing their golf fees to maintain market share. TWC believes its pricing is competitive and is striving to differentiate their product by ensuring a quality golfing experience.

Key Management

The Company's success depends upon the continued contribution of key management, some of whom have unique talents and experience and would be difficult to replace quickly. The loss or interruption of the services of a key executive could have a material adverse effect on our business during the transitional period that would be required to restructure the organization or for a successor to assume the responsibilities of the key management position.

Litigation

The Company and certain of its subsidiaries are defendants in a number of legal actions. Although the outcome of these claims cannot be determined, in the opinion of management, the resolution of these matters is not expected to have a material adverse effect on the Company's financial position or results of operations.

Laws Concerning Employees

The Canadian golf operations are subject to minimum wage and employment laws governing such matters as rate of pay, benefits, working conditions, overtime and tip credits. The Company believes it is in compliance with these laws and regulations. A significant number of employees are paid at rates which are at or slightly higher than the minimum wage level and accordingly, further increases in the minimum wage could increase the Company's labour costs.

RISKS AND UNCERTAINTIES (continued)

Regulatory Environment

TWC and its subsidiaries are subject to regulation by numerous agencies involving minimum wage, the serving of alcohol, operation of a railroad and adherence to environmental constraints. Changes in these regulations, and their application, can impact the cost and efficiency of each business segment.

Loss of Reputation

"ClubLink One Membership More Golf" and "White Pass & Yukon Route" both currently enjoy recognizable brand names in their operating markets. Damage to these brands could have a negative impact on the affairs of the Company. If the Company does not meet or exceed customer expectations, these brands could suffer. We have endeavoured to reduce this risk by ongoing employee training and a company-wide focus on customer service excellence.

Environment

TWC's golf courses are managed with a high level of environmental awareness. In addition, TWC's turf management team is highly knowledgeable and receives extensive training regarding the proper use of pesticides and chemicals required to promote healthy golf course conditions and compliance with applicable regulations. However, certain risks are associated with the use of these materials and the overall effect a golf course has on the surrounding habitat, including nearby waterways.

Phase 1 environmental assessments are completed prior to the acquisition of any property. Once the property is acquired, environment assessment programs ensure continued compliance with all laws and regulations governing environment and related matters.

Rail and port operations are subject to extensive federal, provincial, territorial, state, municipal and local environmental laws and requirements in both Canada and the US relating to, among other things, air emissions, management of contaminants including hazardous materials and waste, discharges to waters and the remediation of environmental impacts (such as the contamination of soil and water, including groundwater). A risk of environmental liabilities is inherent in transportation operations, historic activities associated with such operations and the ownership, management or control of real estate.

The Company believes that it has adopted appropriate practices and procedures and maintains adequate insurance to address environmental contingencies. As part of our environmental policies, TWC monitors, controls and manages environmental issues by way of measures for waste prevention, minimization and recycling of any waste products. A committee of the Board of Directors has been established to ensure appropriate policies and standards are maintained for environmental stewardship.

Terrain

The rail and port operations segment operates in remote, rocky and mountainous terrain. While the Company maintains safeguards, operations may be adversely effected in the event of a rock slide, washout or accident.

Weather

Extraordinary weather conditions involving extended dry or wet periods or exceptional hot or cold temperatures could impact the condition of golf courses and the demand for golf. Management believes that its geographically diverse operations may serve to reduce the impact of severe weather conditions.

The rail and port operations segment is dependent on its ability to operate its port and railroad. Severe weather and natural disasters, such as extreme cold or heat, rock falls, flooding, snow, unusual high winds, stormy seas and earthquakes, can disrupt operations and service for the port and railroad and damage its infrastructure or properties.

Real Estate

TWC is subject to risks inherent in the acquisition, development, ownership and financing of real estate in general and the operations, rehabilitation and development of golf courses and recreational real estate in particular, such as the risk of depreciation in the value of land and federal, provincial and municipal governmental regulations, including environmental, sewer, water, zoning and similar regulations. It is possible that enactment of new laws, changes in the interpretation or enforcement of applicable laws, rules and regulations or the decision of any authority to change or refuse a change to current zoning classification may have an adverse effect on the value of these golf facilities and related real estate.

Unions and Collective Bargaining

White Pass has three separate unions which represent employees in the rail and port operations segment. The United Transportation Union ("UTU") contract expired at the end of 2017. Negotiations are underway for the 2018 operating season. The other two unions are under contract for 2018.

RISKS AND UNCERTAINTIES (continued)

Unions and Collective Bargaining (continued)

In any set of labour negotiations, there can be no assurance that the negotiated compensation expenses or changes to operating efficiency will be as planned and may result in unanticipated increased costs and/or reduced productivity. In addition, there can be no assurance that reduced productivity and work disruptions will not occur during the course of collective bargaining prior to settlement.

Exchange of Confidential Information

This risk involves the utilization of members' confidential information, particularly in direct marketing. The potential dissemination of such information to the wrong individuals could cause significant damage to our relationship with our members and customers and could result in legal action. Various initiatives, such as a corporate privacy policy, have been implemented which seek to minimize the possibility that this may occur.

TWC is also involved in payment card industry ("PCI") compliance, a rigorous set of standards leveraging the latest security technology, such as encryption, to ensure the protection of customer credit card information. These capabilities are being introduced and implemented by TWC in accordance with the ongoing PCI certification program.

Income and Commodity Tax Amounts

The operations of TWC are relatively complex and related tax interpretations, regulations and legislation that pertain to TWC's activities are subject to continual change. The Company collects and pays income and commodity taxes to various taxation authorities.

The audit and review activities of the Internal Revenue Services and Canada Revenue Agency and other jurisdictions' tax authorities affect the ultimate determination of the actual amounts of commodity taxes payable or receivable, income tax liabilities and income tax expense. Therefore, there can be no assurance that taxes will be payable as anticipated and/or that the amount and timing of receipt of use of the tax-related assets will be as currently expected.

Risk of Loss Not Covered by Insurance

The Company generally maintains insurance policies related to our business, including casualty, general liability and other policies covering our business operations, employees and assets; however, TWC would be required to bear all losses that are not adequately covered by insurance, as well as any insurance deductibles. In the event of a substantial property loss, the insurance coverage may not be sufficient to pay the full current market value or current replacement cost of the property. In the event of an uninsured loss, the Company could lose some or all of its capital investment, cash flow and anticipated profits related to one or more properties. Assurance cannot be provided that the Company will not incur losses in excess of insurance coverage or that insurance can be obtained in the future at acceptable levels and reasonable cost. Due to the cost involved, the Company has chosen not to purchase catastrophic wind (hurricane) insurance for its southeast Florida golf clubs.

Integration of Acquisitions

Integration activities include the review and alignment of accounting policies, employee transfers and moves, information systems, optimization of service offerings and establishment of control over new operations. Such activities may not be conducted efficiently and effectively, negatively impacting service levels, competitive position and expected financial results.

TWC has a team that performs the integration function. This team applies an integration model, based on experiences from numerous previous integrations, which enhances and accelerates the standardization of TWC's business processes and strives to preserve the unique qualities of acquired operations. The integration process begins with strategic, pre-closing analysis and planning, and continues after closing with the execution of a plan. Integrated operations are re-evaluated and assessed regularly, based on timely feedback received from the integration team.

Land Leases

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:

- The Country Club: December 31, 2022 (formerly December 31, 2026)
- National Pines Golf Club: November 15, 2024
- Greenhills Golf Club: February 28, 2026
- The Club at Bond Head: December 31, 2029

RISKS AND UNCERTAINTIES (continued)

Land Leases (continued)

In December 2017, the landlord of the Country Club provided the Company with a five year notice - as provided in the lease document. The lease now expires on December 31, 2022, rather than the original expiration of December 31, 2026.

TWC has three 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.

Unless the terms of our leases are extended, the properties, together with any improvements that we have made, will revert to the property owners upon expiration of the lease terms. As the terms of our leases expire, we may not be able to renew these leases or find alternative locations that meet our needs on favourable terms, or at all. If we are unable to renew our expiring leases, our business and financial results could be materially adversely affected. The leases also provide that the landlord may increase the rent over the term of the lease, as well as obligate us to pay a variety of costs such as cost of insurance, taxes, maintenance and utilities. Breaching the terms of a lease may result in the Company incurring substantial penalties, including, among others, paying all amounts due to the landlord for the balance of the lease term. In the event that a significant number of our leases are terminated on that basis, our business and financial results could be materially adversely affected.

Data, Security and Privacy Breaches

Information security risks have increased in recent years because of the proliferation of new technologies and the increased sophistication of perpetrators of cyber-attacks. Cyber incidents can result from deliberate attacks or unintentional events. Cyber threats in particular vary in technique and sources, are persistent, frequently change and are increasingly more targeted and difficult to detect and prevent. Cyber attacks and security breaches could include unauthorized attempts to access, disable, improperly modify or degrade the Company's information systems and networks, the introduction of computer viruses and other malicious codes, and fraudulent "phishing" emails that seek to misappropriate data and information or install malware onto users' computers. They could result in important remediation costs, increased cyber security costs, lost revenues due to a disruption of activities, litigation and reputational harm affecting customer and investor confidence, which could materially adversely affect our business and financial results.

The Company collects and maintains proprietary and confidential information related to the business and affairs, including our members, suppliers and employees. We store and process such internal data both at onsite facilities and at third-party owned facilities. Any fraudulent, malicious or accidental breach of data security could result in unintentional disclosure of, or unauthorized access to members, suppliers, employees or other confidential or sensitive data or information, which could potentially result in additional costs to the Company to enhance security or to respond to occurrences, violations of privacy or other laws or regulations, penalties or litigation. In addition, media or other reports of perceived security vulnerabilities of the Company's systems, even if no breach has been attempted or has occurred, could adversely impact the Company's brand and reputation and materially impact its business and financial results.

While the Company has dedicated resources and utilizes third party technology products and services to help protect the Company's information technology systems and infrastructure as well as its proprietary and confidential information against security breaches and cyber-incidents, such measures may not be adequate or effective to prevent, identify or mitigate attacks by hackers or breaches caused by employee error, malfeasance or other disruptions, which could be in excess of any available insurance, and could materially adversely affect its business and financial results.

DISCLOSURE CONTROLS AND PROCEDURES

TWC's Chairman, President and Chief Executive Officer ("CEO") and its Chief Financial Officer ("CFO") are responsible for establishing and maintaining the Company's disclosure controls and procedures. Our disclosure controls are designed to provide reasonable assurance that information required to be disclosed by TWC is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the CEO and CFO, to allow timely decisions regarding required disclosure. The CEO and CFO, after evaluating the effectiveness of the Company's disclosure controls and procedures as at December 31, 2017, have concluded that the Company's disclosure controls are adequate and effective to ensure that material information relating to the Company and its subsidiaries would have been known to them.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting.

The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of TWC's assets; (ii) provide reasonable assurance that transactions are recorded appropriately to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorization of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Based on their evaluation, the CEO and CFO have concluded that, as at December 31, 2017, the Company's internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes is in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

There were no changes in internal control over financial reporting that occurred during the Company's most recent year that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OUTLOOK

Canadian Golf Club Operations

Management is expecting 2018 revenue from the amortization of membership fees to be approximately \$7.0 million compared to \$8.0 million in 2017. This decline is primarily the result of the members that joined in 2004 completing their amortization period in 2017. Commencing in 2018, this group of members will continue to generate revenue on a cash received basis.

In general, membership fee collections have been declining over the last five years due to the downward pressure from our competitors and an oversupply of golf courses in the markets that the company operates. The average membership price for 2017 is \$4,107 as compared to \$5,996 for fiscal 2016 and \$9,202 in 2015. This trend is expected to continue in the short-term. Inflationary increases for annual dues are still the norm.

In May 2017, the Ontario government introduced a number of changes to the Employment and Labour Laws of the province including a 30% increase in minimum wage between then and January 1, 2019. This is expected to have a significant impact on the Company's Ontario golf operations starting in 2018. Enhanced price increases for Ontario annual dues have been processed for 2018. The Company has also incorporated price increases for food and beverage and golf revenue where appropriate. It is expected that the minimum wage impact will negatively impact the Company's ability to earn membership fees in the future.

Highland Gate Development

TWC has been pursuing the development of its Highland Gate Golf Club in Aurora, Ontario as part of a 50/50 joint venture with Geranium Homes.

TWC is pleased to report that a settlement was reached on December 1, 2016 as part of a consent conference conducted with the Ontario Municipal Board (OMB). This settlement involves the Town of Aurora, the local ratepayers and the joint venture.

The settlements result in a revised development plan that contains fewer single family detached homes than originally proposed (159 instead of 184), a reduction in the height of the proposed multi-unit residential building from ten to seven storeys with 114 units, the addition of a 10-metre landscaped buffer between existing rear yards and adjacent new streets, an increase in the extent of off-street trails from 4.4 to 7.6 kilometres resulting in a total pedestrian network consisting of 10.2 kilometres, and building a major new 21-acre park in the first phase of the development.

The sales office opened on July 24, 2017 and servicing of the 45 lots in Phase 1a commenced on October 23, 2017.

OUTLOOK (continued)

Glen Abbey Development

ClubLink Corporation ULC and ClubLink Holdings Limited, wholly owned subsidiaries of TWC have announced a long-term plan to transform Glen Abbey Golf Club and dedicate more than half of the privately-owned site (approximately 124 acres) to the public as permanent, publicly accessible green space by filing three development applications on November 10, 2016 with the Town of Oakville. The mixed-use development on the remainder of the site will deliver approximately 107,000 sf office and 69,000 sf retail space, along with a housing development consisting of 3,222 units compatible with the current character of the Oakville community and consistent with the provincial directive to focus growth within Oakville's built boundary.

The proposed redevelopment of the golf course from the Sixteen Mile Creek valley will also enable this portion of the Lands to be re-naturalized and dedicated to public use, as a condition of approval of the redevelopment proposal. This would provide an opportunity for all members of the community to enjoy these lands and allow the Town to establish an important publicly-accessible connection within the valley on both the North and South sides of our property.

The total of permanent publicly-accessible green space available under ClubLink's proposed redevelopment is 124 acres or 54 per cent of the overall site. The proposal's tree canopy plan achieves 42 per cent, which is above the Town of Oakville's 40 per cent target.

In addition, ClubLink will pay an estimated \$135 million in development charges, far exceeding the amount required for servicing the Glen Abbey site, providing surplus funds to assist the Region of Halton and the Town of Oakville to advance under-funded public infrastructure projects to the benefit of the general public.

The proposed Glen Abbey redevelopment, according to a report by PWC that was commissioned by the Town of Oakville, will deliver up to 6,775 person-years of employment, up to \$428 million in employment income, and up to \$1.2 billion in construction costs.

In its current form, the only people who are able to enjoy the use of the site's valley lands are ClubLink members and others who pay to play golf at Glen Abbey, along with those who participate in the Canadian Open for the one week in those years when the tournament is hosted there. ClubLink's proposal will ensure permanent, public accessibility to the site.

ClubLink's 3 development applications, Official Plan and zoning by-law amendments and the Draft Plan of Subdivision, have been deemed complete on November 10, 2016, the date they were received by the Town. Each of these applications have been appealed to the OMB and a pre-hearing conference is scheduled for April 27, 2018.

On August 21, 2017, Oakville Council endorsed a Notice of Intention to Designate the Glen Abbey property. On December 20, 2017, Oakville Council Designated the Glen Abbey property as a significant cultural heritage landscape under by-law 2017-138.

On September 25, 2017, ClubLink requested the Town to schedule a Ontario Heritage Act section 34 pre-consultation meeting to demolish and remove 16 buildings and the golf course. The Town responded by saying our request was beyond the scope of a section 34 application and made an application to Ontario's Superior Court asking for confirmation of the Town's interpretation. ClubLink filed a section 34 application on November 21, 2017, and also made an application to Ontario's Superior Court asking for confirmation that ClubLink had filed a valid section 34 application. The two Superior Court applications will be heard together on July 16 and 17, 2018. In accordance with the court's scheduling order, Oakville Council reviewed and refused our application on February 12, 2018. The Company's OMB appeal of Council's decision will be held in abeyance until the courts have made a final decision on the court applications.

On January 30, 2018, Oakville Council passed a Town-wide cultural heritage landscape conservation plan by-law and a site specific plan for Glen Abbey. Council also passed conforming amendments to several other by-laws. On February 6, 2018, ClubLink filed an application to Ontario's Superior Court to quash the by-laws approved on January 30, 2018. Civil Practice Court will schedule a hearing date on April 9, 2018.

The development approval process at Glen Abbey may take several years and consequently its business as usual.

US Golf Club Operations

ClubLink is working with a local developer to explore development options at Woodlands Country Club, with the possibility of entering into a joint venture.

Rail and Port Operations

Based on data provided by Cruise Line Agencies of Alaska, the Company is expecting approximately 950,000 cruise ship passengers in 2018, an increase of 104,000 passengers compared to 2017.

TWC Enterprises Limited ("TWC") announced its intention to undertake a strategic review of its investment in White Pass & Yukon Route. The Board of Directors has appointed Brookfield Financial Securities LP as a financial advisor to assist in the process.

TWC does not intend to disclose further developments or updates with respect to this process unless and until its board of directors approves a specific transaction or otherwise concludes the review of strategic opportunities. There can be no assurance that TWC will enter into any transaction at this time or in the future.

Based on data provided by Cruise Line Agencies of Alaska, the Company is expecting approximately 1,035,000 cruise ship passengers in 2019, an increase of 189,000 or 22% over 2017 levels.

Corporate Operations

The Company believes it is well positioned to capitalize on its unique assets and their competitive strengths. The Company anticipates that the current economic environment will offer opportunities to add quality assets. With the strength of the existing brands, experienced management, and a focus on cost control, stable returns are expected. Both business segments are diligently controlling discretionary spending. Currency fluctuations may continue to impact reported results.

ADDITIONAL INFORMATION

Additional information concerning the Company, as well as the Company's Annual Information Form is available on SEDAR (www.sedar.com) and the investor relations section of the Company's website (www.twcenterprises.ca).

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements and management's discussion and analysis of operations contained in this MD&A are the responsibility of the Company's management. To fulfill this responsibility, the Company maintains a system of internal controls to ensure that its reporting practices and accounting and administrative procedures are appropriate and provide assurance that relevant and reliable financial information is produced. The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards and, where appropriate, reflect estimates based on management's best judgment in the circumstances. The financial information presented throughout this MD&A is consistent with the information contained in the consolidated financial statements.

Deloitte LLP, the independent auditor appointed by the shareholders, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. Their independent auditor's report is set out on the following page.

The consolidated financial statements have been further examined by the Board of Directors and by its Audit Committee, which meets regularly with the auditors and management to review the activities of each. The Audit Committee, which is comprised of three independent directors, who are not officers of the Company, reports to the Board of Directors.



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

March 14, 2018



Andrew Tamlin
Chief Financial Officer

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, 2017 and December 31, 2016, 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, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

March 14, 2018
Toronto, Ontario

(thousands of Canadian dollars)	Notes	December 31, 2017	December 31, 2016
ASSETS			
Current			
Cash		\$ 848	\$ 2,382
Accounts receivable	20	6,519	5,547
Mortgages and loans receivable	3, 20	6	6
Inventories and prepaid expenses	4	6,368	4,996
		13,741	12,931
Mortgages and loans receivable	3, 20	1,445	1,451
Other assets	5	19,088	11,822
Property, plant and equipment	6	577,841	602,180
Intangible assets	7	17,939	19,127
Goodwill	8	-	31,605
Total assets		\$ 630,054	\$679,116
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	9	\$ 23,317	\$ 21,655
Borrowings	10	32,362	67,507
Prepaid annual dues and deposits		12,720	18,905
		68,399	108,067
Borrowings	10	268,474	249,704
Deferred membership fees	11	14,550	18,329
Deferred income tax liabilities	12	46,643	65,257
Total liabilities		398,066	441,357
Share capital	13	111,987	111,987
Retained earnings		96,631	96,775
Accumulated other comprehensive income		23,370	28,997
Total shareholders' equity		231,988	237,759
Total liabilities and shareholders' equity		\$ 630,054	\$679,116

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, 2017 and 2016

(thousands of Canadian dollars, except per share amounts)	Notes	2017	2016
REVENUE			
Operating revenue		\$ 219,230	\$217,835
Amortization of membership fees	11	7,987	11,210
		227,217	229,045
EXPENSES			
Cost of sales		23,824	23,778
Labour and employee benefits		82,306	82,056
Utilities		9,083	9,464
Selling, general and administrative expenses		7,046	6,601
Property taxes		4,522	4,898
Repairs and maintenance		4,766	4,780
Insurance		4,261	4,569
Fertilizers and pest control products		2,640	2,901
Fuel and oil		2,507	2,174
Impairment	8	31,605	-
Other expenses		18,153	18,546
Net gain on property, plant and equipment due to one-time events	6	(102)	-
Depreciation of property, plant and equipment	6	24,836	25,214
Amortization of intangible assets	7	1,196	1,200
Land lease rent		5,170	5,303
Interest, net	14	16,682	18,151
		238,495	209,635
Earnings (loss) before income taxes		(11,278)	19,410
Provision for (recovery of) income taxes	12		
Current		2,438	(112)
Deferred		(15,760)	2,964
		(13,322)	2,852
Net earnings		2,044	16,558
Unrealized foreign currency translation loss		(5,627)	(2,348)
Total comprehensive earnings (loss)		\$ (3,583)	\$ 14,210
Weighted average shares outstanding	13	27,346,000	27,345,000
Earnings per share basic and diluted	13	\$ 0.07	\$ 0.61

See Accompanying Notes

TWC Enterprises Limited
Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2017 and 2016

(thousands of Canadian dollars, except common shares)	Notes	Common Shares	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, January 1, 2016		27,135,545	\$ 109,953	\$ 83,892	\$ 31,345	\$ 225,190
Activity during 2016						
Comprehensive earnings (loss)		-	-	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
Activity during 2017						
Comprehensive earnings (loss)		-	-	2,044	(5,627)	(3,583)
Cash dividend	13B	-	-	(2,188)	-	(2,188)
Balance, December 31, 2017		27,345,540	\$ 111,987	\$ 96,631	\$ 23,370	\$ 231,988

See Accompanying Notes

TWC Enterprises Limited
Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(thousands of Canadian dollars)	Notes	2017	2016
OPERATING ACTIVITIES			
Net earnings		\$ 2,044	\$ 16,558
Items not affecting cash:			
Amortization of membership fees	11	(7,987)	(11,210)
Depreciation of property, plant and equipment	6	24,836	25,214
Amortization of intangible assets	7	1,196	1,200
Land lease rent expense		5,170	5,303
Interest, net	14	16,682	18,151
Impairment	8	31,605	-
Net gain on property, plant and equipment due to one-time events	6	(102)	-
Income tax expense	12	(13,322)	2,852
Collection of membership fee instalments	11	4,254	5,094
Land lease rent paid		(5,311)	(5,269)
Interest paid		(16,281)	(17,947)
Income taxes paid		(2,341)	(2,158)
Accounts receivable		(337)	6,006
Inventories and prepaid expenses		(1,372)	1,490
Accounts payable and accrued liabilities		1,246	(3,137)
Prepaid annual dues and deposits		(6,185)	(5,235)
Cash provided by operating activities		33,795	36,912
INVESTING ACTIVITIES			
Operating property, plant and equipment expenditures	6	(12,730)	(9,932)
Expansion property, plant and equipment expenditures	6	(5,064)	(9,768)
Intangible asset acquisition	7	(100)	-
Proceeds on sale of property, plant and equipment	6	5,074	-
Other long-term assets		(7,761)	(248)
Cash used in investing activities		(20,581)	(19,948)
FINANCING ACTIVITIES			
Deferred financing costs		(176)	(176)
Revolving borrowings		8,753	(6,331)
Non-revolving borrowings - amortization payments		(18,546)	(20,388)
Finance lease obligations - advances		-	676
Finance lease obligations - repayments		(1,751)	(2,539)
Mortgages and loans receivable		6	13,754
Dividends paid	13	(2,188)	(1,641)
Cash used in financing activities		(13,902)	(16,645)
Net effect of currency translation adjustment on cash		(846)	(188)
Net increase (decrease) in cash during the year		(1,534)	131
Cash, beginning of year		2,382	2,251
Cash, end of year		\$ 848	\$ 2,382

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 March 14, 2018.

(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, 2017 and 2016

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.

During the year ended December 31, 2017, as part of the Company's annual impairment testing, using management's best estimate and assumptions, the Company concluded that there was an impairment in the carrying value of goodwill, resulting in a write-off of the full carrying value. See Note 8.

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, 2017 and 2016

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, 2017 and 2016

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)

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 \$945,000 (2016 – \$863,000) 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.

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, 2017 and 2016

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

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. After an evaluation of the standard, the Company is still considering the impact on its membership fee accounting model. Commissions on green fees booked through an agent will be presented as an expense, rather than net against operating revenue. A revenue note will be added to the 2018 consolidated financial statements, and disclosures will be supplemented to allow the users of the consolidated financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Any practical expedients utilized will also be disclosed.

For the years ended December 31, 2017 and 2016

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 does not expect any changes to its consolidated financial statements and will incorporate any enhanced disclosures.

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 and expects to have material changes to its financial statement due to the presence of significant land and tidelands leases.

3. MORTGAGES AND LOANS RECEIVABLE

Mortgages and loans receivable consist of the following:

(thousands of Canadian dollars)	2017	2016
Officer loan	\$ 1,258	\$ 1,258
Vendor take-back mortgages	193	199
	1,451	1,457
Less: current portion	6	6
	\$ 1,445	\$ 1,451

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 (2016 – 2.70%), matures December 31, 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 \$2,049,000 at December 31, 2017 (2016 – \$1,791,000).

The vendor take-back mortgages mature in November 2020 and have an average fixed interest rate of 8.44% (2016 – 8.44%).

For the years ended December 31, 2017 and 2016

4. INVENTORIES AND PREPAID EXPENSES

Inventories and prepaid expenses consist of the following:

(thousands of Canadian dollars)	2017	2016
Golf merchandise and supplies	\$ 2,184	\$ 2,129
Golf food and beverage	1,116	1,104
Rail gift shop	579	495
Deposits for 2018 capital	1,340	-
Other	1,149	1,268
	\$ 6,368	\$ 4,996

5. OTHER ASSETS

Other assets consist of the following:

(thousands of Canadian dollars)	2017	2016
Investment in joint venture	\$ 11,955	\$ 5,847
Rail inventory and supplies	6,262	4,846
Other	871	1,129
	\$ 19,088	\$ 11,822

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)	2017	2016
Current assets	\$ 1,262	\$ 351
Development costs	19,143	5,647
Land	7,500	7,500
Liabilities and deferred profit	(3,995)	(1,804)
Net assets of Highland Gate joint venture at 100%	\$ 23,910	\$ 11,694
Net assets of Highland Gate joint venture at Company's share (50%)	\$ 11,955	\$ 5,847

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, 2017 and 2016

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, 2016	\$ 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
Additions	1,967	4,955	806	1,529	8,537	17,794
Disposals	(1,887)	(3,762)	-	(130)	(7,790)	(13,569)
Foreign exchange difference	(2,106)	(4,026)	(5,637)	(753)	(6,155)	(18,677)
At December 31, 2017	\$ 309,316	\$ 210,978	\$ 80,359	\$ 108,126	\$ 168,197	\$ 876,976
Accumulated Depreciation						
At January 1, 2016	\$ -	\$ 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
Depreciation	-	6,425	4,452	5,383	8,576	24,836
Disposals	-	(2,135)	-	(112)	(6,350)	(8,597)
Foreign exchange difference	-	(1,169)	(2,215)	(260)	(2,708)	(6,352)
At December 31, 2017	\$ -	\$ 87,459	\$ 33,702	\$ 73,679	\$ 104,295	\$ 299,135
Net book value at December 31, 2016	\$ 311,342	\$ 129,473	\$ 53,725	\$ 38,812	\$ 68,828	\$ 602,180
Net book value at December 31, 2017	\$ 309,316	\$ 123,519	\$ 46,657	\$ 34,447	\$ 63,902	\$ 577,841

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

As at December 31, 2017, ClubLink had equipment under finance lease with a net book value of \$3,555,000 (2016 - \$6,690,000).

On January 25, 2017, ClubLink sold the property that was formerly known as Grandview Resort in Huntsville, Ontario for net proceeds of \$5,074,000. A gain of \$2,121,000 was recognized on this sale.

On July 6, 2017, an engine fire damaged a White Pass locomotive. An insurance claim has been opened and management has contracted a third party to repair the locomotive in the amount of US\$1,000,000. Business interruption proceeds in the amount of US\$110,000 have been recorded as operating revenue. An impairment of US\$940,000 has been recorded in relation to this locomotive.

On September 5, 2017, the Company sustained permanent damage to a rockfall netting providing cover for the Railroad Dock at White Pass. Business interruption proceeds in the amount of US\$571,000 have been recorded as operating revenue. The estimated cost to replace the netting is US\$1,000,000 which will be partially covered by insurance.

On September 19, 2017, the cart storage facility at The Club at Bond Head sustained a total loss due to fire, including all golf carts in this facility. During 2017, the Company has recorded \$900,000 insurance proceeds as part of other expenses.

On October 13, 2017, the Company sustained a significant fire event which impacted the clubhouse at Le Maître de Mont-Tremblant. The Company has opened an insurance claim for the event. A loss in the amount of \$819,000 has been recorded due to this event and expected reimbursable expenses in the amount of \$222,000 have been recorded in accounts receivable.

For the years ended December 31, 2017 and 2016

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Net gain on property, plant and equipment due to one-time events consists of the following for 2017:

(thousands of dollars)	Total
Gain on sale of Grandview Resort	\$ (2,121)
Loss at Le Maître de Mont-Tremblant due to fire	819
Impairment on locomotive due to engine fire (USD)	940
Exchange on locomotive impairment	260
	\$ (102)

7. INTANGIBLE ASSETS

Intangible assets consist of the following:

(thousands of Canadian dollars)	Membership Base	Brand	Other	Total
Cost				
At January 1, 2016	\$ 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
Additions	-	-	100	100
Foreign exchange difference	(137)	-	(13)	(150)
At December 31, 2017	\$ 12,316	\$ 13,477	\$ 2,430	\$ 28,223
Accumulated Amortization				
At January 1, 2016	\$ 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
Amortization	572	470	154	1,196
Foreign exchange difference	(45)	-	(13)	(58)
At December 31, 2017	\$ 4,265	\$ 4,138	\$ 1,881	\$ 10,284
Net book value at December 31, 2016	\$ 8,715	\$ 9,809	\$ 603	\$ 19,127
Net book value at December 31, 2017	\$ 8,051	\$ 9,339	\$ 549	\$ 17,939

8. GOODWILL AND IMPAIRMENT

Goodwill consists of the following:

(thousands of Canadian dollars)	Total
At January 1, 2016	\$ 31,605
Additions	-
At December 31, 2016	31,605
Impairment	(31,605)
At December 31, 2017	\$ -

For the years ended December 31, 2017 and 2016

8. GOODWILL AND IMPAIRMENT (continued)

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.

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 2017 and 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, the Company performed impairment testing on goodwill and identified no impairment. As at December 31, 2017, the Company performed impairment testing and identified that an impairment existed. The entire amount of goodwill has been expensed. The main reason for the impairment is the trend of decreased collection of membership fees and the expected challenges in the future to reverse this trend.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

(thousands of Canadian dollars)	2017	2016
Trade payables	\$ 4,931	\$ 5,565
Accrued payroll costs	4,236	4,171
Accrued land lease rent	5,225	5,366
Accrued interest	1,203	1,243
Income taxes payable	1,757	872
Accrued liabilities and other	5,965	4,438
	\$ 23,317	\$ 21,655

For the years ended December 31, 2017 and 2016

10. BORROWINGS

Borrowings consist of the following:

(thousands of Canadian dollars)	2017	2016
Revolving:		
Secured revolving operating line of credit to a maximum of US \$10,000,000 due December 31, 2019 (US \$10,000,000; 2016 nil) (a)	\$ 12,545	\$ -
Secured revolving operating line of credit to a maximum of \$70,000,000 due June 30, 2019 (b)	63,667	58,561
Secured revolving operating line of credit to a maximum of US \$25,640,000 due December 16, 2018 (US \$19,796,000; 2016 - US \$359,000) (c)	24,834	482
Unsecured revolving operating line of credit from a related party to a maximum of \$50,000,000 due on demand (Note 16)	11,767	47,084
	112,813	106,127
Non-revolving:		
Mortgages with blended monthly payments of principal and interest		
8.345% Mortgages due July 1, 2022	10,558	12,375
7.550% Mortgage due July 1, 2022	1,268	1,491
7.416% Mortgages due September 1, 2023	17,045	19,337
7.268% Mortgage due July 1, 2024	7,436	8,287
8.060% Mortgage due July 1, 2024	39,982	44,521
6.194% Mortgage due March 1, 2026	36,591	39,889
6.315% Mortgage due December 1, 2027	33,275	35,590
8.000% Mortgage due October 1, 2029 (US \$12,472,000; 2016 - US \$13,081,000)	15,646	17,564
	161,801	179,054
Term Loan:		
Term loan due September 1, 2020 (US \$20,278,000; 2016 - US \$22,138,000) (d)	25,439	29,725
Finance Lease Obligations:		
Canadian denominated	1,684	2,700
US denominated (US \$124,000; 2016 - US \$689,000)	156	925
	1,840	3,625
Gross borrowings	301,893	318,531
Less: deferred financing costs	1,057	1,320
Borrowings	300,836	317,211
Less: current portion	32,362	67,507
	\$268,474	\$ 249,704

Note a: As at December 31, 2017, there is no availability (2016 – US \$10,000,000) 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 LIBOR plus 175 basis points or 3.11% (2016 – 2.28%).

Note b: As at December 31, 2017, there are \$1,018,000 (2016 – \$1,018,000) in letters of credit issued, representing unavailable funds reserved for government withdrawals, and there is availability of \$5,315,000 (2016 – \$9,821,000) 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 3.12% (2016 – 2.65%).

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 3.12% (2016 – 2.49%).

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 4.38% (2016 – 3.64%). It is repayable by fixed monthly principal payments in the amount of US\$155,000 plus interest.

For the years ended December 31, 2017 and 2016

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	Amortization Payments	Non-revolving Maturities	Finance Lease Obligations	Total Borrowings
2018	\$ 11,767	\$ 19,621	\$ -	\$ 974	\$ 32,362
2019	101,046	20,897	-	528	122,471
2020	-	21,493	19,217	223	40,933
2021	-	21,412	-	115	21,527
2022	-	21,685	-	-	21,685
2023 and thereafter	-	62,915	-	-	62,915
	\$ 112,813	\$ 168,023	\$ 19,217	\$ 1,840	\$ 301,893

Future minimum finance lease obligation payments are as follows:

(thousands of Canadian dollars)	Maturities	Amortization Payments	Finance Lease Obligations	Interest	Total Minimum Lease Payments
2018	\$ 1	\$ 973	\$ 974	\$ 53	\$ 1,027
2019	-	528	528	26	554
2020	1	222	223	10	233
2021	-	115	115	3	118
	\$ 2	\$ 1,838	\$ 1,840	\$ 92	\$ 1,932

The above finance lease obligations have a weighted average interest rate of 3.86% (2016 – 3.75%).

For the years ended December 31, 2017 and 2016

11. DEFERRED MEMBERSHIP FEES

Deferred membership fees consist of the following:

(thousands of Canadian dollars)	2017	2016
Unamortized membership fees (note 11A)	\$ 34,477	\$ 40,485
Future membership fee instalments (note 11B)	(19,927)	(22,156)
Deferred membership fees	\$ 14,550	\$ 18,329

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)	2017	2016
Balance, beginning of year	\$ 45,311	\$ 52,031
Sales to new members	5,180	7,078
Transfer and reinstatement fees	1,152	1,500
Resignations and terminations	(4,156)	(4,053)
Amortization of membership fees to revenue	(7,987)	(11,210)
Exchange difference	(99)	(35)
Balance, end of year	39,401	45,311
Allowance for future resignations and terminations	(4,924)	(4,826)
Unamortized membership fees	\$ 34,477	\$ 40,485

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

(thousands of Canadian dollars)	2017	2016
Balance, beginning of year	\$ 26,982	\$ 27,574
Sales to new members	5,180	7,078
Transfer and reinstatement fees	1,152	1,500
Resignations and terminations	(4,156)	(4,053)
Instalments received in cash	(4,254)	(5,094)
Exchange difference	(53)	(23)
Balance, end of year	24,851	26,982
Allowance for future resignations and terminations	(4,924)	(4,826)
Future membership fee instalments	\$ 19,927	\$ 22,156

For the years ended December 31, 2017 and 2016

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, 2017, 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, 2017			\$ 14,550
2018	\$ 2,639	\$ 6,326	10,863
2019	2,352	5,077	8,138
2020	2,071	4,203	6,006
2021	1,783	3,417	4,372
2022	1,559	2,316	3,615
2023 and thereafter	9,523	13,138	-
	\$ 19,927	\$ 34,477	

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) 2017	Amortization Period (yrs) 2016	Amortization of Membership Fees (\$000) 2017	Amortization of Membership Fees (\$000) 2016
1994-2002	Cash	Cash	\$ 231	\$ 303
2003	Cash	1	34	1,267
2004	1	2	1,207	1,177
2005	Cash	1	108	2,130
2006	3	4	871	866
2007	2	3	1,508	1,506
2008	4	5	748	745
2009	5	6	646	654
2010	5	6	474	482
2011	8	9	410	422
2012	10	11	215	226
2013	10	11	232	256
2014	11	12	272	293
2015	12	13	220	268
2016	13	14	272	341
2017	14	-	240	-
Canadian subtotals			7,688	10,936
US revenue			299	274
Totals			\$ 7,987	\$ 11,210

For the years ended December 31, 2017 and 2016

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)	2017	2016
Earnings (loss) before income taxes	\$ (11,278)	\$ 19,410
Expected corporate tax rate	26.50%	26.50%
Calculated income tax provision (recovery)	(2,989)	5,144
Difference in statutory tax rates	1,096	1,005
Capital items	415	126
Foreign currency translation of temporary differences	(134)	(230)
Intercompany financing	(1,495)	(1,612)
Changes in tax rates	(17,662)	-
Permanent differences	6,957	126
Adjustment to prior year amounts	77	(1,554)
Other	413	(153)
	\$ (13,322)	\$ 2,852

The tax rate used for the 2017 and 2016 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, 2016	\$ 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
Recognized in earnings	(14,866)	(894)	(15,760)
Recognized in equity through comprehensive earnings	(2,756)	(98)	(2,854)
As at December 31, 2017	\$ 46,331	\$ 312	\$ 46,643

For the year ended December 31, 2017, there were unused tax losses of US\$7,920,000 (2016 - US\$9,350,000) on which no deferred tax assets have been recognized. The unrecognized tax losses will expire from 2022 to 2033. There are no unused tax losses on which the deferred tax assets have been recognized as at December 31, 2017 (2016 - US\$6,529,000).

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, 2017 and 2016, there are 27,345,540 common shares outstanding. As at December 31, 2017, no preferred shares have been issued. Please refer to the consolidated statements of changes in shareholders' equity for details.

(B) 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.

During 2017, ClubLink declared and issued four quarterly cash dividends of 2 cents per common share for a total of 8 cents per common share or \$2,188,000 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 1,367,000 of its common shares which expired on September 19, 2017. The Company did not make any purchases under this 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, 2018. No shares were repurchased for cancellation under the normal course issuer bid.

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

Diluted earnings per share is the same as basic earnings per share.

For the years ended December 31, 2017 and 2016

14. INTEREST, NET

Interest expense consists of the following:

(thousands of Canadian dollars)	2017	2016
Revolving lines of credit	\$ 2,530	\$ 3,402
Non-revolving mortgages	12,303	13,441
Term loan	1,136	987
Finance lease obligations	104	153
Line of credit from related party	400	123
Amortization of deferred financing costs	437	423
Other	24	-
Gross interest expense	16,934	18,529
Interest revenue	(252)	(378)
Interest, net	\$ 16,682	\$ 18,151

15. EMPLOYEE BENEFIT PLANS

The rail and port operations are required to participate in a benefit plan sponsored by the Railroad Retirement Board for employees in the US. The Company contributed 20.75% (2016 – 20.75%) of eligible compensation for the year ended December 31, 2017. The amounts contributed to the plan by the Company for the years ended December 31, 2017 and 2016, totaled US\$1,412,000 and US\$1,308,000, respectively.

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 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, 2017 and 2016, totaled US\$1,193,000 and US\$1,049,000, 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. This facility bears interest at TWC's short-term borrowing rate plus 10 basis points. 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 bears interest at Morguard's short-term borrowing rate plus 10 basis points. As at December 31, 2016, the total loan payable outstanding on this facility was \$47,084,000. Net interest incurred for the year ended December 31, 2016 amounted to \$123,000. As at December 31, 2017, the total loan payable outstanding on this facility was \$11,767,000, and net interest incurred amounted to \$400,000. Net interest payable at December 31, 2017 was \$28,000 (December 31, 2016 - \$145,000).

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, 2017 and 2016, 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, 2017 and 2016, 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, 2017 (December 31, 2016 - \$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 US\$460,000 (CDN\$598,000) for the year ended December 31, 2017 (December 31, 2016 - US\$652,000; CDN\$866,000) under a contractual agreement, which is included in operating expenses.

During 2017, the Company earned \$548,000 (2016 - \$479,000) 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, 2017 (December 31, 2016 - 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)	2017	2016
Salaries, incentives and short-term benefits ⁽¹⁾	\$ 1,522	\$ 1,514
Termination benefits	-	-
Share-based payments	-	-
	\$ 1,522	\$ 1,514

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

For the years ended December 31, 2017 and 2016

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, 2017, Carnival Cruises and its subsidiaries, Princess Cruises and Holland America Cruises, made up approximately 54.1% of White Pass port passengers (2016 – 53.2%). 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, 2017

(thousands of Canadian dollars)	Canadian Golf Club Operations	US Golf Club Operations	Rail and Port Operations	Corporate Operations	Total
Operating revenue	\$ 140,518	\$ 23,037	\$ 55,675	\$ -	\$ 219,230
Direct operating expenses	(108,456)	(22,099)	(25,207)	(2,940)	(158,702)
Net operating income (loss)	32,062	938	30,468	(2,940)	60,528
Amortization of membership fees	7,688	299	-	-	7,987
Depreciation and amortization	(14,180)	(2,556)	(9,296)	-	(26,032)
Land lease rent	(4,848)	-	(322)	-	(5,170)
Impairment	(31,605)	-	-	-	(31,605)
Other expenses, net	2,266	(17)	(2,087)	(466)	(304)
Segment earnings (loss) before interest and income taxes	\$ (8,617)	\$ (1,336)	\$ 18,763	\$ (3,406)	5,404
Interest, net (unallocated)					(16,682)
Provision for income taxes (unallocated)					13,322
Net earnings					\$ 2,044
Capital expenditures	\$ 8,702	\$ 1,349	\$ 7,743	\$ -	\$ 17,794

For the years ended December 31, 2017 and 2016

17. SEGMENTED INFORMATION (continued)

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

As at December 31, 2016, the Company performed impairment testing on goodwill and identified no impairment. As at December 31, 2017, the Company performed impairment testing and identified that an impairment existed for the entire amount of goodwill. Please see note 8 for further details.

December 31, 2017					
(thousands of Canadian dollars)	Canadian Golf Club Operations	US Golf Club Operations	Rail and Port Operations	Corporate Operations	Total
Segment assets	\$ 442,660	\$ 35,865	\$ 150,953	\$ 576	\$630,054
Segment liabilities	\$ 213,638	\$ 22,375	\$ 52,277	\$ 109,776	\$398,066

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

For the years ended December 31, 2017 and 2016

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:

- The Country Club: December 31, 2022 (formerly December 31, 2026)
- National Pines Golf Club: November 15, 2024
- Greenhills Golf Club: February 28, 2026
- The Club at Bond Head: December 31, 2029

In December 2017, the landlord of the Country Club provided the Company with a five year notice - as provided in the lease document. The lease now expires on December 31, 2022, rather than the original expiration of December 31, 2026.

TWC has three 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
2018	\$ 5,060	\$ 271	\$ 5,331
2019	5,467	271	5,738
2020	5,578	271	5,849
2021	5,691	271	5,962
2022	5,808	271	6,079
2023 and thereafter	10,532	3,189	13,721
	\$ 38,136	\$ 4,544	\$ 42,680

During 2017, the Company paid \$11,000 (2016 - \$64,000) 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 2017 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 2017 and 2016.

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, 2017 and 2016

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, 2017 and December 31, 2016, are as follows:

(thousands of Canadian dollars)	2017	2016
Gross borrowings	\$ 301,893	\$ 318,531
Cash	(848)	(2,382)
Net borrowings (A)	\$ 301,045	\$ 316,149
Share capital	\$ 111,987	\$ 111,987
Retained earnings	96,631	96,775
Accumulated other comprehensive gain	23,370	28,997
Deferred membership fees	14,550	18,329
Less: tax provision at statutory income tax rates	(3,856)	(4,857)
Adjusted equity (B)	\$ 242,682	\$ 251,231
Net borrowings-to-adjusted equity ratio (A/B)	1.24	1.26

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)	2017	2016
Loans and receivables ⁽¹⁾	\$ 8,818	\$ 9,386
Other financial liabilities ⁽²⁾	324,154	338,866

(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, 2017 and 2016

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, 2017, 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 \$2,774,000 (2016 - \$998,000).

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

For the years ended December 31, 2017 and 2016

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate risk

The following debt instruments have variable interest rates:

(thousands of Canadian dollars)	2017	2016
Revolving line of credit - US golf (December 31, 2017 - LIBOR plus 175 basis points or 3.11% December 31, 2016 - LIBOR plus 175 basis points or 2.28%)	\$ 12,545	\$ -
Revolving line of credit - corporate (December 31, 2017 - BA's plus 160 basis points or 3.12%; prime plus 47.5 basis points or 3.68%) December 31, 2016 - BA's plus 160 basis points or 2.65%; prime plus 47.5 basis points or 3.18%)	63,667	58,561
Revolving line of credit - rail (December 31, 2017 - LIBOR plus 187.5 basis points or 3.12% December 31, 2016 - LIBOR plus 187.5 basis points or 2.49%)	24,834	482
Operating line of credit from related party (cost of funds plus 10 basis points)	11,767	47,084
Term loan (December 31, 2017 - LIBOR plus 300 basis points or 4.38% December 31, 2016 - LIBOR plus 300 basis points or 3.64%)	25,439	29,725
	\$ 138,252	\$ 135,852

For the year ended December 31, 2017, an increase (decrease) of 100 basis points of each the Canadian and US variable interest rate borrowings would have increased (decreased) interest expense by \$1,374,000 (2016 - \$1,328,000).

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, 2017 and 2016

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)	2017	2016
Balance, beginning of year	\$ 361	\$ 505
Increase in allowance through bad debt expense	39	-
Bad debt write-offs	(95)	(144)
Balance, end of year	\$ 305	\$ 361

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)	2017	2016
Accounts receivable		
Current - including accruals	\$ 5,978	\$ 5,024
Past due for more than one day but not more than 60 days	313	281
Past due for more than 60 days	533	603
Less: allowance for doubtful accounts	(305)	(361)
Subtotal	6,519	5,547
Mortgages and loans receivable		
Current	1,451	1,457
Past due	-	-
Less: allowance for doubtful accounts	-	-
Subtotal	1,451	1,457
Total loans and receivables	\$ 7,970	\$ 7,004

For the years ended December 31, 2017 and 2016

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, 2017, based on contractual undiscounted payments are as follows:

(thousands of Canadian dollars)	2018	2019	2020	2021	2022	2023 and beyond	Total
Accounts payable and accrued liabilities	\$ 23,317	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,317
Revolving lines of credit	11,767	101,046	-	-	-	-	112,813
Non-revolving mortgages - principal	17,288	18,564	19,937	21,412	21,685	62,915	161,801
Non revolving mortgages - interest	11,007	9,704	8,304	6,800	5,200	9,253	50,268
Term loan - principal	2,333	2,333	20,773	-	-	-	25,439
Term loan - interest	1,063	961	508	-	-	-	2,532
Finance lease obligations - principal	974	528	223	115	-	-	1,840
Finance lease obligations - interest	53	26	10	3	-	-	92
	\$ 67,802	\$ 133,162	\$ 49,755	\$ 28,330	\$ 26,885	\$ 72,168	\$ 378,102

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
	\$ 102,610	\$ 91,960	\$ 32,318	\$ 51,305	\$ 28,474	\$ 100,183	\$ 406,850

For the years ended December 31, 2017 and 2016

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. To date, there have been no decisions or conclusions about potential remediation or responsibility.

The Company has offered US\$2,750,000 to assist with the Skagway harbour remediation in conjunction with the renewal of the tidelands lease described above that currently expires in March 2023, but has not accepted any liability with this issue.

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. SUBSEQUENT EVENT

On February 23, 2018, the Company declared a 2 cents per common share cash dividend, payable March 29, 2018 to shareholders of record on March 15, 2018.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

PATRICK S. BRIGHAM (b, c)

PAUL CAMPBELL (b, c)

DAVID A. KING (a)

JOHN LOKKER (a)

SAMUEL J.B. POLLOCK (a, b)

K. (RAI) SAHI

DONALD TURPLE (a, c)

JACK D. WINBERG (b, c)

(a) Audit Committee

(b) Corporate Governance and Compensation Committee

(c) Environmental, Health and Safety Committee

OFFICERS

TWC ENTERPRISES LIMITED

K. (RAI) SAHI

Chairman, President and Chief Executive Officer

ANDREW TAMLIN

Chief Financial Officer

ROBERT VISENTIN

Senior Vice President, Investments

ROBERT WRIGHT

Vice President

JOHN A. FINLAYSON

Chief Operations Officer, Canadian Golf Operations

Vice President, Florida Golf Operations

President, White Pass and Yukon Route

JAMIE KING

Vice President, Sales, Canadian Golf Operations

BRENT MILLER

Vice President, Corporate Operations and Member Services,
Canadian Golf Operations

ANNUAL MEETING OF SHAREHOLDERS

of TWC Enterprises Limited will be held at RattleSnake Point
5407 Regional Road 25 Milton, ON L9T 2X5
at 11:30 a.m. on Wednesday, May 9, 2018.

CORPORATE INFORMATION

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HSBC Bank Canada

HSBC Bank USA

Wells Fargo Bank Alaska

AUDITORS

Deloitte LLP

STOCK EXCHANGE LISTING

Common shares: TSX: TWC

TRANSFER AGENT

CST Trust Company

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Tel: 416-682-3860

Toll Free (North America): 1-866-781-3111

Fax: 1-888-249-6189

Email: inquiries@canstockta.com

To change your address, eliminate multiple mailings,
transfer shares or for any other inquiry, please contact
CST Trust Company at the above co-ordinates.

TWC ENTERPRISES LIMITED



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